WRITERS GUILD OF AMERICA
CONTRACT 2007
BULLETIN
JULY 2007

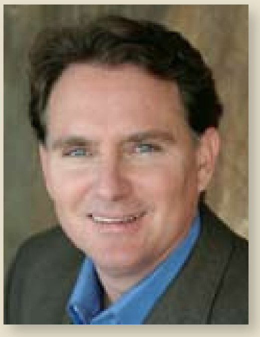
STATE OF THE INDUSTRY

SEE POSTER INSIDE.

THE OUTLOOK FOR CONTRACT 2007 NEGOTIATION

A Message from your Chief Negotiator, David Young

As we approach the July 16 opening of our negotiations with the Association of Motion Picture and Television Producers (AMPTP) for a new Minimum Basic Agreement, I would like to take a few moments of your time to introduce this first "Contract 2007 Bulletin," and to make a few observations about the outlook for negotiations. The present Bulletin contains an article by the Chair of our WGA Negotiating Committee, John Bowman, and information on the current economic condition of the television and film industry, as revealed by the words of the chief executives of the major entertainment companies and by the analysis of company data and projections for the future by a leading financial services company, PricewaterhouseCoopers (PwC).



The CEOs' view, which is confirmed by the accompanying data, is that the Companies that dominate the entertainment industry are doing extremely well, much better than the average of Companies in other industries, and that the prospects for the future economic growth and profitability of the Companies are extremely bright. There is growth in almost every single measure of economic performance, including gross revenues in every segment, excellent

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WRITTEN BY JOHN BOWMAN,
CHAIR, NEGOTIATING COMMITTEE

Contract 2007: A Storyline Based on Fact

John Bowman is the Chair of the Contract 2007 Negotiating Committee

As we look to Contract 2007 and the opening round of negotiations on July 16, the Guild is following a story arc different from the one the AMPTP might have in mind. In the past, management has tried to take advantage of our internal divisions and fragile relationships with sister guilds. This year, our strategic approach to bargaining has emphasized member mobilization, organizing and finding common ground with our natural allies. We believe we are better prepared than ever to negotiate a fair and reasonable agreement that will protect all of our interests in the years ahead. And that's a good thing, because we have serious issues to negotiate.

Let's first examine residuals. For over half a century, the WGA and our sister guilds SAG, AFTRA and the DGA have bargained with the Companies to win contractual residuals that grant us compensation for the reuse of our work, with different rates based on the manner of distribution (broadcast, cable, home video, etc.) and the source of revenue (advertising-supported vs. subscription). The right of the writers, actors and directors to be compensated for reuse of the content they create is firmly established by years of precedent, even when we have disputed the fairness of a particular formula.

The Internet is a new distribution channel, and we believe the existing provisions of the MBA require residual compensation for our work when it is re-used on the Internet. Management, however, has refused to accept this interpretation, and has even threatened to do away with residuals altogether in this new medium, or to impose the outdated and unfair home video formula. Given that residual income can amount to between 20 to 50 percent of a writer's income, we clearly can't allow management unilaterally to dictate this most essential contract term.

There is no need for conflict on this issue—the Companies are doing very well in the marketplace. As the chairman of one of the Big Six media conglomerates recently stated, the Internet is a source of additional income. Television and film sales to the Internet have to date not cannibalized viewers from broadcast and cable. Furthermore, the economics of digital distribution are even more favorable than the economics of DVDs. Digital has no hard media costs, no boxes, no marginal extra shipping and handling. The only substantial economic issue for Internet reuse is the residual payment to directors, actors, and writers. Our position is simple and fair: when our work generates revenue for the Companies, we deserve to be paid.

Now, to jurisdiction: First, we must establish once and for all that writing for new media is covered by our MBA. With increased viewers and ad dollars on the Internet, we must secure our future. The Internet, cellular phones and other new distribution technology are simply channels for viewing the content we create. Again, our position is simple and fair: when we create valuable content for the Companies, we deserve to be paid.

Second, the number of non-WGA covered reality and animated television programs and non-WGA covered animated feature films has grown significantly over the past several years, and the percentage of work in television and film covered by our MBA has declined. I don't need

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THE OUTLOOK FOR CONTRACT 2007 NEGOTIATIONS

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operating profit margins, and rising share prices for all six Companies. This is good news for writers and other members of the talent community whose fortunes are tied to the future of the entertainment business. However, what the PwC figures don't show is the bad news, the extent to which our income as writers has not kept pace with the Companies' growing revenues.

