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THE ECONOMIC ACCOUNT OF THE AUDIOVISUAL SECTOR IN FRANCE

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The audiovisual sector is a small sector : in 1995, its value added reached about FF 30 billion, i.e. about 2 % of the value added of all market services. Also, it is an intricate sector, made up of several professional activities linked together by multiple relations (see diagram). Lastly, the economic knowledge of this domain is far from being steady, as the numerous statistics concerning the audiovisual sector are more often than not, incomplete or unappropriate.

The economic account of the audiovisual sector has been designed in order to provide a full and coherent description of the sector, and of the relations between the sector and its environment. Therefore, the first objective of this account is to measure and follow up the evolution of all monetary flows circulating between the components of the sector, and between the sector and its economic environment.

Similar methods to the ones used by national accountants have been "applied" to the eight components of the audiovisual sector (see below the list of activities) in order to set up eight elementary accounts.

Such an approach is essential : it is impossible to understand the economy of this sector without a measure of each of its elementary activities. At least, it is necessary to distinguish the production activity which elaborates programmes films and TV programmes and which sells the corresponding rights, from the purchasing activity which buys the rights to make use of these

³ The economic account of the audiovisual sector is established by the Service juridique et technique de l'information et de la communication (SJTl) and the Centre national du Cinéma (CNC), in collaboration with the INSEE and the Institut national de l'audiovisuel (INA).

programmes (or buys the programmes themselves) and disseminates them (TV-channels, cinema exhibitors, video publishers). The first activity is the "creative" component of the audiovisual sector ; the second one only assembles the programmes, but concentrates the financial power - about 50 % of the value added of the audiovisual sector is generated by TV-channels, a sub-sector dominated by a few large enterprises.

For example, some results provided by this account are :

- the measurement of the economic weight of each audiovisual activity, with the feasibility of relative comparisons among them, and between them and other economic branches ;
- the computation of economic and financial indicators and ratios ;
- the measurement of links between activities and therefore, of the extend of dependency which exists between them ;
- the measurement of the financing of each activity - which activity finances which ?
- the description of the market of rights on films and TV-programmes, and thus the measurement of the dependency on foreign audiovisual products.

While setting up the elementary accounts, some difficulties arose when applying the usual methods of national accounting to these activities, especially to the production activity. The 1993

Scope of the account

The domain under review is designed on the basis of the four traditional channels : cinema, TV, video and production on order, that is to say roughly the NACE activities 92.1 and 92.2, except radio services⁵.

In line with the main objective of the account, the audiovisual sector has been broken down into eight "activities", each of them being described in an elementary economic account⁶ :

- movie producers,
- TV programmes producers,
- producers on order⁷,
- supporting activities,
- distributors,
- film exhibitors,
- TV broadcasters,
- video publishers.

These eight activities are aggregated in the account of the audiovisual sector. The rest of the economy consists of non-audiovisual enterprises, the financial sector, the Public Government Sector, households and the rest of the world.

Scope of the described financial flows : branch or sector ?

The accounts of the whole sector describe the audiovisual operations of all enterprises, the main activity of which is audiovisual. The audiovisual activities which are performed outside the sector are not taken into account : they are certainly numerous but, almost completely, outside the market. The non-audiovisual activities of the enterprises belonging to the sector are not taken into

⁵ Some auxiliary activities, such as arts activities, advertising and video sell-through, are not part of the audiovisual sector.

⁶ More precisely, two accounts are set up for each audiovisual agent :
• an account of current operations dealing with production, operating and distribution flows, the balance of which is the "gross accounting result" ;
• and an account of capital operations which describes roughly how investments are financed, the balance of which is the "debt change" ; this account is still rather incomplete.

⁷ Commercials and films ordered by enterprises and institutions.

account ever : according to the last Enterprise Annual Survey, these activities account for only 2,7 % of total turnover. This account is close to a sectoral account.

On the other hand, the accounts of detailed activities are clearly branch accounts. For example, the account of movie producers includes the totality of movie production whether it originates from enterprises the main activity of which is cinema, or from other audiovisual agents. The exception is the account of TV-broadcasters which is a sectoral account because it takes into consideration all the transactions of this agent.

Lastly, it has to be mentioned that all results are given at current prices ; no price/volume breakdown is possible at the moment for lack of a method to observe the prices of the services and especially the prices of works of art.

