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A. KESSLER
ECONOMIC RESEARCH SERVICE

P. O. B. 981
Jerusalem, Israel

Ref.- Sz/6

September 25, 1960

Herbert A. Friedman
United Jewish Appeal
165 West 46th Street
New York 36, New York

Dear Mr. Friedman:

I had planned to send off a complete report on the color film market a week before Rosh Hashana. Unfortunately, I could not keep to my schedule. Untoward delays in obtaining final interviews with a number of key people made us two weeks late in finishing the field work. Then our Turkish correspondent informed us that the data, which have already been late in coming, will be delivered only in the middle of October. Despite our efforts to make up for these delays, it became apparent a few days ago that it would be impossible to send off the finished report in time for your Rochester meetings. I am sorry, and I sincerely hope that this has not caused you too great inconvenience or difficulties.

I shall have to revise the draft I now have somewhat in order to compensate for the absence of the Turkish data. Technically, it will not be possible to send off the report before next week. I hope that the situation with regard to obtaining data, at a reasonable cost, from Greece and Iran, in addition to Turkey, will be clarified soon. In the meantime, here is a summary of some of the conclusions of the report:

The present sales of color film and processing services in Israel are very limited; the market potential, however, is quite large.

Imports of color film are now running at approximately \$30,000 annually. A third of this amount is purchased by Israeli residents (excluding military authorities), another third by tourists visiting Israel, and the remaining third by the diplomatic corps, etc..

Adjustments in the price paid for color film in Israel, and better supplies of Kodachrome, would immediately result in substantial increases in purchases by the first two categories.

The long-term prospects for considerable increases in purchases by these two categories are excellent.

The value of local processing is at present about IL40,000 annually; this would cost only \$10,000 if done in the United States.

An estimated \$25,000 worth of processing is done abroad for Israel residents and diplomats stationed in Israel.

The establishment of a Kodak licensed processing facility (capable of handling Kodachrome) and, with it, better service at competitive prices, would immediately result in a shift to Israel of most of the above processing.

It would also result in obtaining a considerable volume of processing from tourists in Israel.

The expected volume of processing of a Kodak licensed facility in Israel may be conservatively estimated at \$100,000 at the end of the first year of operation, assuming the existence of proper conditions regarding quality, service, price, taxes, etc..

Since the minimum profitable annual volume of a Kodachrome facility is said to be \$200,000-\$250,000, the local facility will initially have to depend on processing business obtained from other countries.

The potential color film market in Greece and Turkey, to judge by imports of photographic goods, is larger than that of Israel.

It would thus appear that if Israel were able to obtain even part of the processing work originating in these and some other countries, the local facility would be able to reach a profitable volume of business.

The earning of foreign exchange from processing of film sent by foreign countries would ensure an adequate supply of film on the local market.

Further exploration should be made of the possibility of selling Kodak color film, including the cost of processing in Israel, to countries with whom Israel has clearing agreements and who restrict the import of film or processing services from hard currency countries.

The report does not take into account the requirements of the military establishment and moving picture producers.

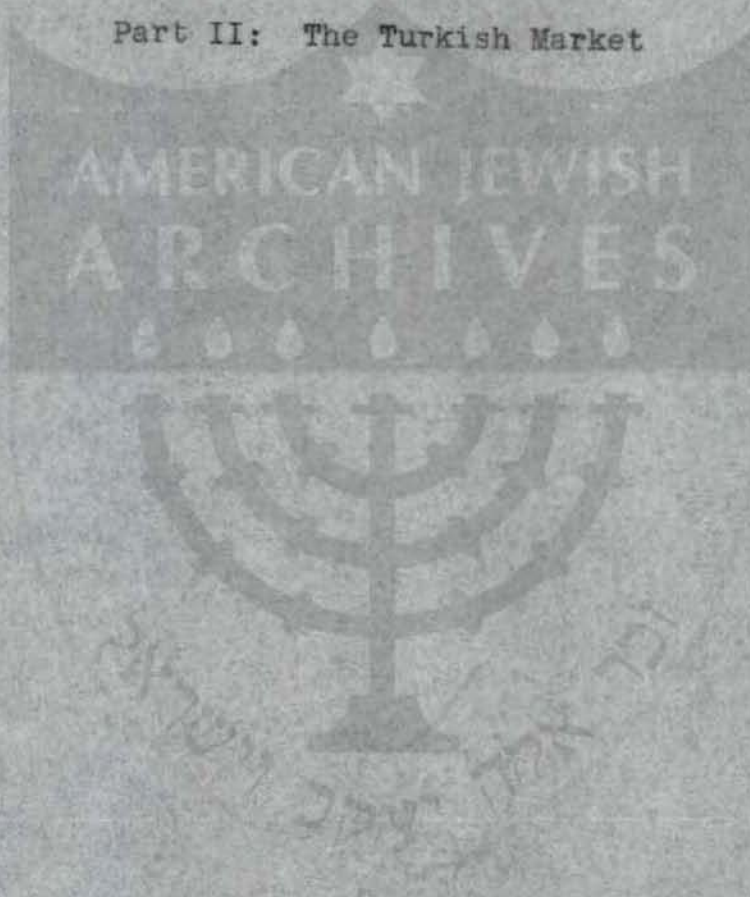
My best wishes for a happy new year.

Yours sincerely,

(sgd.) A.A. Kessler

The Market for Color Film
Processing in Israel

Part II: The Turkish Market



November 1960

A. A. KESSLER - Economic Research Service
Jerusalem, Israel

COPY

Ref. SZ/12

September 29, 1960

Herbert A. Friedman
United Jewish Appeal

Dear Mr. Friedman:

In accordance with your request made in Jerusalem on August 7, 1960, I hereby submit to you Part I of a report on The Market for Color Film Processing in Israel.

Part I deals with the Local Market. Part II, which will be based on preliminary investigations carried on by correspondents abroad, will deal with Foreign Markets.

In line with the terms of reference laid down by you, no study was made of the future processing requirements of Israeli moving picture producers. Military requirements were also not investigated since these ordinarily would be met by internal military facilities.

This study attempts to answer the question: Is the Israel market large enough to support a relatively large color film processing facility capable of handling Kodachrome? ~~If the unverified information received as to the minimum economic size of such a facility is correct, the answer is: Only partially; reliance will have to be placed on work obtained from foreign countries.~~ If the unverified information received as to the minimum economic size of such a facility is correct, the answer is: Only partially; reliance will have to be placed on work obtained from foreign countries.

Two estimates, differing widely from each other, are presented for the potential business available from tourists. Both of these start off from firm facts, and then pass through a series of more or less reasonable assumptions before reaching the final figure. Alternative checks which were made, but not presented here, lead us to believe that the most reasonable estimate probably lies in between the two presented here. It is assuring that even if either extreme were taken, the order of magnitude, and hence the main conclusions, would not change. A serious change would occur only if our tourist estimate proved hopelessly pessimistic. The basis of this estimate could certainly be improved, but this would require a systematic study which could not be attempted within the budget limitations.

Yours sincerely,

A.A. Kessler

cc sent 1971 to name 028-13

A. KESSLER

ECONOMIC RESEARCH SERVICE

מנהל קסלר

שרות מחקר כלכלי

P.O.B. 981 JERUSALEM, ISRAEL

TELEPHONE 4340

0'71911' 981 .7.0

4340 11970

SZ/14

October 9, 1960

Herbert A. Friedman
United Jewish Appeal
165 West 46 Street
New York 36, New York

Dear Mr. Friedman:

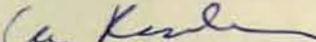
I trust that you already have received the copy of the report which was sent off Erev Chag last week. There are another five copies here whose disposition awaits your instructions.

The problem of obtaining data from abroad at a reasonable price has proved unusually difficult. The cheapest offer received for Iran is \$550. This amount is entirely unreasonable for the few elementary facts which were requested, even considering that commercial data are hard to come to in Iran. I have an offer of \$400 from Greece for weeks now, and have been waiting for cheaper quotations. One, for half the amount, came last week. Both offers claim they can deliver within three to four weeks after receiving confirmation. The point is this: the people who made the higher offer are reliable and usually very good; I have had almost continuous experience with them for about two years. I can give no similar recommendations about those making the cheaper offer. In light of my experience in Turkey, I am now inclined to recommend the higher offer.