Why has our income not kept pace? There are several reasons, but the most important are: first, our income from the fastest-growing revenue segment over the past ten years, the home-video segment, has been based on an unjust formula; and second, our share of the entertainment marketplace has declined with the growth of non-WGA basic cable, reality and animated programs.

We are determined that this situation be corrected. Our proposals to the Companies are fair and reasonable, and are based on our view that writers are a fundamental, essential part of the success of the entertainment business, and that we deserve an equitable share in that success. We are committed to working with the Companies to face and overcome the uncertainties of the future, understanding that the best way to secure the future of the entertainment industry is through a forward-looking agreement that recognizes the vital interests of the talent community and the Companies. For our employing Companies to succeed in the transition to new channels of distribution such as the Internet and cellular technology, they need the cooperation of the talent community. We are eager to enter this new era together with the Companies, and to create the content that will drive the success of the industry; but we must be fairly compensated for our work, and treated as full partners in that success.

Our Guild is united and prepared as never before for these negotiations. We have devoted substantial resources to preparing ourselves through research, organizing and member outreach. Through research, we have developed a deep understanding of industry economics, including the business plans of the entertainment Companies for the Internet and other new media. Through organizing, we have begun to reclaim our right to represent all writers in entertainment and news, including in basic cable, reality television and animation. Through member outreach, we have developed a strong, conscious and united membership, with active participation of television and screenwriters evident in every aspect of Guild activities. Our Negotiating Committee is composed of some of the most successful and influential writers in the industry, and they have already demonstrated their dedication to advancing the goals of all writers by their participation in an extensive process of discussion and preparation for the negotiations.

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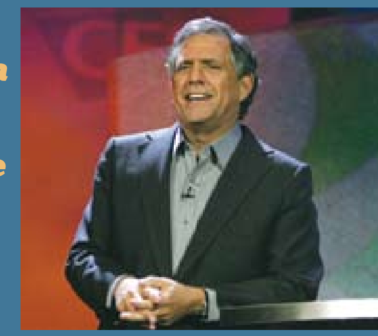
We have reached out as well to our sister guilds in the talent community, and have had ongoing discussions of the issues facing all of us. We know we share common interests with our sister guilds, and we will continue to work with them as closely as possible to further those interests. In addition, we are strengthening our ties with other Hollywood unions and the broader labor movement in Los Angeles.

When writers stand together, we are powerful, especially when we are able to unite with other members of the talent community. By working together with actors and directors, we have been able to secure real victories over the past months, including an agreement with ABC to cover "mobisodes" and with CBS to cover "webisodes", while defeating an attempt by NBC to force our members to create webisodes for no extra compensation. And at Comedy Central, writers including the stars, creators and showrunners stood together to win excellent contracts at *The Daily Show with Jon Stewart, The Colbert Report, Mind of Mencia, The Sarah Silverman Program, the Showbiz Show* and *American Body Shop*.

This Bulletin is the first in a series that will be produced in an effort to keep all our members informed of the progress of negotiations and to provide the background information we need to understand the developing situation. We are interested in hearing your reactions to this information and to our ideas, and your suggestions for future topics. With your continued involvement, support and participation, I am confident we will conclude these important negotiations with a fair, reasonable agreement that meets the needs and advances the interests of the writers and the industry as a whole.

In Their Own Words...

The network business is extremely healthy. Everything we have seen – everything we have seen says that ***the new media and all these things that we are doing are going to be additive to it.*** *It's not going to be fragmented. It's only going to add.*

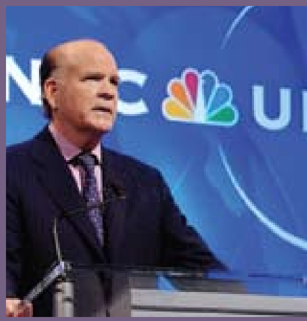


—Leslie Moonves
President/CEO, CBS Corporation, March 5, 2007
(speaking at Bear Stearns Media Conference)

We view the developments in technology as being very, very favorable to us *as content owners or content creators, as you know. And we intend to take full advantage of them.*

—Bob Iger
President/CEO, Walt Disney Company, May 8, 2007
(speaking about 2007 2nd quarter financial results)

We are trying to understand how we can organize our content generation to fit those forms… ***The total dollars of advertising will increase."***



—Bob Wright
Chairman, NBC-Universal,
January 2007
(speaking at the Davos Summit about how the Internet will expand the Companies' customer base)

We also have the strongest balance sheet in the Company's history *with over $7 billion in cash, having just generated over $1.8 billion in cash provided by operations in the last quarter alone.*

