



**ECONOMIC IMPACT OF THE SOUTH AFRICAN
FILM INDUSTRY REPORT 2017
COMMISSIONED BY
THE NATIONAL FILM AND VIDEO FOUNDATION**



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Document title:	Economic Impact of the South African Film Industry
Prepared by:	Urban-Econ Development Economists
Contact details:	<p>1088 Pretorius Street Hatfield Pretoria 0083 South Africa Tel: +27 (0) 12 342 8686 e-mail: pta@urban-econ.com</p>
Contact person:	Mr Ben van der Merwe
Prepared for:	National Film and Video Foundation (NFVF)
Contact details:	<p>87 Central Street Houghton Johannesburg Gauteng South Africa 2198 Republic of South Africa Tel: + 27 (0)11 483 0880</p>
Contact person(s):	Aifheli Makhwanya

Executive Summary

The National Film and Video Foundation (NFVF) commissioned an economic impact assessment study to determine the economic contribution of the South African film industry. The purpose of the study was to identify and quantify the economic impact that arises in South Africa from activities of companies and/or individuals in the film and television industry between January 2013 and March 2017. The results of this research will better enable the NFVF to provide both public and private stakeholders with valuable insights into the South African film industry.

The secondary objective of this research was also to provide a business case for more government support and private investment into the industry. The overall outcome of this study aimed to demonstrate the capacity of the creatives industries to stimulate economic growth and contribute to the national development agenda, as government looks towards new avenues to spur economic growth gearing up to 2030.

STUDY LIMITATIONS

To determine the economic contribution, the study provided a comprehensive assessment of the country's film and television industry as per the definition of film and television, which according to the NFVF, includes the following: feature films, documentaries, TV series (including broadcaster commissions), TV films (including broadcast commissions), animation series, short films, documentaries and animation. This definition is closely aligned to the Department of Trade and Industry's (dti) classification of qualifying films in line with the South African Film & Co-production Incentive, as at 2012.

This essentially means that the economic contribution of categories such as TV commercials, still photography, contemporary new media platforms and gaming were excluded from the study. This is important for the purpose of comparing with similar economic impact including the 2013 baseline study. The definition was limited in terms of scope to the following categories:

- Feature films
- Documentaries
- TV series
- TV films
- Animation series
- Animation films

In summary, the study focused on the economic impact of legitimate films¹ distributed across traditional and new distribution platforms during the period 1 January 2013 to 31 March 2017. The analysis that was undertaken during the study examined the following elements:

- Total contribution to GDP
- Total employment created within the industry (permanent employees and freelancers)
- Tax contribution of the industry
- Economic multiplier

APPROACH AND METHODOLOGY

Companies and/or individuals in film and television industry were contacted and interviewed using the databases provided by the following institutions: the NFVF, the dti and the KwaZulu-Natal Film Commission, which collectively comprised 600 film companies. However, due to the challenges listed below, only 465 of these formed part of the total sample for the study. Of these 465 companies, 45 (10% of the total sample) materialised into actual interviews that could be analysed as part of the economic impact assessment due to:

- Contact details in databases that were not valid/outdate
- Unwillingness to participate by filmmakers and inability to provide required financials
- Conflicting filming schedules
- Companies did not make the cut in terms of the financials (they needed to be operational in the financial years 2013/14 to 2015/16)

¹ Films that conducted either all or part of their production within South Africa, including foreign films that have been shot and/or post produced in South Africa in so far as it relates to the qualifying South African expenditure.

It is important to note that during instances where companies did not qualify to form part of the main economic impact assessment survey due to the financial limitations set out by the study, those companies were invited to form part of the focus group sessions to discuss overall industry trends as well as provincial dynamics.

