

2009: The State of the Industry

James J Jones authored this email
to his clients on March 26, 2009

Dear Clients,

I wanted to take a moment and give you a number of important updates....

Before I begin, however, I wish to tell you all that I am so very proud of you all for your dogged determination during these most difficult times. Frankly, Hollywood has not seem times like these since the 1950's and even then, maybe not. Hollywood is being challenged on multiple fronts – labor uncertainty, paradigm shifting and the 'great recession'.

I know a lot of you're are getting antsy to get out more, and frankly many of you are in a tight financial pinch; as such, I wanted to describe to you all the current climate in LA and the factors influencing the current environment.

1. SAG STALEMATE: Since the SAG contract expired on June 30, 2008, there have been few to no STUDIO feature films (this does not include companies such as Lionsgate and the Weinstein Company who are not in AMPTP and as such have completion agreements). Some analysts say there are up to 200 feature films on hold. Around September, we started to see a mass movement of film actors to TV projects. Many of my named actors have done one-day guest stars (this is very typical right now), and we are seeing a number of Guest Star level actors doing CO-STAR roles. Remember from November of 2007 to March of 2008, due to the Writer's Strike, again there were no feature films shot. So for the film actor, there has only been 4 months of work in the last 17 months. **THE BOTTOM LINE: Due to the lack of studio feature film production, BOTH film and TV actors are now competing for a limited number of jobs in the episodic and pilot environments. It is like a back up on 405 after a three lane accident!**

2. PILOT SEASON: During the Writer's Strike of 2007-2008, Studios adapted and used the void to eliminate pilot season as we know it. Gone are the days of hundreds of pilots. In fact, this year, there are only 67 pilots to have registered for production – of which only about 35 have been green lit for production.

<http://www.variety.com/article/VR1118000479.html?categoryid=3284&cs=1&query=pilots+casting+2009>

And this year, due again to a sagging economy, studios and networks believe that by **committing named stars** to their projects, they will receive more money from this year's up-fronts from ad agencies. They are banking on star power to leverage better buys at the all-important UPFRONTS. So, stars and pop-stars like Richard Dreyfuss, Chevy Chase, Brittany Snow, Elle McPherson, Rebecca Romijn, Ashley Simpson, Scott Caan, Skeet Ulrich, and proven TV talents like Kelsey Grammer, Eric McCormick, John McGinley, Joel McHale, Jenna Elfman, Donald Faison, Maura Tierney, Peter Krauss, Craig T. Nelson, Dax Shepherd, etc.... You do the math, 37 pilots... top stars being sought... **BOTTOM LINE: the conflagration of the economy and a lack of roles being cast, means that this pilot season may be even more competitive than the concurrent regular TV market right now.** So those of you who have gotten auditions for series regulars... feel great about that! **This is more like a backup on the 405 after a four lane accident.**

3. TV: While TV has been steady, again due to the conflagration of film and named actors doing Guest Starring roles, we have seen a horrible trickle down. Many Guest Stars are now doing Co-stars and Co-stars/ Developmental Actors (those with less than 5 national credits) frankly are not getting seen much. One CD recently told me that she had over 25 women who would be considered 'working actors' going for a co-star role. **BOTTOM LINE: Again, due to the abundance of named and working actors, many less-developed actors are not even being seen right now.**

4. ECONOMIC IMPACT I – THE EROSION OF QUOTES/RATES: There are really three major impacts to actors during this economic crunch. First, we are seeing the erosion of quotes. Due to the availability of so many talented actors, CD's and Producers are in the driver's seat in negotiations. When they say, "well we got someone else who will do it for less", they aren't kidding. I have spoken to a number of my peers who have confirmed this

erosion of pay for their actors. **In short, right now, quotes are eroding and for many, the minimum has become the maximum pay.**

5. ECONOMIC IMPACT II – THE CONCLUSION OF SAG STALEMATE: Many are hoping that with the end of this stalemate, Hollywood will get back to normal. I have to say, that I am not one who necessarily believes this. First off, due to the economic conditions, most studios have lost their millions of dollars from hedge funds; and European, Asian and Middle Eastern money has dried up. Even Stephen Spielberg has had to beg, borrow and steal to get his company financed And it wasn't anywhere near what he originally asked for. I believe that, even after the SAG stalemate is over, there is probably not enough money for 50 Studio Feature Films to be done right out of the gate. **BOTTOM LINE: While this will help us move towards normalcy, it will not be the cash cow some people think it will be.** One side note is that I expect that more formulaic projects will be down out the gate as Studios will be less likely to take significant risks since most of these projects will be financed by both the studio and their investors. In short, you will see more Iron Mans, Animation, and SAWs... they are money in the bank when you factor in ratios, etc.

6. ECONOMIC IMPACT III – OVERALL STATEMENT OF ENVIRONMENT: It is important that everyone follow the economic conditions closely. I know it is easy to be skeptical over the studios, networks, cablers, production houses, show runners, etc., losing money, but it is a cold-hard fact right now. These entities are truly in a difficult spot. If you have read much lately, there have been dramatic cut backs at every studio and network, from firings to asking show runners to cut between 2-7% of their budgets (not to mention the 25+% cutback shows like the Sarah Silverman were asked to swallow recently). Furthermore, these networks and studios are largely owned by conglomerates that have lost in the billions over the last 6 months. When I attended NATPE in January, all the talk was how to get 'thinner.' Everything is getting tight. Budgets, Marketing, Staffing, etc., and this will undoubtedly impact the actor. Also, the foreign sales market (where much of the TV and Film money is made, is being hit hard by the erosion of the US Dollar. So these entities are not able to recoup the costs they were in better days by the one-time explosion of the foreign markets. **BOTTOM LINE: The economic conditions are forcing the industry to be as 'thin' as possible.**

