national film and video foundation
SOUTH AFRICA
an agency of the Department of Sport, Arts and Culture

NATIONAL FILM AND VIDEO FOUNDATION

Economic Impact Assessment Study

JULY 2021

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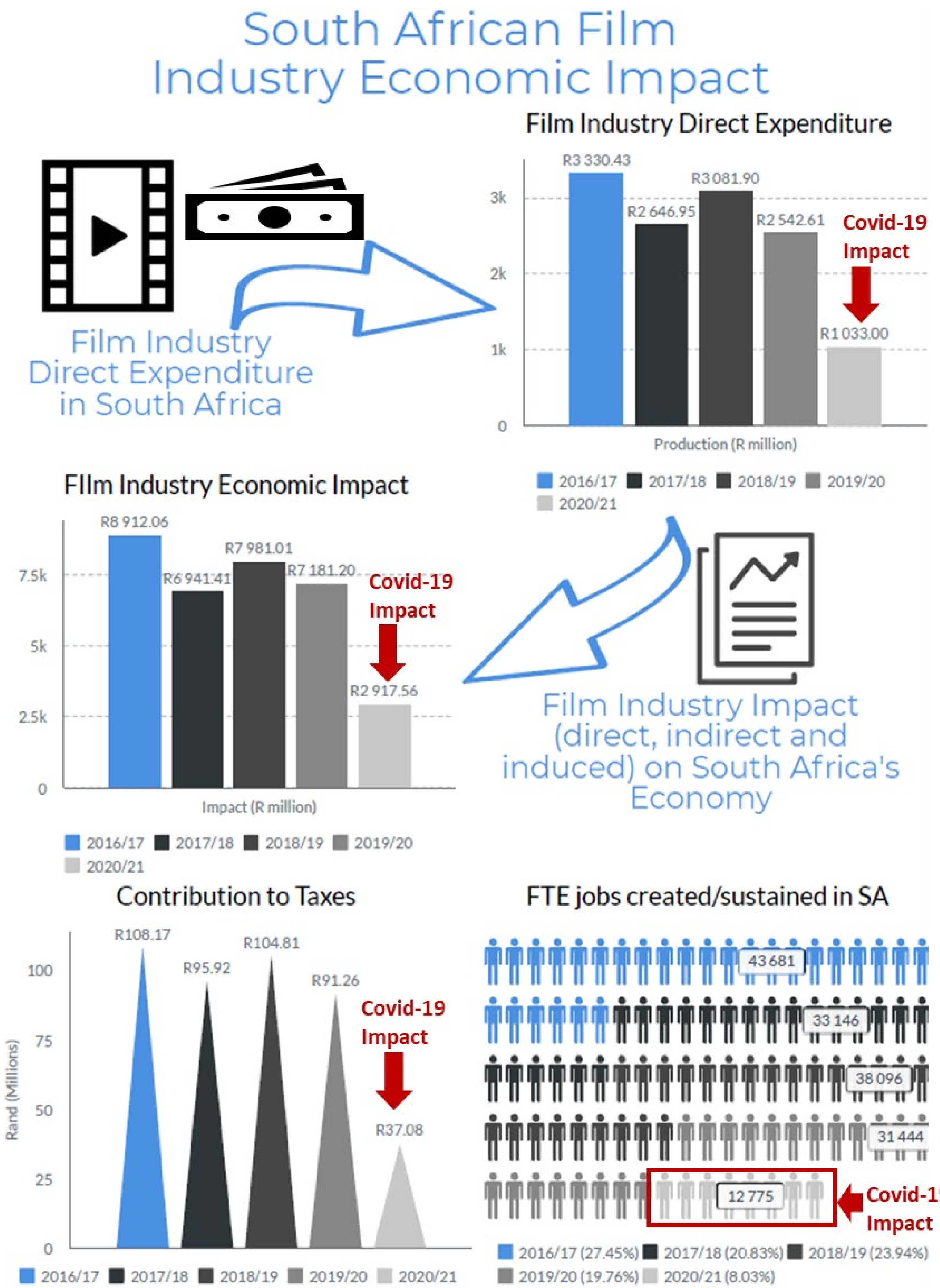
ABBREVIATIONS

BBBEE	Broad Based Black Economic Empowerment
CCI	Cultural and Creative Industries
DFO	Durban Film Office
DSAC	Department of Sport, Arts and Culture
DTIC	Department of Trade, Industry and Competition
EMBFTF	Emerging Black Filmmakers Transformation Fund
FTE	Fulltime Equivalent
IDC	Industrial Development Corporation
IP	Intellectual Property
IPO	Independent Producers Organisation
GFC	Gauteng Film Commission
GDP	Gross Domestic Product
KZNFC	KwaZulu-Natal Film Commission
NFVF	National Film and Video Foundation
NEF	National Empowerment Fund
QSAPE	Qualifying South African Production Expenditure
SABC	South African Broadcasting Corporation
SASFED	South African Screen Federation
SVOD	Streaming Video on Demand
SPCV	Special Purpose Corporate Vehicle
TVET	Technical Vocational Education and Training
VAT	Value Added Tax

SALIENT FINDINGS



Source: BDO and Quantec Analysis

EXECUTIVE SUMMARY

The National Film and Video Foundation (NFVF) economic impact assessment study quantifies the contribution of the South African film industry in terms of full-time equivalent jobs created/sustained, annualised employee remuneration, household income and contribution to government taxes. The assessment measures the economic impact that accrues to South Africa from activities of companies and individuals in the film industry between April 2016 (2016/17) and March 2021 (2020/21).

The results of this economic assessment will enable the NFVF to provide relevant public and private stakeholders with valuable insights into the socio-economic value of the South African film industry and influence public sector policy for the benefit of the industry.

Based on the total direct film industry expenditure, economic multipliers were utilised to derive the indirect and induced impact that indicate the total contribution of the film industry to the economy of South Africa. The economic impact assessment also provides the estimated impact on employment created / sustained by the industry, as well as the industry's contribution to government taxes.

The key results from the economic impact assessment highlight that:

- The Covid-19 pandemic had a destructive impact on the film industry, with the contribution of the industry to the South African economy contracting substantially by 59% in 2020/21 compared to 2019/20.
- In total, the direct, indirect and induced economic impact of the film industry to the South African economy has been estimated at R7.2 billion in 2019/20, declining to R2.9 billion in 2020/21 due to the negative impact of Covid-19.
- The total number of full-time equivalent jobs created / sustained by the activities of the film industry was approximately 31 444 in 2019/20, before falling to 12 775 in 2020/21.
- Annualised income derived by employees as a direct, indirect, or induced impact of the film industry amounted to R218 million for South Africa in 2019/20, declining to R88 million in 2020/21.
- Households benefited to the tune of R803 million in income in 2019/20 because of the activities of the film industry, however, this declined to R326 million in 2020/21.
- The approximate contribution to national government taxes amounted to an estimated R91 million in 2019/20, dropping to R37 million in 2020/21.

In addition to these impacts on the economy, the industry also contributed intangible benefits that accrued to the wider economy and society, including destination profiling / marketing and tourism, skills development, contribution to social cohesion and development of local content among others.

Overall, the economic impact assessment shows that South Africa has a vibrant film industry that is contributing meaningfully to the economy and is brimming with potential to make an even greater contribution.

1. BACKGROUND

1.1. Purpose of the Study

The purpose of this study is to identify and quantify the economic impact of the South African film industry in detail. The study focuses on the industry's contribution to Gross Domestic Product (GDP), employment, household income and taxes including direct, indirect, and induced effects.

The study focuses on filming activities that have occurred within South Africa, either wholly or in part, including foreign and co-productions that have been produced in South Africa. As such, the overall objectives are to:

- determine the total contribution of the South African film industry to GDP.
- identify the total employment supported/created within the industry (permanent and freelancers).
- estimate direct and indirect tax contribution of the industry.
- develop estimated economic multipliers of the industry's impacts.

With respect to the Covid-19 pandemic economic impact, the study also quantifies:

- the financial impact caused by the pandemic (estimated revenue loss in the film industry).
- the number of jobs lost because of the pandemic.
- government tax revenue lost, etc.

1.2. Scope of Work

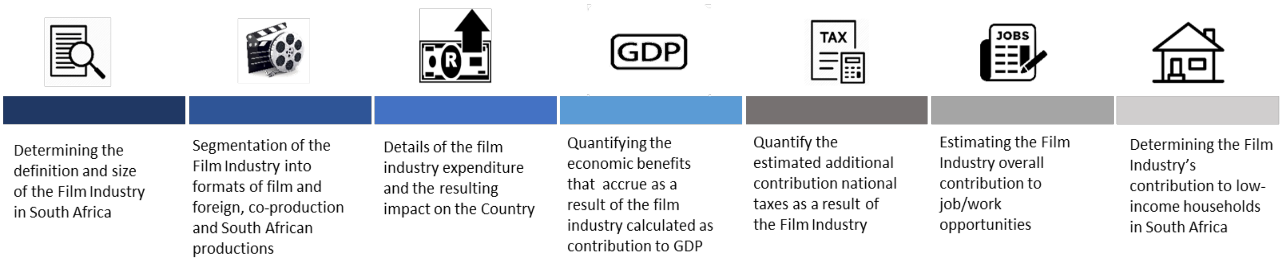
The focus of the study is on the identification and quantification of the economic contribution that arise from the activities of companies and individuals employed in the South African film industry. The South African film industry contributes to the South African economy through many channels and as such, the scope of the study is limited to the following:

- the definition of film – feature films, documentaries, TV series (including broadcaster commissions), TV films (including broadcast commissions), animation series, films, and shots (films, documentaries, animation);
- films produced during the annual year from April 2016 (year 1, April 2016 – March 2017) to March 2021 (year 5, April 2020 – March 2021);
- films that were produced in their entirety or partially within South Africa (including foreign films that have been short and/or post produced in South Africa in so far as it relates to the Qualifying South African Expenditure); and
- film distribution across traditional and new distribution platforms.

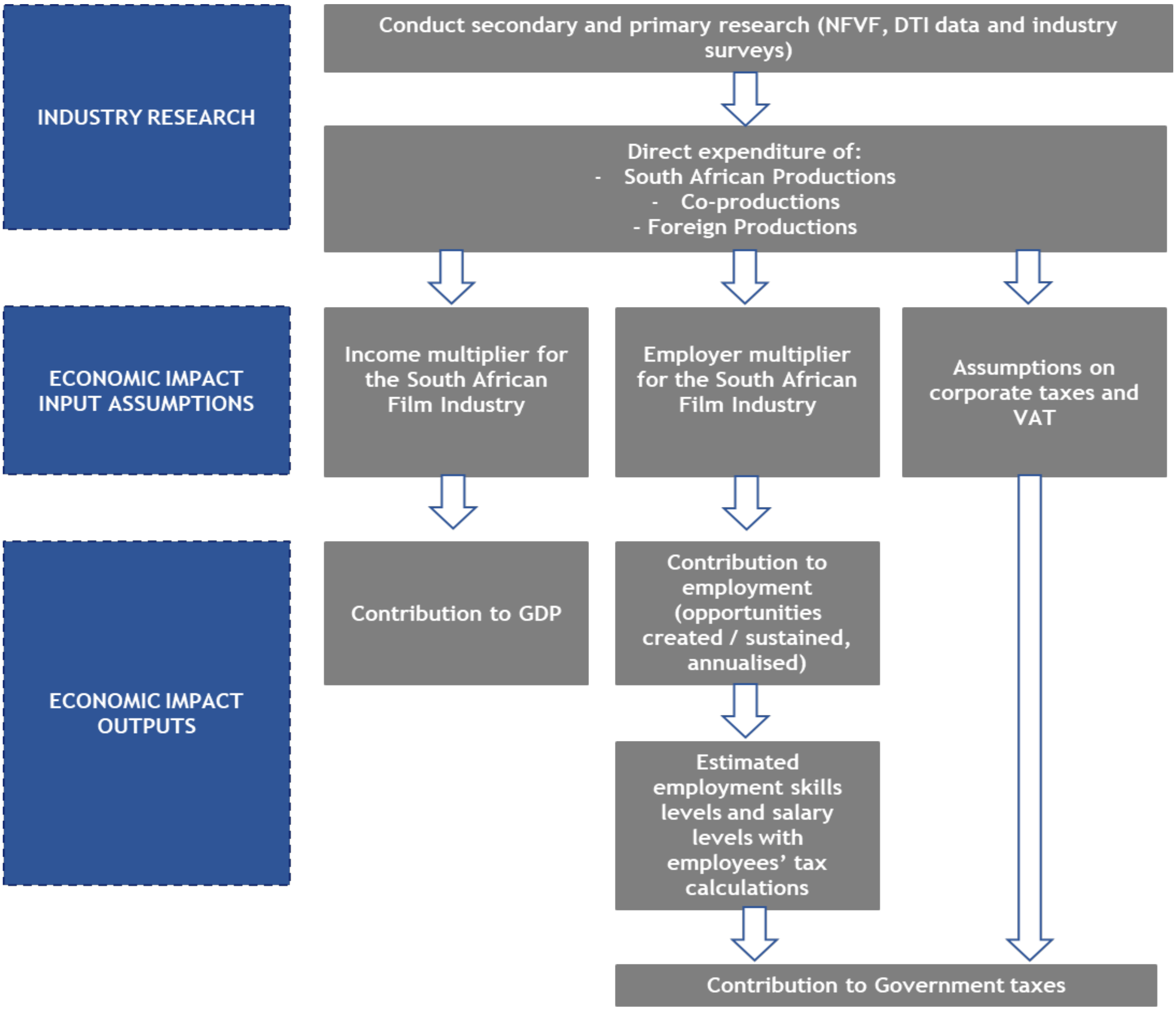
1.3. Agreed Approach

The agreed approach is to quantify the direct, indirect, and induced economic impact of the South African Film Industry through identification of all industry expenditure based on the findings of secondary and primary research.

