The universal principles on which commercials production companies should be engaged were originally conceived of and published by a global group of Production organizations and have been updated by these groups from time to time to reflect the current business. While it is recognized that certain regionalized business practices are present, these principals are cornerstones of the Advertising Production business, globally.

Production companies are engaged by marketers and their agencies for the express purpose of applying their directing and production expertise to produce a commercial that fully realises the potential of the creative idea to and enhance and breathe life into marketing concepts.

Production companies are driven and committed to consistently find new and innovate ways to improve the creative product, find efficient solutions and keep the talent pool available in the advertising industry fresh and strong.

A robust, clear and fair business framework is the foundation of great creative work that meets the client's goals and this document sets out how agencies and production companies can best achieve that.

The Universal Principles of Engagement

1. Meeting the client's objectives.
It is in every party's best interest that client expectations are met, as the goal of commercial production is to deliver the highest artistic and technical quality commercial to the client within their expectations regarding cost, time and policy. To this end, it is important that all of the client expectations are realistic, fair, fully disclosed and contemplated in the production contract from the start of the project. The agency, when engaged as agent for the client, should assume the role and responsibility and as such should be empowered to make decisions, voice concerns and approve changes and overages during production. Mutual respect, collaborative spirit and professionalism in the end will determine the success of each project.

2. Non-Disclosure Agreements (NDAs).
It has become customary for advertisers and agencies to request NDAs as part of the contract to keep certain information regarding their project confidential. Such NDAs should be reciprocal as the production company's approach, bidding information, and intellectual enhancements are specific to that project and should also be kept confidential by those entities soliciting their input, and ultimately any entity working on behalf of the buyer.

3. Maximum of three bids.
There should be a maximum of three production companies invited to bid for a commercial project. The bidding entities should be advised of others they are bidding against, as it helps shape the expectation of the desired outcome. In the situation where there will be more than three companies asked to bid on the same project, all participants should be notified in advance (or as this situation arises) so that companies can better assess whether they would like to participate in the bidding pool.

4. Contract in writing.
A production company should be contracted in writing, so that there is a clear understanding of what the production company is producing for the advertising agency (on behalf of the advertiser)*. The contract should clearly establish the rights and responsibilities of each party. The contract ensures that what the agency is expecting of the production company and what the production company is expecting to deliver to the agency are the same thing. The parties are then legally obligated to the terms they have agreed. The contract should provide a mediation and arbitration process in respect of disputes that arise under it.

5. Production companies should be contracted on a fixed bid or cost plus basis.
A fixed bid is an agreed upon price for the work produced payable by the agency (or advertiser) to the production company.

Under a fixed bid, the production company accepts all of the risk of the production (with exceptions for items/personnel the agency has elected to provide which are spelled out in the contract, weather risks and force majeure) and the fee remains the same - a fixed amount. This method gives the Production company the most leeway in executing their budget and gives the advertiser the most comfort level in knowing the set budget.

For the purposes of this document, the assumption is that an advertising agency is working as agent for the advertiser, in cases where an agency is not involved, or the agency is involved but working in a capacity other than "agent", the roles may change, but the essence of "buyer" and "seller" remain constant.

When there are many unknown variables that make it difficult to estimate a job, the agency or the production company may recommend using "cost plus fixed fee' (known as cost plus). Under cost plus, the agency pays the actual cost of making the commercial (which may be more or less than the original estimate) and a pre-determined production fee (usually a percentage "mark up" on the best estimate of costs). In each of these scenarios both entities are protected from pieces that cannot accurately be estimated.

Under either system, there should be a payment schedule that is agreed to and guaranteed by all parties involved, recognising that timely payment is a contractual term.

A note on a cost plus scenario: if an audit of costs is performed (and an audit is only appropriate to a cost plus bid), the costs of such audit, and time frame for final payment, should be reflected and factored into the cost of the production.

6. Up-front payment.
Production companies should receive a significant proportion (50 percent to 75 percent) of the budget at least seven days prior to the first shoot date. This reflects the fact that most of the budget has to be paid out prior to production, or immediately thereafter in order to meet all commitments with any applicable labour laws.

7. Interest on late payments.
Contracts should provide that interest is payable if the agency fails to pay the production company in accordance with the contract, to reflect the fact that the production company will have to finance the production for the personnel and equipment it has paid for or committed to. Terms of the interest rate should be clearly articulated and understood by each party.

8. The Company contracting the production company should be responsible for paying them.
Some agencies in some countries seek to engage production companies on the basis that they are only liable to pay for the production if and when their client pays them("Sequential Liability"). That is unfair and wrong. Production companies have no control over or even knowledge of the agency's financial arrangements with its clients. It is for the agency to manage that and contract to pay the production company the budget without conditions that would pass the consequences of clients defaulting on payment to the production company.

9. Cancellation provisions should be clearly spelled out.
Cancellation provisions should be agreed upon in advance so that in the event of a cancellation by the agency (which does not result from any default on the part of the production company), the production company should be paid all the costs it has incurred and is committed to and fees and mark up that fairly compensate the production company with respect to work performed, time committed and other opportunities lost.

10. Choice of suppliers.
Since the production company is responsible for the services the supplier provides, and ultimately the finished product, the production company should have full control of choosing its suppliers, including service and facilities companies. The production company should not be responsible for suppliers the agency provides(when certain product or brand specifications require such).

11. Diversity.
We are committed to creating workforces that are inclusive, accessible to all, and truly representative of all sections of our society. It is important to us that we not only recruit employees from under represented groups, but also retain their positions in our workspaces by developing safe and supportive working environments. As well as that being the socially responsible course, we also believe that greater diversity is critical to developing our creative offering and communicating with every part of society, so that it is a benefit to the clients and agencies we work with.

12. The Environment.
Production company, agency and client should commit to minimising the environmental impact of a production. That starts by assessing the impact of the key drivers of the environmental impact of a production: size of crew, number of days, travel (and particularly the number and distance of flights) and catering so that a shoot can be planned to minimise its environmental impact. Every practicable step should be taken on the production to minimise its environmental impact and the carbon impact that remains should be offset.

The Universal Principles of Engagement is endorsed by the following commercial producers associations:
AAFP, Austria
APRO, Brazil
BCPB, Belgium
Commercial Film Producers, Cyprus
APA, Czech Republic
Producentforeningen, Denmark
EPA European Producers Association
UPC, France
Georigian Film Cluster, Georgia
Produktionsallianz Werbung, Germany
PACT, Greece
HUNAPA, Hungary
Commerical Producers, Ireland
CPA, Italy
LAPA, Lithuania
AMFI, Asociación Mexicana de Filmadoras, Mexico
SPR, Poland
SAPA, Republic of Serbia
Romanian Association of Advertising Producers, Romania
SLAP, Solvenia
APCP, Spain
Film & TV Producenterna, Sweden
Swissfilm Association RY, Switzerland
Turkey APA,
United Kingdom
AICP, United States of America