The account of the whole sector and some key results

The account of each activity listed above covers, in a consistent manner, all the monetary flows between it and the other audiovisual activities, the other enterprises, the households, the rest of the world and so on.

The account of the whole sector which is shown below, is nothing but the addition of the eight elementary activity accounts.

Some key results are presented below :

- total production, resulting from the addition of branch productions reaches FF 74.5 billion in 1995. Such a total can be considered roughly, as the total turnover of the enterprises of the sector, including capitalized production ;
- "intra-consumptions" within the audiovisual sector amount to FF 23 billion, that is to say almost 30 % of total production ;
- production activities in a broad sense, meaning producers and supporting activities, represent 34 % of total production, but 45 % of gross value added ;
- net accounting result is negative for a majority of elementary activities ; it is significantly negative for production activities.

Final production

Total production is not the production really delivered by the audiovisual sector, as it includes a number of double counts. As a matter of fact, the following elements have been summed up together in total production :

- the final sales outside the sector, corresponding to box office receipts, receipts of channels, sales of video tapes and of films on order, exports, all of these amounting to FF 51.3 billion in 1995 ;
- the production of some services purchased by others, within the audiovisual sector itself, e.g. the distribution of films and of TV-programmes by producers and distributors to channels, the rental of films by exhibitors to distributors, and so on ; these internal flows are intra-consumptions within the audiovisual sector ; the total amounts to FF 23 billion (see before), i.e. one third of total production.

The production delivered by the sector, called here Final Audiovisual Production (FAP) is thus equal to :

- the total final sales outside the sector, amounting to FF 51.3 billion in 1995 ;
- or the difference between total production and intra-consumptions, that is to say FF 74.5 billion - FF 23.2 billion = FF 51.3 billion ;
- or again the sum of final production of the eight activities, each of these final productions being equal to total production minus intraconsumptions of the activity.

FAP can be aggregated : it is a relevant indicator of the contribution of each activity to the total audiovisual production. The share of "production" activities (producers and supporting activities) represents 41 % of the FAP of the whole sector. On the other hand, the relative weight of dissemination activities (e.g. distributors, exhibitors, TV-channels and video publishers) falls from 67 % to 59 %, when considering the FAP indicator instead of total production.

Table I - Key results by activity (FF Millions and %)

	supporting industries	cinema producers	TV program producers	commercls producers	distributors	cinema exhibitors	video	TV broadcast	Audiovisual sector
1-Total production	6 854	5 654	9 605	2 906	5 258	4 767	3 858	35 606	74 508
%	9	8	13	4	7	6	5	48	100
2- Final production (FAP)	6 511	4 915	7 476	2 250	3 647	2 896	2 416	21 240	51 353
%	13	10	15	4	7	6	5	41	100
3- Net final production	6 259	2 646	3 638	2 118	3 502	2 402	2 381	19 721	42 667
%	15	6	9	5	8	6	6	46	100
4-Gross value added	3 371	3 373	4 925	1 255	1 281	1 946	1 824	10 707	28 682
%	12	12	17	4	4	7	6	37	100

5-Net VA	3 119	1 104	1 087	1 122	1 136	1 452	1 789	9 188	19 996
%	16	6	5	6	6	7	9	46	100
6-Wages	2 668	971	1 995	943	457	913	304	5 669	13 921
7- Gross accounting result	-20	1 615	1 991	177	375	-50	115	495	4 697
8- Net accounting result	-272	-654	-1 847	44	230	-544	80	-1 025	-3 989

2 - Some problems raised by the measurement of production

Various kinds of works are produced by the audiovisual sector. For some of these, measurement of production does not raise any particular difficulty : this applies to commercials, institutional films (ordered by government agencies and enterprises for their internal and external communication actions), and the "TV flow programmes", thus named because they are broadcast once and once only (TV news, entertainment and set programmes, sporting events, variety shows, and so on). Such programmes are produced, in most cases, by specialists and sold directly to TV-channels and ordering enterprises.

On the other hand, measurement of production for activities producing "works" strictly speaking raises some intricate methodological problems. Movies and, in a wider sense, TV programmes called "stock programmes" (thus named because, contrary to "flow programmes", they are likely to be broadcast several times) are taken into consideration here ; fiction TV movies, serials, documentary films are examples of programmes falling within this "stock" category.

Contrary to the preceding category of "works", these "stock programmes" have a value which does not vanish at their broadcasting. In fact, the corresponding activities, production of movies and audiovisual production of TV-stock programmes, have two aspects : one is to carry out works, the other is to sell the rights to make use of them.

