



Tamil film industry faces losses of nearly Rs400 crore as strike continues indefinitely

Caught in a stand-off between the Tamil Film Producers Council and movie exhibitors, the industry has come to a standstill with no Tamil language films having seen the light of the day since 1 March.

New Delhi: For the past 40 days, Tamil Nadu has seen no local language film releases. Caught in a stand-off between the Tamil Film Producers Council, a union for film producers in Tamil Nadu, and movie exhibitors, the industry has come to a standstill with no Tamil language films having seen the light of the day since 1 March.

The producers association essentially wants the digital service providers (DSPs) like UFO Moviez and Qube Cinemas to either reduce or share virtual print fees with the exhibitors. The virtual print fee is a subsidy currently paid by the producers to digital service providers like UFO for compressing the digital mastercopies of their films and converting them into a format that can be shown in theatres across the country with their own digital projection systems. The argument is that the producers should be paying for the making of the film, not its eventual exhibition. Virtual print fee can go up to Rs50, 000 per film.

The Tamil Film Producers Council has prohibited the release of all Tamil films till virtual print fee is either reduced or shared. The digital service providers, in this case, are supported by the film theatre owners who refuse to share the virtual print fee.

“If the producers win this battle, it will be unbelievable,” independent trade analyst Sreedhar Pillai said, adding that there has never been a situation like this in the Tamil movie industry.

To be sure, the losses are massive. M. Subramaniam, president of west zone theatre owners association, said there is no precedent of theatre owners ever coughing up virtual print fee in any part of the world and it is unrealistic to expect Tamil Nadu cinema hall owners to start doing so. The month-long strike on Tamil films, however, has resulted in a loss of nearly Rs300-400 crore for production, distribution and exhibition-related stakeholders as a whole with about 40-50 films having to defer theatrical release, he said.

The industry is losing about Rs5 lakh per day, considering that 85% of the theatres, especially in small towns and rural areas, run on Tamil language content, according to Pillai. According to the Ficci-EY media and entertainment industry report 2017, the Tamil film segment registered net domestic box office collections of Rs946 crore last year, with footfalls of about 126 million.

To be sure, the digital service providers see reason in their stand.

“The rates charged by UFO are the lowest in the world. We have not changed our rates from 2010 even as all other costs such as rentals, salaries, logistics cost, dollar prices etc. have all gone up steadily. We strongly believe that our rates are extremely moderate and the industry needs to see the larger picture,” said Rajesh Mishra, chief executive officer — Indian Operations, UFO.

Meanwhile, for the producers, it’s more than about virtual print fee.

“This isn’t a one-month loss. The Tamil film industry has been undergoing losses for the past two years,” said a leading film producer on condition of anonymity, adding that it is now becoming an issue of survival.

The person said high virtual print fee requirements from producers are complemented with vague financial accounts from most theatres, especially in rural areas. Unlike Hollywood which works closely with global measurement and research company Rentrak to track and maintain box office records, India has forever, been in the dark. Further, the implementation of the goods and services tax (GST) last July meant that entertainment tax across the country now rests at 18% for tickets priced under Rs100 and 28% for those above Rs100.

A radical change for many south Indian states that previously worked with negligible tax rates, this has brought about a sharp rise in ticket prices and collections of films has been substantially impacted since then. Multiplexes now charge about Rs220 as compared to Rs120 earlier. Single screens have increased their ticket prices to Rs110 from Rs 60-70. In such a scenario, the high fee charged by digital providers becomes an additional burden. Since digital distributors have invested in creating the infrastructure for digital exhibition of films in cinemas, they charge a fee for distribution and also claim a share in the advertising revenue arising from cinemas.

Despite all stakeholders now turning to the government to resolve the issue, there is still little clarity on when audiences will get to see new Tamil language content. A horde of films, including Rajinikanth-starrer Kaala await release.

“The summer season, primary for big-ticket releases is upon us and there is going to be huge overflow of films,” Pillai said. “However, if the virtual print fee demand is agreed to in Tamil Nadu, it will have far-reaching effects with other states asking for the same.”