In Turkey, I chose the cheaper of two offers. Since it was for \$150, i.e., close to the IL250 limit which I mentioned to you as being an uninflated cost for such information, I chose it without obtaining any special authorization from you. I had no previous experience with the organization which was given the job, although it is supposed to have many years of experience behind it. The report should have been ready by the middle of September; instead, a cable came that it would only be ready in the middle of October. Since then, I have sent off one letter and a cable in order to find out what is happening; no reply was received to either communication. I am now very sorry that I did not get in touch with you about the higher offer - more than twice as high - from an outfit which has given me good service in the past.

Two additional notes. I heard that the owner of a Chicago outfit by the name of Tru-Photo made inquiries here about the possibility of setting up a color film finishing lab. More important is the information that the Geva Film people already have the equipment necessary for processing 16 mm. color film, and have recently ordered the necessary chemicals. If you spoke to the Kodak people, you probably will know whether their equipment can easily handle still film; a Kodak expert was here to advise them about 1½ years ago.

Sincerely yours,


A. Kessler

October 23, 1960

To : H. A. Friedman

From: A. A. Kessler

Outline for discussion - Color film processing

Facts

1. Kodachrome - minimum profitable annual turnover: \$500,000
2. Potential local market during next few years (including Kodachrome) :

Residents	\$65,000
Tourists	\$75,000
	\$140,000
3. Potential foreign markets:

Iran	nothing
Cyprus	very small
Turkey	not yet known; due by Oct. 30
Greece	not yet known; due by Nov. 15
Yugoslavia and Eastern block countries:	not being investigated

Implications

Kodachrome plant does not seem profitable

Setting up processing plant without Kodachrome

Concessions to be obtained:

1. Relative prices of color and monochrome film will be changed still further in favor of color by effectively decreasing purchase tax from 50 per cent to 25 per cent.
2. Price of color photo paper will decrease by 20 per cent or so.
3. Tourist shops will mainly sell Ektachrome and only small quantities of Kodachrome.
4. Sales to tourists will be at U.S. list prices, not 40 - 60 per cent higher, i.e. no customs etc.
5. Tourist Corporation will give publicity to availability of Kodak film and processing.

6. Customs (e.g. 100 per cent) will be placed on film returned abroad for processing.
7. Foreign exchange allocations for non-Kodak color films to be frozen at present levels.
8. Foreign exchange allocations for Kodak color film for resident, civilian Israeli market, not including film companies, to be:
 - 1961/62: \$10,000
 - 1962/63: \$50,000 (year in which plant will start operating)
 - 1963/64: to be negotiated
9. Film for tourists - to be made available freely
10. Foreign exchange allocations for Kodak paper and materials to be made available freely according to needs.
11. Geva film not to be given allocations for processing still film.

Data on processing market (at U.S. prices)

	<u>No Kodachrome</u>	<u>With Kodachrome</u>
(1) Amateurs	\$ 40,000	\$ 44,000
(2) Professionals	10,000	10,500
(3) Diplomatic corps	5,000	11,000
(4) Tourists	25 - 75,000	35 - 100,000
(5)	\$ 80 - 130,000	\$ 101 - 166,000
Foreign market	???	?
Average of (5)	105,000	135,000
Less 20 per cent retailer's markup	83,000	110,000
Foreign market	??	?

Implications

Turnover not very large.

Unless tie up with something else (black and white, optics,) or can get foreign customers even without kodachrome, does not seem to be a proposition.

A. KESSLER

ECONOMIC RESEARCH SERVICE

מנהל מחקר כלכלי
שירות מחקר כלכלי

P.O.B. 981 JERUSALEM, ISRAEL
TELEPHONE 24340

ת.ד. 981 ירושלים
24340 11970

SZ/22

October 28, 1960

Herbert A. Friedman
King David Hotel
Jerusalem

Dear Mr. Friedman:

I am sending you the following material in this envelope:

1. Another copy of the report.
2. A correction sheet for the memo of October 23, 1960, which I gave you in Rishon. I made some changes in pencil but am not sure if I transcribed them all on to the copy you have. To keep the record straight, the enclosed can simply be pasted on to the bottom of the first page.
3. A bill for the local study.

I shall let you know when I am billed for the Turkish study. Payment should be made in dollars to the following address in England which handles these foreign exchange transactions for me.

S. Lichtigfeld
41 Sherrards Pk. Rd.
Welwyn Garden City
(Herts)
England

Unless you inform me otherwise during the coming month, I shall destroy the remaining copies of the report which I have been holding for you. Incidentally, thumbing through now, I discovered a couple of slight errors and inconsistencies, but these can easily be caught by a careful reader.

You shall hear from me again soon with the Turkish report. I hope that something more concrete will come out of your next project. Shalom - and be seeing you again when you're in Israel next time.

Yours sincerely,


A. A. Kessler

14 November, 1960

Central Coal Co.
325 Exterior Street
Bronx, N.Y.

Attention: Mr. H.E. Manacher

Dear Mr. Manacher:

Enclosed please find copy of a survey which was made at your request concerning the feasibility of a color processing operation in Israel. The cost for this market research was \$250.

An additional report is coming in from Turkey, and when that arrives I shall send you a copy.

Very truly yours,

Herbert A. Friedman

HAF/fo
Encl:

P.O.B. 981 JERUSALEM, ISRAEL

TELEPHONE 24340

ד.ת. 981 ירושלים

4340 11970

SZ/28

November 18, 1960

Herbert A. Friedman
 United Jewish Appeal
 165 West 46th Street
 New York 36, New York

Dear Mr. Friedman:

Enclosed is a copy of the preliminary market report on the color film market in Turkey. The bill, which I have just received, comes to \$153 (the \$3 is for "exchange differences", whatever those may be). Would you be so kind as to forward the payment to my agent in England, as indicated in my letter to you of October 28.

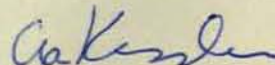
For the record, I am summarizing the relevant points which can be learned from the Turkish study:

1. The present size of the color film market in Turkey is very small, somewhat in the same order of magnitude as the Israeli market.
2. Color film processing facilities exist in Turkey, but the quality of work is not generally satisfactory; about 55 per cent of color film is sent abroad for processing.
3. Restrictions with regard to the import of cameras is an important factor in the narrow size of the Turkish market.
4. Israel, together with other clearing agreement countries, still receive preferential treatment in import licensing.
5. The possibility of an Israeli firm's obtaining part of the processing market does not seem to be precluded. However, this probably would have to be tied up with supplying the Turkish market with color film or photographic equipment which could be paid for under the clearing agreement.

Attached you will find a receipt for the IL 700 which I received from you. I gave Hayim Vinitzki a copy of the receipt the same day he had the money sent over.

This project has been a very interesting one for me, even though the results turned out to be negative. I hope that I can be of service to you again at some future occasion.

Yours sincerely,



A. A. Kessler

Encl: 2

16 December, 1960

General Edward P. Curtis
Eastman Kodak
343 State Street
Rochester 4, N.Y.

Dear General Curtis:

This letter should have been written to you much earlier but I have been traveling so much, both abroad and here in the States, that it has been delayed.

The Market Research studies which I initiated in Israel were completed and indicated exactly what you thought they might. The volume of business in color film is ridiculously small. There would seem to be no point in setting up a color processing plant unless the sales in color film could be increased tenfold.

I had some discussions with the proper authorities in the Finance Ministry and the Trade & Commerce Ministry. The key to the problem would seem to be obtaining permission to import film without the heavy customs duties and luxury taxes which generally prevail on all imported items to Israel. If those taxes and duties could be eliminated, then the retail sales price in Israel would be competitive. In such an event, it could reasonably be anticipated that the volume of sales, both to tourists and local population, would increase rapidly to the point where a processing plant could be sustained.

Frankly, on the basis of the conversations held to date, I do not think that the Finance Ministry people would be willing to waive customs and taxes. They have not given me a definite answer. They can see the validity of the arguments I made in favor of such waiver -- i.e., value to the tourist trade in having Kodak color film available at world market prices; value to Israel of having a good processing establishment. On the other hand, they are afraid to start granting waivers for some items, for it might involve setting up precedents.