The model used to calculate the resulting economic impact assessment of the industry includes the following:



ECONOMIC IMPACT ASSESSMENT FRAMEWORK



ECONOMIC IMPACT ASSESSMENT

The assessment:

- Outlines the assumptions and the methodology in calculating the projected economic impact.
- Takes into consideration the total expenditure, as well as direct and indirect expenditure because of the investment and activities of the film industry.
- Applies industry specific multipliers to quantify the impact of the expenditure on the economy, and on employment by skill level and tax revenues.
- Quantifies the economic benefits of the Film Industry to South Africa.
- Identifies the qualitative socio-economic benefits of the film industry.

The economic impact assessment quantifies the impact for each year since the last impact study conducted in 2017. This is to ensure that the industry’s impact assessment is not only a snapshot of the current year, but also tracks the annual performance of the industry over the period under review. Through this approach, the impact of the COVID-19 pandemic on the industry was also determined.

2. STAKEHOLDER CONSULTATION FINDINGS

2.1. Stakeholder Consultation Process

Stakeholder engagement is an integral part of any research project. It provides a more in-depth and relevant look into the status quo and the needs of an industry as those interviewed are actively involved in the day to day activities / operations of the industry.

For the purpose of this study, key stakeholder interviews (30 respondents - virtual and telephonic), broad stakeholder online survey (150 respondents) and a workshop (12 participants) were undertaken with stakeholders active in the Film Industry. The main purpose of the stakeholder consultation was to gather relevant information for the study and to get a better understanding of the film industry's regulatory / policy, funding, market, operational challenges, as well as to identify proposals / recommendations to address the identified challenges.

Note: The views and opinions expressed in this section are those of the participants and have been included without alterations.

2.2. Key Stakeholder Consultation Feedback

The interviews with key stakeholders centred around the following discussion points / themes:

- Drivers of development and growth within the industry.
- Assessment of the industry's performance since the 2017 study.
- Challenges that restrict the development and growth of the film industry.
- Areas in the value chain where government funding will achieve the greatest benefit for the industry.
- Geographic concentration of production companies and filming activity.
- Impact of the COVID-19 pandemic on the industry.
- Positives and challenges with industry support measures provided including Covid-19 related relief measures.
- Proposals or recommendations to address the challenges of the industry and improve the support measures (generally and Covid-19 related) available to the industry.

The primary research was also used to obtain information on industry expenditure as input data for the quantification of the economic impact assessment (refer to the Economic Impact Assessment section 3).

Table 2.1 provides summary insights from the stakeholder consultation process.

Table 2.1: Key Stakeholder Consultation Feedback Summary

Discussion Points / Themes	Stakeholder Feedback Summary of Relevant Points
Drivers of development and growth within the industry	• Experienced crews for local content, co-productions, and foreign productions. • Internationally competitive industry support and incentive programmes provided by several public sector agencies at national, provincial, and local level. • Favourable exchange rate which makes SA attractive as a film destination for co-productions and foreign productions. • Excellent filming locations. • Growth in quality local content development and consumption of (especially driven by private broadcasters).
Assessment of industry performance since the 2017 study.	• At best, the film industry has remained flat and at worst, it has declined since the previous study in 2017. This is mainly because of funding constraints i.e. limited NFVF budget, unreliable Department of Trade, Industry and Competition (DITC), incentive programme and payment delays, Souht African Broadcasting Corporation (SABC) financial difficulties, etc..

Challenges restricting the growth of the film industry	• Funding
	  ▪ Funding remains a major limiting factor for an industry that is largely still reliant on public sector funding.
	  ▪ Many filmmakers are forced to fund projects out of their own pockets or by using their assets as collateral (e.g. some mortgage houses).
	  ▪ There is no formal and established private sector funding from sources such as commercial banks.
	  ▪ The funding pool available from the public sector has in some cases remained flat and, in most cases, it has declined as the public sector is experiencing significant fiscal constraints and budget cuts.
	  ▪ There is limited scope for increased public sector funding towards the industry given the extent of public sector support already provided to the industry and budget cuts because of government's constrained fiscal position.
	  ▪ The broadcasters limit local filmmaker's ability to be financially sustainable because of their exclusive rights and license requirements which often deprive filmmakers'/producers opportunity to earn perpetuity income from their intellectual property.
	  ▪ There is limited private equity funding opportunities as private sector investors regard the industry as high risk and not commercially bankable.
	  ▪ Filmmakers are not always good with general business administration and the business of filmmaking, which makes it difficult to attract funding.
	  ▪ Limited investment in development. This an area of the value chain where investment is most needed, especially for emerging filmmakers.
	• Regulatory/red tape
	  ▪ Accessing the various support programmes provided by several key agencies is an onerous task for most operators in the industry who are not adept at business administration.

Discussion Points / Themes	Stakeholder Feedback Summary of Relevant Points
	▪ The non-traditional business model of filmmakers and workers prevented several industry operators from accessing the Covid-19 related support provided because of the requirements such as Tax certificates, BEE compliance etc. • Infrastructure / Facilities ▪ Access to means of productions i.e. equipment, studios, post-production facilities remains a challenge for emerging filmmakers. ▪ There is limited distribution / cinema infrastructure in township areas. • Distribution and Marketing ▪ Access to distribution or marketing platforms remains a challenge for operators in the industry. ▪ Emerging filmmakers require assistance to reach international markets and festivals to network and build industry relationships. With the cancellation of marketing platforms such as film festivals because of Covid-19 related restrictions, distribution and marketing has become even more difficult. ▪ Limited funding and support available for distribution / marketing (especially from the public sector). ▪ Most local filmmakers often go into production without an offtake agreement or distribution and marketing strategy. ▪ South African filmmakers do not appreciate the importance of distribution / marketing which is crucial to the commercial viability of productions. ▪ Audience development has remained a persistent challenge for the South African film industry. Cinema numbers have been declining for years. ▪ There are limited distribution options in South Africa available for filmmakers. This has been exacerbated by the financial difficulties experienced at the SABC. • Transformation (employment, management and ownership patterns, financing etc.) ▪ Relatively speaking, the industry has made steady progress on the transformation front in terms of employment and management aspects. ▪ However, there has been limited progress on the ownership aspect, especially of self-sufficient and sustainable black owned film enterprises ▪ Outside of the public sector, black filmmakers/producers often cannot raise or access private funding. ▪ A large share of the funding that is provided to emerging black filmmakers is spent on white owned service companies.
Areas in the value chain where government funding will achieve the greatest benefit for the industry	• The most significant gap in the industry value chain is in the development phase where script writing skills and experience are lacking and the lack of quality of scripts often affects the production's distribution and marketing. This is particularly prevalent in Tier 3 (new entrants in the industry) and 2 (Filmmakers with limited experience) as well as secondary provinces such as Limpopo, Mpumalanga, Free State, Eastern Cape, Northern Cape, and North West.

Discussion Points / Themes	Stakeholder Feedback Summary of Relevant Points
	• Investment in the development area of the value chain is most needed. However, it is difficult to attract investment in this area because development is not necessarily an activity that generates a commercial return (in and of itself). • Distribution and marketing support and investment is also most need to realise the commercial viability of most of the public sector funded productions. It is one the areas in the value chain that is most neglected by filmmakers and public sector agencies supporting the film industry.
Geographic concentration of production companies and filming	• Gauteng remains the film and television capital of the country and there is no sign of this changing in the near future. • The Western Cape remains a service destination (for foreign productions specifically). • KwaZulu-Natal has shown noticeable growth in the film industry and is the fastest-growing film destination in the country. There has been a significant increase in production in the province. • There continues to be no recognised film industry activity in the other secondary provinces primarily because there are no formal institutional structures in place to facilitate/support the industry. • The Eastern Cape, through the support of the Eastern Cape Development Corporation, has started facilitating and investing in the film industry in the province.
Impact of the COVID-19 pandemic on the industry	• The impact has been devastating to industry operators, with productions grounding to a halt during the initial hard lockdown (March to June 2020). • The impact of Covid-19 was made more ruinous because some key government agencies supporting the industry were inaccessible for extended periods in 2020. • Production activity has been slow to resume as most of the industry support measures were focused specifically on providing short-term relief to affected industry operators and employees.
Positives and challenges with the support measures including Covid-19 related relief measures	**Positives** • The intent of the Covid-19 relief measures was a positive development for the industry negatively impact by the disruption of the pandemic. • The Covid-19 related support measures provided was welcome relief to the very fortunate few stakeholders who benefitted.

	Challenges
	• Adequacy
	  ◦ The support measures provide are not adequate for the needs of the film industry in general and even more so given the scale of the impact of Covid-19.
	• Application process
	  ◦ Application process was onerous requiring compliance and supporting documents that applicants often did not have.
	  ◦ The online application processes meant that stakeholders who did not have access to devices and data could not access some of the support measures provided.

Discussion Points / Themes	Stakeholder Feedback Summary of Relevant Points
	• Payment process ▪ There were delays with the processing of relief payments because of added background checks and monitoring procedures key agencies and departments undertook to ensure that the relief reached the intended beneficiaries and that there was no fraud and abuse. ▪ The average payment processing period is 30 days as per the government guidelines. However, due to capacity shortages the payment period was often longer than 30 days. ▪ Overall, the qualifying criteria for the Covid-19 relief measures was not well suited to the peculiarities of the film industry. • Overall administration ▪ The service levels from key industry support agencies declined significantly because of the Covid-19 related restrictions on activities of non-essential services. The limited activities and remote working requirements resulted in inadequate communication and longer average response times. ▪ The processing was slow because of the overwhelming volume of applications and claims from relief seekers. ▪ The declining service levels was also exacerbated further by the hand-holding role that officials often had to play to assist beneficiaries about the application processes and requirements for the relief measures. ▪ The evaluation and adjudication processes were not always communicated to stakeholders.
Proposals or recommendations to address the challenges of the industry and improve the support measures (generally and Covid-19 related) available to the industry	• General ▪ There is a need for a clearly set out institutional framework / arrangement for the industry that fosters greater collaboration and interaction between the public and the private sector. ▪ The film industry needs to explore new funding models for filmmakers / producers to ensure that they are not perennially reliant on grant funding and support from agencies of government. ▪ Introduce laws that ensures filmmakers intellectual property is protected to enable them to generate income in perpetuity. • General Industry Support ▪ Public sector agencies need to have an integrated and streamlined funding and facilitation support system that ensures that filmmakers/producers only must file their application once to the relevant support agencies. ▪ There is a need for a streamlined approach between key authorities of the public sector i.e. Department of Sport, Arts and Culture(DSAC),NFVF, Industrial Development Corporation (IDC), National Empowerment Fund (NEF), DITC, KwaZulu-Natal Film Commisssion (KZNFC), (Gauteng Film Commission (GFC), SABC, Durban Film Office (DFO) that fund and support the film industry. This streamlined approach would enable effective mobilisation and efficient allocation of limited resources for the benefit of the industry.

Discussion Points / Themes	Stakeholder Feedback Summary of Relevant Points
	- Pool all national funding available under one entity to improve efficiencies, industry support services. - Reduce the red tape frustrating industry stakeholders. Focus on ease of doing business. - Create an environment of policy certainty and avoid frequent changes to requirements / regulations (i.e. DTIC), thus enabling the industry to plan ahead rather than to react. - Provide public funding or incentives for development and distribution. - Emphasis needs to be placed on commercial viability of productions when assessing projects for potential funding. - Develop and rollout a formal education programme for filmmakers on the business / commercialisation of filmmaking. Filmmaking is a business and the commercial viability of productions is crucial for the financial viability of film businesses / filmmakers. • Covid-19 related Relief Support - To circumvent the public sector's bureaucratic processes, recognised industry bodies such as SASFED, IPO etc. should be used as agents to administer the relief offered to the industry.