The measurement of production has to cover both of these two activities ; thus, total production is estimated as the sum of the value of completed works - also called "capitalized production" which is conventionally valued at cost - and the value of the sales of dissemination rights attached to these works ; rights are sold to TV-channels, distributors, video publishers and abroad.

In France, some professionals have stated that such a method overestimates the production and the value added of their activity. Their point of view can be justified on the following grounds : the lifespan of TV stock programmes is rather short ; the lifespan of movies is longer but, on average, the capital cost of films is almost fully written off within four years. After one year, 96 % of the capitalized production costs of TV-programmes is written off ; for movies, 39 % is written off after

one year and 74 % within three years. These percentages are based on the information provided in the chronicle of receipts. So the method proposed above to measure production does not take into account the fact that the intangible asset produced within a given year - cinema and audiovisual works - has already been partly consumed within the same year. Is it logical to include this consumed part in the production of a given year ?

This is the reason why a new concept had to be defined, net production. Net production is obtained from total production after deduction of the amortizements concerning audiovisual works. Because of the huge amount of these amortizements, net production valued in this way falls to less than a half of the total production (see table I). The weight of production activities is then less than 35 % of net production of the audiovisual sector.

Other solutions could be imagined : for example, one could be to deduct from capitalized production, the pre-financed part of programmes, the so-called pre-sales to TV-channels, and so on. Obviously, that is the way of thinking of many professionals. They state that, inter alia, the pre-sales are counted twice, first in capitalized production and then again in sales rights ; such a double count results, as they say, in an overestimation of the measurement of total production. Nevertheless, the method described above appears practicable for statistical purposes. But some issues need to be investigated further, such as the valuation of capitalized production at cost value and the computation of amortizements.

3 - Collecting the data

The account is set up, of course, after collection of data from all existing statistical sources and their confrontation. Among these sources, the most precious is the Annual Enterprise Survey on Services (AESS) carried out mainly by the INSEE, with the collaboration of the CNC and the SJTI. Administrative data produced by organizations in charge of the sector, inter alia the CNC, are also used.

All of these sources are more or less affected by statistical biases and gaps, so that many corrections and estimations are necessary. On the other hand, whenever an elementary item of the account could be valued from two distinct sources, statisticians have had the opportunity to cross-check the information ; such an opportunity occurs whenever an item is a receipt for one sector and an expense for another. The obligation to fulfill some basic equilibrium conditions - for example, the total of purchases by TV channels has to be equal to the sum of sales by producers, distributors and imports - has been, at the same time, a constraint and a "railing". The statistical quality of the various entries into the account is unequal and has still to be improved.

The AESS is an abundant source, full of information, which does not mean that the data it provides are easy to use. The questionnaire has been designed with reference to the items used in business accounting. As these items are close to the entries into the satellite account, such a choice is practical⁸; though it does not solve all the difficulties encountered.

A first difficulty arises from the fact that a given physical transaction may be reported in several ways. Financial flows within the audiovisual sector are manifold (the following diagram in fact is a simplification of what goes on !). Such a problem arises especially whenever a distributor is involved. For example, when a distributor acts as an intermediary for the sales rights of a producer, the corresponding transaction may be registered for the amount of a value including sales plus commission or for an amount including only the commission. Furthermore, the commission may have been paid by the producer or by the purchaser ... The questionnaire of the AESS tries to cover all cases and at the same time avoid unnecessary details ; however, it is not always possible to identify the real nature of the transaction through the financial flow which is reported by the enterprise.

Another difficulty is that the reporting practices of enterprises are not standardized within some sectors, so that the same transaction may be declared under various entries by different enterprises. For example, the purchases of programmes are not reported in the same way by large TV-channels. For one of them, the totality of its programmes purchases is registered as a capitalized production in the operating accounts, as it would have been done by a producer, and then transferred to the capital account as an intangible asset. Any broadcasting of the programme induces an entry as an amortization of the capital of the channel. For another channel, all programme purchases are recorded in its operating accounts, and any broadcast is reported as a dissipation of its stock. Other channels make use of a combination of these two methods ... Of course, consequences are important as far as calculation of gross value added is concerned. The same difficulty has to be faced with producer's accounts.