My guess is that they will not see their way to do this. Therefore, I think the matter must hang at the moment, as far as I am concerned.

If you have any other ideas or thoughts, I would love to hear them. Meanwhile, may I thank you for all your kindness and courtesies.

Sincerely yours,

HAF/fc

Herbert A. Friedman

file

EASTMAN KODAK COMPANY

ROCHESTER 4, NEW YORK

GENERAL OFFICES
343 STATE STREET

TELEPHONE
LOCUST 2-6000

December 21, 1960

Mr. Herbert A. Friedman
United Jewish Appeal
165 West 46th Street
New York 36, New York

AMERICAN JEWISH
ARCHIVES

Dear Mr. Friedman:

Thank you very much for your letter of December 16. Needless to say, I am sorry although not surprised to learn that your researches confirm the fact that there is not a great potential for color processing in Israel - at least for the time being. Although we would be prepared to argue that amateur color film is important in anybody's country we can't exactly call it a necessity so I can understand that, with their present economic problems, the authorities in Israel must control the importation of luxury consumer goods. Maybe some day this will change and we can talk again.

If you get back to see Phil Bernstein come and see me anyhow.

Sincerely yours,

E.P. Curtis

EPCurtis:C

The Market for Color Film Processing in Israel

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PART I: Local Market

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THE PRESENT SALES OF COLOR FILM AND PROCESSING SERVICES IN ISRAEL ARE VERY LIMITED: THE MARKET POTENTIAL, HOWEVER, IS QUITE LARGE. A KODAK AFFILIATED PROCESSING FACILITY IN ISRAEL WOULD OBTAIN AN ANNUAL TURNOVER OF \$100,000 FROM THE LOCAL MARKET, INCLUDING TOURISTS. ADDITIONAL WORK WOULD HAVE TO BE RECEIVED FROM FOREIGN COUNTRIES.

SECTION A. The Present Market

+ Imports of color film are now running at approximately \$30,000 annually. A third of this amount is purchases by Israeli residents (excluding military authorities), another third by tourists visiting Israel, and the remaining third by the diplomatic corps, etc.

+ Existing local processing facilities are small and turn out uneven work. They do not handle Kodachrome.

+ The value of local processing is at present about IL.40,000 annually; this would cost only \$10,000 if done in the United States.

+ An estimated \$25,000 worth of processing is done abroad for Israel residents and diplomats stationed in Israel.

+ Local processing prices are out of line with American prices. They are lower or approximately the same for developing reversal film and much higher for prints.

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Section B. The Potential Market

+ The expected volume of processing of a Kodak affiliated facility in Israel, handling Kodachrome, is estimated at \$100,000 at the end of the first year of operations, assuming the existence of proper conditions regarding quality, service, prices, etc.

+ About half of the expected volume would come from tourists visiting Israel.

+ The establishment of a Kodak affiliated processing facility would, in itself, result in part of the expected growth in the demand for color film processing. It would also result in a shift to Israel of the processing now sent abroad.

+ A decrease in the present prices of color prints would lead to a very large increase in the demand for this item.

+ A large processing facility in Israel would be a dollar earning and dollar saving operation.

Section C. Preliminary Remarks on Foreign Markets

+ The local facility will initially have to depend on processing business obtained from other countries if it is to reach the stated minimum profitable annual volume of \$200,000 - \$250,000.

The potential color film market in Greece, Turkey and Yugoslavia, to judge by comparative imports of photographic goods, is larger than the resident market of Israel
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* If Israel obtained even part of the processing work originating in these countries, the profitable volume of business would be obtained
page 1

Section A. The Present Market

1. Color film market and color film processing market

A distinction will be made in this report between the market for color film and the market for color film processing. This is necessary in the case of Israel, and other countries in similar circumstances, for a number of reasons.

+ All film used in Israel is imported. However, only part of processing services are imported; the rest are supplied locally.

+ There are at least three different price levels for color film in Israel, depending on the type of consumer. The demand for processing services is different for each of these groups.

+ The share of non-resident consumers is relatively high in the total market. There does not have to be any correspondence between the place where these transients buy their film and where they have it processed.

2. Purchases of color film

a. General information

Imports of color film into Israel for civilian use are currently running at \$30,000 annually. This figure does not include imports made directly by the military authorities. The following discussion will, therefore, refer to the civilian market even if this is not stated specifically
page 2

This estimate is based on compilations of import license data, interviews with import agents and distributors, government officials, and camera supply store owners. There are no official statistics of foreign trade in color film. The official statistics of imports of all film, compiled by the Central Bureau of Statistics and based on customs records, are partial, inconsistent, and misleading; therefore, they were not used.

Color film imports probably amount to between 5 and 10 per cent of the value of total imports of film (including plates, etc.) and sensitive paper. If X-ray film, microfilm, and paper are excluded, the share of

color film would be between 10 and 20 per cent. These estimates are quite rough, since we made no systematic investigation of black and white film consumption. Nevertheless, the orders of magnitude given above reveal that color film is still a relatively small item in Israel.

page 3

Buyers of color film in Israel are conveniently classified into three main groups, each of which purchases about a third of total supplies.

This information is summarized in Table 1.

Table 1: Purchase of Color Film in Israel, 1960 ^{1/}
(c.i.f. prices)

Resident population		
Amateurs	\$7,000 ^{2/}	
Professional photographers	1,500	
Government offices and institutions	<u>1,500</u>	
Total		\$10,000 ^{2/}
Tourists (at approved shops)		10,000 ^{3/}
Diplomatic corps and other duty-free purchases		
Diplomatic commissaries	7,500	
Duty free shops	2,000	
Ships' chandlers	<u>500</u>	10,000 ^{3/}

^{1/} Basic estimates refer to data for July 1959-June 1960, April 1960-March 1961, and January-December 1960. Estimates were rounded so as to approximate the 1960 calendar year.

^{2/} Includes \$5,000 of unofficial imports. Sum includes pre-paid processing.

^{3/} Includes pre-paid processing.

Page 4

b. Resident population

The resident Israeli population obtains its color film through two main channels: official commercial imports and unofficial imports.

Supplies seem to be divided evenly between the two channels over the past half year or so.

About 60 per cent of the \$5,000 official allocation for color film imports are obtained by Kodak. Agfacolor imports amount to another \$1,000, while Ferrania, Gevaert, and other brands account for the remaining \$1,000. Almost without exception, the price of these films when imported does not include pre-paid processing.

Professional photographers include newspaper photographers, lithographers, moving picture producers, studio and other commercial photographers.

Government offices and institutions include the Survey Department, Ministry of Health, Ministry of Agriculture, the Government Printer, the Government Press Office, the Hebrew University, the Weizmann Institute,

and Malben. The Ministry of Defense and the defense forces are not included.

page 5

The sources of the "unofficial" imports which reach the resident market are tourists, diplomats, representatives of foreign press who operate in Israel, smuggling, and gifts sent through the mail. The most important of these sources appears to be American tourists who dispose of excess color film in Israel because of the relatively high prices to be obtained locally. Diplomatic personnel are also an important source of these unofficial supplies.^{1/} These supplies reach the market in uneven amounts at uneven intervals. Some retail outlets reported that offers by tourists were small and intermittent; others reported occasional large offers. These supplies seemed to be concentrated in a small number of stores with fairly large turnovers. Most of this film seemed to be Kodachrome of European origin (including pre-paid processing); no Kodachrome of this type is imported for the resident market.

page 6

It appears that if leakages from diplomatic sources are taken into account, supplies through the unofficial channel actually would considerably exceed \$5,000. However, in order to avoid double counting in our calculations we did not add these amounts to our estimates of unofficial supplies. Similarly, we ignored possible purchases by tourists in authorized stores on behalf of residents. These amounts are believed to be negligible.

c. Tourists

There are nine approved camera supply shops in Israel at which tourists can purchase color film against payment in foreign currency. This scheme was inaugurated three years ago and got off to a slow start. During 1959, however, supplies amounted to approx. \$7,000, and they are estimated at \$10,000 for 1960. Only Kodachrome (35 mm. and Cinefilm) are sold under this scheme. Supplies received from the beginning of 1959 to the end of June 1960 were as follows:

35 mm.	(135)	1,192 rolls
16 m.m.	100 feet	43 rolls
16 m.m.	50 feet	494 rolls
8 m.m.	25 feet-double	909 rolls
8 m.m.	25 feet-magazine	576 rolls

page 7

Color film sold under the tourist scheme is subject to customs duty. Color film sold to the resident market is subject to purchase tax in addition to customs duty.