Source: Stakeholder Interviews Feedback, 2021

2.3. Broad Stakeholder Survey Results

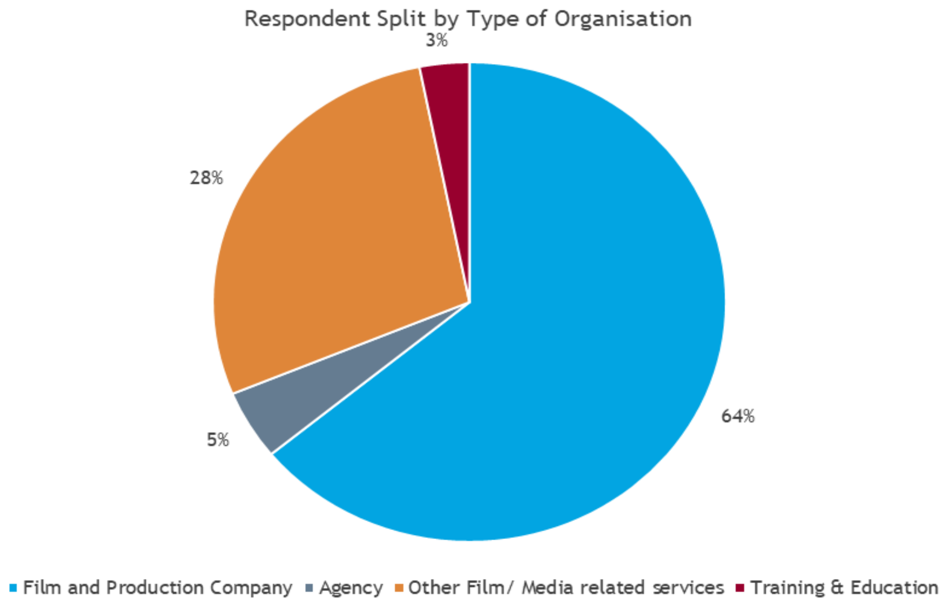
The broad online survey with industry stakeholders obtained feedback on the following discussion points / themes:

- Respondents profile
  - Profile of Respondents
  - Geographic Distribution of Respondents
  - BBBEE Level
- Geographic concentration of film activity
- Area of focus
- Challenges faced by industry operators
- Industry funding
- Impact of the Covid-19 pandemic on the industry
- Film industry support measures
- Proposals or recommendations to address the challenges of the industry

2.3.1. Profile of Respondents

The majority of the survey respondents identified themselves as being a Film and TV Production Company (64%), followed by other film / media related services (28%). Film industry agencies accounted for 5% of respondents and 3% identified as being in industry training and education.

Figure 2.1: Respondents by Type of Organisations

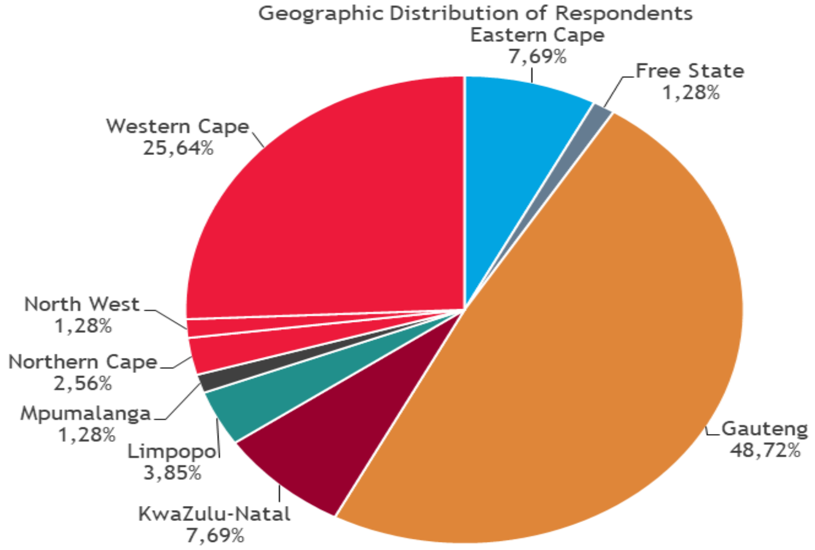


Source: Film Industry Stakeholder Survey, 2021

2.3.2. Geographic Distribution of Respondents

The majority of respondents were based in the Gauteng (49%), followed by the Western Cape (26%), KwaZulu-Natal (8%) and Eastern Cape (8%). The balance of respondents were from secondary provinces including Limpopo (4%), Mpumalanga (1%), Northern Cape (3%), North West (1%) and Free State (1%).

Figure 2.2: Provincial Location of Respondents / Organisations

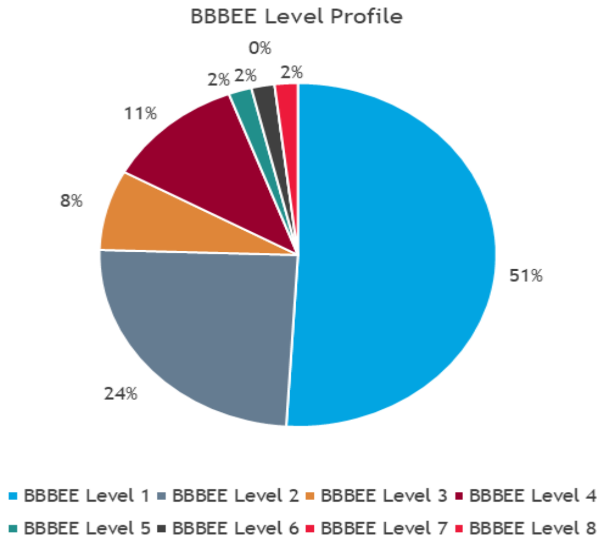


Source: Film Industry Stakeholder Survey, 2021

2.3.3. BBBEE Level

In respect of the BBBEE level of respondents, 51% indicated they were Level 1, 24% were Level 2, while Level 3 and 4 comprised 8% and 11% of respondents respectively. BBBEE levels 5 to 8 accounted for 6% of respondents combined.

Figure 2.3: BBBEE Level

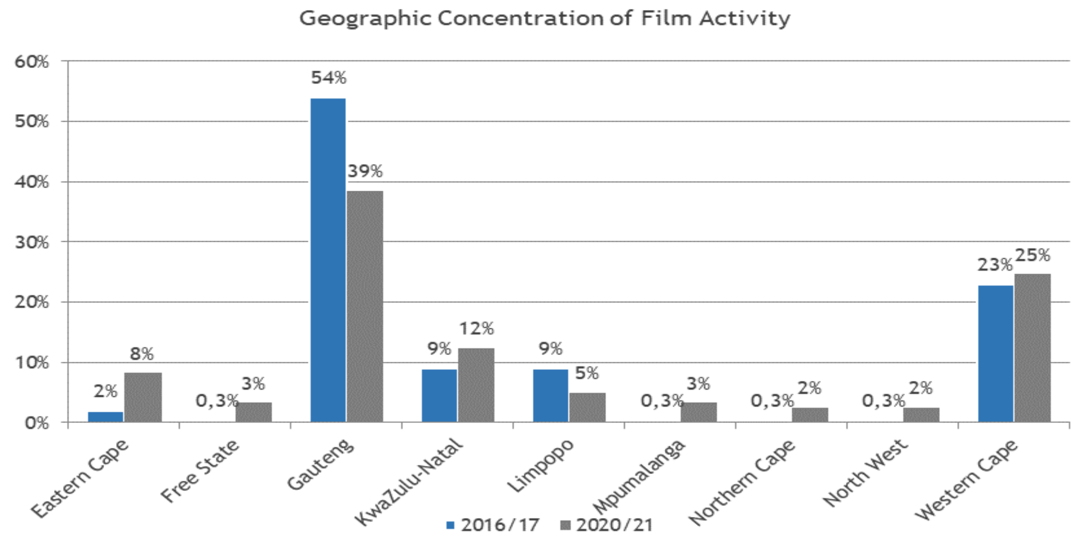


Source: Film Industry Stakeholder Survey, 2021

2.3.4. Geographic Concentration of Film Activity

According to the respondents, Gauteng (39%), the Western Cape (25%) and KwaZulu-Natal (12%) are the main centres of filming activity, as was the case in the previous study (2016/17). The North West and the Northern Cape have the lowest level of film activity accounting for 3% respectively. The Eastern Cape (through the Eastern Cape Development Corporation) and KwaZulu-Natal (KwaZulu-Natal Film Commission) have made significant strides in stimulating and attracting filming activity in their province.

Figure 2.4: Geographic Concentration of Film Activity

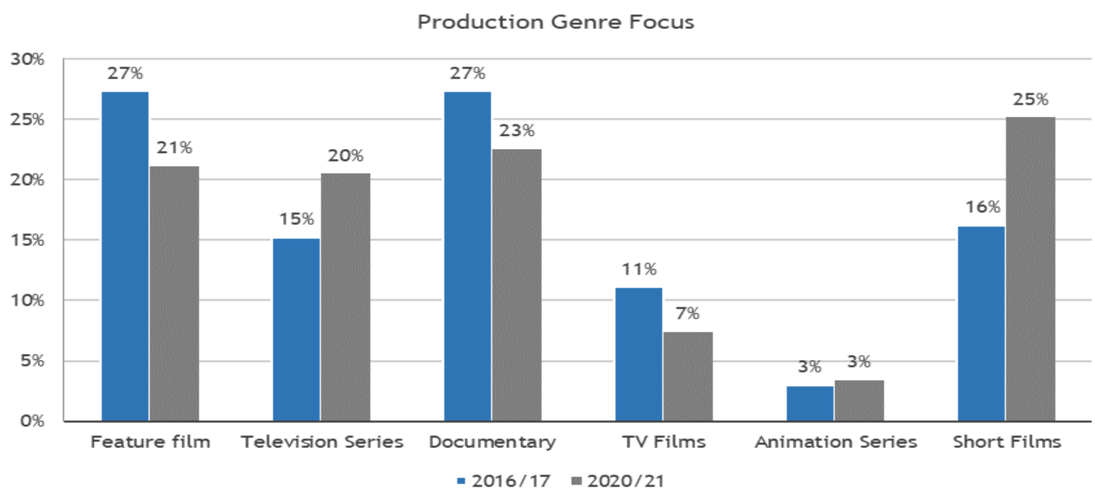


Source: Film Industry Stakeholder Survey, 2021

2.3.5. Area of Focus

In terms of production genre, the majority of respondents' focus was on short films (25%), followed by documentaries (23%), feature films and TV Series (21% respectively). Respondents focusing on TV films and animation accounted for 7% and 3% respectively. The growth in short films is because of the support and funding provided by the NFVF and the KZNFC.

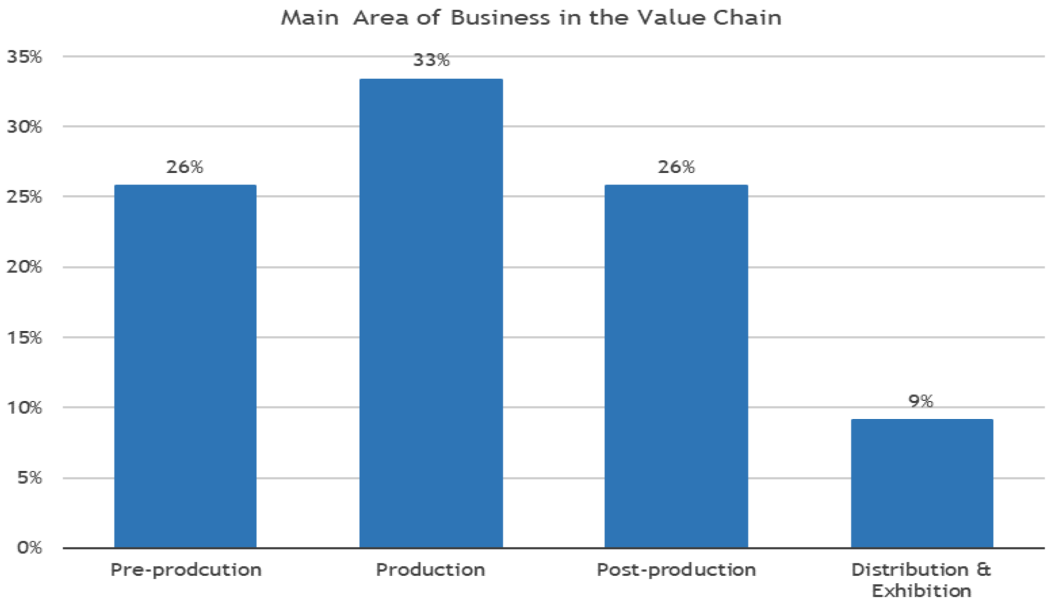
Figure 2.5: Production Genre Focus (%)



Source: Film Industry Stakeholder Survey, 2021

The majority of respondents’ main area of business was production (25%) followed jointly by pre-production and post-production (26% each). Only 9% of respondents’ main area of business was distribution and marketing.

Figure 2.6: Main area of Business in the Value Chain (%)

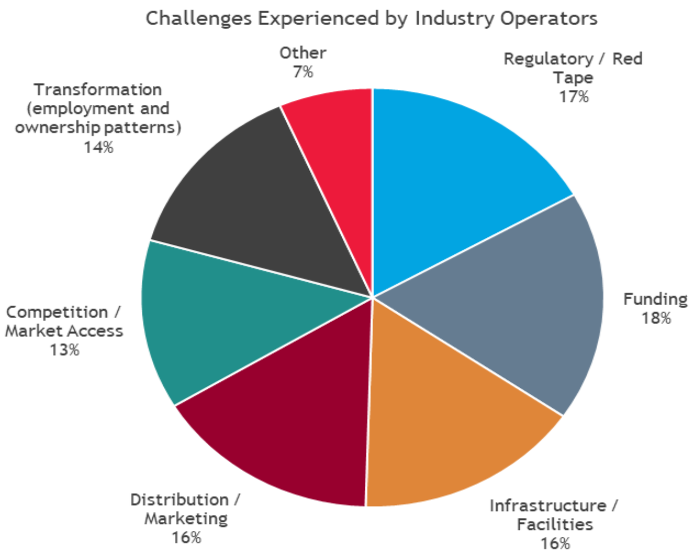


Source: Film Industry Stakeholder Survey, 2021

2.3.6. Challenges Faced

In relation to the challenges faced by industry operators, the respondents identified their main challenges to be Funding (18%), Regulations /Red Tape (17%), Infrastructure and marketing/distribution (16%).