—Rupert Murdoch
Chairman, News Corp, May 9, 2007
(News Corp Quarterly Investor Conference Call)

Photos: Getty Images

A Storyline Based on Fact

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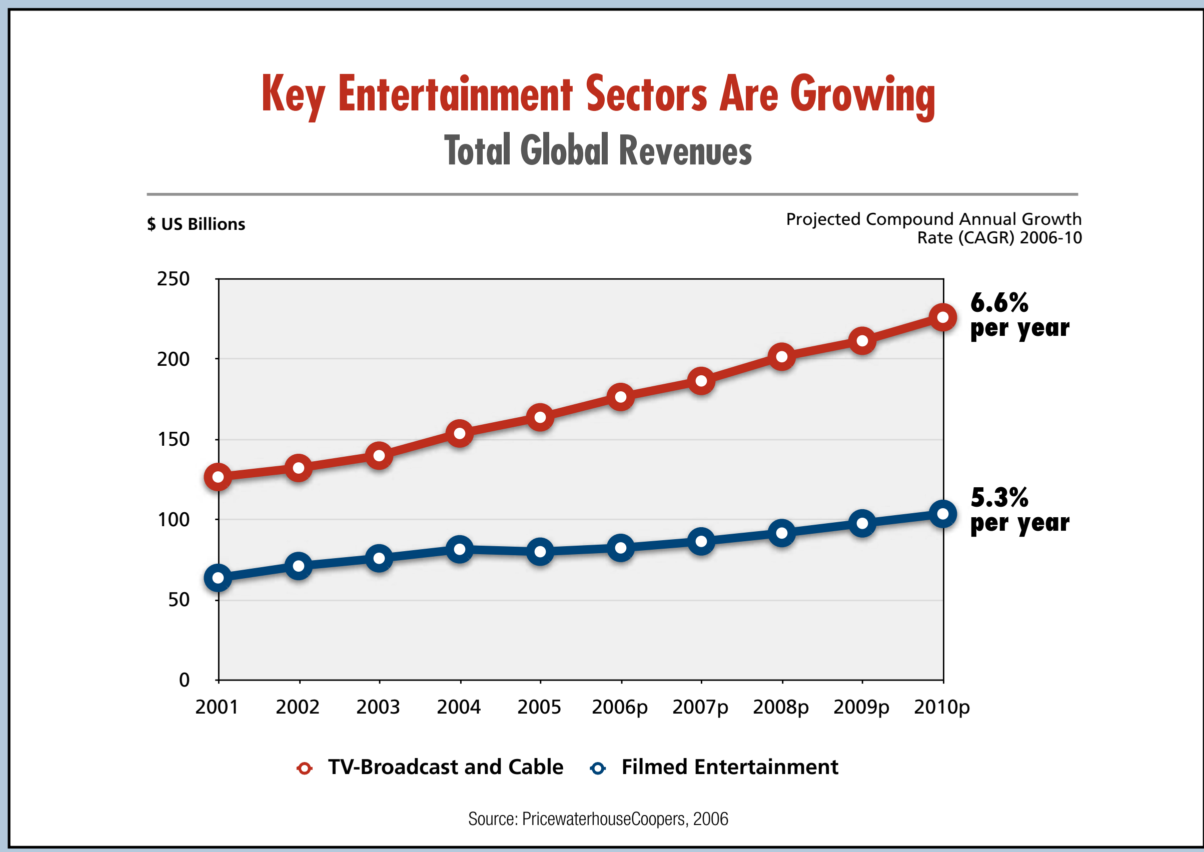
to tell you that if this trend continues, there will be fewer work opportunities for our members in the future and a general decline in conditions and standards for writers in the entertainment industry. Even though the vast majority of animation writers and reality story producers have made clear their desire to be represented by the WGA, the Companies have so far refused to do the right thing. We believe it is long past time for the talent that creates some of the most successful shows on television and some of the most popular and profitable feature films to be recognized and treated fairly. Again, our position is straightforward: when writers create programs of great value for the Companies, whether scripted or unscripted, live-action or animation, they must have the right to be represented by the WGA and covered by our MBA.