^{1/} We were informed of one commissary which recently limited the number of rolls which could be purchased by any one person. This step was apparently taken after some personnel were discovered selling their supplies.

d. Diplomatic corps and other duty-free purchases.

The commissaries of the various diplomatic legations in Israel are the largest customer under this heading. Most of the imports are of Kodak films.

There is a duty free shop at the Lod airport which caters to outgoing travellers, both tourists and Israelis, to whom sales are made in foreign currency. There are also dutyfree shops in a number of leading hotels which sell to tourists. Since goods purchased at these shops are normally delivered only when the tourist leaves the country, color film sales are understandably small.

Ships' chandlers have only recently begun to purchase color film. Their clientele not only includes Zim and other lines putting in at Haifa, but also United Nations and diplomats of smaller legations which do not have organized commissaries of their own.

page 8

3. Color film - price considerations

a. Resident population

Color film imported officially for the resident market is subject to a total of 155 per cent customs duty and purchase tax.^{2/} (Black and white film is subject to 260 per cent duty and tax.) The color film imported into Israel for the resident market does not usually include pre-paid processing since this is also subject to the same 155 per cent levy if included in the film price. Exposed film which has been sent abroad for processing and has returned is not subject to the customs duty and purchase tax.

page 9

b. Tourists

Color film imported under the tourist scheme is subject to the same 50 per cent customs duty paid on imports for the resident market; it is exempt from purchase tax. Although the authorized stores work on only a 15 per cent mark-up on these sales (as compared with 25 per cent on color film for the resident market), the prices to the tourist are high. The local dollar prices to the tourist are from 30 to more than 40 per cent in excess of equivalent list retail prices in America, and about double that if discount rather than list, prices are taken.

c. Diplomatic corps and other duty-free purchases.

Diplomats, etc. can purchase color film at their retail list prices abroad.

^{2/} These figures are calculated on the basis of the c.i.f. price plus port charges (=100).

	<u>Color</u>		<u>Black and White</u>	
(1) c.i.f. plus port charges	100		100	
(2) Customs duty (50%)	50	50 (100%)	100	100
	150		200	
(3)				
(4) Addition used for calculating wholesale price (3) x (40%)	60	(60%)	120	
(5)	210		320	

	<u>Color</u>	<u>Black and white</u>
(6) Purchase tax (5) x (50%)	105 (50%)	160
(7) Duty and taxes	155	260
(8) Price including duty and taxes	255	360

If a 10 per cent difference is assumed between the f.o.b. price and the c.i.f. plus port charges price, and the f.o.b. price is taken as 100, the comparative Israeli import prices, including customs and purchase tax, would be 270 for color and 386 for black and white film.

3/ Comparative prices are:

<u>Film type</u>	<u>List price abroad</u>	<u>Price to tourist in Israel</u>
35 mm. 135A	\$4.95	\$7.00
8 mm. 25 feet	3.80	5.00
8 mm. 25 feet-magazine	5.00	6.50
16 mm. 50 feet-magazine	7.00	10.00
16 mm. 100 feet	10.00	14.00

List prices were not verified. A 20 per cent discount on the list prices would make the Israel prices from 64 - 78 per cent higher than the American ones.

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d. Unofficial channels

The prices of the color film reaching the resident market through unofficial channels are about 60 per cent of the price which would have obtained had the film been imported through official channels. Specifically, the retail list price of Kodachrome, including pre-paid processing, is \$5.75 in the United States. This film would cost about IL.26- if imported officially; it can actually be purchased at about IL.16-.

The local distributor of Agfa film sells reversible Agfacolor at a price which includes local processing. The film, as imported, does not include pre-paid processing.

4. Local processing

The current output of local processors of color film is estimated at somewhat less than IL.35,000. These estimates are based on prices received at present by professional processors; they are summarized in Table 2.

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Table 2 : Processing of Color Film in Israel, 1960

(valued at prices received by professional processors)

Professional processors		
Developing		
Agfacolor	IL.2,100	
Others	<u>6,500</u>	
Total	IL. 8,600	
Mounting of transparencies	3,100	
Prints and enlargements	<u>16,000</u>	IL.27,700
Occasional processors		<u>6,300</u>
Total		IL.34,000

The estimates in Table 2 are based on interviews with the professional processors and on the other sources already cited. The estimate for "prints and ~~film~~ enlargements is the weakest one in the first group; detailed information was obtained from the major processor. Overall data on trends of sales of Ektachrome developing kits were used in obtaining the estimate for the occasional processors.

There are three laboratories in Israel which devote all or a substantial part of their efforts to color films processing for customers.

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The major one is connected with the Agfa distributor. In addition to reversible Agfacolor, this laboratory also handles other still color films; only a small part of its time is devoted to prints and enlargements and to copy work. Neither this nor other laboratories in Israel handle Kodachrome.

The other laboratories mainly handle Gevacolor negative and prints, Ferrania color film, and Ektachrome. One of the laboratories develops 8 mm and 16 mm movie film.

The general quality of work done by these laboratories is uneven. Results are often very good and often inferior. One of the reasons for this is the tendency to over-use developing solutions. Most of the commercial photographers who were interviewed preferred to do their own developing, if the time factor made sending the film abroad impractical. On the other hand, a large part of the interviewed retail outlets which mainly cater to amateurs expressed satisfaction with local processing.

The occasional processors include commercial photographers, Government offices, institutions, newspapers, lithographers, and amateurs. Ektachrome seems to be the most popular film with this group.

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5. Local processing - price considerations

a. Two price levels

There are two price levels locally for developing color film. The lower level applies only to the developing of reversible Agfacolor. The distributor sells this film with pre-paid processing included in the price. He has been able to give exclusive developing rights to one of the laboratories against a substantial reduction in the price charged. The finisher receives only IL.2.80 for a 36 exposure roll of reversible Agfacolor. This should be compared with IL.4.00 for other film, including negative film, IL.4.80 for a 20 exposure roll of Ektachrome, and IL.6.00 for a 36 exposure roll of Ektachrome.

All the above prices are prices received by the processor. The consumer pays 25 per cent more, and the difference is the retailer's mark-up.

b. Comparison with United States prices

In order to evaluate the prices involved in local processing, it is necessary to make international comparisons. The current price list of a large American color film finishing firm (Drewry Photocolor Corporation, whose main office is at 550 West Colorado Street, Glendale 4, Calif.) was used for this purpose. A difficulty presents itself here in that some American processors cater directly to the consumer as well as to retail outlets. Authoritative data on mark-ups and discounts to retail outlets were not obtained. The American and Israeli list prices may thus represent different revenue to the finishers in each country.

Table 3: Prices Paid by Consumers for Color Film Processing in Israel and the United States.

	Israel		United States	
	IL	\$	\$	\$
Agfacolor negative film	3.50	1.95	1.45	0.90
Other negative roll film	5.00	2.80	2.10	0.90
Reversal roll film (unmounted)				
Agfacolor and Anscochrome (36 exp.)	3.50 ^{1/}	1.95	1.45	2.50 ^{2/}
Gevaert, Ferrania, Perutz, etc. (36 exp.)	5.00	2.80	2.10	(2.50) ^{3/}
Ektachrome (20 exp.)	6.00	3.30	2.50	1.50
Kodachrome (36 exp.)	---	---	---	2.50
Color prints (postcard or desk size)				
from negatives	2.50	1.40	1.05	0.29
from slides or transparencies	3.50	1.95	1.45	0.45
Movie film (16 mm. 100 ft. roll)/ Anscochrome	25.00	13.90	10.40	4.25
Duplicate transparencies				
3 duplicates	1.00	0.56	0.42	0.30
25 duplicates	0.70	0.39	0.29	0.15

The conversion of Israel pounds into dollars in Table 3 was made at the official exchange rate of IL.1.80 to the dollar and at a more realistic rate of exchange -- a rate which might be received on exports, for example -- IL.2.40 to the dollar.