Figure 2.7: Challenges faced by Respondents



Source: Film Industry Stakeholder Survey, 2021

The respondents provided the following insights under the broad themes of challenges affecting the industry:

- Funding
  - There is no tradition in South Africa to invest in the arts (film and television).
  - More transparency is needed at public sector agencies about where the money is being spent.
  - There is limited private equity funding availables as private sector investors do not consider the DTIC's rebate incentive as bankable.
  - The NFVF's available funding is limited to make any meaningful impact on the industry while the loan / equity funding provided by the IDC is too expensive and unattainable for operators.
  - There is no compelling economic or business case private funders to invest in the film industry in South Africa.
  - Because of the limited funding pool in the industry, resources are often disproportionately spent in production. Pre-production (including development) and distribution are often inadequately funded.
- Regulatory / Red tape
  - Government red tape, i.e., ridiculously complicated, and vague application procedures, exclude many from the market.
  - DTIC uncertainty. Currently, no government agency, including NFVF and IDC can assist the industry with the administrative challenges at the DTIC.
  - An entire re-assessment needs to take place and it requires communication and accountability on the part of stakeholders. i.e.: The IDC provided cashflow to the DTIC incentive for some projects in 2017 and the DTIC has still not paid the final claim, with no accountability from the DTIC.
- Distribution / Marketing
  - The marketing and distribution grants and support available to the industry are not sufficient to address the needs of the local film industry.
  - Often the limited funding available for marketing and distribution is poorly and inefficiently allocated.
  - Emerging filmmakers require assistance to reach international markets and festivals to network and build industry relationships.
- Infrastructure /Facilities
  - There are not enough studio facilities.
  - Studios need to be expanded to facilitate more work.
- Transformation
  - Overall, there are low levels of inclusion and slow transformation in the industry.
  - There are high levels of transformation in lower skills levels/entry level roles but there is little to no transformation at higher skills levels within the industry.
- Competition / Market Access
  - There are too many operators vying for limited opportunities in a relatively small local

industry.

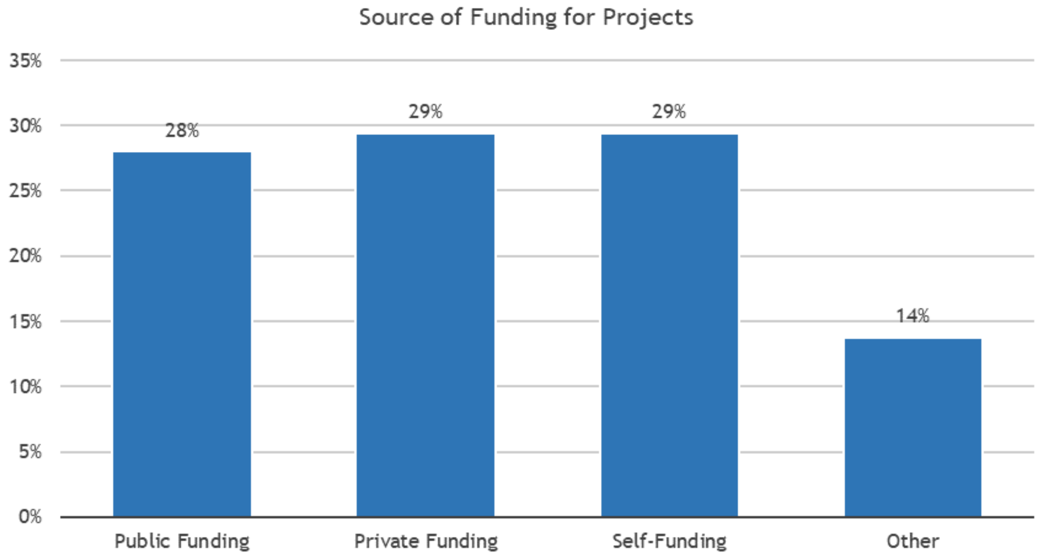
  - Market access remains a challenge for those entering the industry. New entrance and emerging operators do not have the means to market their projects locally and globally.

- Other
  - There is no functional and effective relationship between the funding agencies such as the DTIC, IDC and NFVF, and provincial film commissions. This lack of coordination hampers effective funding and support to the industry.
  - The SABC, which was the custodian, developer, and final-guaranteed exhibitor of South African films, is struggling financially. Filmmakers simply cannot efficiently make films in SA without a safety net in the SABC at least being the final window of distribution and a primary investor of feature films in SA.
  - There are long delays to respond to queries and often no response to calls and emails from public agencies.
  - Communication is often lacking from the public agencies to industry stakeholders.
- Emerging Black Filmmakers specific challenges:
  - Limited knowledge and skills about the economics or commercialisation of filmmaking.
  - Professional skills including administrative and business skills are lacking - cash flow, management of funding, business experience, cash draw down, budgeting realistically, production accounting and reporting, keeping to the budget, forecasting to final delivery.
  - The training provided by various public sector authorities is inadequate for emerging filmmakers.
  - Other emerging filmmakers willing to work for free, for exposure, for experience.
  - Lack of access to local broadcasters and very little interest from international broadcasters.
  - Lack of funding without a track record.
  - Limited opportunities for emerging production companies to collaborate with commercial production companies on a co-production.
  - Lack of mass production funding for small-medium productions.
  - Unscrupulous and predatory production companies that are highly exploitive of young filmmakers.
  - The very support measures that have been put in place to supposedly support emerging filmmakers are a challenge.

2.3.7. Industry Funding

In terms of the sources of funding used by the industry, the respondents indicated that private and self-funding account for 58% of their funding combined, whilst public funding account for 28% and other sources of funding make up 14%. The Other funding source includes income from commercial companies and advertising agencies, brand funding, crowd funding, as well as funding from friends and family.

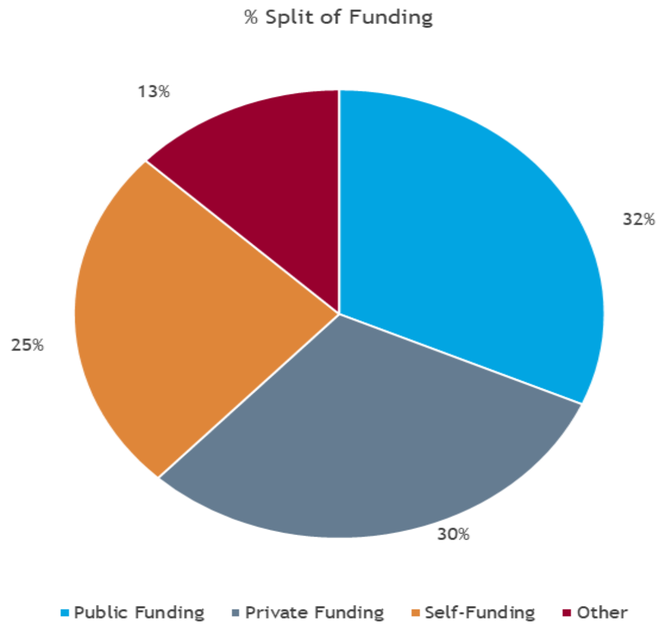
Figure 2.8: Sources of Funding



Source: Film Industry Stakeholder Survey, 2021

For funding percentage split on projects, the respondents indicated that 32% of total project funding is derived from public sector sources, followed by 30% from private funding sources and 25% from self-funding.

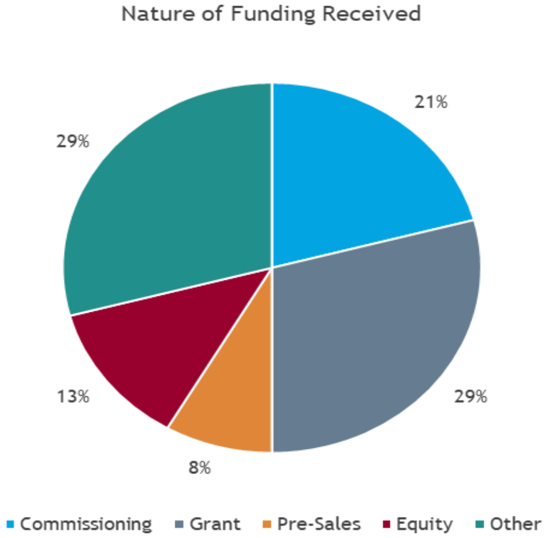
Figure 2.9: Funding Sources Percentage split for projects



Source: Film Industry Stakeholder Survey, 2021

The respondents indicated the nature of funding they have received is mainly grant funding (29%) and commissioning (21%). Equity and presales accounted for the lowest proportion at 13% and 8% respectively. Notably, other funding sources (i.e.s production shoots, brand funding, close friends and family and crowd funding) accounted for 29%.

Figure 2.10: Nature of funding received

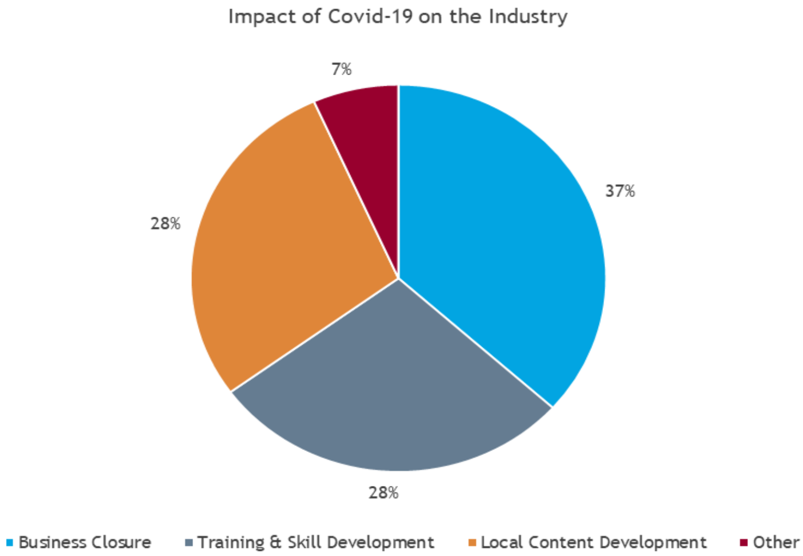


Source: Film Industry Stakeholder Survey, 2021

2.3.8. Impact of Covid-19 on Industry

According to the survey respondents, the Covid-19 pandemic has had a significant impact on the film industry. The impact includes business closures (38%), limiting local content development (28%) and limited training and skills development (28%) opportunities because of disruptions in production.

Figure 2.11: Impact of Covid-19 on the Industry

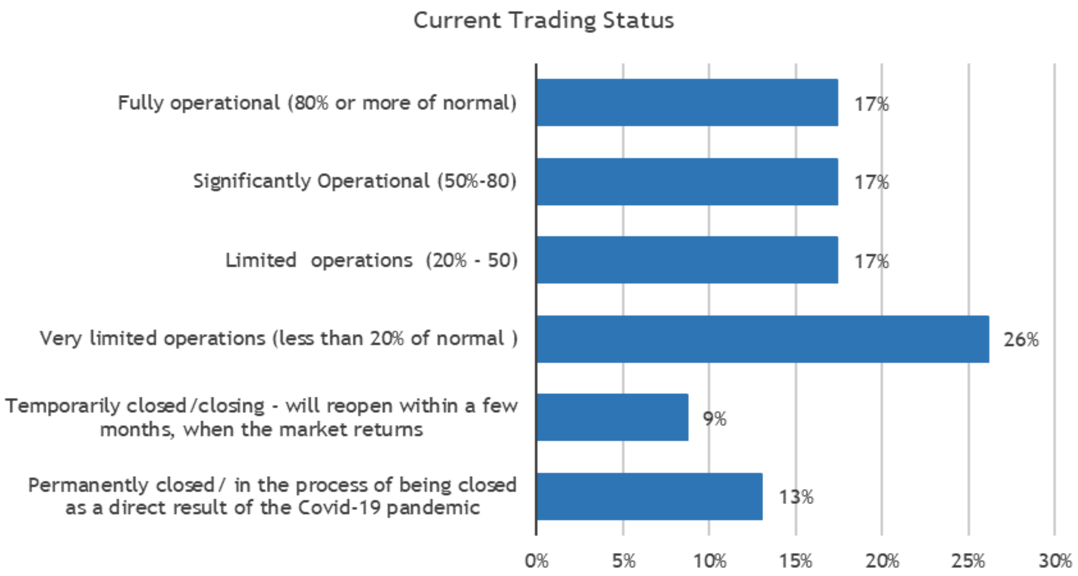


Source: Film Industry Stakeholder Survey, 2021

The respondents noted some increase in demand (commissioned work) from broadcasters and streamers for local content, however, these were not empowering as content creators are now completely working for the streamers and retain no ownership of their product.

