

PRODUCERS' RESPONSES TO WGA PROPOSALS

Opening Remarks from Carol Lombardini
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There has been a substantial amount of press about these negotiations. Each party has had the opportunity to publicly express its own position and to criticize the positions of the other party. That is likely to continue as we proceed in these negotiations and look for a way to resolve the difficult issues that confront us.

But no matter what is said in the press, everyone here should know that the difficulties we are facing in this contract negotiation are not the fault of either party. No one is to be blamed that these issues have arisen.

The source of our difficulties lies with the rapid technological and commercial changes that have been and are occurring within this industry. We as an industry feel compelled to respond to the competition that grows around us everyday, to manage our businesses in a prudent and responsible way, and to do everything in our power to continue the operation of our businesses and to support the livelihoods of tens of thousands of people.

That is why, as we respond to your proposals, no one should think – as has been suggested to me -- that the industry blames writers for the current business conditions or that the industry's unwillingness to agree to new financial commitments reflects a lack of regard and appreciation for the job that writers do. Nothing could be further from the truth. No one should entertain even for a moment the notion that we consider the talents and efforts of writers to be insignificant. We know the value of a script well written, of an engaging story, of a stimulating and thought-provoking piece of writing. And we know the kind of diligence – and sometimes good fortune – that is required to produce the work that you do.

So when you hear our responses, know that we are responding to a changing business climate – to the fact that production for the theatrical and television markets is an increasingly risky business. Each of the major studios continues to spend tens, if not hundreds of millions of dollars, to make and market their theatrical motion pictures. But we no longer recover our costs at the box office and instead must rely on home video, pay television and free television, or some combination thereof, to recover our costs. And how much longer can we even rely on those so-called “ancillary” markets to generate revenue? How long will it be before piracy overtakes the legitimate purveyors of our product? Measured against that backdrop, it is no surprise that we decline to add to the red ink on our ledgers by increasing our residual costs when we cannot be certain that we will ever recover our production and distribution costs.

The television situation is no better. How long will television continue to be an ad-supported medium? What will be the results of the introduction of a new ratings system, one that measures not how many people are watching the show, but how many people are watching the commercial? How will we deliver our product to people who don't want to watch it on a given channel at a given time on a television screen? And how much can we expect them to pay to see it? Anything? If television is no longer ad-supported, how big an audience can we expect to

reach? And how much would that audience pay to see our product?

How much longer can we expect to generate sizeable revenues from the hit shows that began on the network that are later released in syndication or on basic cable? As John Bowman correctly pointed out, the television industry's business model is built on hits. But there are signs that that business model is obsolete. Already, the buyers for off-network one-hour dramatic product are drying up. Even basic cable can no longer be counted on as a sure sale. Syndication has largely been eliminated as a source for off-network programming, at least in part because of the residual costs associated with those broadcasts. And both basic cable and syndication seem to prefer original programming to rerunning what has already been exhibited on a network or, in our new world, on a cell phone, the Internet or some other wireless device.

And what about foreign markets? We are currently enjoying some success in sales to foreign markets, but no one knows when the next push for establishing quotas on American product will come or when other nations will grow their own industries and no longer have the same appetite for American product.

The impact of the Internet, cell phones and other wireless devices is still an unknown. Will the people who watch our shows on the Internet add to our audience or will there simply be that many fewer viewers when the show is broadcast in its original time slot? Will the advertising dollars that we command shrink or grow? Or maybe the advertising pie doesn't really change. Maybe it just gets divided up between more media.

So as we respond, know that we are looking ahead, at the distant future, trying to make decisions that will result in not just preserving, but growing, our businesses and that will maximize the opportunities for employment in this industry. And as we respond to you, we leave you with this thought: there are two paths that we collectively can pursue in these negotiations. We can conduct a traditional negotiation and fight it out on each of our respective packages of proposals. We can see after the dogfight whose position will win out. The open question there, of course, is whether each of us takes our lumps at the table, reaches an agreement and licks our wounds later – none the worse for wear – or whether we inflict more lasting damage through work stoppages that benefit no one before we come to an agreement. The other path to follow is reflected in the Limited Issues package we gave you on Monday. The premise is that both you and we agree to set aside our respective packages of proposals and focus exclusively on the items included in the limited issues package – wages, pension and health, a few other conditions and a study of the new media and its impact on the traditional media. In the meantime, we would leave the status quo in effect. No changes would be made for the next 3 years in any residual formula. And during that period, we will jointly conduct a study that will furnish both parties with information from which to make intelligent decisions about the future of residuals.