

Writers in the US Entertainment Industry

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The logo for the Writers Guild of America West (WGAW) features the letters "WGAW" in a bold, white, sans-serif font, centered within a solid blue square. This square is positioned on the left side of a white rectangular background. Above and below the blue square are thin black horizontal lines, and a thin black vertical line runs through the center of the square, creating a stylized frame effect.

WGAW

**WRITERS GUILD
OF AMERICA WEST**

Who We Are

- WGAW-predecessor Screen Writers Guild formed as a union in 1933.
- Negotiated first contract in 1941 protecting onscreen writing credits.
- Together with sister guild Writers Guild of America East, negotiates a master agreement that sets minimum terms for script fees, residual compensation, credit rules and portable health and retirement benefits.
- Currently represents more than 10,000 writers working in feature film, television and digital media, including news, documentaries and animation.

Working as a Writer In the US

Work for Hire System: Exception to copyright law principle of owning what you create. Under work for hire doctrine, employer owns the copyright in script.



Copyright in script is transferred to the Producer in its entirety in exchange for payment to writer



Writer may retain limited separated rights (e.g., derivative reserved rights relating to publication, merchandising, interactive games, stage and sequel rights), some of which producers can purchase.



Writer is compensated for the ongoing exploitation of project through residual payments. Producer or Distributor submits residuals to WGA. WGA forwards payments to writers

Working as a Writer In the US

How Compensation Works

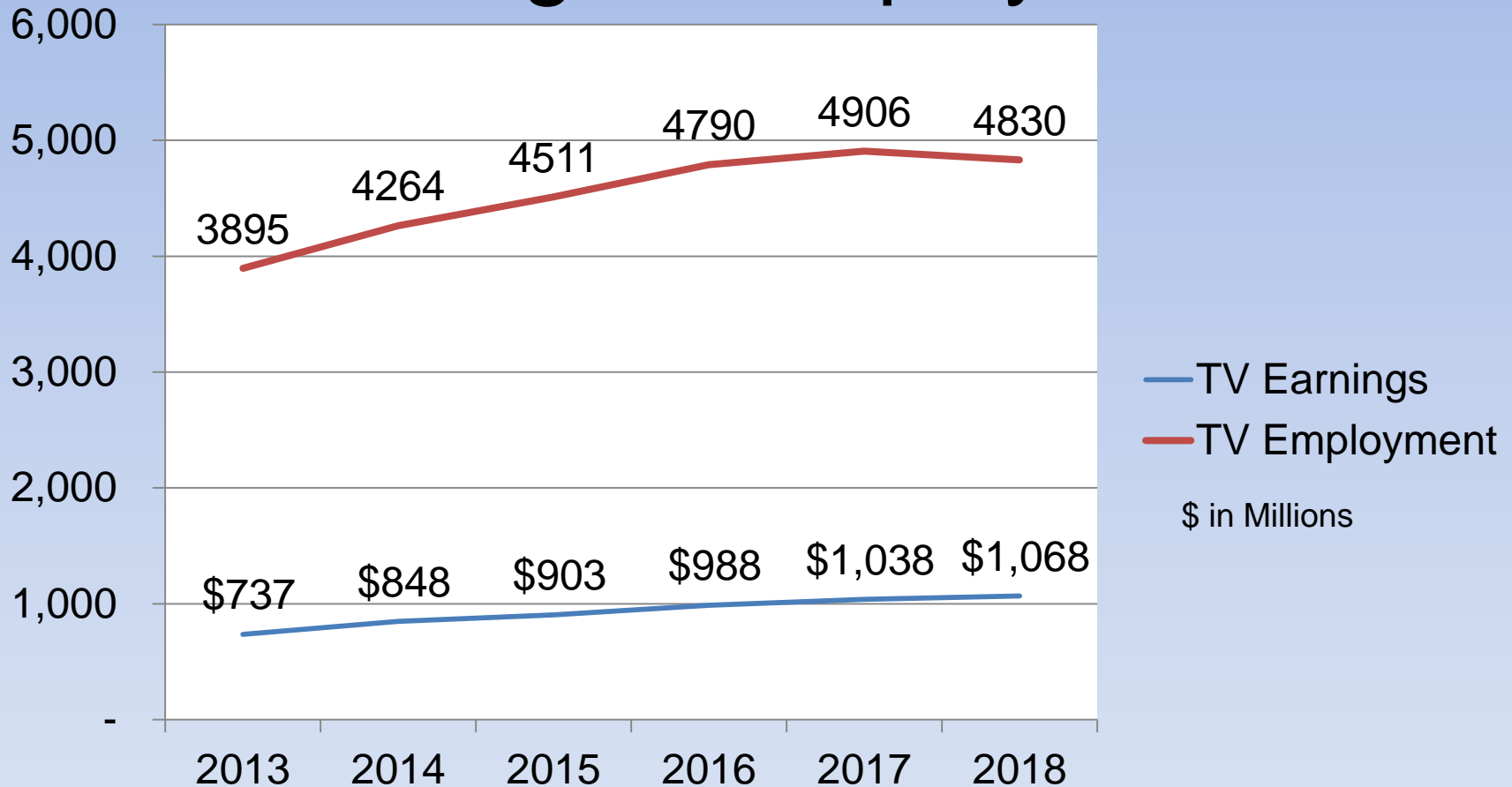
WGA bargains with the studio association, the AMPTP, every 3 years to set the floor for writer earnings. Agents negotiate above minimum compensation.