In relation to the trading status of businesses, 13% of respondent indicated that they had permanently closed or were in the process of closing, while 13% indicated that they were temporarily closed and would reopen when normal conditions had returned. 26% of respondents indicated that they had limited operations because of the impact of Covid-19, while fully (80% or more) or significantly operational businesses (50 - 80%) accounted for 17% each respectively.

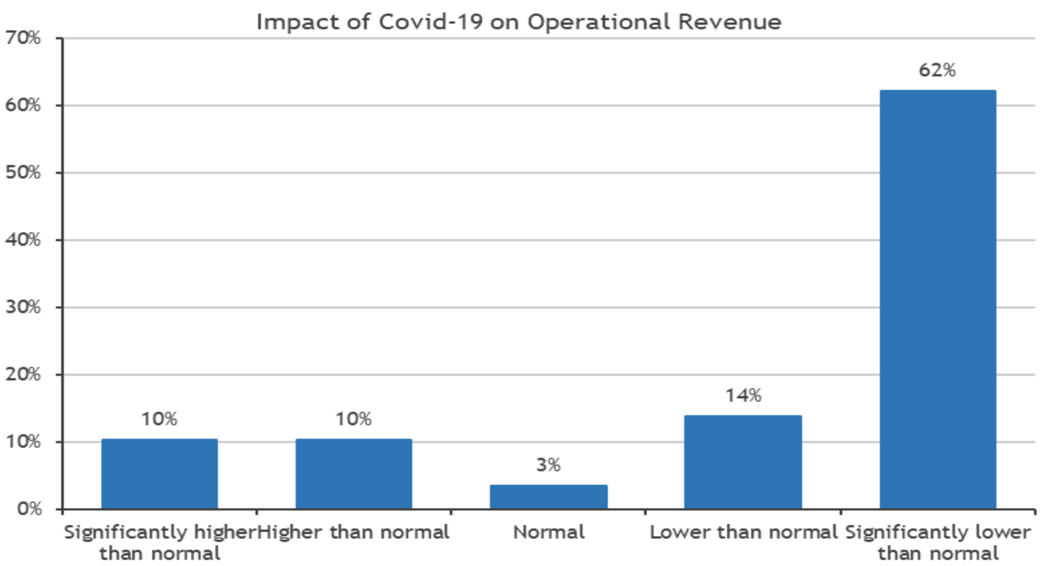
Figure 2.12: Current Trading Status



Source: Film Industry Stakeholder Survey, 2021

In terms of the impact on operational revenue, the survey shows that 76% of the respondents have seen a decrease in their operational revenue. 4% of the respondents indicated that their operational revenue remained the same as normal and 20% reported an increase in their operational revenue.

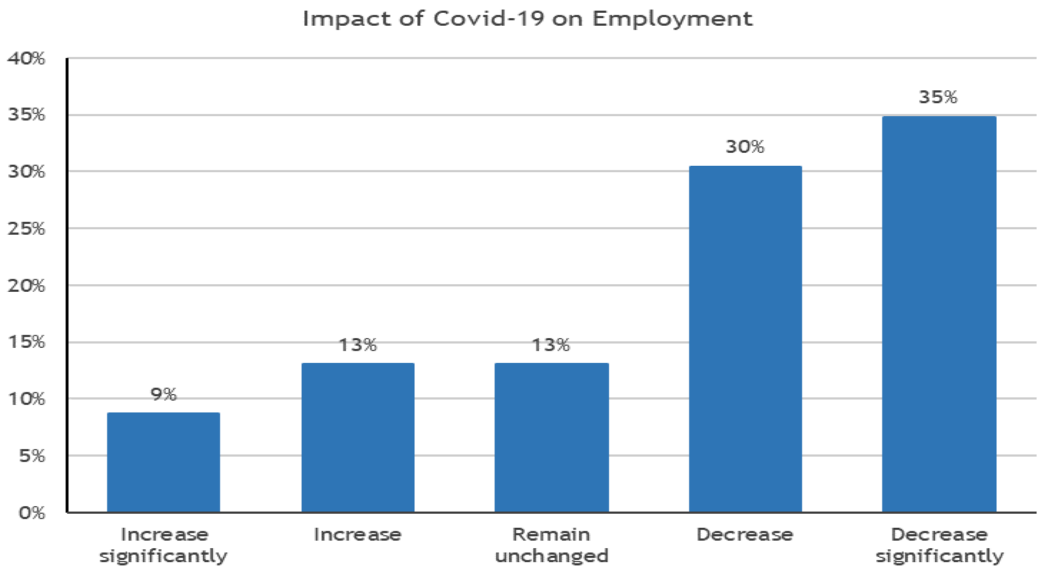
Figure 2.13: Impact of Covid-19 pandemic on operational revenue



Source: Film Industry Stakeholder Survey, 2021

For employment, the survey results show that there was a significant drop in employment with 60% of respondents reporting a decline in jobs. 22% of respondents experienced growth in employment, while 13% indicated no change in employment despite Covid-19.

Figure 2.14: Impacted by Covid-19 pandemic on Employment

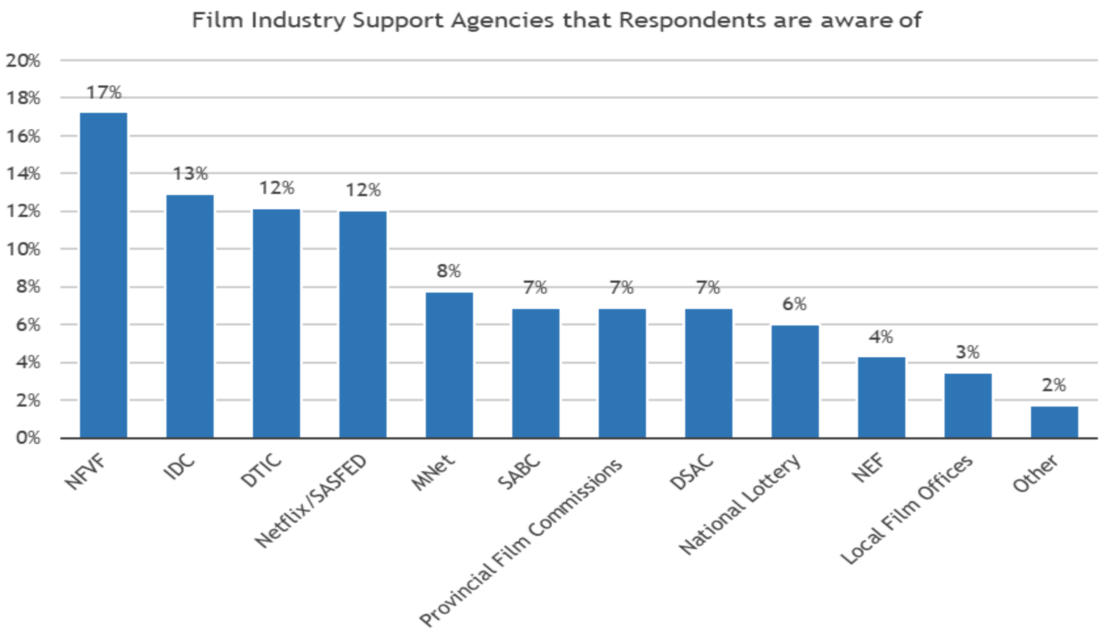


Source: Film Industry Stakeholder Survey, 2021

2.3.9. Film Industry Support Measures

The respondents indicated that they were aware of various agencies that provide support to the film industry. The agencies that respondents were the most aware of were the NFVF (17%) followed IDC (13%) and DTIC (12%).

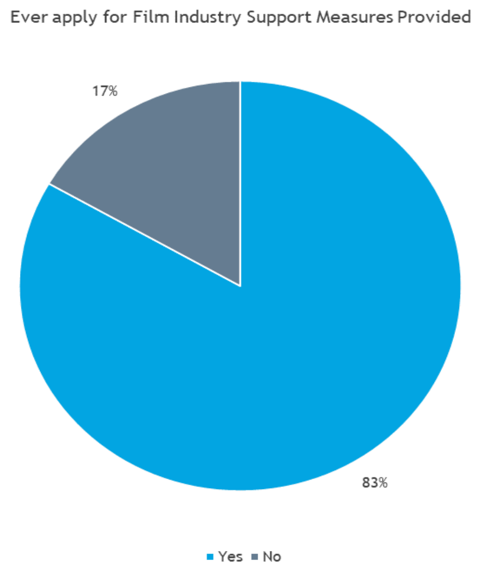
Figure 2.15: Industry support initiatives that respondents are aware of



Source: Film Industry Stakeholder Survey, 2021

Only 17% of respondents indicated that they have not yet applied for any of the film support measures provided, whereas 83% indicated that they had applied.

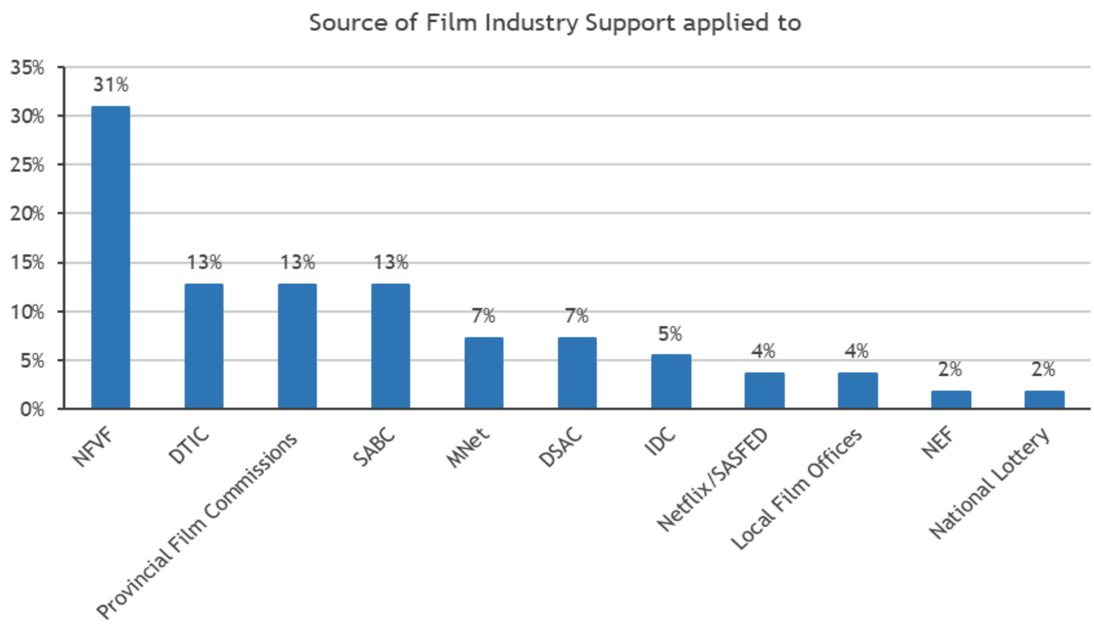
Figure 2.16: Ever apply for Industry support initiatives



Source: Film Industry Stakeholder Survey, 2021

Of the respondents that applied for the available industry support measures, the most common source (respondents could select more than one source) applied to was the NFVF (31%), followed by the DTIC, SABC and provincial film commissions at 13% each respectively. The survey shows that the NEF and National Lottery are the least applied to (primarily because of limited funding scope/criteria for the film industry).

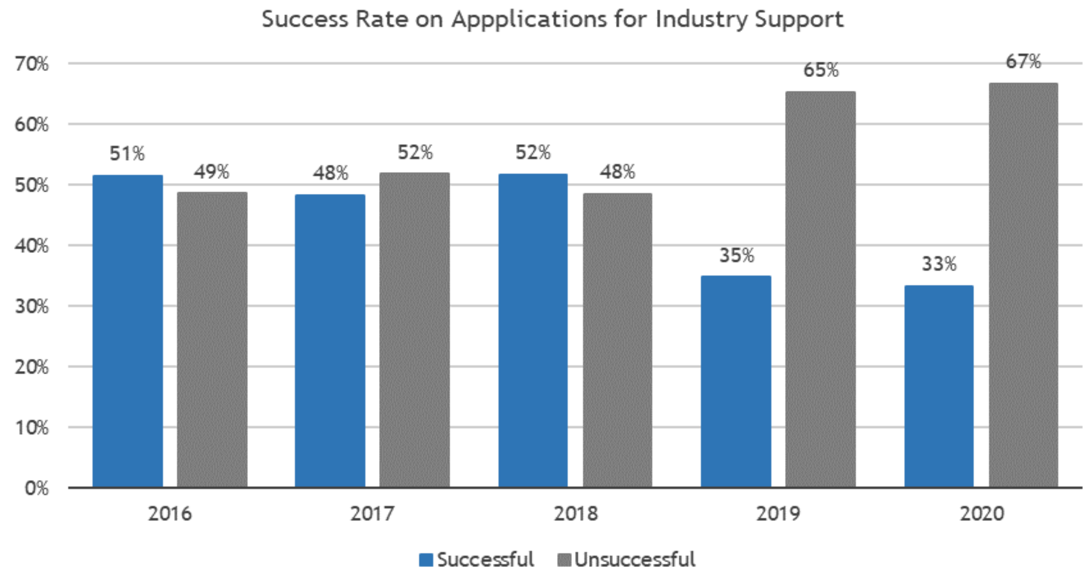
Figure 2.17: Source of Film industry support that operators applied to



Source: Film Industry Stakeholder Survey, 2021

The percentage of successful and unsuccessful applications between 2016 to 2018 was balanced (average 50% each). For the period between 2019 and 2020, successful applications averaged 34% with nearly two thirds of applications returning unsuccessful. The respondents cited budget limitations and seemingly arbitrary changes to requirements and guidelines as the main reasons for the low success rate of applications in 2019 and 2020.