KEY TRENDS

Based on the engagement with the companies and/or individuals as well as industry stakeholders, the following key trends were identified regarding the South African film sector for the period 2013 to 2017:

- Film productions were seen to be based in Gauteng, Western Cape and KwaZulu-Natal.
- Little to no income-generating activity was seen in the Northern Cape, Free State, North West and Mpumalanga.
- There was a visible correlation between film business location and film operation location.
- Funding was mainly equity financing (32.4%), as well as commissioning and pre-sales; while gap funding (8.5%) was the lowest form of funding offered, due to the high risk involved in issuing loans.
- Common funders were public institutions such as the dti, NFVF, and Industrial Development Corporation (IDC).
- Feature films and documentaries were the largest segments of the industry (27.3%); as feature films are more attractive to consumers.
- Animation was the smallest segment of the industry (3%), due to a lack of technology and skills.
- Donor funding and NGOs supported the production of documentaries.
- Roughly 45% of services were exported to major regions, including the USA, Europe, Africa and North America.

INDUSTRY PERCEPTION

The consultations also examined key elements that are critical for the growth and development of the film industry especially in those parts of the country where development still needs to take place. The results indicated that the critical areas that can be capitalised upon to help catapult the industry to new heights were:

- Skills development at pre-development phase, especially in underserved provinces where there is little or no income-generating activity.
- Location of provincial film commissions.

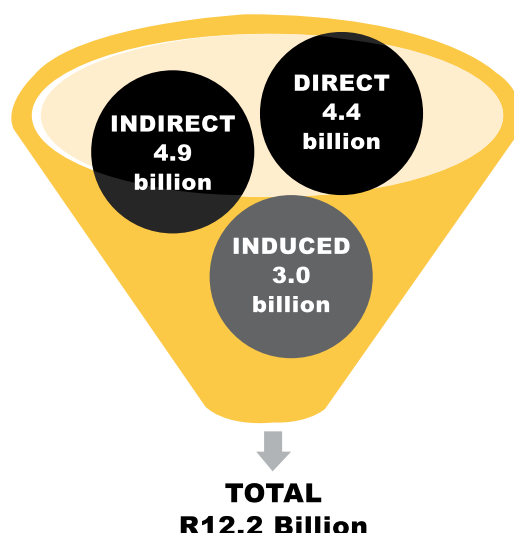
Notably, all stakeholders agreed that regardless of the current industry dynamics it is evident that South Africa is a very diverse country rich in culture, history and locations. All these elements can be used as an advantage by both “established” and “underserved” provincial industries to attract local and international markets. South Africa has several locations that are attractive to local and foreign producers/filmmakers.

However, it was stated by various stakeholders that in order to effectively capitalise on these elements, officials in the industry should work in partnership with both the public and private sector to market these elements. This should be in addition to incentivising the industry and its investors, where one such example is operation “Buyela Ekhaya” initiated by the KwaZulu-Natal Film Commission.

ECONOMIC IMPACT RESULTS

The results from the economic impact modelling reveal that the film industry has a positive economic impact on the South African economy. During the 2016/17 financial year, the film industry in South Africa had a direct impact of R4.4 billion on economic production. In total, the operations of the film industry in South Africa raised the level of production by approximately R12.2 billion.

FIGURE 0-1: TOTAL ECONOMIC IMPACT OF THE SOUTH AFRICAN FILM INDUSTRY, 2016/17



The total investment or expenditure that occurred in the South African film industry in the 2016/17 financial year resulted in the following economic benefits:

- A direct impact of R4.4 billion on economic production, leading to a rise in total production in economy to approximately R12.2 billion.
- The net operational expenditure produced in the four financial years analysed in the study amounted to R17.5 billion.
- During the 2016/17 financial year, the net operational expenditure of the film and video industry was R4.4 billion.
- The employment multiplier increased by a multiple of 4.9 for every R1 invested. Therefore, the South African film industry created an increase in employment, which essentially meant that an additional two people benefitted from the new income derived from the direct, indirect and induced jobs created in the 2016/17 financial year.

CONCLUSION AND RECOMMENDATIONS

The South African film industry, which is among the oldest in the world, has made some strides in terms of securing its place in the global market. However, this fast-growing 21st century industry remains at risk of leaving most its human capital behind as it remains one of the most untransformed industries in the country. Therefore, if the industry is to continue the same growth trajectory that has been witnessed in recent years, it should focus on transformation.