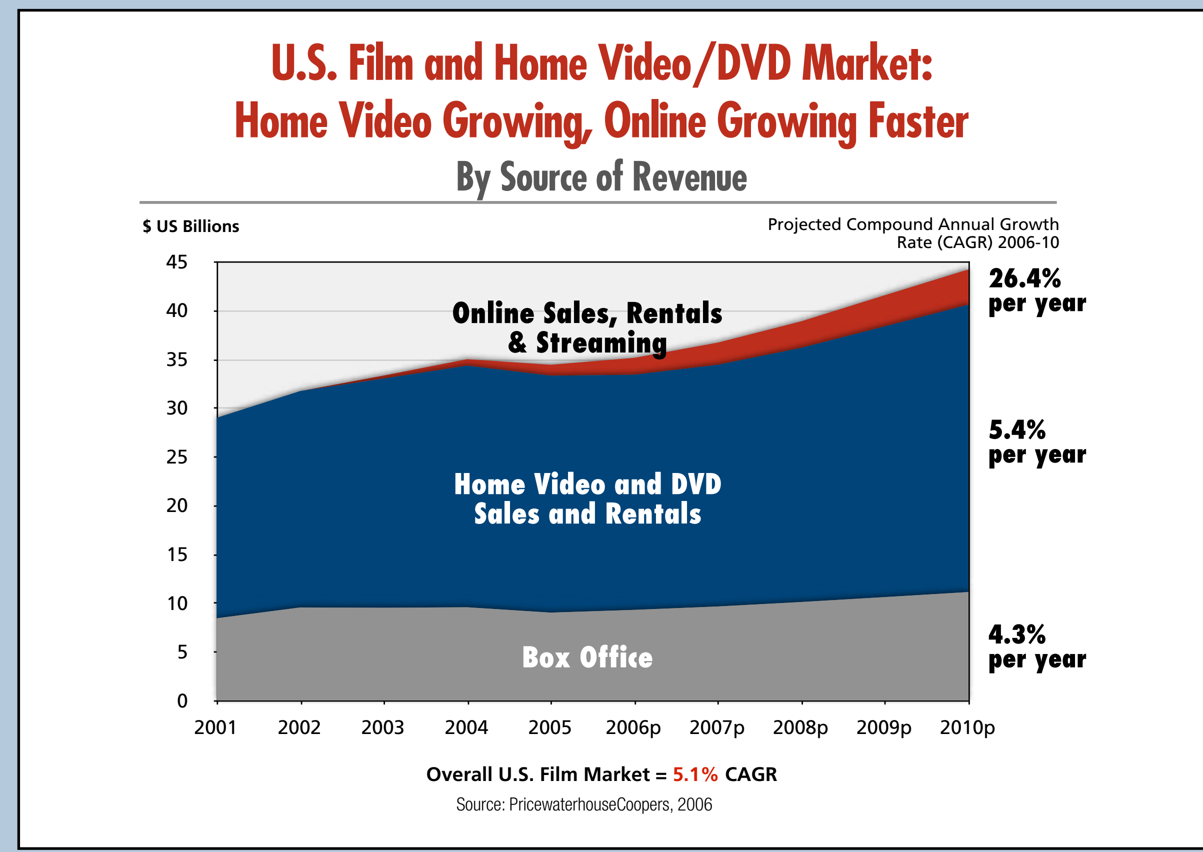
As you will see from the information in this bulletin, the Companies can certainly afford to sit down with us at the bargaining table and treat writers like valued strategic partners. Instead, the public statements and histrionics of their AMPTP representatives seem to indicate that they won't deal straight with us without a fight. From their point of view, I suppose this tactic makes sense. Our Guild has not had to battle for issues this important for a long time, and management might hope we've lost the collective will to demand what we deserve.

They are wrong. Screen and television writers are united behind important issues to a greater degree than at any time since I joined the Guild in 1989. This unity has been on display during our negotiating committee meetings, the overwhelming yes-vote for the Pattern of Demands, and our recent organizing victories at Comedy Central. I am encouraged by the clear focus and pragmatic discussions as we and our sister Guilds explore new ways of working together. We all understand how important this moment is for our futures. The future of residual income and the jurisdiction of our union are at stake here. These issues are worth fighting for.