Thus, it is impossible to get the results by a simple sum of forms filled by enterprises. Before any processing of AESS, it is necessary to identify those large enterprises where accounting practices differ from the standards of the satellite account, and then, to adjust their answer in keeping with the statistical criteria. Such a work is somewhat approximate, as it is impossible, on the basis of the available information, to reconstitute exactly the accounts of an enterprise according to other accounting principles.

⁸ Also, the task of the respondent enterprise is facilitated and the statistician may hope that the answer will be of a better quality.

THE KEY AUDIOVISUAL FLOWS

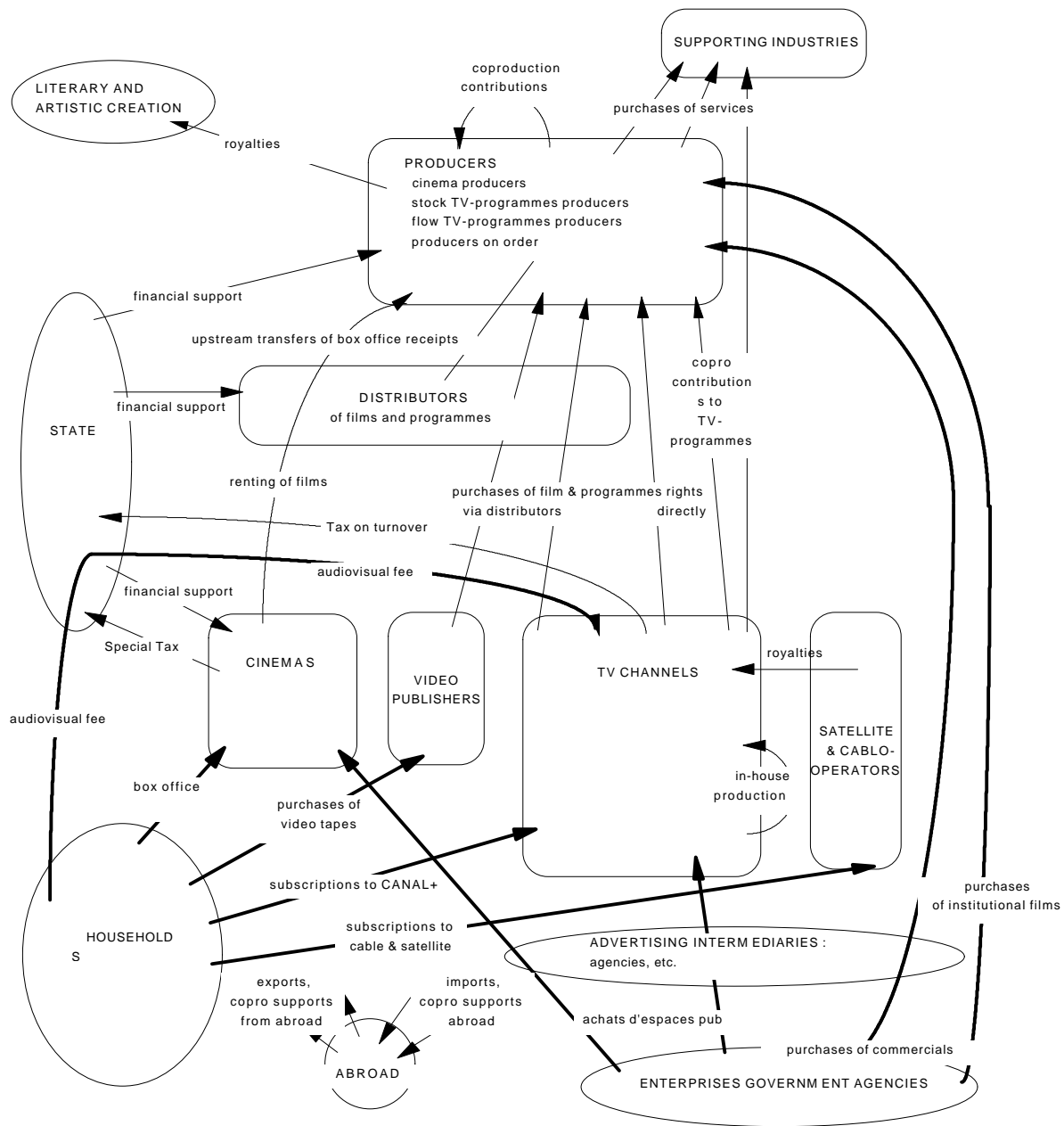


TABLE II - ACCOUNT OF THE AUDIOVISUAL SECTOR IN 1995

Summary table of all transactions of the various audiovisual activities (Millions of FF - VAT excluded) Provisional figures