This would entail that the industry begins a skills development programme geared towards young black filmmakers which is holistic in nature. Such a programme should at its core aim to shift the current mindset among these filmmakers, which suggests that filmmaking is merely a form of art by focusing on business and financial skills and identification of new distribution channels. The persisting view that filmmaking is more than just an art is one of the biggest hindrances to growth in this sector. In addition, to ensure that the sector evolves, it is important for industry roleplayers to come up with synchronised approaches to support the future development of this industry.

In conclusion, it is recommended that in order to capitalise on the positive contribution made by the industry, the following needs to be considered:

- A holistic business and skills development programme to assist black emerging filmmakers and to fast-track transformation.
- The Introduction of an integrated approach to funding and filmmaker support programmes among all roleplayers at local, provincial and national level.

TABLE OF CONTENTS

LIST OF TABLES	7
LIST OF FIGURES	7
LIST OF ACRONYMS	8
GLOSSARY AND DEFINITIONS	8
1. INTRODUCTION	9
1.1 Study Purpose, Scope and Objectives	9
1.2 Significance of the Report	9
1.3 Notable Aspects of the Methodology	9
2. OVERVIEW OF THE FILM INDUSTRY	10
2.1 Role of the Film Industry in Economic Growth	11
2.2 Understanding the Value Chain	11
2.2.1 Operations	13
3. GROWTH, POLICY AND DEVELOPMENT ASPECTS IN SOUTH AFRICA	14
3.1 Introduction	14
3.2 Key National Growth and Development Policies	16
3.3 Synopsis	17
4. NATIONAL SECTORAL REVIEW	18
4.1 Current Film Industry Dynamics	18
4.1.1 Baseline Information	18
4.2. Stakeholder Consultations	23
4.2.1 Topics for Engagement	23
4.2.2 Industry Opportunities and Challenges	24
4.2.3 Synopsis of Consultation Process	28
4.2.4 Key Domestic Industry Roleplayers	29
4.3. Current Support Initiatives	30
5. INTERNATIONAL GROWTH TRENDS	34
5.1 An International Perspective	34
5.2 An African Perspective	36
5. MODEL FRAMEWORK	38
5.1 The Modelling Process	39
6. MODEL INPUT DATA	41
6.1 Expenditure Profile	41
6.2 Employment Profile	41
6.3 Economic Impact Assessment	43
6.3.1 Assumptions	43
· Input information for some cases is only available for certain years; the other years were estimated using the available information.	43
· The aggregate film industry size is a combination of publicly (DTI data) and privately (survey data) funded productions.	43
· Relevant sectors that are stimulated are similar in public and private funded productions.	43
6.3.2 Impact Results	43
7. CONCLUSION AND RECOMMENDATIONS	47
7.1 Conclusion	47
7.2 Recommendations	47
WORKS CITED	49

LIST OF TABLES

Table 4-1: General Topics Discussed	23
Table 4-2: South Africa Film Industry SWOT	24
Table 4-3: Underserved Versus established film markets	29
Table 4-4: film industry support initiatives	31
Table 6-1: Film Industry Expenditure, 2013/14-2016/17, Rand	41
Table 6-2: 2013/14 Film Industry Impact, R Million and Number	43
Table 6-3: 2014/15 Film Industry Impact, R Million and Number	43
Table 6-4: 2015/16 Film Industry Impact, R Million And Number	43
Table 6-5: 2016/17 Film Industry Impact, R Million And Number	44
Table 6-6: 2013/14 to 2016/17 Film Industry Multipliers per R1 Million Invested	45
Table 6-7: Comparison of Industry Multipliers	45

LIST OF FIGURES

Figure 0-1: Total economic impact of the south African film industry, 2016/17	5
Figure 2-1: Film Industry Relations	10
Figure 2-2: Film Production Value Chain	12
Figure 3-1: South African Socio-economic Baseline, 2015	15
Figure 4-1: Film activity by province	18
Figure 4-2: Nature of funding	19
Figure 4-2: Critical Pillars Of Growth For A Developing Film Industry	24
Figure 4-3: Segment of Film and TV Industry	20
Figure 4-3: Financial incentives ranking by country	25
Figure 4-4: Export quality to country	25
Figure 5-1: Circular Flow Of The Economy	38
Figure 5-2: Impact Of Capital Investment/Operational Expenditure	40
Figure 6-1: Operation Expenditure Total Economic Impact, R Billion, 2016/17	54

