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## Visual Effects Society Says Business Training, New Bidding Models Could Save the Industry

MOVIES | By Brent Lang on July 16, 2013 @ 1:15 pm

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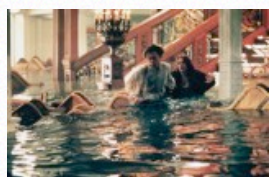
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Better business training and new bidding procedures could revive the visual effects industry, according to a white paper released Tuesday by the Visual Effects Society.

The study by the professional honorary society, commissioned in the aftermath of bankruptcies of Oscar-winning studios like Rhythm & Hues and Digital Domain, also addressed the the pros and cons of unionization and the need for a trade association with a global approach.

"Everybody is talking about what's wrong with the industry and how it can be fixed, so we thought it was time to put something forward that looked at these issues in a data-driven way," Eric Roth, executive director of the Visual Effects Society, told **TheWrap**. "This is a snapshot of what the industry looks like as of July 2013."

As pictures go, it's grim. In interviews with more than 40 studio executives and visual-effects artists, the study's authors found that the industry's institutional challenges are myriad — ranging from

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## After Rhythm & Hues, Visual-Effects Community Asks: What Now?

Williams, CEO and executive director of the Entertainment Technology Center at USC and co-founder of Sony Pictures Imageworks, determined that part of the problem is that many people running major visual-effects companies entered the industry as artists, not money managers. They proposed a business training program to instruct company leaders about ways to better manage their cash flow and to create more transparent bids for film work.

"People get into this business because they love making art and they have great passion for film, but that passion sometimes means that they don't make the best decisions at a facility level," Roth said.

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The authors also recommended new procedures for bidding on film work and managing cost-overruns on projects. Various shops ruthlessly outbid one another to get work on major films only to find themselves stuck shouldering costs when production goes over schedule or the studio and director demand constant tinkering.

The authors suggest that these financial pressures could be alleviated if studios adopted a cost-plus model that would require customers to provide an additional allowance for overhead costs and overages of a bid. The study's authors also argue that this model could include an incentive bonus that would be rewarded to visual effects companies going under budget.

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Rosendahl acknowledged that many visual-effects houses are fearful that if they push back they could alienate a studio. He noted that many contracts for visual effects work call for studios to shoulder overages, but companies are worried that if they request more money, they could jeopardize their participation on future projects.

"People are in the industry because they want to work, but it's a finite industry in size, so they're afraid that if they don't go way beyond the call of duty on a project, they won't get to play in the sandbox any more," Rosendahl said.

Rosendahl said tax incentives are a good thing for countries like the United Kingdom and Canada, although not so great for those working in Hollywood.

"Clearly Los Angeles has been impacted negatively by tax incentives, but you go to almost any place in the world where they are being offered and you find that people have benefited from the work that is going into their country," he said.

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The study's authors said that plans for a trade association, now in nascent stages, must be global in scope to be effective. A group comprised primarily of California companies, which are the hardest hit by the subsidy chase, would not mirror the global nature of a business that is increasingly mining work out to shops in London or Vancouver.

The report noted that unionizing could help those workers unpaid when money gets tight or are asked to work long hours as contract workers so companies can avoid offering them health care coverage. Yet, they caution that unionizing has its perils.

foreign tax incentives that are pushing more work overseas to a fixed bid system that is shrinking profit margins into obsolescence.

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Co-authors Carl Rosendahl, associate professor at the Entertainment Technology Center at Carnegie Mellon University and former president of Pacific Data Images/DreamWorks, and Ken

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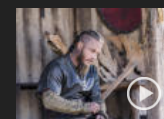
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"Unionization would not prevent any companies from declaring bankruptcy or shutting down, and in fact may hasten that conclusion for companies nearing the edge," Rosendahl and Williams write.

Despite the rancor roiling the visual effects industry as companies struggle to survive, Rosendahl said there are no good guys and bad guys here.

"It's not a real simple problem," Rosendahl said. "It's not black hats and white hats. Everyone has on a different color hat."

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What part of this report offers anything that hasn't been known, said and/or tried already?

It would appear that the visual effects industry, especially in California, is getting very tired of just treading water, and without some real meaningful action soon...many may 'go under' from pure exhaustion.

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