The most striking feature of the comparison is the existence of the two price levels in Israel processing. Here this expresses itself in the competitive position of Israel on some items and the wide disparity between Israeli and American prices on other items. Specifically, Israeli prices are competitive for developing reversal film other than Ektachrome and Agfacolor, on the assumption that the price in the United States would be the same as the

page 14 ^{1/} Agfacolor
^{2/} Anscochrome
^{3/} Assumed to be equal to uniform processing price for Kodachrome, Ektachrome, and Anscochrome

uniform price charged for Kodachrome, Ektachrome, and Anscochrome. The Israeli price for developing Agfacolor reversal film is not only competitive, it even seems ridiculously low compared with the American processing price for Anscochrome. The Israeli price is also way out of line in other direction. In the United States, \$0.90 is charged for all types and sizes of negative roll film, and \$2.50 for 36 exposure reversal film. In Israel, the same price is charged for both.^{4/}

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On the other hand, the comparative excess of Israeli prices over American prices gets progressively larger as one goes from duplicating transparencies, to developing negative Agfacolor and Ektachrome, to developing other negative film and movie film, to the making of prints (enlargements) from transparencies and negatives. This progression may very well be spurious. The volume of duplicating work has been negligible and the quoted prices may be historical prices without much relevance for the future. Likewise, it is understood that the distributor of Gevacolor is trying to lower the processing prices for the film he sells in order to bring them more into line with those for Agfacolor.

The important aspect of the progression is that Israeli prices are closer to American ones in developing and farther away in making prints. Part of the explanation for this is the high price of color photo paper in Israel; customs and purchase tax amount to 165 per cent of the C.I.F. price (plus port charges). The chaotic supply situation is also a factor; official allocations are small and haphazard. Finally, the volume of work is small -- a factor which is at the same time a cause and an effect of high prices.

page 17 c. Dollar equivalent of local processing

The price list of American prices was used to answer the question of how much the processing being done in Israel would cost if it were done in the United States.

The volume of processing in terms of the prices received by the local finishers is less than IL.35,000 annually. This represents expenditures by consumers at the retail level of approx. IL.40,000.

The same processing done in the United States would cost the consumers only about \$10,000.

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^{4/} This point should not be pushed too far. The volume of negative film developing in Israel has been quite small, and there has not been any strong pressure to differentiate the processing prices for the two types. Also, the low American price for negative film may signify that the profits are not being made on the developing but on the prints; it may be a "loss leader".

6. Processing of Israel color material abroad

a. Estimated volume

The current annual volume of color film processing executed abroad and originating in Israel is estimated at \$25,000. A breakdown of this total is given in Table 4. It does not include the processing of film purchased by tourists in Israel, except for a nominal sum which appears under the heading of "Diplomatic corps and temporary residents". It is estimated that the expenditure on processing by tourists of film purchased by them in Israel is in excess of \$15,000. Somewhat more than \$5,000 of this sum, however, is included in the price paid for the film.

page 18 Table 4: Value of Color Film Processing Abroad
Originating in Israel, 1960

Through Kodak distributor		
Developing		
Kodachrome	\$3,000	
Kodacolor	200	
Ektachrome	300	
Total		\$3,500
Prints and copies		5,000
Total		\$8,500
Through distributors of other films		500
Diplomatic corps and temporary residents		14,000
Directly by residents		2,000
Total		\$25,000

page 19 The estimate of the volume of developing sent abroad through the local Kodak distributor is based on an analysis of shipment records for two months. The estimate for prints and duplication work was obtained by assuming that the same breakdown of expenditures between developing and print work in local processing ^{5/} existed on processing sent abroad.

The estimate for the diplomatic corps and for residents sending film abroad directly is based on an analysis of film consumption. Part of the duty-free color film sold in Israel is purchased by residents leaving the country; it has been assumed, however, that the processing of such film, or its equivalent in film brought into the country by returning residents, does originate in Israel.

5/ In terms of physical volume, the relative amounts of print work would be greater in case of processing sent abroad. (This is implicit in the differences in price structures between Israel and the United States.) This assumption seems to conform to the actual situation.

In order to formally complete the picture, a nominal amount was included for processing sent abroad by tourists and temporary residents in Israel. Actually, it is fairly certain that there is a substantial volume of processing sent abroad by temporary residents, not included in the diplomatic corps, which has been left out of our estimate.

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The processing of the color film purchased in Israel in authorized shops for tourists was also completely omitted in our estimate.

b. Price consideration

The purchaser of color film in Israel often has a choice as to where his film will be processed. In terms of the time he has to wait for the finished product, the choice is in favor of Israel; in terms of cost, in favor of processing abroad. The local Kodak distributor, and presumably the other film distributors as well, receive payment in Israel pounds for processing sent abroad through them. The distributor charges the consumer IL.1.00 for duplicate transparencies which are far superior in quality to duplicates made in Israel at the same price. He charges IL.1.40 for a post card size photo from Kodacolor or Ektacolor and IL.1.80 for a similar size photo made from a transparency, these prices include postage, insurance, and handling. The comparative local processing prices for the latter items are IL.2.50 and IL.3.50.

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The Potential Market

1. Assumptions underlying the forecast

Among the problems to be explored in considering the market potential for color film processing, which can be supplied by a large and efficient finishing establishment operating in collaboration with Kodak, are the growth of local demand for color film and color film processing, the shift of processing to the local facility, and the recruitment of new customers. The potential of the entire processing market will be investigated initially. The share of the proposed facility will be considered later.

It will be assumed that inhibiting factors such as insufficient supplies, high prices and sluggish consumer response will be overcome satisfactorily, and that good quality and good service will be offered by the proposed facility. Except for a number of points which have been mentioned before, there will be no discussion on how to increase the size of the market. Rather, the question will be: Given certain minimum conditions, what is the size of the market likely to be in the near future?

The forecast made here is a short-term one; it takes into account the next two to three years only. In functional time, it is primarily interested in assessing the level of sales of the proposed processing facility at the end of one year's operation.

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Finally, it will be assumed that the level and structure of processing prices will be equal to those in the United States. This will be done so as to obtain an estimate of volume in comparable terms.

2. Demand of the resident population: amateurs

a. Demand for color film

Total supplies of color film, at present prices, seem almost adequate to meet the demand of Israeli amateurs. A somewhat greater supply of Kodachrome, at the relatively low unofficial prices would be absorbed easily. Some of this would represent additional purchases rather than a shift from other brands.

This description of the present state of the market is irrelevant to the future. Even at present prices, demand is growing. One considered view puts this growth at 30 per cent annually for the past few years. While there is reason to suspect that this estimate actually refers to the professional, rather than to the amateur, market, the rate of growth is not far-fetched. Real expenditures on consumption have increased by about 10 per cent annually over page 23 the past five years. While there are no direct statistics yet available to corroborate this point, it appears that there has been a substantial and more than proportionate increase of expenditures on leisure time activities among the upper income groups, within the last few years. The higher income groups now constitute the main customers for color film. If the disposable income of these groups will rise by 10 per cent annually in the future, expenditures on color film (and, in this case, on processing) will rise in the neighborhood of roughly 15 per cent.

Increasing demand, even at present price levels, also comes about by changes in the relative set of values of consumers. Many new consumers of color film in Israel were led to make the purchase, "even though they really couldn't afford to", because of the snob aspect. Travelling abroad also seems to add pressure to use of color film. We believe that a 5 to 10 per cent allowance for this factor annually would be extremely conservative.

The psychological factor also operates in another medium, that of advertising and publicity. Hitherto, nothing organized and sustained has been done in this field, except for the distribution of placards and displays by representatives of film manufacturers among retail outlets. The results of a proper advertising campaign would probably be to change the entire order of page 24 magnitude of color film consumption in Israel. No separate estimate is made for this item, since it is conceived as making effective increases in consumption which can be traced to other factors.