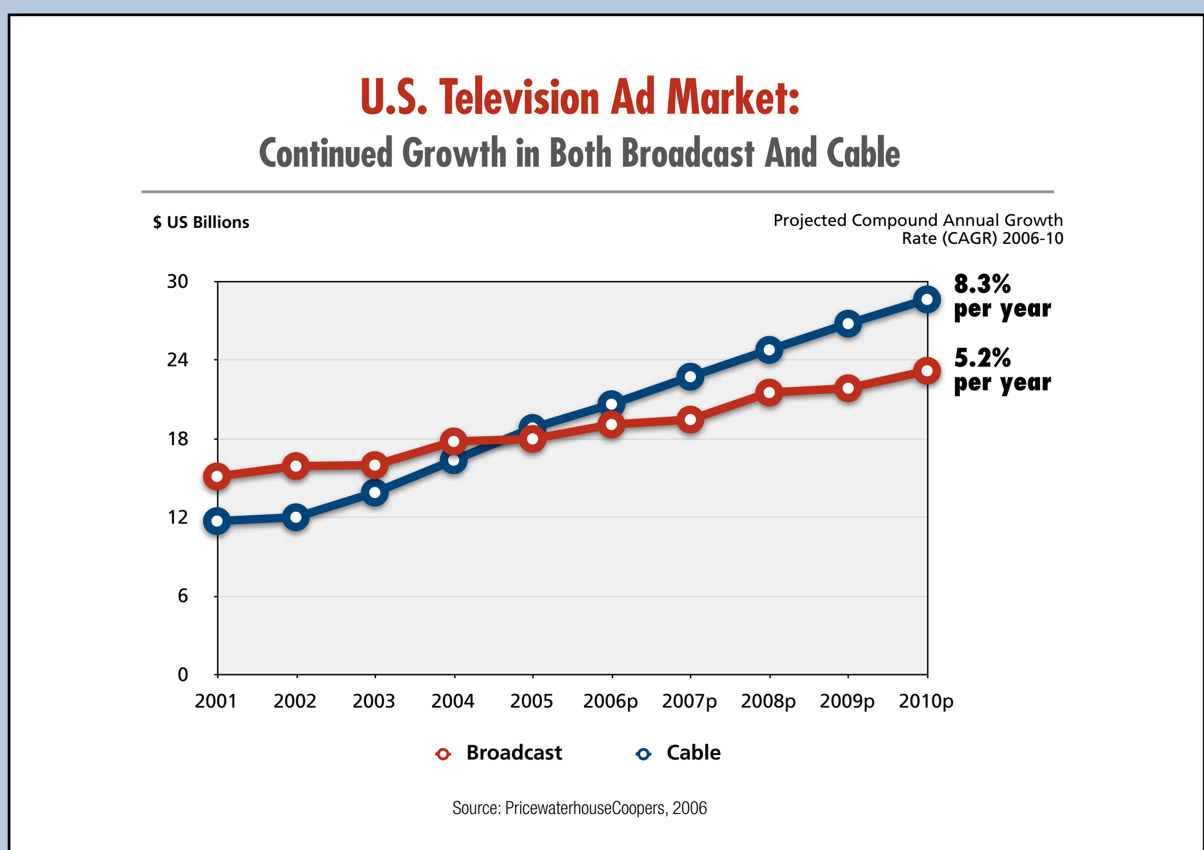
THE ENTERTAINMENT INDUSTRY IS HEALTHY AND GROWING