- **Initial Compensation:** Varies based on made for market (primary exhibition), length of project, and in the case of new media, by budget tier and subscriber factor.
 - Original Theatrical Screenplay: \$76,373
 - Broadcast Network Script Fee: 1 hr: \$39,463
 - Basic Cable Network Script Fee: 1 hr: \$28,480
 - Writer-Producer Weekly Minimum: \$6,967
- **Residual Compensation:** Payment for reuse after initial exhibition
 - Residual payments may be a fixed amount or revenue based
 - Revenue based: TV series and feature films licensed to SVOD
 - » Writer receives 1.2% of license fee
 - Fixed Formula: Broadcast Network Rerun (60 minute episode)
 - » Writer receives \$24,558

WGAW Writer Compensation and Employment Trends

2013-2018

TV & Digital Writer Earnings & Employment

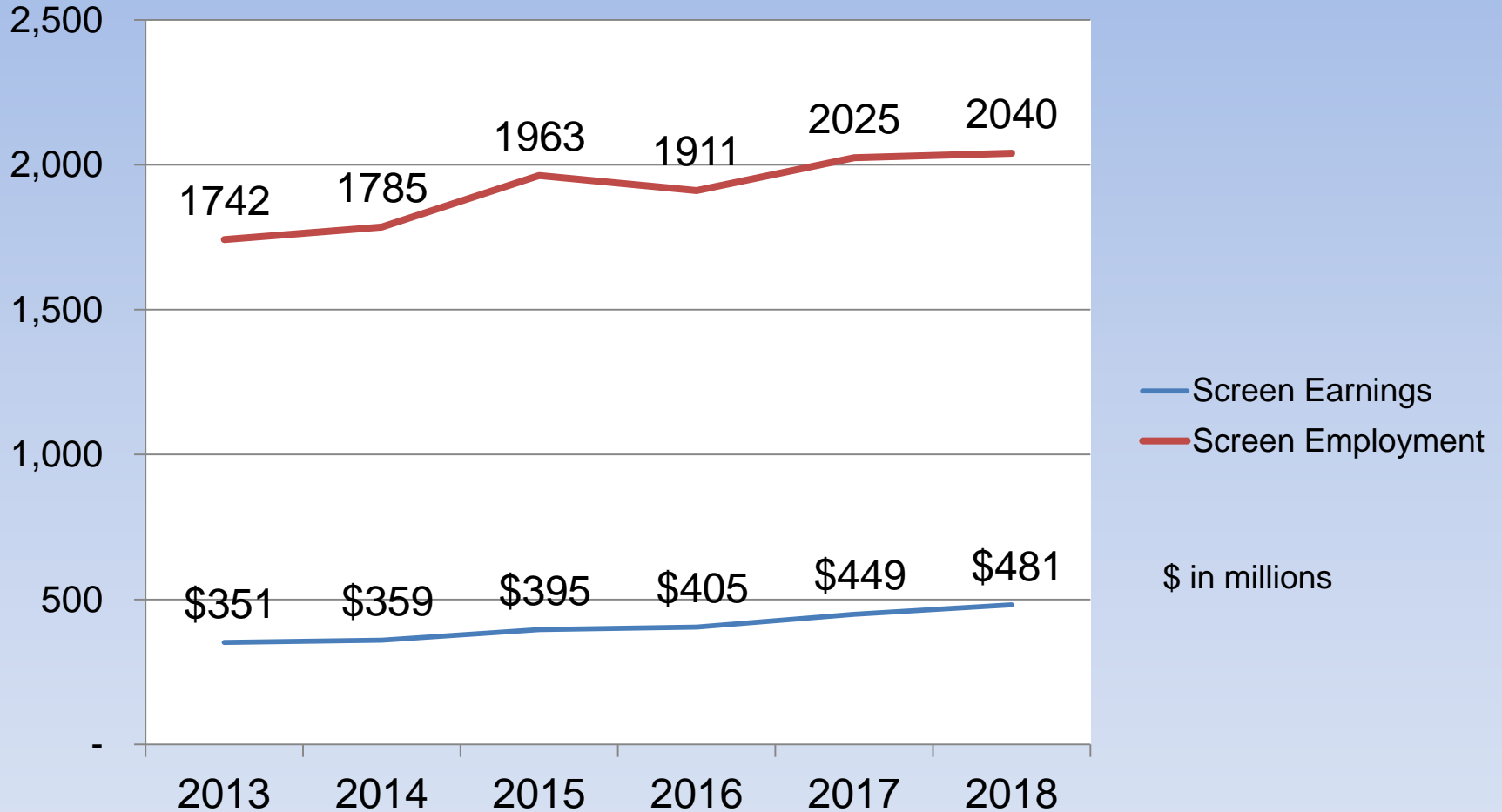


Increased earnings are largely the result of WGA-negotiated increases in minimums and employment growth.

TV & Digital Residuals

| (In USD Millions) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | % CHANGE 17 – 18 | % CHANGE 13 – 18 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|------------------------|
| TELEVISION RESIDUALS | | | | | | | | |
