The economic importance of independent in the United States

The American Film Marketing Association (AFMA), which represents independent American producers, has just published a report by Arthur Andersen Consultancy on the importance of independent production in the United States. The reasons for this kind of survey are well known: the figures are used to show the public authorities that one or another sector of activity contributes more than is commonly thought to the national product. The classic methodology for this kind of survey is to take a coefficient that takes the direct effects of a sector's activity (investments, job creation, income creation) and applies them to the underlying effects on the economy. For the American cinematographic industry, this coefficient comes out at 2.12.

The most important part of this report is, therefore, to show how important independent production is to the American economy (and, also, to the State of California). It should not be forgotten that the notion of an independent producer is different in the United States to that in Europe. In Europe, the independence of an independent corporation is judged according to its relationships with its distributors. In the United States, independent producers are rated according to their independence from the "majors" (as represented by the Motion Picture Association of America). The definition used by Arthur Andersen is as follows: "the independent film industry is made up of corporations involved in all forms of cinematographic or audiovisual production that are not the work of the recognised major studios. This includes the independent productions that are distributed by the majors, when the producer holds a significant share of the ownership and assumes a significant share of the production investment risks."

For example, independent production directly created some 148 000 jobs in 1993, 36% of jobs in the American cinematographic industry (408 000). Total payroll amounted to 2.5 thousand million dollars, or 29% of the total payroll for the sector (8.3 thousand million dollars). When the coefficient is applied, it reveals that the independent production sector, directly or indirectly, contributed 5 thousand million dollars in salaries and created 313 000 jobs.

The second important part of this survey is the data supplied on estimates of negative costs in the different kinds of production. The audiovisual market is becoming more and more segmented and a considerable volume of programmes are being aimed at single markets: theatrical features for cinemas, direct-to-video features for sale directly by video, network prime-time programmes for peak viewing hours on the major TV networks, syndication programmes for independent television channels or special cable and pay-TV programmes. The degree of market share held by the majors and the independent production companies varies widely over the different sectors.

While the AFMA traditionally represents the independent American distributors and producers, it has now also begun to openly welcome non-American companies: in 1993, 23% of its affiliated companies came from Europe and 9% from Asia or the Pacific. European companies such as Studio Canal Plus, Goldcrest, PolyGram, J&M Entertainment, Rank and UGC DA International are members of the AFMA. Affiliated financial institutions include European banks such as Paribas, Crédit Lyonnais, Bank Nederland and De Nationale Investeringsbank. This opening up is a sure sign of the increasing trend among European and American companies towards more systematic co-operation in production and distribution. The AFMA, unlike the MPAA, has over the years been fairly open about revealing its members' sales in the various sectors of the international market and recognises that nearly 60% of its members' earnings come from the European market. The AFMA has also just published a statistical brochure, the *Ten Year Statistical Survey 1984-1994*, which provides interesting statistics on how members' sales have progressed for each of the world's regions, for individual countries and for types of sale (cinema, TV, video). Paradoxically, and from a statistical point of view, it is unfortunate that the arrival of the European companies within the association has made the evaluation of international flows that much more difficult.

Reference: Cicchetti, C.et al. " *The Economic Consequence of Independent Film Making*", a report from Arthur Andersen Economic Consulting and Arthur Andersen LLP for the American Film Marketing Association, AFMA, Los Angeles, January 1995.

Contacts :
William A. Andersen,
Research and Publications.
Ms Melanie Moen.
Legal Affairs
AFMA
9th Floor
10850 Wilshire Boulevard
USA-Los Angeles,
CA 90024-4321
Tel. (1) 310 446 1000
Fax (1) 310 446 1600

A. Lange
European Audiovisual Observatory

Negative costs in 1993 (millions of USD)

	Majors	Independents
Feature films	2 923	1 421
Direct-to-video	12	238
Prime-time broadcast	1 683	1 377
First-run syndication	467	1 656
Cable and pay-TV	365	478
TOTAL	5 450	5 170

Source : *Arthur Andersen / AFMA*

Publications from AFMA

- *The Delivery Requirements Manual* (151 pages) Price: US$ 50 (plus postage).
- *The AFMA Member Profile: A Report on Member Acquisition, Production & Development Practices* (147 pages), Price: US$ 25 dollars (plus postage).
- *The AFMA Model International Licensing Agreements* (2nd edition) Price: US$ 195 (plus postage).