LIST OF ACRONYMS

CIGS	Cultural Industries Growth Strategy
CIIS	Creative Industries Implementation Strategy
DTI	Department Of Trade And Industry
DACST	Department Of Arts, Culture, Science and Technology
EIA	Economic Impact Assessment
EMIA	Export Marketing & Investment Assistance
FPS	Frames per Second
GDP	Gross Domestic Product
IDC	Industrial development corporation
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
KZN	Kwa-Zulu Natal
MPPC	Motion Picture Patents Company
NDP	National Development Plan
NPC	National Planning Commission
NFVF	National Film And Video Foundation
PDI	Previously Disadvantaged Individuals
SWOT	Strengths, Weaknesses, Opportunities and Threats
ToR	Terms Of Reference
USA	United States of America

GLOSSARY AND DEFINITIONS

Gross Domestic Product	The total market value of all final goods and services produced in a national economy over a given period, usually one year.
Production	Production is defined as the process, in which labour and assets are used to transform inputs of goods and services into outputs of other goods and services.

1. INTRODUCTION

The **National Film and Video Foundation (NFVF)** has commissioned a study to determine the economic impact of the South African film and video industry (herein referred to as either film and video or film) for the period of January 2013 to March 2017.

The study will take a qualitative and quantitative approach, focusing on the economic as well as social contributions of the industry, to provide a clear understanding of the effects such activities have on the economy and its residents. This background report will offer context to the industry, providing a global and national review that will look at policies, industry trends, challenges as well as recommendations to mitigate these issues.

1.1. STUDY PURPOSE, SCOPE, AND OBJECTIVES

The purpose of the study, as per the terms of reference and the inception report, is to identify and quantify the economic impacts of activities from companies and/or individuals in the film sector between 2013 and 2015. This is to provide both the public and stakeholders with valuable insights into the industry; and to offer recommendation measures on how the NFVF can address issues the industry.

The scope of the study is mainly to quantify the size of the industry to help determine its overall impact, and to analyse the value chain of the film industry (from development to production, post production and distribution) The study will also assess the economic impact of legitimate films spread across traditional and new distribution platforms within the value chain.

The study concerns filming activities that have occurred within South Africa, either wholly or in part, including foreign films that have been post produced in South Africa. Based on this, the objectives are to:

- Determine total contribution to Gross Domestic Production (GDP)
- Determine total employment created within the industry
- Determine tax contribution of the industry
- Estimate economic multipliers of the industry's impacts

From this the literature and sectoral report will:

- Analyse the overall film and video sector, which will take a look at historical trends and current developments
- Review existing policies that support the industry, as well as initiatives that aim to advance the industry.
- Review international trends and conditions
- Identify issues/challenges in the current landscape and provide informed recommendation measures

1.2. SIGNIFICANCE OF THE REPORT

The film industry is a creative, stimulating and informative sector that generates massive returns and promotes the countries in which films are shot. Popular films can transform a region into an ideal destination, increasing tourist visits and attracting investment in many forms. As one of the main cultural industries, the film sector creates cultural and economic value for countries, further influencing the policy environment. To better understand and advance the industry through further investment, it is necessary to assess the various aspects of film production and its related activities, which will assist in formulating meaningful measures for improvement. Economic impact assessments (EIAs) have become an important tool for cultural planning, employed to inform the economic development and regeneration strategies of local authorities and other public agencies. They have also been used effectively to advocate for greater public investment in arts and cultural activities; and used by art organisations to demonstrate the value of such endeavours to funders and stakeholders.

1.3. NOTABLE ASPECTS OF THE METHODOLOGY

In reviewing the results and recommendation of this study, it is important to keep in mind that the focus of the study and therefore the overall economic contribution of the South African film industry is limited to

the definition of film and television by the National Film and Video Commission (NFVF). This definition is closely aligned to the dti's classification of qualifying films in line with the South African Film & Co-production Incentive as at 2012 and includes:

- Feature films
- Documentaries
- Tv series (including broadcaster commissions);
- Tv films (including broadcast commissions)
- Animation series
- Shorts films
- Animation

In addition to the definition above, readers must also note that economic and trend analysis focuses on the financial years 2013/14 to 2016/17.