Figure 2.18: Application success rate



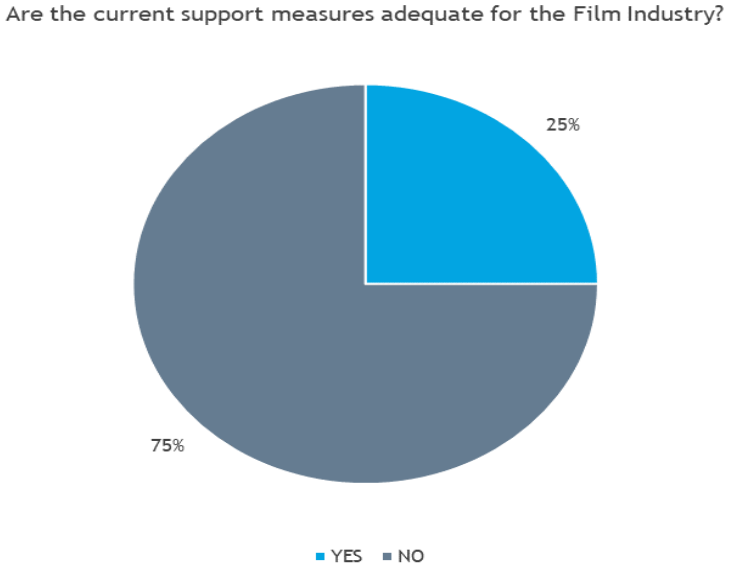
Source: Film Industry Stakeholder Survey, 2021

Other reasons cited by respondents for the unsuccessful applications included:

- Funding slates being over-subscribed and not taking on new proposals.
- Noncompliance – including incomplete applications or lack of required statutory documentation i.e., tax clearance certificates etc.
- Difficulty understanding the qualifying requirements.
- In 2019, the DTIC decided to exclude all applications with Mnet as a partner.

In terms of the adequacy of the current support measures provided to the industry (general and Covid-19 related support), the majority of respondents (75%) indicated that the current measures are not adequate, whilst 25% of the respondents felt that the support measures are adequate.

Figure 2.18: Adequacy of Current Support Measures



Source: Film Industry Stakeholder Survey, 2021

In terms of the experiences that respondents have had when applying for some of the support measures, the feedback provided insights on application and payment processes, as well as overall administration.

Table 2.2: Assessment on the processes of the support measures

Application process	Payment process	Overall administration
• Flawed processes. Not digital, lots of documents required and the application processing is very slow. • Communication on the processing of applications is lacking. • Completing the application is fine, however, processing and approval of applications are unreliable.	• Very long waiting period for payments especially from the DTIC. • Slow and subject to rejection for reasons not fully explained.	• Agencies providing support to the industry are overwhelmed by the volume of applications. • Agencies are understaffed and personnel are not adequately trained. • Slow turnaround times across the board.

Source: Film Industry Stakeholder Survey, 2021

2.3.10. Recommendations

Industry stakeholders provided the following proposals and recommendations to address the challenges of the industry and contribute to the sustainable development and growth of the film industry.

Table 2.3 provides a summary of the proposals and recommendations from the industry stakeholders.

Table 2.3: Industry Proposals / Recommendations from Online Survey

Recommendations by Themes	Stakeholder Survey Proposals / Recommendations Summary

General Recommendations	• Industry Institutional Arrangement Framework
	  - Streamlining, through a formally adopted institutional framework, of key industry agencies to ensure functional and effective relationship between agencies such as the DTIC, IDC and NFVF, and provincial film commissions. This will ensure better coordination and effective industry support from the agencies.
	
	• Regulatory / Red Tape
	  - Simplify and integrate application processes for industry support across all industry supporting agencies.
	
	• Distribution / Marketing
	  - Create a local is lekker cinema screen where big cinema chains dedicate a screen to local films across their value chain.
	
	• Training and mentorship
	  - There should be a mentorship programme where emerging black filmmakers are encouraged to make their first 3 films in partnership with an experienced producer so that they can learn the processes and then continue their own.
	  - Assist with training bursaries/vouchers rather than blanket training which may be relevant to one organisation/individual and not to the other.
	
	• Communication and turnaround times
	  - Urgent attention needs to be directed at improving the quality and consistency communication from the support agencies to industry stakeholders.
	  - Agencies that provide industry support should announce via email and text to all producers whenever there is an amendment in their support guidelines. Sometimes changes are made to guidelines and the industry is unaware until they make an application that is rejected because they were unaware of the new guidelines.
	  - Priority should be given to improving the turnaround time for the processing of applications.
	  - Given the time sensitivity of most production projects, a quicker applications process is required.
	
	• Intellectual Property (IP) rights
	  - Change the broadcast IP laws to allow for filmmakers to own IP from commissioned work and therefore immediately create wealth in the hands of the filmmakers, the ones who do the work.

Recommendations by Themes	Stakeholder Survey Proposals / Recommendations Summary

	• Transformation
	  ◦ Do not look at BEE certificates only. Conduct regular assessment audits as the majority of existing Production Companies use people of colour as a front when applying for funding.
	
	• Other
	  ◦ The industry should prioritise story development to ensure scripts are written and developed well.

Funding	• Filmmakers need to be weaned off subsidies and generate their own revenues. Simpler systems like tax breaks that are not handed out to lucky winners. • Realistic funding targets and not just an unattainable figure with onerous approval processes. • Focus on funding films with skeleton crews of maximum R2 million (or even 3xR2 million per production company if R6 million needs to be distributed). Revive the industry by pumping out small-medium independent feature films for platforms such as Showmax and Netflix. • Create low budget films with high penetration to local audiences because the stories are reflective of their societies and are now a symbol of pride to be seen. • The attempt to give small amounts to many different people / entities offers limited sustainability and growth. Offering R20 000 -R200 000 randomly to hundreds of applicants is a waste of resource and stifles the growth of the industry. • More clarity regarding the DTIC incentive to remove foreign investor concerns, which are causing them to invest elsewhere, giving rise to material losses in foreign direct investment and local jobs. • Industry agencies need to introduce incentives for productions outside of major metropolitan areas. • The DTIC need to pay timeously and need to let the industry know how long payments will take to be made. The uncertainty discourages lending against the rebate. • A transferable tax credit could be launched. This would ease the burden on the cash budget of SA and will make SA more globally competitive and attractive.
Emerging Black Filmmakers	• Better funding models to get interest from broadcasters and partnerships to be created. • Proper training in setting up companies to emerging filmmakers know about paying tax and running a business. • More workshops and information sessions on funding processes by different support agencies. • More short film programs and funding used as training ground. • Develop a collaboration portal for filmmakers. • More provisions of skills and training facilities to widen the range of acquired skills and development. • There should be a mentorship programme where emerging black filmmakers are encouraged to make their first 3 films in partnership with an experienced producer so that they can learn the processes and then continue their own.

3. FILM INDUSTRY RENDS AND IMPACT OF COVID-19

This section covers the film industry trends and early assessments of the Covid-19 pandemic impact on the film industry from a global and South African perspective.

3.1. Film Industry Trends

The disruption brought upon by the Covid-19 pandemic has raised new trends and accelerated some existing trends in the film industry. The key film industry trends identified according to the *World Economic Forum* include:

- **Declining Film Attendance** - There is a material decline in film attendance. Except for China – where audiences grew over 860% from 2009-2019 – most major markets are showing decline in theatre attendance. In North America, the number of tickets sold has barely changed since 1995, while in the UK, admissions have hovered around 170 million per year since 2005. In both places, population increases mean yearly per capita admissions have in fact decreased. In India per capita cinema admissions from 2009-2018 fell 32%. The uncertainty created by Covid-19 has accelerated consumers' dwindling confidence in physical venues.
- **Shrinking theatrical windows** – The dwindling theatre attendance has resulted in the cutting of theatrical windows. The recent agreement between Universal and cinema operator AMC has set a new benchmark for shortened windows. Previously, theatrical windows were 90-days plus, they have now shortened to 17 days (effectively just three weekends). Regions like France have also reduced the statutory time period (usually 4 months) within which a movie cannot be shown in video or on audio-visual media – which includes both traditional TV broadcasts and on-demand audio-visual media services – after its release in cinemas.
- **Change in consumer preference for content consumption** – The decline in film attendance and shorter theatrical windows is primarily driven by changing consumer preference for content consumption which is increasingly favouring consuming content on demand. The pandemic has accelerated the ongoing transformation in distribution and consumption patterns. Streaming video on-demand (SVOD) is having a huge impact on the industry's traditional business model. For example, Universal Studios' "Trolls World Tour" is going straight to video-on-demand instead of the traditional theatrical run. Similarly, Disney's "Mulan" has being shifted to premium VoD and Paramount's sale of some of its titles to Netflix are all indicative of the changing consumer preference for on demand content consumption trend.
- **Film industry financing more expensive and riskier** - Covid-19 has made film financing costlier and risky due to increased health security and insurance costs. Small operators are increasingly finding it harder to raise capital for their productions. This could have the unintended consequence of reducing diversity of film content, especially in South Africa where indigenous content has often struggle to attract funding for production.

3.2. Global Covid-19 Impact Review

According to the study *Global Screen Production – The Impact of Film and Television Production on Economic Recovery from COVID-19 by Olsberg SPI*, the COID-19 pandemic has had a devastating impact on the operations of the film industry and the impact of the industry on the economy and jobs. The study calculated the economic losses to output and employment caused by the current COVID-19 related hiatus during the first six months of 2020.

The key findings from the Study include:

- An estimated 14.2 million jobs are supported by the global film industry value chain, (encompassing exhibition and distribution of physical and digital media and the various forms of video-on-demand, in addition to Screen Production). This comprises 4.4 million direct jobs and 9.8 million indirect and induced jobs supported by expenditure by the film industry and by people employed in the industry value chain.
- The total economic impact of the global film industry in 2019 is estimated to be $414.0 billion. This comprises $177.0 billion of direct output and $237.0 billion of indirect and induced output.
- Film industry expenditure also delivers benefits to a wide range of business sectors in an economy – including those that have been particularly harmed during the pandemic, such as travel and hospitality, as well as freelance workers. To provide evidence of this phenomenon, a forensic analysis of the cost reports of a number of actual projects was undertaken. The analysis found that the proportion of production costs for these projects spent in the overall economy was an average of 67%, with 33% spent specifically in the film industry.
- Almost 60% of film commissions indicated that they have lost 75% or more of expected production volume, indicating the vast and damaging scale of the impact of the COVID-19 pandemic on film and television production across the world. In many territories, 90-100% of the value of production was lost during the period of the lockdown.
- The survey results showed an average decline in production of 70% over the first six months of 2020. Overall, it is estimated that the COVID-19 pandemic has led to a global fall in output of just under $62 billion in Screen Production, with a total economic impact (including multiplier effects) of $145 billion.
- Over the first six months of 2020, it is estimated that there was a COVID-19 related reduction in employment of 3.1 million full-time equivalent jobs in the film industry value chain, with a total employment impact of 10 million jobs once indirect and induced effects are included.

To support the industry against the devastating impact of COVID-19, the Study recommends a number of measures to encourage production to restart. These include:

- The creation of insurance schemes to provide state-backed insurance for independent filmmakers.
- The early release of development money to help ensure that projects that are in the pipeline continue to progress.
- Allowing costs relating to shut-downs to be included as eligible expenses for incentive schemes.
- Temporarily reducing taxes such as VAT on production costs.
- Exempting filmmakers (cast and crew) from the standard quarantine requirements for foreign travellers by introducing a modified version of quarantine.
- Economic measures to support freelancers in the cultural sphere, including audio-visual workers, during the suspension of production to help ensure that they can remain in the workforce.

- Accelerating payments due to independent production companies to help ensure that they remain stable during the crisis.

3.3. South African Covid-19 Impact Review

The South African Cultural Observatory conducted an early assessment of the impact of the Covid-19 pandemic on the Cultural and Creative Industries (CCIs) - including the Film Industry - on behalf of DSAC. The assessment included a benchmark exercise on the support provided to the CCIs in South Africa and in other regions in the world as well as a survey of industry operators on the impact of the pandemic. The key findings from the early assessment highlighted the following:

- Almost all (95%) respondents had experienced cancellation or indefinite postponement of work scheduled between April and the end of the year.
- Overall, 45% of respondents could not continue with any of their normal business activities during the lockdown.
- Only 18% of mostly face to face operators reported paying their employees as usual.
- 79% knew about government support being offered, but only 25% were sure that they qualify to benefit from relief measures in place.
- For freelancers and informal operators, the most useful kind of support was from DSAC entities such the NFVF, NAC, etc.
- The cultural and creative industry shutdown was expected to reduce South Africa's GDP (direct and indirect impact) by R99.7 billion in 2020.