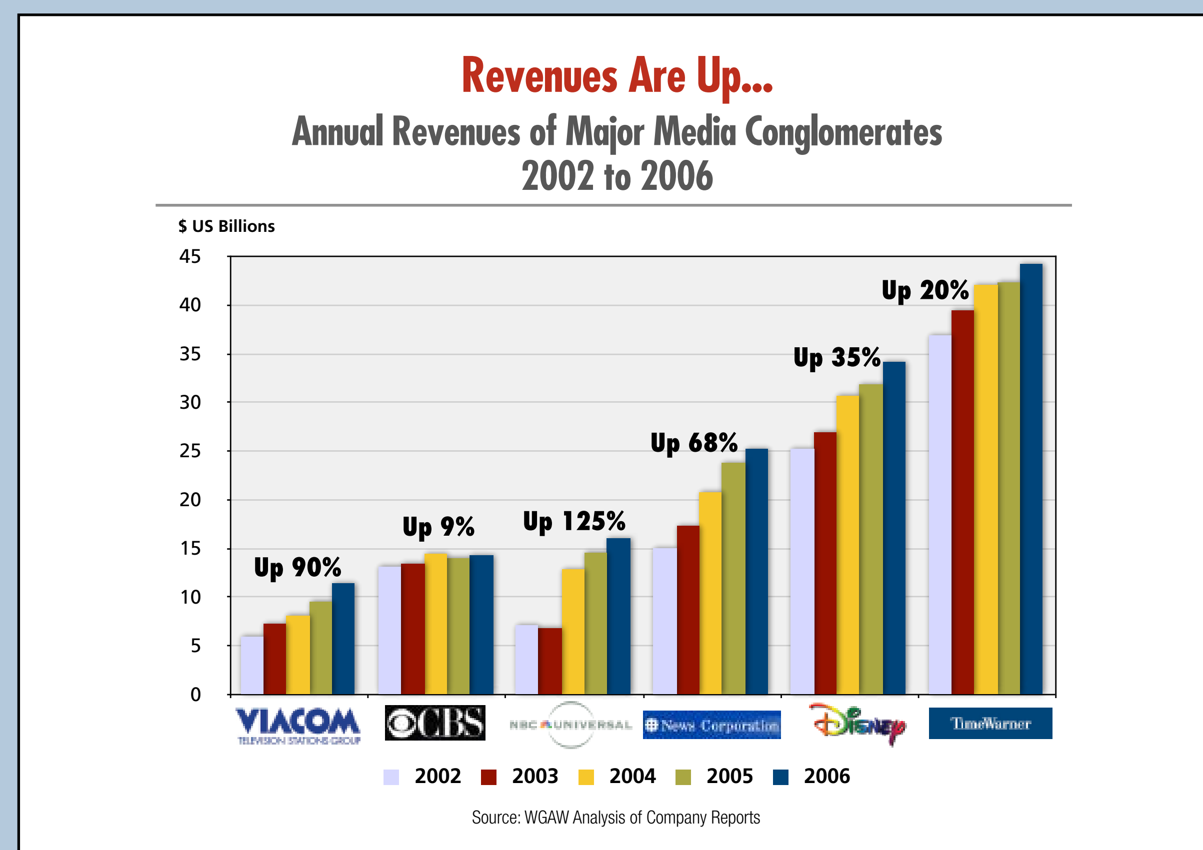
Global television revenues – including all broadcast and cable and subscription fees – grew from $127 billion in 2001 to $177 billion in 2006. Global TV revenues will reach a total of $226 billion by 2010. Global film revenues – including box office, home video and DVD sales and rentals – increased from $64 billion in 2001 to $83 billion in 2006 and are projected to reach $104 billion by 2010.



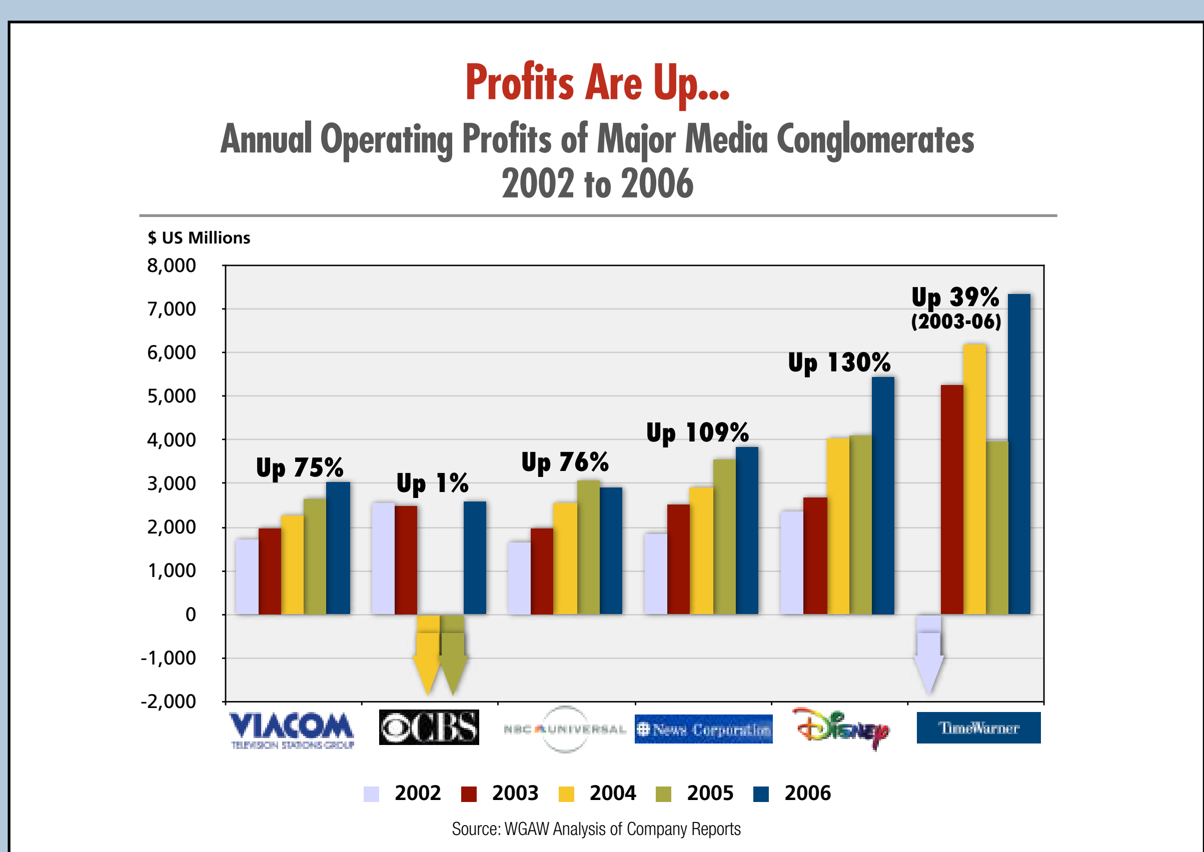
The U.S. film market grew from $29 billion in 2001 to $35 billion in 2006 and is projected to reach $44 billion by 2010. The online distribution market for films is the fastest growing segment for the domestic film market, growing from no revenue in 2001 to $1.7 billion in 2006 and projected to reach $3.6 billion by 2010.