7. COMMERCIALS – INDUSTRY AND ECONOMIC IMPACTS: One analyst said last year, that 2008 was the worst commercial market since maybe 1974. I would not argue with this. Think about it: three of the top products/services for ad agencies are banks, cars and other financial services – all of which were struck down in 2008/early 2009 by this recession. This was confirmed when news struck that even the Super Bowl did not sell out advertising this year. The good news is that the advertising industry tends to be one of the first ones to be negatively impacted by a recession, but one of the first to grow as the recession moves to an end as advertisers of products want to start accumulating market share before the turn of the economy. *Another impact relates to the overall conditions of the TV/FILM/PILOT situation. Many strong actors have made enough money on TV/FILM, etc. so that they have not had to do commercials in years.* Due to the last few years and the lack of work, many top actors are now back in the commercial market; thus again, causing a logjam in casting. **BOTTOM LINE: The economic slowdown has caused a dramatic decrease in ad sales and the lack of work has caused more actors to re-enter the commercial market.**

THE GOOD NEWS!!

Okay, so that is where we are today. You know me; I try to always call it straight as I see it. So, I am not going to sugar-coat this either. I anticipate that 2009 will be a tough year overall for actors (and agencies). First off, the economy will not likely get straightened out until at least the 3rd to 4th quarter of this year and so all the factors above will remain in place through most, if not all, of 2009. Secondly, until the labor situation gets straightened out, we will not be seeing dramatic amount of film production, and this seems to be dragging along as well (as we enter the 8th month of the stalemate – it was announced today that SAG is thinking now about taking AMPTP to court for anti-trust violations). But again, even if it was finalized, there is not enough investor money to see the film production level normalize and increase for most, if not all, of 2009. Also, since movies cost around \$40 for two (tickets, popcorn, etc.) – this is not a recession proof field anymore. During our last significant recession, there were few choices for guilty pleasures to get away from the stress of our times – so many people flocked to the theatres. NOT SO THESE DAYS, one can go to the web, TV, cable (not around in 1974, 1982, 1988 much), Video Games, Netflix, RedBox (movie for a \$1). So studios are probably not in any big rush to make films – as people cannot afford this once cheap diversion – better to divert for a few bucks to all the many other sources of guilty pleasures. OKAY, so that didn't sound like good news...

The good news is that there are some paradigm shifts occurring that make 2010 -2012 look like it might be one of the most prolific times in Hollywood history. Due to technological developments, there are more platforms being developed than ever. The internet is driving millions of new viewers each year. Zillion is going to transform the way we view advertising. For those who don't know, it has recently been unveiled by the maker of Real Player and the 'mouse.' It is a system that makes you watch ads before downloading movies (they already have 14,000 Titles ready for download), TV, other forms of entertainment to your TV Screen. However, the consumer can choose the products they want to see (let's say you go retail clothing and watch a Macy's ad and love the jacket; you can immediately click on the ad/jacket and go directly to their website where you can buy it). Also, you earn points by watching the commercials that you can use towards purchases. Furthermore, SONY and others are now selling TVs that wirelessly connect to your computer, so you can download TV/FILMS at any time from your computer (websites like Hulu, Netflix, etc.) directly to your TV. **In short, technology is making more platforms which will require more content than ever.** Also, cablers are all embracing doing scripted shows, some have up to 5 shows this year... again, more content is needed and thus MORE ACTORS!

BOTTOM LINE: More platforms = more content = more actors! So as long as SAG/AFTRA can protect your rates and jurisdictional issues, there will be more good compensated work than ever in Hollywood by 2010-2012.

SOME FINAL THOUGHTS:

I hope this email helps you understand the nature of the business, in both the paradigm shift that is occurring and the economic recession, and that you keep your expectations in check. IN AM NOT GOING TO SUGAR-COAT this, 2009 will continue to be a challenging year, but we are IN THIS TOGETHER. *Remember, if you do not get paid, WE do not get paid. And like you, we are having financial challenges as well (many significant agencies have gone under the last six months – ACME, DRAGON, etc. – even talks of Endeavor merging with William Morris).* All of us at PTG are learning to love TOP RAMEN AND PEANUT BUTTER/JELLY sandwiches again! BUT REMEMBER, you are all extremely talented actors and I truly BELIEVE IN YOU!

Which leads me to my last points:

A. PLEASE don't think that you are alone right now. ALL actors are having trouble getting seen (I have spoken with many of my peers who are not having even the level of success we are right now in getting people out).

B. If you are on my roster, **YOU ARE NOT BEING FORGOTTEN!** I am not that kind of agent. I THINK OF YOU ALL EVERY DAY and submit/pitch/push like a son of a bitch for you ALL! SO please don't feel the need to email me about projects you have heard about or a breakdown you saw – I have seen it and acted on it, I assure you! However, if you have a particular in on that project, that is different (I.E., the Producer is my best friend, or that CD Cast me before – However, this should already be in your narrative histories!)

c. **HAVE HOPE and CONTINUE TO BELIEVE IN YOUR ABILITIES.**

You are all so freaking good, when times normalize and grow you will be productive... JUST HANG IN THERE – and keep your acting chops ups so when the opportunities come you are ready to roll!!!!

I welcome your thoughts on this email.

Genuinely,

James J. Jones, Owner/Head of Adult Theatrical Division

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