

FACTSHEET NO. 4

DIGITAL DEDUCTIONS: DO THEY ADD UP?



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What are deductions?

Royalties are paid to performers based on a percentage of the sales of the programme in which they appeared. This royalty is set at 17%, but before any royalty is paid, companies are entitled to make deductions from the overall figure for sales to cover costs.

What sort of costs do the companies claim?

There are a very wide range of costs that companies claim, for example in producing a DVD a company might claim for video registration fees, editing, re-versioning (converting to a new format), duplicating, blank media, printing and packaging, freight, publicity and promotion and legal fees.

Who decides what is a valid deduction?

This is one of Equity's major concerns with the deduction system. While we accept that producers and distributors may have costs that they will seek to recoup, we believe that there needs to be much clearer

definitions of which deductions are appropriate and how their costs are determined.

How do I know the deductions are fair?

Again this is problematic. In 1999 a survey by Equity found that the value of the 17% royalty was being eroded by deductions at a very wide range of points in the revenue chain. Members were receiving their 17% royalty on anything between 20% and 50% of the sales.

How can Equity monitor the application of deductions?

Equity believes that only transparent costings combined with rigorous audits of the deduction process can protect members and we want to see these provisions built into future agreements.

What is new technology changing?

Royalty payments are likely to become a more common part of an actor's remuneration if technologies such as video-on-demand and digital downloading have the impact

expected. In ensuring that members receive their fair share in the future, Equity believes that the issue of what constitutes a legitimate deduction in the digital era needs to be clarified. The level of some deductions (like packaging and printing) are likely to fall, but new deductions for processes such as digitisation, reformatting, storage and manipulation of material need to be clearly defined.

What does Equity want?

- ◆ Agreement on which deductions, if any, are appropriate before performers received their royalty.
- ◆ Clear definitions of the processes requiring deductions under digital delivery.
- ◆ Costings of the value of deductions and setting out maximum acceptable levels.
- ◆ Clear flags when deductions have been made so that they cannot be claimed more than once.
- ◆ Rules regarding the reversion of material to independent producers to prevent the reimposition of costs on members.

WANT TO KNOW MORE?

For more information visit our website at www.tvischanging.com, email tvischanging@equity.org.uk or complete your details opposite and send it to: TV is Changing, Equity, Guild House, Upper St Martin's Lane, London, WC2H 9EG

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Are you an Equity member? YES/NO

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