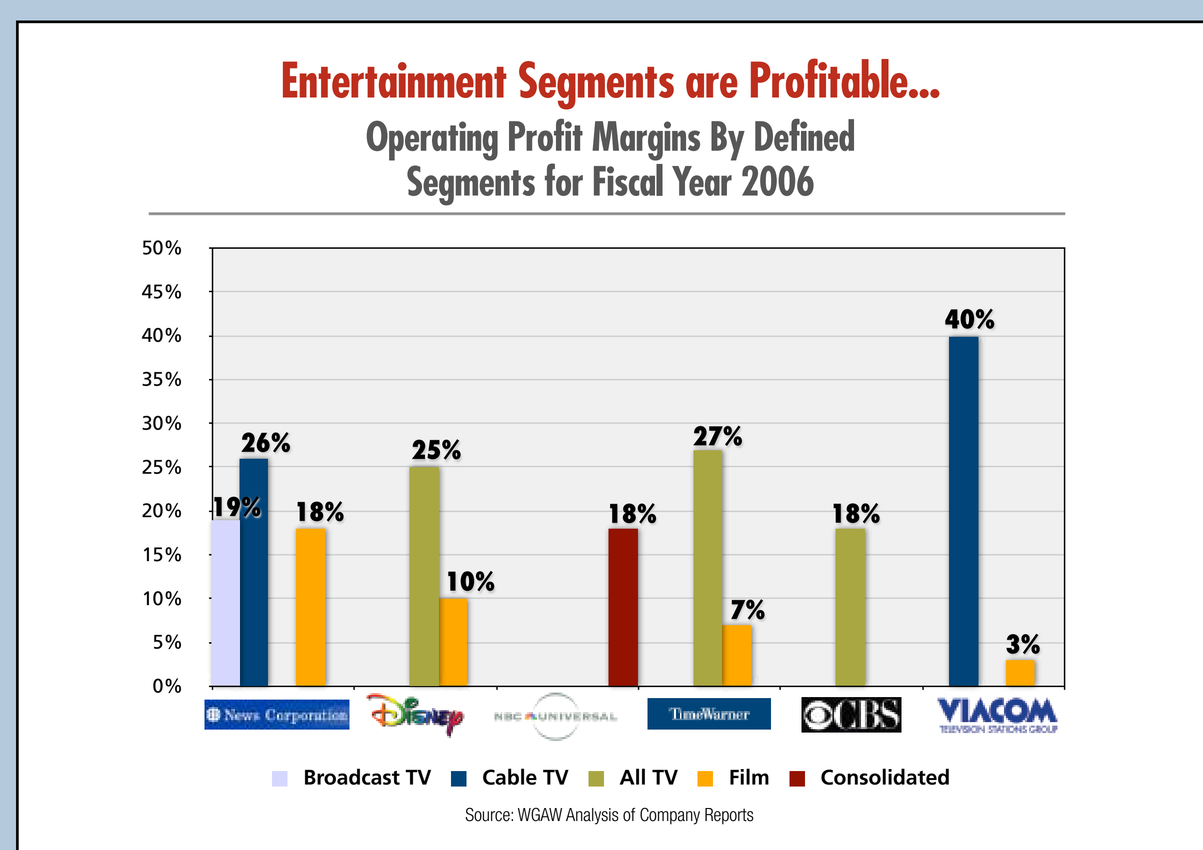
Total broadcast ad dollars grew from $15 billion in 2001 to $18.05 in 2005 and are projected to grow to $23 billion in 2010. The cable advertising base grew from $12 billion in 2001 to $18.9 in 2005 and is projected to grow to $29 billion in 2010.