A noticeable decrease in the price of color film would be an effective means of increasing its consumption and spreading its use among

middle income group consumers. No allowance was made for this in our estimates.

b. Demand for color film processing

There are two important aspects which will be considered under this heading: the effect of price changes and the effect of the very presence of the proposed facility on increasing demand.

Complaints about the high prices of color film and its processing in Israel are widespread. These complaints are valid if they refer to high prices in comparison to prices abroad, to the average level of income in Israel, and to the prices of making black and white prints.

These complaints are less founded if they refer to the price of developing reversal film and the price of transparencies in relation to the price of black and white prints. Thus, a roll of good 35 mm. monochrome film of 36 exposures, together with developing and (say 30) 6 x 9 cm or 7 x 11 cm prints page 25 (approx. 2½ x 3½ inches or 3 x 4 inches) would cost about IL.11.50. If the enlargements were made to postcard size, the total cost would be IL.22. The comparative cost of locally processed Agfacolor transparencies would be IL.18.- or IL.19.-

The basis for the underlying complaints with regard to the price of transparencies seems to be the high initial cost involved in purchasing a projector. Many amateurs feel that they cannot fully enjoy their transparencies without one; yet the cost is beyond their ~~own~~ means.

This leads us to the conclusion that a decrease in the price of developing reversal film will have but a small effect on increasing expenditures on reversal film and its processing.

On the other hand, a substantial decrease in the price of developing negative film and of prints (both from negative and reversal film) is certain to have a heavy impact on consumption. It is significant that those retailers who volunteered information on this subject all used the same example; a decrease in the price of a 4 x 5 cm. print from IL.1.80 to IL.1.00. Estimates as to the # immediate effects of such a step on consumption ranged from a minimum increase of three times to a minimum increase of ten times; most of the estimates were page 26 in the range of five to ten times. The price of IL.1.00 per color print would be for four times the local price of a monochrome print, but still above the comparable American prices, (\$0.29 for a post card, not a 7 x 9 cm. size) when calculated at a reasonable exchange rate.

The lowering of the price from IL.1.80 to IL.1.00 could probably be accomplished by operating at a large volume and improving efficiency. Any further decrease would depend on a change in the price of paper. This would involve a change in the rates of customs duty and purchase tax. As in the case of film, these taxes discriminate in favor of paper for color

prints.^{6/} If a further decrease in the price of color prints could be brought about, it would open the market up to consumers of even limited means.

The existence of an efficient color film laboratory in Israel would result in a practically complete shift of processing now sent abroad by amateurs to this laboratory. A moderate customs protection against processing done abroad could be applied for, but would not really be necessary for an efficient establishment.

3. Demand of the resident population: others

a. Professionals

High prices and the lack of a local laboratory doing prompt, uniformly high quality work were cited as reasons for the relatively negligible volume of color film work among studio and commercial photographers. On the other hand, the main difficulty in the case of newspaper photographers, etc. is the poor quality of color reproduction in local printing establishments. Some people connected with this field believe, however, that the establishment of a color facility capable of handling professional grade work at reasonable prices would lead to a substantial increase in color reproduction work in printing and allied fields.

We have conservatively estimated the increase of consumption of the professionals at 100 per cent during the first year of operation of the proposed color processing laboratory, most of the growth coming from the studio photographers. Processing of color film by movie ~~xxxxx~~ producers was not included. Practically all of the processing now being done by studio photographers and a substantial share of work being done by other professionals, or sent by them abroad, would be absorbed by the proposed facility.

page 28 b. Government offices and institutions

Price considerations are much less important for this group of consumers than for any others. The growth in color film consumption among existing offices will be, in the main, steady but unspectacular. A possible exception is the Government Press Office, whose photographers now use black and white almost exclusively. A steady increase can be expected too in the number of government units and educational institutions using color film for instructional purposes, etc.

The establishment of the proposed laboratory will probably make these offices more color film conscious in the long run, but its main effect in the short run now being done by themselves. We have taken a 10% annual growth factor for this group. Demand by military establishment was not included.

^{6/} Customs and purchase tax amount to 165% of the c.i.f. price (plus port charges) for color photo paper, or against 278% in the case of monochrome paper. The latter rate includes a special levy which brings the total amount of Israel pounds expended, including the purchase price of the paper, to IL.5.00 for every \$1.00 of imports.

4. Demand of the diplomatic corps

Although it is possible that the existence of a conveniently located finishing laboratory will increase the consumption of color film by this group, this factor has not been taken into account. On the other hand, it certainly will have the effect of diverting the processing work now being sent abroad to the local facility.

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The increase of sales by duty free shops and ships' chandlers is irrelevant, for the most part, to the present discussion.

5. Demand of tourists

a. Number of tourists

Tourism is a major industry in Israel. It is expected that more than 110,000 tourists will visit Israel during 1960 and spend a total of some \$25 million within the boundaries of the country. Estimates as to the continued growth of tourist traffic in Israel are very optimistic. At an annual rate of growth of 15%, which is lower than the most recent official forecast, there should be 145,000 tourists in Israel during 1962. Very roughly, one out of every 15 persons in Israel will be a tourist.

It is obvious that not all tourists are potential customers of a local color film processing laboratory. To begin with the statistical records show that there are tourists who remain in the country too short a time to be interested in having their films processed in Israel. It will be assumed that only those tourists remaining in the country too short a time to be interested in having their films processed in Israel. It will be assumed that only those tourists remaining in the country 20 days and longer would be interested in local processing.^{2/}

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At the other extreme, the official statistics count as tourists such a wide variety of non-permanent residents as diplomatic personnel, "experts" working in Israel, foreign students, Americans who are here "in order to make up their minds," and other temporary residents. For the present purpose, diplomats will be excluded from the tourist category. This will be done at the price of excluding all "tourists" remaining in Israel over three months.^{8/} The margin of error involved in this procedure is very small.

^{2/} Actually, some tourists stating their intention to remain between two and three weeks also expressed interest in having their color film processed locally. This group could not be separated from the 10-19 days of sojourn group. See following footnote.

^{8/} The share of tourists staying in the country less than one month increases as the number of tourists grows. It had almost reached 77% during the first half of 1960. It is assumed that it will be 80% during 1962. The breakdown by time groups for January-April, when the share was 80.7% was used as a model for the assumed distribution in 1962:

Up to 5 days	25	
6 - 9 days	15	
10 - 19 days	30	
20 - 29 days	10	
Total, less than one month	80	more/.....

The tourists who are left after the elimination process constitute approx. 20% of all tourists. Thus, out of the 145,000 tourists expected in another two years, only 29,000 can initially be considered potential customers for the proposed finishing laboratory.

b. Estimates of demand

Starting from this statistical base, alternative assumptions were made regarding the number of camera users among tourists, their use of color film, the amount used, etc. in order to arrive at a reasonable estimate of the potential of this market. Many of these assumptions were based on impressions received from interviews with tens of tourists. These interviews were casual for the most part, budget limitations preventing any serious study from being made. Impressions, rather than firm data, were obtained.

Two of the many alternative estimates made yield values of approx. \$35,000 and \$100,000 as the annual value of processing work obtained from tourists in Israel. The higher figure is derived from the type of assumptions explained above. The lower estimate is derived from the assumption that tourists will have processed in Israel at least that amount of film which they purchase in the country.

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<u>3/</u> (cont.)	b/forw:	80
1 month		8
2 months		3
3 months		1
more than 3 months		<u>8</u>
	Total	<u>100</u>

2/ High estimate

We assumed that about 50% of the number of tourists have cameras. Actually, among American tourists, the number of "tourist units" (viz., an individual, man and wife, family, or a small group of very close friends travelling together) having cameras was quite high. We took 80% as the overall average, and assumed that there were 1.5 persons per tourist unit, obtaining about 50% customers

50% of the 29,000 mentioned in the text gives a more realistic estimate of potential customers, about 15,000, i.e., those who have cameras.

During 1959 and the first half of 1960, American (and Canadian) tourists made up about 45% of all tourists. According to information received from people in the camera supply business in Israel, color film accounts for 80% of total film consumed by amateurs in America and about 25% in Europe. These percentages were applied to the proportion of tourists (45% x 80%) + (55% x 25%), yielding a weighted average of 50 per cent of actual potential customers who use color film, or 7,500 persons.