100	Current resources	76 523	200	Current uses	71 826
101	Total production	74 508	201	Intermediate consumption (=202+310+320)	45 826
110	Services provided by the supporting industries	6 854	202	Purchases of audiovisual products in France	23 155
120	Cinematographic production	5 654	210	- of supporting industries	343
121	Capitalized production of films	2 682	220	- of cinema producers	739
122	Return from box office	368	221	of which: purchases of supporting services	502
123	Film sales to channels	1 317	230	- of audiovisual producers	2 128
124	Film sales to video	102	231	of which: purchases of supporting services	1 479
125	Receipts from abroad	385	240	- of commercial & institutional producers	656
126	Other receipts of cinema production	799	250	- of distributors	1 610
130	Audiovisual production	9 605	251	of which: purchases of supporting services	293
131	Capitalized production of TV programmes	3 737	252	of which : upstream transfers to film & programme producers	934
132	Sales of "flow" TV programmes to channels	2 288	260	- of cinema exhibitors	1 871
133	Sales of "stock" TV programmes to channels	2 235	261	of which : upstream transfers to distributors	1 719
134	Receipts from abroad	367	270	- of video-publishers	1 442
135	Other receipts of audiovisual production	977	271	of which: purchases of supporting services	917
140	Production on order	2 906	272	of which : purchases of films and programme rights	525
141	Commercials	1 735	280	- of TV broadcasters, of which	14 366
142	Institutional films	1 171	281	purchases of french film rights	1 715
150	Distribution	5 258	282	purchases of foreign film rights	1 250
151	Distribution of films to exhibitors	1 719	283	purchases of french programme rights	2 413
152	Distribution of films to channels	1 648	284	purchases of foreign programme rights	527
153	Distribution of films abroad	312	285	purchases of "flow" programme in France (=132)	2 288
154	Other receipts of film distribution	697	286	consumption of in-house produced programmes (=189)	2 928
155	Distribution of TV programmes	882	287	purchases of supporting services	2 216
160	Cinema film projection	4 767	288	royalties from cable-operators to channels (=184)	550
161	Box office	4 282	289	other purchases of audiovisual services	480
162	Other receipts of cinemas	486	300	Final Audiovisual Production (FAP=101-202)	51 353
170	Video	3 858	310	Purchases of audiovisual services abroad, of which :	3 712
171	Tapes for sale	3 504	311	upstream transfers by distributors of box office receipts	577
172	Tapes for renting	354	312	upstream transfers by distributors on TV & video films sales	844
180	Broadcasting receipts	35 606	313	upstream transfers by distributors on programmes sales	349
181	Audiovisual fee	7 169	314	purchases abroad of films & programmes, by channels	895
182	Subscriptions to terrestrial channels	7 693	320	Purchases of non-audiovisual products	18 960
183	Subscriptions to cable and satellite	2 294	340	Gross Value Added (=101-202-310-320)	28 682
184	Royalties from cable-operators to channels	550	345	Amortization of tangible and intangible assets	8 686
185	Royalties from abroad cable-operators	186	349	Net Value Added (=340-345)	19 996
186	Advertizing receipts	12 616	350	Operating expenses	26 000
187	Sponsoring receipts	666	360	Wages and salary contributions	13 921
188	Other receipts of broadcasting	1 504	369	Remuneration of proprietary rights (wages)	1 334
189	In-house production of programmes	2 928	370	Taxes	3 051
190	Production subsidies- of which	2 015	380	Gross operating surplus (=340+190-360-369-370)	12 390
191	cinema (distributors and exhibitors)	162	390	Remuneration of proprietary rights (non wages)	209
192	TV channels	1 841	391	Interest	3 085
			392	Corporate income tax	1 733
			393	Other operating expenses	2 666
			399	Gross accounting result(=340+190-350) (=100-200)	4 697
			400	Net accounting result	-3 989
500	Capital ressources	6 049	600	Capital uses	9 204
510	Gross operating result	4 697	610	GFCF in films & programmes	6 529
520	Equipment subsidies, of which	1 654	620	GFCF in tangible products, of which	2 675
521	cinema	787	621	exhibitors	695
522	audiovisual	835	622	channels	1 073
530	Other receipts and changes in stocks	-302	700	Debt change (=500-600)	-3 155