| Prime Time Network | 23.98 | 22.17 | 19.43 | 19.53 | 19.56 | 20.26 | 3.6% | -15.5% |
| Domestic Synd./WB/CW | 35.07 | 30.47 | 36.36 | 27.29 | 25.98 | 37.31 | 43.6% | 6.4% |
| Foreign Free TV & Basic Cable | 47.50 | 54.46 | 57.30 | 50.39 | 56.63 | 59.30 | 4.7% | 24.8% |
| Basic Cable (Non Basic Cable Programs) | 27.83 | 31.53 | 32.26 | 27.90 | 28.74 | 28.87 | 0.5% | 3.7% |
| Basic Cable for Made-for Basic Cable | 36.99 | 35.98 | 35.92 | 35.63 | 36.50 | 34.83 | -4.6% | -5.8% |
| Pay TV for Made-for Pay | 6.64 | 6.91 | 8.30 | 8.67 | 8.84 | 10.80 | 22.2% | 62.7% |
| Pay TV (for Non-Pay Programs) | 5.33 | 7.91 | 7.90 | 8.01 | 6.99 | 7.53 | 7.7% | 41.3% |
| Home Video | 6.72 | 5.73 | 5.23 | 3.66 | 3.84 | 2.96 | -22.9% | -56.0% |
| Network Late Night/Weekend Day | 4.24 | 3.97 | 5.19 | 5.04 | 8.11 | 10.20 | 25.8% | 140.6% |
| New Media Reuse | 21.07 | 29.21 | 35.92 | 41.63 | 65.65 | 76.46 | 16.5% | 262.9% |
| Misc. TV Reuse | 5.00 | 6.42 | 5.57 | 5.75 | 3.64 | 4.58 | 25.8% | -8.4% |
| TV Creator Royalties | 14.33 | 14.07 | 16.21 | 13.55 | 13.46 | 14.39 | 6.9% | 0.4% |
| Total Television Residuals | 234.70 | 248.83 | 265.59 | 247.05 | 277.94 | 307.49 | 10.6% | 31.0% |