It was then assumed that only half of these could or would patronize the local laboratory, either because they did not use Kodak film, or because they wanted the finished film to be waiting for them when they returned home, or because they lack funds, or for other reasons. After this deduction, the estimated number of cash customers becomes 3,750.

The frequency with which (American) tourists use their cameras seems to depend on the avidity of the person towards photography as an avocation, the amount of travelling he is doing in the country, and the length of stay in the country. Tourists who use one roll of color film a day, on the average, for two weeks running are not uncommon. Since the hypothetical customer of the proposed laboratory is someone who remains in the country about a month, the following might be a better portrayal of his photographing habits:

a. In prices paid by the consumer

The estimated potential local market for the processing of color film, within a year after the start of operations of the proposed finishing plant, is between \$100,000 and \$170,000 annually in rounded figures. These estimates are summarized in Table 5.

Table 5: Estimated Potential Local Market for Color Film Processing in Israel.

Processing for:		Value in United States list prices
Amateurs		
Now done in Israel	\$18,000	
Now done abroad	<u>26,000</u>	
Total		\$ 44,000
Professional and Gov. Offices		
Now done in Israel	3,500	
Now done abroad	<u>7,000</u>	
Total		10,500
Diplomatic corps		11,500
Tourists	\$ 35,000 to	<u>100,000</u>
Total	\$101,000 to	166,000

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1st week	5 rolls
2nd week	3 rolls
3rd week	2 rolls
4th week	1 roll

Assuming that he leaves the country with one or two exposed rolls in his pocket, this would make 10 rolls he has given to be processed locally. 3,750 persons x 10 rolls x \$2.90 (for 36 exposures, mounted) gives an expenditure of \$108,500, rounded off to an even \$100,000.

Low estimate

The high price of color film sold under the tourist scheme restricts sales. If the 50% customs duty on this film were abolished, and if the extra expenses connected with the administration of the scheme were eliminated, so that the film could be sold at its usual retail list price, purchases would increase significantly almost immediately.

Estimates of this increase, by people connected with the scheme, range from two to five times (minimum) of present value of sales; proper publicity abroad should raise sales even further. We have assumed an increase from \$10,000 to \$30,000 annually resulting from lowering prices. In addition, there should be a growth in sales proportionate to the expected 15% annual increase in the number of tourists. According to these assumptions, then, sales to tourists should approach \$40,000 annually in another two years.

This amount is at c.i.f. prices and represents approx. 10,000 rolls of color film (using the composition of films received within the framework of the tourist scheme as a guide). The retail value of developing this film is \$29,000.

The crucial assumption is now made that tourists will process in Israel the same quantity of film which they purchase in the country.

The \$29,000 thus represents the assumed value of developing by the local laboratory. To this we add \$8,000 which is an estimate of the value of a relatively small amount of prints made from transparencies. This is based on the following calculation: out of 10,000 rolls there will be only 200,000 good exposures; and we have assumed that 10% of these, or 20,000, will be made into prints at the average price of \$0.40 each.

The sum of \$37,000 was rounded in the text to \$35,000.

These estimates were made on the basis of assumptions as to conditions prevailing with regard to supplies, prices, consumer response, and the quality and service given by the proposed facility. They were made on the basis of further specific assumptions made explicit -- at the appropriate places. The estimates cannot be expected to be any more realistic than the assumptions on which they are based.

As stated several times previously, these estimates do not take into account processing for the defense establishment or for Israeli movie producers.

The prices on which the estimates were based are list prices charged by an American finisher; they are prices paid by the consumer.

b. In prices received by the processor

Under the conditions prevailing in Israel, processing will probably be channelled through retail outlets. At present, retailers receive 20% off the consumer prices as their margin.

The deduction of the retailers' margin would leave the producer with gross proceeds of between \$80,000 and \$133,000. The order of magnitude is that of \$100,000.

page 36 c. Kodak's share of the processing market

It is to be expected that even if the proposed laboratory does not become a monopoly, it will be the dominant element. Much of the envisaged potential will come about because the Kodak name will be officially attached to it. This is obvious in the case of tourists, but it is also true in the case of the resident market. The very magnitude of the market potential changes if the Kodak aura is removed.

In the face of such competition, the existing small processing laboratories will be hard pressed even to maintain their existing volume of less than \$10,000. Their existence in the future does not seem likely to effect the order of magnitude of processing work available to the proposed Kodak affiliated laboratory.

d. Implications

The purpose of this study was to investigate the adequacy of the local market for profitably supporting a modern, large color film finishing laboratory. We were not requested to investigate the problem of the technical minimum size of such finishing units. However, we were given to understand by Israeli trade sources that the minimum profitable turnover of a large facility handling, among other types, Kodachrome film, was in the neighborhood of \$200,000 - \$250,000 a year.

Assuming that this information is substantially correct, the potential of the local market, at least in the near future, would not be able to support such a processing facility. The accepted solution in Israel to such a problem is to export the services of the laboratory to markets in which Israel possesses some advantage. This problem will be considered briefly in Section C, which is in way of a preliminary report preparatory to Part II of this study.

In fact, the sales of the processing facility, as shown above in Table 5, already are oriented towards invisible exports. Tourists sales constitute from 35 to 60 per cent -- say roughly one-half -- of the total sales volume. In addition to this obvious point, the proposed facility will also save part of the foreign currency now being spent abroad on processing, and earn another part. Indeed, except for sales of some \$20,000 worth of processing which is an outgrowth of work now being done in Israel, the whole operation is dollar earning or dollar saving.

These facts are of importance in all steps of negotiation with the Israel government. The report has implied at several points that concessions on some issues must be obtained if the minimum conditions for profitable operations are to be achieved.

Section C. Preliminary Remarks on Foreign Markets

1. Types of possible markets

There are two types of markets in which Israel might have some advantages as an exporter of color film processing services. The first type are markets which are geographically close to Israel and for whom Israel can serve as regional center. Turkey, Greece and Cyprus are the obvious examples.

The second type are markets which at present do not fully utilize Kodak facilities elsewhere and which restrict the import of Kodak products because of shortages of hard currency. If Israel conducts its trade with such countries under the terms of payments agreement, and thus payments in hard currency are not necessary, Israel could be a logical supplier. Yugoslavia, Poland and other Eastern block countries, and again Turkey might fall into this category; this point needs further investigation.

2. Comparative sizes of markets

A very rough estimate of the comparative size of the total camera goods market in Greece, Turkey, Yugoslavia, and Israel might be provided by recent imports of photographic goods.

	<u>1958</u>	<u>January - June 1959</u>
Greece	1,307,000	661,000
Turkey	891,000	675,000
Yugoslavia	1,509,000	516,000
Israel	658,000	267,000

THE TURKISH FILM MARKET:

Local Manufacture of Plates and Films:

1. The local manufacture of photographic plates was undertaken by a number of local concerns during the course of World War II. Since 1948, the demand has diminished and is entirely met by imported supplies.
2. The local manufacture of cinematographic ("movie") film has not yet been undertaken in Turkey and the indications are that there will be no local production in the foreseeable future.
3. In so far as photographic film is concerned, only one manufacturer exists in Turkey at present. The plant started trial production late in 1958, using imported materials, but results were unsatisfactory and commercial quantities of film have yet to make their appearance on the market. The roll film plant is inoperative at the present time.

Imports of Plates and Films:

4. Throughout the period of acute foreign exchange difficult -- 1953 to August, 1958 -- imports from the bilateral trading agreement or "clearing account" countries* were authorized relatively more freely than from the E.P.U. and dollar countries.
 5. During the period 1954 to late 1958, photographic films and, to a much lesser extent, cinematographic films were in
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* The "clearing account" countries are: E. Germany, Bulgaria, Czechoslovakia, Finland, Israel, Hungary, Egypt, Poland, Rumania, the U.S.S.R., Yugoslavia, and, until recently, Spain and Japan.

The Market for Color Film
Processing in Israel

Part II: The Turkish Market

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extremely short supply: such films as were available came mainly from the "clearing account" countries and were in many cases of a much lower quality than the E.P.U. country and U.S. films to which, in times of relative import freedom, the Turkish market had become accustomed.

