

Extra Feature Story

Hollywood Strike Could Redefine Who Makes Money Online

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At the heart of the show-stopping disagreement between Hollywood writers and the companies they work for is how to share money made from DVD sales and online advertising. Any final deal will help define how actors and creators are paid as entertainment shifts from TVs and movie theaters to hard drives, iPods and cell phones.

The Writers Guild of America (WGA) strike that began Nov. 5 has crippled shows across the television schedule, forcing the networks to air reruns and reality shows, costing the California entertainment industry millions of dollars per day and threatening the popular Feb. 24 Oscars awards show.

The more than 12,000 members of the WGA are protesting the fact that they aren't paid anything when someone watches their work on the Internet.

The networks don't disclose how much they earn from Web streaming, but online advertising amounted to more than \$20 billion last year in the United States, a 20 percent jump over 2006, according to PricewaterhouseCoopers.

Haggling over "residuals"

Writers receive initial fees for their scripts. If their programs are re-played or re-sold to cable channels, they get additional royalties known as "residuals," payments that often sustain them between projects.

For instance, if a writer drafted an episode of "Lost" they would receive an initial fee for the episode and a residual fee (about \$20,000) if the show plays as a re-run.

The networks and studios, represented by the Alliance of Motion Picture and Television Producers (AMPTP), said new media is just too new and uncertain to make a substantial three year commitment (the length of the contract) to all the different people who put together a show.

"Their position is absolutely that it's too new to set any kind of formula that they are going to stand by for the next three years. And because of that, they proposed having a study to take place over the next three years and then bring it up at the next bargaining session every three years," Thom Taylor, a former entertainment journalist who now works at a global investment bank, told the NewsHour.

The AMPTP also downplayed the market value of online video, arguing that the main reason to put programs on the Internet is to get viewers to watch films and TV shows on television.

However, the AMPTP did acknowledge writers are owed some residuals for online distribution. It offered writers a flat fee of \$250 for each hour-long program streamed over the Internet. The writers countered with 2.5 percent of the producers' gross revenue.

Directors come to an agreement

Meanwhile, the Directors Guild of America entered contract talks with the AMPTP in January and quickly came to an agreement.

The preliminary deal doubles the residuals rate that was paid for decades when films and television programs were resold on DVDs and requires Hollywood studios and production companies to pay a residual when advertising-supported programs are streamed for free over the Internet.

The residual kicks in after a 17-day time period, and is pegged at about \$600 per episode of a one-hour network prime-time drama, for 26 weeks (\$350 more than what was offered to the writers).

Michael Apted, president of the Directors Guild, said he “felt it was our responsibility to you and to our industry to act,” referring to the thousands of entertainment workers unemployed due to the extended writers’ strike.

Actors will face similar issues

Although Hollywood journalists said the deal with directors would put pressure on the writers to compromise, the Writers Guild leaders put out a press release saying the directors were negotiating only for themselves.

The Screen Actors Guild, which represents movie stars and supporting cast alike, faces these same issues when its contract expires June 30.

-- Compiled by Steve Goldbloom for NewsHour Extra

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