Screen Earnings & Employment



Screen Residuals

| (In USD Millions) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | % CHANGE 17 – 18 | % CHANGE 13 – 18 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|------------------------|
| SCREEN RESIDUALS | | | | | | | | |
| Worldwide Television | 45.23 | 45.03 | 44.87 | 40.58 | 45.03 | 42.56 | -5.5% | -5.9% |
| Home Video | 27.86 | 26.74 | 22.99 | 21.37 | 19.49 | 15.01 | -23.0% | -46.1% |
| Pay TV | 54.50 | 51.53 | 51.55 | 55.16 | 55.20 | 45.98 | -16.7% | -15.6% |
| Script Publication Fee | 1.43 | 1.52 | 1.62 | 1.83 | 2.48 | 2.96 | 19.4% | 107.0% |
| New Media Reuse | 10.36 | 13.16 | 16.88 | 18.17 | 29.99 | 47.24 | 57.5% | 356.0% |
| Misc. Theatrical Reuse | 0.99 | 1.15 | 1.38 | 1.20 | 1.04 | 1.13 | 8.7% | 14.1% |
| Total Theatrical Residuals | 140.37 | 139.13 | 139.29 | 138.31 | 153.23 | 154.88 | 1.1% | 10.3% |

SVOD: A Brief History

2007

- WGA's 100-day strike establishes coverage of writing for "new" media
- Netflix launches US streaming service

2010

- Hulu's subscription service launches

2011

- Amazon Prime subscription video service launches

2013

- Netflix debuts original series *House of Cards*, *Hemlock Grove*, *Orange is the New Black*

2014

- WGA negotiates script fees, weekly compensation and fixed residuals for high-budget SVOD programming

2017

- Netflix crosses 100 million global subscribers
- WGA negotiates improved residuals for SVOD programming, including foreign SVOD residual

2018

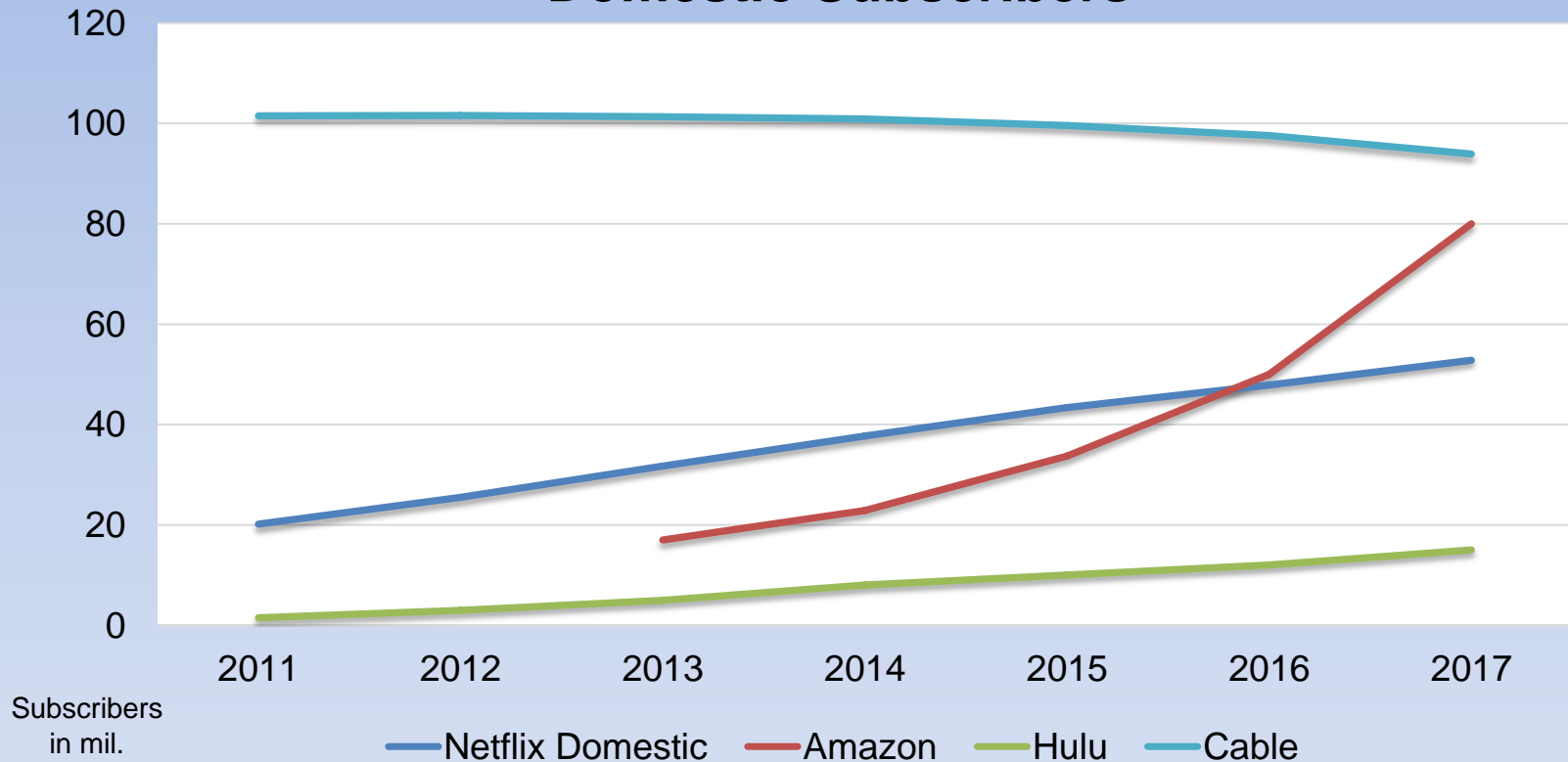
- 168 million aggregate US SVOD subscribers, 84 million US SVOD homes, 8 US services developing original series, 78 series set for release.
- Hulu reaches 20 million domestic (US & CA subscribers)