Since the end of 1958, both cinematographic and photographic films have been in reasonably easy supply and although from time to time the more popular brands and types have been -- and continue to be -- temporarily difficult to obtain, it may be said that the supply is at present sufficient to meet the demand.

6. Actual imports of cinematographic and photographic films and plates (by weight and value, in U.S. dollars) during the period January 1954 to June 30, 1960 are officially recorded as follows -- (x-ray films and plates are excluded):

Imports during	Photographic plates		Cinematographic films		Photographic films	
	Kgs.	Value \$	Kgs.	Value \$	Kgs.	Value \$
1954	154	357	53,950	355,357	38,207	208,570
1955	6,022	13,928	48,521	334,286	36,285	168,571
1956	3,506	5,367	22,170	133,930	27,545	167,857
1957	778	714	99,809	571,075	18,972	126,428
1958	205	1,211	61,767	363,000	16,749	131,421
1959	7,642	36,800	54,809	276,786	76,714	344,640
Jan. to June 1960	4,140	22,500	54,309	250,175	28,645	181,600

7. In connection with the import statistics given above, it is to be noted that "cinematographic film" includes 8mm. and 16mm. amateur cine film.

8. No supplies of film of any kind can be traced to tourists or diplomatic personnel: in fact, tourists are relatively important consumers of imported film.

Cinematographic Film

9. The vast bulk of all imports of cinematographic film is used by the Turkish cinema industry: on average, some 100 films and their relevant "trailers" are made annually. The cinema industry's average annual consumption of film is of the order of 4 m. metres, some 15% of this being negative film.

10. It has proved impossible to obtain any official figures as regards military consumption of cinematographic film but it is known that military film units are small and not regularly active.

11. There are very few amateur cine film consumers in Turkey for two reasons: first the high costs involved and second, the difficulty in obtaining supplies of equipment. As a result of import restrictions very little 8 mm. and 16 mm. amateur cine equipment has been imported into Turkey since 1953 and there is little likelihood of any improvement in this situation in the foreseeable future.

12. As has been indicated above, up to 1.5% - 2% of cinematographic film imports are estimated to be still film used for photographic purposes. It is reasonable to assume that most of this film is used by professional photographers.

13. The principal countries of origin of the cinema film imports were, for the period January 1954 to September 1959 (the latest date for which detailed figures are available) as follows:

From:	1954	1955	1956	1957	1958	Jan.-Sept. 1959
	(i n k i l o s o f f i l m)					
E. Germany	-	8,255	14,477	20,674	30,718	7,366
Poland	8,599	7,752	3,195	23,408	15,334	3,683
U.S.S.R.	-	4,989	3,883	49,448	15,659	5,035
W. Germany	536	18,824	150	-	-	1,671
Belgium	25,693	2,241	-	-	-	10,267
France	5,767	4,565	465	5,934	-	4,820
Italy	9,267	-	-	-	-	-

14. As has already been pointed out, between 1954 and 1958, film was in relatively short supply and an unusually large percentage of all film imports came from the Eastern European countries.

Assuming supplies were readily available from all sources it is estimated, as a result of enquiries of consumers and in the distributing trade, that Gevaert would supply some 27% of the overall demand, Kodak 22%, E. German Agfa 15%, Ferrania 12%, W. German Agfa 12% and all others 12%.

Photographic Film

15. Although the population of Turkey is some 28 m., over 70% of the population consists of peasant farmers who, although their standard of living is gradually increasing, live in very primitive conditions and must as yet be ignored as potential

consumers of photographic films and equipment.

Would-be amateur photographers have been deprived of the possibility of purchasing a camera for some years owing to the import restrictions already mentioned. Such supplies of photographic equipment as have been imported in recent years have been taken up, very largely, by professional photographers, a profession which has in fact grown enormously since the 1939/45 war.

16. Enquiries of the photographic film trade and of professional photographers indicate that probably as much as 50% of the available supplies of photographic films is consumed by professional and part-time professional photographers. Military photographic units have tended to increase their activities during the past two years and it is estimated that they account for up to $7\frac{1}{2}\%$ of the total consumption of photographic film. Tourists endeavour not to rely on the local market for their film supplies and it is probable that their purchases do not account for more than 1% of total sales.

Overall total annual demand of photographic films is variously estimated in the trade at between 2.25 m. and 2.75 m. rolls annually.

17. The principal countries from which supplies of photographic film were imported during the period January 1954 to September 1959 were the following:

From	1954	1955	1956	1957	1958	Jan.-Sept. 1959
	(in kil o s o f f i l m)					
E. Germany	3,021	23,862	6,137	5,515	11,526	9,900
W. Germany	3,135	5,218	2,018	875	1,498	7,879
Czechoslovakia	940	1,474	3,678	4,754	1,887	-
France	5,140	-	2,596	149	173	27
Hungary	3,375	3,622	8,541	4,787	-	-
United Kingdom	836	5	329	507	223	5,302
Italy	7,373	-	2,105	1,491	450	1,906
Belgium	8,335	-	2,117	770	-	974

18. Assuming that there were no import restrictions and supplies from all sources were readily available, it is estimated, from the results of enquiries in the distributing trade, that the following brands would supply the demand in, roughly, the proportions stated:

Kodak	27½%
Agfa (W.Germany)	} 22½%
Agfa (E.Germany)	
Gevaert	17½%
Ilford	12½%
Ferrania	12½%
Perutz	} 7½%
Adox	
Others	

Colour Film - Cinematographic

19. In so far as the cinema industry is concerned, experiments in the production of colour films and in the copying of imported colour films have proved most unsatisfactory. Only two full-length colour films have yet been completed here: these were produced in 1958 and were, it is understood, sent to Italy for processing. So far as can be ascertained, lack of technical knowledge was mainly at fault but the general standard of locally produced films is in any event low.

If and when coloured films are successfully produced here they will certainly have to be processed abroad.

20. Overall sales of 8 mm. and 16 mm. amateur cine film account for only 0.5% to 1% of annual imports of cinematographic film. No facilities exist here for the processing of colour cine film. Recent imports of 8 mm. and 16 mm. colour cine film have been of only the following order:

	1958	-	200 kgs.
	1959	-	150 kgs.
Jan.-June	1960	-	200 kgs.

Amateurs and tourists accounted for the bulk of these sales: Kodak and Agfa film is in greatest demand.

Colour Film - Photographic

21. Over the past three years the demand for colour photographic film has increased from an estimated 2% to some 5% of total photographic film imports. The reasons are twofold, the

availability of processing facilities locally and the rather easier supply of better quality film.

On the basis of 5% of total photographic film imports, colour film sales during the period 1958 to June 1960 are estimated to have been of the order of -

1958	-	830 kgs.
1959	-	3,830 kgs.
Jan.-June 1960	-	1,430 kgs.

22. The brands and types of photographic film which are currently being imported are, in order of popularity:

1) Kodak "Ektachrome" - Reversible	} These three types are estimated to account for 75% of colour film sales.
ii) Agfacolor - Negative	
iii) Ferraniacolor - Negative	
iv) Perutz - Reversible	
v) Kodachrome - Reversible	
vi) Agfacolor Ultra - Reversible	

Of the above, i), ii) and iii) can be processed here but the remaining three types, which are anyway much less popular, have to be sent abroad to the manufacturers' laboratories for processing. Purchase price of iv), v) and vi) includes processing.

23. Although three types of photographic colour film can now be processed in Turkey (only in Istanbul, Ankara and Izmir), results are still not generally satisfactory and many amateur photographers continue to have their films processed abroad (Italy, Germany and France are the countries to which most such films are sent) under their own arrangements. Not more than

45% of colour film sales is processed in Turkey at the present time.

24. Amateur photographers account for not less than 55% of overall colour film sales, tourists for some 5% and professional photographers for roughly 40%.

25. Despite the relatively high price of colour film, the opinion of the trade is that as and when more reliable processing facilities become available locally, the demand therefor is likely to rise within a very short period to, say, 10% of total photographic film sales.

Istanbul,
October 26, 1960.