4. ECONOMIC IMPACT OF THE FILM INDUSTRY

4.1. Introduction

The gross benefit of an industry is the wealth created in the region because of its activities, in this case the development, pre-production, production, post-production and distribution / marketing activities of the film industry value chain. In order to calculate the gross contribution of the industry to the South African economy, the direct expenditure due to the industry's activities, such as expenditure on capital and operations, is quantified.

Following the identification and quantification of the industry gross expenditure, an economic multiplier is applied to calculate the overall contribution to GDP. In addition, government taxes and the total contribution to household income and employment are calculated.

4.2. Constraints

There is limited information on some aspects of the expenditure of the film industry due to certain industry stakeholders being unwilling to participate due to confidentiality. Additionally, there is some filming activity taking place in secondary provinces such as the North West, Free State, Northern Cape, Mpumalanga and Limpopo provinces and to a lesser extent primary provinces such as Gauteng, Western Cape and KwaZulu-Natal which is not documented, thus making quantifying the total expenditure of the industry very difficult.

To address these constraints, primary research and analysis of previous studies conducted was used to obtain supplementary infomation.

Accordingly, the assessment is based on estimates, assumptions and other information obtained from independent research, qualitative data provided in surveys, and from consultations with the industry stakeholders.

4.3. Conditions

In conducting the economic impact assessment, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to us or otherwise received by us for the purposes of this report, whether in writing or obtained through research or discussions with various parties in the film industry value chain.

Accordingly, the economic impact assessment is subject to the various assumptions and bases stated.

4.4. Assumptions

Different skills and services are required for the film industry, based on the activities that take place along the film industry value chain. The activities are categorised under primary, secondary, and tertiary activities.

- Primary activities form the basis of any film production and require the skills of individuals who will create the content for the film. Content creation requires the skills and knowledge of industry experts.

- Secondary activities such as wardrobe, camera, lighting and sound are integral in the implementation of a successful production; these businesses or individuals tend to be specialised and their primary focus is on the film industry but may also provide services to other industries.
- Service providers for tertiary activities such as accommodation, transport, florists, laundry services and restaurants do not necessarily cater specifically to the film industry. These businesses tend to be local and are vital for the positive economic impact of film productions.

4.4.1. Economic Multipliers

The determination of the overall economic benefit of the Film Industry requires reference to the income multiplier. The multiplier expresses the relationship between initial spend and changes in total local income. Direct demand refers to the first round of expenditure, indirect demand to the second and subsequent rounds of expenditure, while induced demand reflects consumers' expenditure of earnings derived from the various rounds of expenditure constituting a particular economic activity.

For example, the expenditure by a producer / filmmaker in production goods and services such as camera and accommodation (direct) results in expenditure by service providers i.e. the hotel on food, (indirect) and expenditure by the hotel's employees in the local economy (induced). The magnitude of a multiplier depends almost entirely on the nature of the economy. In general, the larger and more diverse the economy, the more linkages there will be between business firms and therefore the higher the multiplier will be.

The impact of the film industry on the South African economy is estimated based on the industry's output or operational expenditure in 2019/20/20 (base year). Standard Leontief multiplier methodology was used. An analytical Supply and Use Table (SUT) for 2019/20, compiled by Quantec, was used as the main source of data. The SUT offers a complete model of the economy, focusing on relationships among production activities (industries), labour, households, and the public sector. The SUT also offers insight into the total impact on employment and income and the distribution among different skills levels groups.

SUT multiplier models are, therefore, well-suited for modelling the intricate linkages of industries and measuring the economy-wide effects of a specific industry. These models are often used for economic impact analysis, where the economic implications of a potential action (e.g. a large infrastructure investment) or new policy or regulation can be evaluated prior to taking that action. The SUT model traces these impacts and provides estimates of total economy-wide impact on GDP, labour remuneration, gross operating surplus, taxes, employment, capital formation, and capital stock requirements.

The SUT analysis begins with an initial injection of demand into the economy (direct impact) and estimates the total (economy-wide) impact in the following sequence:

- The **initial economic impact** (injection) is the result of the expenditure by the film industry and represents the film industry's own figures for operational expenditure, employment numbers, capital expenditure and tax contributions, for example.
- The **first-round effects** consider the impact of ongoing spending on and by direct suppliers to the film industry (e.g. production, employment and tax revenue stimulated at first-round suppliers).
- The sum total of the initial injection (e.g. the total expenditure of the industry, the intermediate goods bought, the salaries and wages paid and the profits generated by the industry) and the impact on its first-round suppliers constitute the **direct impact**.

- The **indirect impact** measures the contribution of direct suppliers who purchase goods and services from their suppliers, who in turn remunerate their employees and pay taxes.
- The supplying sectors and their employees and households re-spend in the economy, generating further economic activity. This is known as the **induced impact**.
- The total **economy-wide impact** is the total of the direct, indirect, and induced impacts.

Based on the film industry expenditure, the SUT analysis multipliers were developed by the economic consultancy Quantec specifically for the study and are shown in **Table 4.1**. **Note: the multipliers are for the year 2019/20 (which was not affected by the Covid-19 pandemic) are applied for the year 2020/21 as well.**

Table 4.1: Multiplier Set

	GDP / Income multiplier	Employment – jobs per R1 million of expenditure
Film Industry - 2019/20	**2,82**	**5,65**
South Africa (All Industries) - 2019/20	1,75	3,10
Film Industry - 2016/17	2,81	4,90

Source: Quantec

This means that for every R1 of expenditure an additional R2.82 cents of additional income will be generated in the economy. In the case of employment, we estimate that for example, for every R1 million of direct expenditure, around 5,65 annual jobs are created/ sustained.

For an industry such as the Film Industry, it is more accurate to speak in terms of fulltime equivalent (FTE) or annualised jobs created, rather than permanent or temporary jobs created. FTE is the number of total hours worked by a temporary worker divided by the maximum number of compensable hours by a typical permanent worker as defined by law.

4.4.2. Employment skills levels

Direct and indirect jobs created as a result of the industry, would be in a number of industries and a breakdown of the labour market by skills level was estimated using Quantec data for the film industry, to determine how many jobs the film industry creates/ sustain for each skills level. Thus, it is estimated that 53% of all jobs in the film industry are highly skilled occupations, 31% are skilled and semi-skilled occupations, 9% unskilled occupations and 7% are informal. The film industry employs on average more high-skilled labour compared to most industries in the South African economy.

4.5. Film Industry Expenditure

In order to determine the total expenditure of the film and television industry, the industry spend information gathered during the primary research phase was used. The purpose of the primary research process was to quantify the total film industry expenditure (direct spend).

During the primary research phase, information relating to film industry expenditure was obtained from various public sector sources (i.e., NFVF, DTIC, DSAC, KZNFC, GFC, IDC, SABC, DFO, etc.) and also from the private sector institutions including broadcasters such as Mnet, eTV etc. Generally, there is limited institutional private equity funding available to the industry. The limited private equity funding currently available consist mostly of high net worth individuals rather than formal entities such as commercial banks and equity funds. The number of high net worth individuals providing equity funding to the film and television industry could not be quantified.

The types of expenditure and spend items that are factored into an economic impact assessment of this nature can be broadly categorised as expenditure incurred by operators in the industry as part of capital and operational expenditure. Spend by individuals would include spend on items such as accommodation, meals and drinks, transport, recreation / entertainment, and shopping. All individual spends have been calculated from the market research findings presented in **Section 2** of this report.

The total operational expenditure - **initial economic impact (injection)** - of the film industry in 2019/20 was R2.54 billion and R1.03 billion in 2020/21. The cumulative operational expenditure of the film industry from 2016/17 to 2020/21 amounts to R12.64 billion. The operational expenditure of the film industry declined by 17% in 2019/20 and a further 59% in 2020/21. A summary of the expenditure by source type in the broader South Africa to the film industry is provided in **Table 4.2** below.

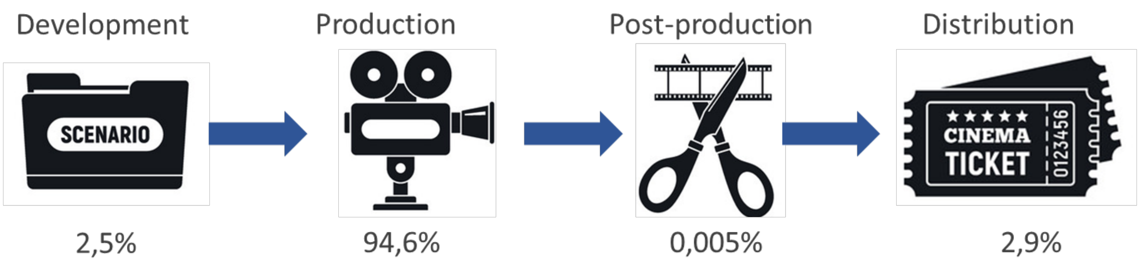
Table 4.2: Direct Industry Expenditure Estimates (R '000)

	2016/17	2017/18	2018/19	2019/20	2020/21
Public (national, provincial, and local)	R1 281 371	R1 071 451	R1 363 979	R1 289 317	R493 249
Private (institutions)	R150 000	R188 000	R237 390	R301 814	R211 270
Private (companies & individuals)	R1 899 061	R1 387 502	R1 480 530	R951 478	R328 486
Total Direct Spend	**R3 330 432**	**R2 646 952**	**R3 081 898**	**R2 542 609**	**R1 033 005**

Source: BDO Research

Of the total public sector funding provided to the film industry, on average 95% of all funding is spent on production activities in the value chain. Distribution / Marketing accounts for only 3% of public expenditure in the industry, while development (including script writing) accounts for 2% of total public sector funding. Post-production accounts for less than 1% of public sector funding.

Figure 4.1: Value Chain Public Sector Funding Split



Source: BDO Research

4.6. Economic Impact

4.6.1. 2019/20 (Base Year)

The financial year 2019/20 is used as the reference year (base year) because it was the last period of 'normal' industry operations before the disruption and impact of Covid-19 in 2020/21.

The results of the economic impact assessment are provided in **Table 4.3** below.

Table 4.3: Economic Impact 2019/20

	Direct	Indirect	Induced	Total
Production (R million)	R3 868.78	R946.07	R2 366.36	**R7 181.20**
GDP at market prices (R million)	R522.33	R157.01	R408.41	**R1 087.75**
Employment (Number)	18 104	3 302	10 039	**31 444**
Total Annualised Payroll (R million)	R108.67	R30.70	R78.40	**R217.76**
Household Income (R million)	R370.58	R119.77	R312.26	**R802.62**
Contribution to Taxes (R million)	R46.57	R12.66	R32.03	**R91.26**

Source: BDO and Quantec Analysis

Figure 4.2: Film Industry Economic Impact 2019/20 – Summary

Source: BDO and Quantec Analysis

Impact on Economy

The direct contribution of the film industry to the economy of South Africa is projected at R3,86 billion. An additional R3,31 billion is projected to have been generated through indirect (R946.07m) and induced (R2,36 billion) impacts, resulting in a total contribution to the local economy of R7,18 billion.

Impact on GDP at Market Prices

The direct impact of the film industry at market prices was estimated at R522.33m, the indirect impact at R157.01m, and the induced impact at R408.41m. The total estimated impact of the film industry on GDP at market prices if all the impacts are added is estimated to be R1,08 billion. Thus, for every R1 million in output generated by the film industry, an additional R0.76m of GDP at market prices was generated in the economy if the direct and indirect impacts are considered, and R1.22m if the induced impacts are also added.

Impact on Employment & Payroll

The film industry had an estimated total employment impact of 31 444 FTE jobs in 2019/20. The direct impact of the film industry supported an estimated 18 104 jobs, the indirect impact 3 302 jobs, and the induced impact 10 039 jobs. The total annual payroll for these jobs amount to R218 million.

Impact on Household Income

The direct impact of the film industry was R370.58m in household income, the indirect impact R119.77m, and the induced impact R312.26m. The total estimated household income by the film industry if all the impacts are added is estimated to be R802.62m. Thus, 11% of total economic impact generated by the film industry accrued to household income.

Impact on Taxes

The direct impact of the film industry was estimated at R46.57m, the indirect impact at R12.66m, and the induced impact at R32.03m. The total estimated impact of the film industry on taxes if all the impacts are added is estimated to be R91.26m. Thus, for every R1 million in output generated by the film industry an additional R0.22m of taxes was generated in the economy if the direct and indirect impacts are considered, and R0.34m if the induced impacts are also added.

4.6.2. 2020/21 (Covid-19 year)

The COVID-19 pandemic has had a devastating impact on the operations of the film industry and the impact of the industry on the economy and jobs. The economic losses to output and employment caused by COVID-19 related disruption in industry activity for substantial periods (as per lockdown restrictions) during the 2020/21 financial year were substantial.