2019

- Competition amongst streamers grows: Disney Plus, Apple Plus to launch Fall 2019.

Major U.S. SVOD Services

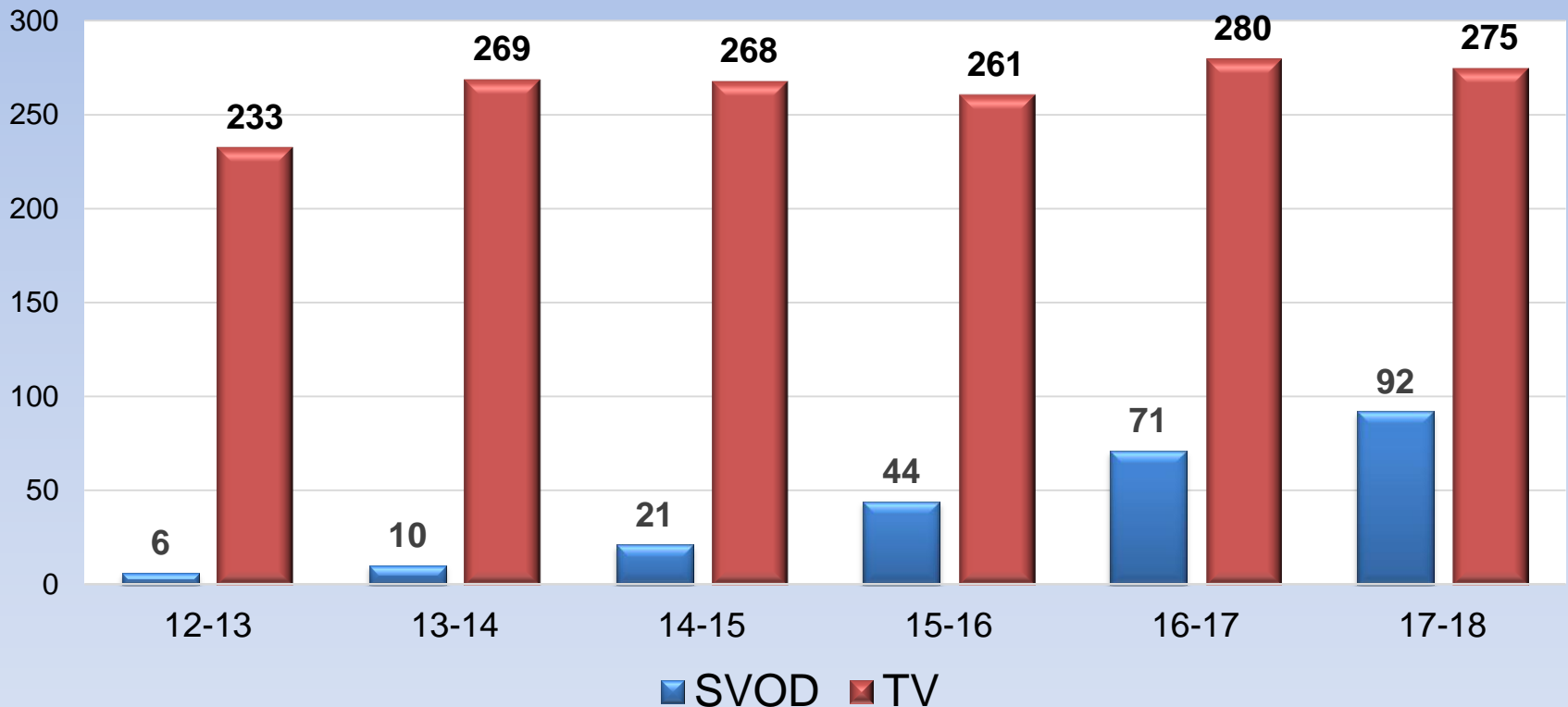
Domestic Subscribers



- Newer services like YouTube Premium and CBS All Access only have a few million subscribers
- Hulu reached 20 million domestic subscribers in Jan 2018
- Disney and Apple services will launch in Fall 2019

SVOD: The Growth in Originals

WGA-Covered Dramatic Series



- 25% of series now on SVOD
- Half of SVOD series on Netflix

SVOD Compensation



Initial Compensation and Residuals

HBSVOD Script Fees: Guiding Principles

Budget

- Programming on any SVOD service that meets certain budget thresholds (Tier 2) is paid like basic cable TV
 - Half-hour episodes: \$1.3 mil.
 - One-hour episodes: \$2.5 mil.

Subscribers

- Higher-budget (Tier 1) programming on SVOD services with 20 mil.+ domestic subscribers is paid like broadcast TV
 - Half-hour episodes: \$2.1 mil.
 - One-hour episodes: \$3.8 mil.

HBSVOD Initial Compensation

| Script Fees | | | |
|---|----------------|---|-----------------|
| Platform Subscribers | Episode Length | Budget Tier | Script Fee |
| 20 Million + | Half-Hours | Tier 1: \$2,100,000 or more | \$26,832 |
| | | Tier 2: \$1,300,000 or more but less than \$2,100,000 | \$15,668 |
| | One-Hours | Tier 1: \$3,800,000 or more | \$39,463 |