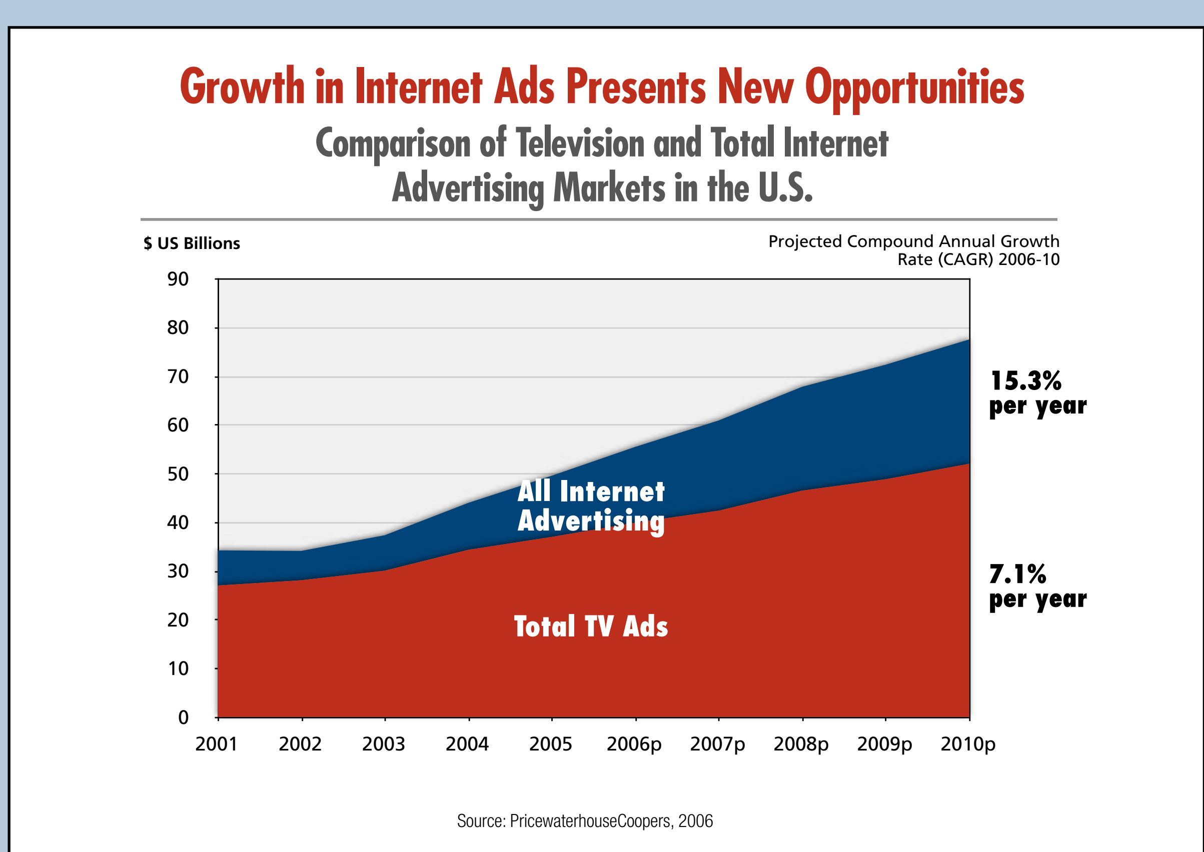
All of our major bargaining partners have recorded increased revenues from 2002 to 2006.



Each conglomerate has also registered significant gains in profits over the last five years.



Each of the film and television segments are profitable. Most divisions recorded strong operating profit rates of around 18 to 27 percent.



Online distribution is expected to be additive. With both the film and TV markets growing, online distribution represents a brand new source for revenues. Total Internet advertising is expected to grow from $16 billion in 2006 to more than $25 billion by 2010. The more studios place ad-supported content on to the Internet, the more the studios will tap revenues from this new distribution platform around 18 to 27 percent.

Of U.S. adults who watch online video, 41 percent turn directly to TV networks' websites. (Harris Polls, December 2006) Moreover, advertisers are paying more to have their ads placed next to premium online content, rather than next to user-generated content. Hollywood film and TV content is expected to capture 75 percent of the $3 billion online advertising market by 2010.

Prepared by Charles B. Slocum & the WGAW Organizing Research Department

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