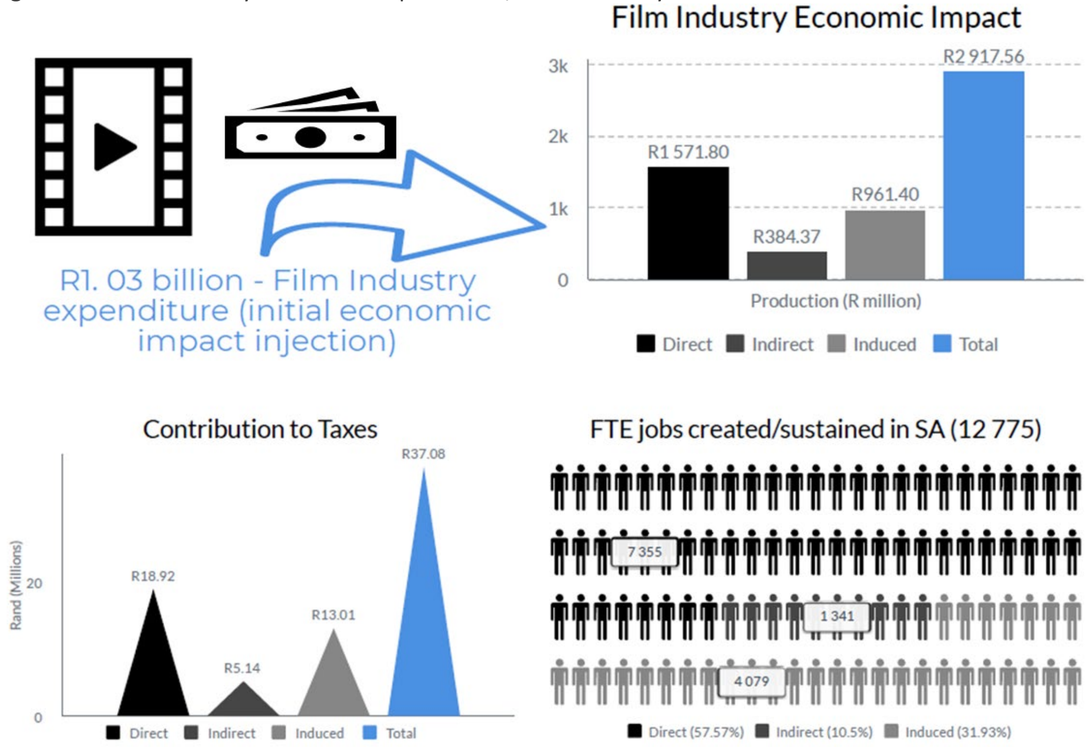
The results of the economic impact of the industry in 2020/21 are provided in **Table 4.4** below.

Table 4.4: Economic Impact 2020/21

	Direct	Indirect	Induced	Total
Production (R million)	R1 571.80	R384.37	R961.40	**R2 917.56**
GDP at market prices (R million)	R212.21	R63.79	R165.93	**R441.93**
Employment (Number)	7 355	1 341	4 079	**12 775**
Total Annualised Payroll (R million)	R44.15	R12.47	R31.85	**R88.47**
Household Income (R million)	R150.56	R48.66	R126.87	**R326.09**
Contribution to Taxes (R million)	R18.92	R5.14	R13.01	**R37.08**

Source: BDO and Quantec Analysis

Figure 4.3: Film Industry Economic Impact 2020/21 - Summary



Source: BDO and Quantec Analysis

The film industry had an estimated expenditure of R1,03 billion in 2020/21, a 59% decline compared to 2019/20. The decline is mainly attributed to disruption in production activity for extended periods during 2020/21.

The contribution of the film industry to the economy of South Africa is projected at R2,91 billion in 2020/21, down from R7,18 billion in 2019/20. Household income declined by R476.53m in 2020/21 compared to 2019/20. The film industry is estimated to have suffered losses of 18 669 FTE jobs because of the Covid-19 pandemic, amounting to R129.29m loss in remuneration. The industry's contribution to government taxes declined by R54.18m.

4.6.3. 2016/17 - 2018/19

The industry multiplier for the period 2016/17 to 2018/19 averaged 2.81. The results of the economic impact assessment for the period 2016/17 – 2018/19 are provided in **Table 4.5** below.

Table 4.5: Economic Impact 2016/17 - 2018/19

	Direct	Indirect	Induced	Total
2018/19				
Production (R million)	R4 319.65	R1 041.42	R2 619.94	**R7 981.01**
GDP at market prices (R million)	R600.11	R176.42	R460.30	**R1 236.84**
Employment (Number)	22 031	3 943	12 122	**38 096**
Total Annualised Payroll (R million)	R125.54	R34.48	R88.38	**R248.39**
Household Income (R million)	R417.07	R132.02	R345.14	**R894.23**
Contribution to Taxes (R million)	R54.00	R14.35	R36.46	**R104.81**
2017/18				
Production (R million)	R3 712.92	R924.46	R2 304.03	**R6 941.41**
GDP at market prices (R million)	R568.78	R167.04	R428.88	**R1 164.70**
Employment (Number)	18 686	3 576	10 884	**33 146**

	Direct	Indirect	Induced	Total
Total Annualised Payroll (R million)	R109.03	R31.25	R78.35	**R218.63**
Household Income (R million)	R411.69	R126.88	R325.06	**R863.63**
Contribution to Taxes (R million)	R50.03	R13.10	R32.80	**R95.92**
2016/17				
Production (R million)	R4 805.67	R1 199.26	R2 907.14	**R8 912.06**
GDP at market prices (R million)	R714.53	R212.67	R527.26	**R1 454.46**
Employment (Number)	24 545	4 846	14 291	**43 681**
Total Annualised Payroll (R million)	R141.59	R40.27	R97.88	**R279.75**
Household Income (R million)	R503.31	R158.37	R391.23	**R1 052.91**
Contribution to Taxes (R million)	R54.37	R15.51	R38.29	**R108.17**

Source: BDO and Quantec Analysis

During the period 2016/17 – 2018/19, the film industry contributed on average R7,94 billion annually to the South African economy. The industry ustained on average 38 000 FTE jobs annually (amounting to R248.92 in annual remuneration) and contributing on average R102.97m in taxes annually.

4.7. Intangible Impact

The economic impact assessment above only captures the quantitative elements but there are also significant intangible benefits from the film industry activity that needs to be recognised. As with any economic sector, the benefits to the economy are not isolated to the film industry. There are intangible benefits that also accrue to the wider economy and society. These intangible benefits contributed by the film industry cannot be measured in numbers.

4.7.1. Job Creation

Job creation refers to employment opportunities that will be created on productions supported by the DTIC incentive programme. These employment opportunities include direct, and indirect and induced with most of these opportunities likely taken up by South Africans.

4.7.2. Managerial Representation

Managerial Representation refers to participation by black people in the management of a production and service enterprises, and more specifically it targets management levels which influence the strategic and operational management of a production or service enterprise. Participation in this regard is measured as the ratio which black professionals hold to the total number of managers of the enterprise.

For example, as per the requirements of the emerging black filmmakers’ incentive, productions that are supported through the DTIC incentive programme must include 65% black shareholders in the holding company and 75% in the special purpose corporate vehicle (SPCV).

4.7.3. Employment Equity

Employment equity is measured through the representation of black, women and youth as a percentage of total staff. “Total Staff” refers to all employees and/or contractors, excluding those accounted for under strategic representation. The intention is to include temporary staff in the definition of total staff, since film and television industry rely heavily on temporary, casual, and seasonal staff.

For example, as per the requirements of the DTIC's incentive programme, productions that are supported through the incentive programme are required to have reasonable levels of employment equity through their BBBEE scorecard. Foreign Productions and SA Production and Co-production should achieve a scorecard level of at least 4, whereas for the Emerging Black Filmmakers the minimum scorecard level is 3.

4.7.4. Training and Skills Development

Training and Skills Development refers to skills development opportunities and initiatives through on the job training. Productions funded through the industry programmes are required / encouraged to contribute to the continuous improvement and training of black emerging staff in the film and television value chain. This is intended to develop a larger and diversified pool of skilled labour in the local film and television industry.

4.7.5. Preferential Procurement

Preferential Procurement is defined as the percentage of total procurement that is sourced from local black suppliers. It is a measure designed to incubate and widen market access for local black suppliers to integrate them into the mainstream film industry value chain. Preferential Procurement aims to create economic participation benefits meaningfully to the local black participants.

As per the requirements of the support programmes of several film agencies, departments, commissions and broadcasters, film projects that are supported are required as part of their BBBEE scorecard to procure reasonable levels of their goods and services from black enterprises.

4.7.6. Infrastructure development

Infrastructure development refers to studio facilities and ancillary infrastructure that is developed as a direct result of the activities stimulated by the film industry. This infrastructure ranges from film sets to equipment created and utilised mostly by large co-productions and foreign productions. This infrastructure is then utilised by the local industry, usually at lower costs. For example, the capital investment for the beach, boats and town sets built for the TV series Black Sails would have been prohibitive for the local productions but are now available.

4.7.7. Marketing and tourism impact

Film industry production in the country offers incidental profiling and marketing to the global audience of South Africa as a filming destination of choice. This marketing also stimulates film industry induced tourism. Film industry induced tourism happens when film productions that have a wider audience reach entice visitors to the country or site where the productions were shot.

The induced tourism results in additional socio-economic benefits, in respect of job creation, investment in tourism infrastructure and facilities, and gross geographic product.

4.7.8. Developing of local content

The film industry affords South Africa the opportunity to develop local content and share their own stories with the global audience. With the support offered by key film industry agencies, departments, commissions, and broadcasters there has been an increasing number of South African stories that have been shared with a global audience.

4.7.9. Increased Destination Awareness as a Result of Media Exposure

Content generated by the film industry is one of the key windows through which the world views and develops a perception about a destination. The film industry thus, represents a compelling vehicle to increase destination's awareness and enhance its profile to the audience. With new online distribution platforms, the country's film industry output can instantly reach a world-wide audience.

4.7.10. Positive contribution to Social Cohesion

South Africa is a diverse country, with 11 official languages and different cultures. The output of the film industry transcends local, geographic, and cultural differences and often contributes to social cohesion.

The film industry also contributes as a source of identity and expression for different locations and cultures, and shape attitudes and thought processes.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The resulting economic impact assessment shows that the South African Film Industry contributes significant economic benefits to the local economy in respect of jobs sustained, gross geographic product and taxation, employee and household income.

While the industry makes a meaningful contribution to the economy of the country, the potential to increase this contribution is hampered by a number of challenges (including inefficient public sector support, red tape, limited funding etc.) stifling the accelerated development and growth of the industry.

The industry proposals below are recommended to address the challenges hampering the accelerated growth of the film industry.

5.2. Industry Recommendations

Recommendations for the sustainable development and growth of the film industry are guided by two key informants. Firstly, best practice support provided to the film industry in other regions of the world and secondly, the views and opinions of stakeholders interviewed and surveyed during this study (see the Section 2 of this report). The key industry recommendations are summarised below:

Public Sector Industry Suport Agencies

- Streamline, through a formally adopted institutional framework, key industry agencies to ensure functional and effective relationship between agencies such as the DTIC, IDC and NFVF, and provincial film commissions. This will ensure better coordination and effective industry support.
- Simplify and integrate application processes for industry support across all industry supporting agencies.
- Collaborate to share information and combine applications processing and vetting.
- Improve the quality and consistency communication with industry stakeholders.

Institutional Arrangements

- For the successful administration of the various public sector support programmes and the development of the local film industry, it is important for the NFVF to be supported by other key industry agencies and bodies. To this end, key stakeholder partnerships should be strengthened in the form of formal arrangements (e.g. through memoranda of understanding) with the following stakeholder groupings:
  - DTIC, IDC and NEF – for production funding.
  - Department of Arts and Culture, Public Investment Corporation, National Empowerment Fund, and IDC – for development and infrastructure support particularly in under serviced areas.

- Provincial Commissions and local film offices – for local facilitation, marketing and awareness campaigns and to provide training to prospective filmmakers on requirements for support programmes provided.

Intellectual Property (IP) Rights and Reliance on Grants / Subsidy

- Lobby for the change of the broadcast IP laws to allow for filmmakers to own IP from commissioned work and therefore have avenue to create wealth in the hands of the filmmakers.
- This will contribute significantly in ensuring that filmmakers are weaned off subsidy and generate their own revenues.

Support / Incentives / Grants

- Introduce support / grants / incentives for productions outside the major metropolitan areas. Businesses working in geographically marginalised communities to raise profile of film industry, stimulate economic activity, and up skill people and provide distribution should be supported and incentivized by public sector agencies including film commissions and regional departments of arts and culture as well as economic development.
- Introduce a transferable tax credit system for foreign productions. A transferable tax credit can be sold by foreign production companies to South African individuals or businesses that are registered for income tax. A refundable tax credit is a refund due to an individual or business when they have tax credits greater than their tax liability. Through this tranferable tax credit system, a tax credit that can be sold or brokered (usually sold at 10-30% discount) to local filmmakers and businesses that have tax liability is likely to contribute to the viability / sustainability of local businesses.

Training and Skills Development

- The NFVF in collaboration with the other national support agencies and provincial film commissions to develop online training on the importance of the film industry, the various opportunities in the industry, the support, grants and incentive application process, where and how to apply for funding, how to utilise the skills levy and how investors can utilise Section 12O.
- Through education partners such as TVET colleges, provide course on the business of film and television i.e., business models, how to raise capital, how to run film business, etc.
- More workshops and information sessions on funding processes by different support agencies.
- Incoprorate structured skills development requirements to access public funding and support.

ANNEXURE A: LITERATURE REVIEW

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