| | | Tier 2: \$2,500,000 or more but less than \$3,800,000 | \$28,480 |
| >20 Million | Half-Hours | \$1,300,000 or more | \$15,668 |
| | One-Hours | \$2,500,000 or more | \$28,480 |
| Weekly Compensation | | | |
| | | Staff Writer | Writer-Producer |
| Tier 1 & 2 Budgets (20 week guarantee) | | \$4,274 | \$6,967 |

- Writer compensation on SVOD is comparable to TV employment

SVOD Originals

What Initial Compensation Covers

For Low Budget Programs (Below \$1.3M for half-hour/ \$2.5M for hour)

- Initial compensation is negotiable.
- Initial compensation covers the first 26 consecutive weeks of use on the platform.

For High Budget Programs

- Initial compensation covers 90 days of use worldwide on the platform.

SVOD Residuals: Guiding Principles

Subscriber Tiers

- Residuals increase as domestic subscribers grow
- Accommodates a wide range of services – from Netflix with 56 million domestic subscribers to services with only a few million

Fixed Annual Payments

- Writers are compensated for programming that is always available on subscription service
- Residual \$ decline over time as content ages

Domestic & Foreign Payments

- Ensures services compensate writers for exhibition across markets

Calculating SVOD Residuals

What is the subscriber tier?

What is the exhibition year?

Is there foreign SVOD reuse?

| Subscriber Tier | Subscriber Factor |
|------------------|-------------------|
| Under 1 Million | 20% |
| 1 to 5 Million | 40% |
| >5<20 Million | 65% |
| 20 to 45 Million | 100% |
| >45 million | 150% |

| Exhibition Year | % Residual |
|-----------------|------------|
| 1 | 35% |
| 2 | 30% |
| 3 | 30% |
| 4 | 25% |
| 5 | 20% |
| 6 | 15% |
| 7 | 10% |
| 8 | 8% |
| 9 | 5% |
| 10 | 4.5% |
| 11 | 3% |
| 12 | 2.5% |
| 13+ | 1.5% |

| Exhibition Year | % of Domestic Residual |
|-----------------|------------------------|
| 1 | 35% |
| 2 | 35% |
| 3 | 35% |
| 4 | 25% |
| 5 | 25% |
| 6 | 25% |
| 7 | 20% |
| 8 | 20% |
| 9 | 20% |
| 10 | 15% |
| 11 | 15% |
| 12 | 15% |
| 13+ | 10% |

SVOD Residuals Example

| One-Hour Drama on Netflix | |
|---|------------------------------------|
| Residual Base | \$25,663 |
| Subscriber Tier | 45 mil+ |
| Subscriber Factor | 150% |
| Applicable Residual Base | $\$25,663 \times 150\% = \$38,495$ |
| Exhibition Year | First Year |
| Domestic Residual % | 35% |
| Domestic Residual | $\$38,495 \times 35\% = \$13,473$ |
| Foreign Residual % of Domestic Residual | 35% |
| Foreign Residual | $\$13,473 \times 35\% = \$4,716$ |
| Total Residual Payment for First Year | \$18,189 |

SVOD Residuals Example

| Half-Hour Comedy on Amazon | |
|---|------------------------------------|
| Residual Base | \$14,119 |
| Subscriber Tier | 20 to 45 million |
| Subscriber Factor | 100% |
| Applicable Residual Base | $\$14,119 \times 100\% = \$14,119$ |
| Exhibition Year | Second Year |
| Domestic Residual % | 30% |
| Domestic Residual | $\$14,119 \times 30\% = \$4,236$ |
| Foreign Residual % of Domestic Residual | 35% |
| Foreign Residual | $\$4,236 \times 35\% = \$1,483$ |
| Total Residual Payment for Second Year | \$5,719 |

SVOD Residuals: Over 5 Years*

| Half-Hour Episodes | | | | | |
|--------------------|-----------------|------------------|------------------|------------------|------------------|
| Years | Tiers | | | | |
| | Under 1 Million | 1-5 Mil. | >5>20 mil | 20-45 mil | >45 mil |
| 1 | \$ - | \$ 2,669 | \$ 4,336 | \$ 6,672 | \$ 10,008 |
| 2 | \$ 1,143 | \$ 2,287 | \$ 3,717 | \$ 5,719 | \$ 8,578 |
| 3 | \$ 1,143 | \$ 2,287 | \$ 3,717 | \$ 5,719 | \$ 8,578 |
| 4 | \$ 883 | \$ 1,765 | \$ 2,868 | \$ 4,413 | \$ 6,619 |
| 5 | \$ 706 | \$ 1,413 | \$ 2,294 | \$ 3,530 | \$ 5,295 |
| Total | \$ 3,875 | \$ 10,421 | \$ 16,932 | \$ 26,053 | \$ 39,078 |

| One-Hour Episodes | | | | | |
|-------------------|-----------------|------------------|------------------|------------------|------------------|
| Years | Tiers | | | | |
| | Under 1 Million | 1-5 Mil. | >5>20 mil | 20-45 mil | >45 mil |
| 1 | \$ - | \$ 4,851 | \$ 7,881 | \$ 12,126 | \$ 18,189 |
| 2 | \$ 2,079 | \$ 4,158 | \$ 6,755 | \$ 10,394 | \$ 15,591 |
| 3 | \$ 2,079 | \$ 4,158 | \$ 6,755 | \$ 10,394 | \$ 15,591 |
| 4 | \$ 1,604 | \$ 3,208 | \$ 5,213 | \$ 8,020 | \$ 12,030 |
| 5 | \$ 1,284 | \$ 2,566 | \$ 4,170 | \$ 6,416 | \$ 9,624 |
| Total | \$ 7,046 | \$ 18,941 | \$ 30,774 | \$ 47,350 | \$ 71,025 |

*Assumes domestic and foreign-affiliated SVOD residuals