2. OVERVIEW OF THE FILM INDUSTRY

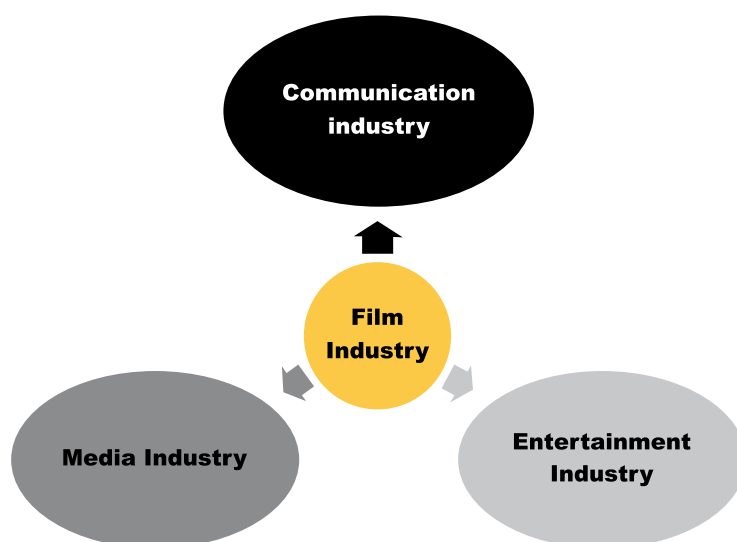
The domestic definition of the film and television industry includes wide-ranging activities such as film, video and television; however this study will focus only on film and video productions which comprise of feature films, short films and documentaries.

According to the Central Statistical Services and Statistics South Africa (Stats SA) classification, film activities fall under recreational, cultural and sporting activities, which is encompassed in the broader social sector. This then falls under the motion picture, radio, television and other entertainment sub-category, which is further divided into the following relevant categories:

- Motion picture and video production and distribution – includes the production of theatrical and non-theatrical motion pictures.
- Motion picture projection – includes the distribution of films by cinema or drive-in cinemas.

The industry is only one aspect of the larger communication, entertainment and media industries, where from a film perspective, each of these are multifaceted and interrelated in many ways.

FIGURE 2-1: FILM INDUSTRY RELATIONS



For the purposes of this study, the film and video industry incorporates all audio-visual content filming related activities from the idea stage to production, circulation, delivery, and exhibition.

Source: DACST (1998).

The media industry delivers information and entertainment to individuals through platforms such as theatres/ cinemas, home multimedia (e.g. digital video disc and video cassettes); and content commissioned for specific audiences such as airlines and libraries. Media is a critical element in communication and entertainment, as it is one of the main means by which information is delivered to consumers.

The entertainment industry involves companies that manufacture and distribute mass media entertainment, where entertainment is any activity that amuses people or that can be used as a diversion. Mass media entertainment encompasses the film industry, along with other industries such as live entertainment and music. This industry provides an alternative recreational activity for people; communicating ideals, historical events, fantasy worlds and more.

Finally, the communication sector involves various forms of communication, including advertising, newspapers, publishing, etc. Advertising, which also falls into the media industry, is an important segment in the motion picture sector as it markets films and attracts funders for film ideas. When used correctly, advertising is a powerful tool to support export competitiveness and inward tourism.

2.1. ROLE OF THE FILM INDUSTRY TO ECONOMIC GROWTH

From the beginning of the production stage to the actual editing of the final film and exhibition, the industry contributes to the economy, revenue, job creation and economic activity. Other than its economic contributions, the industry promotes cultural knowledge and attracts international interest, further stimulating the economy.

From an economic side, films and their related procedures create backward and forward linkages between processes throughout the value chain, which increases revenue through the sale of goods and services. Human resources are required to provide for functions such as directing, crewing and other jobs. This supports employment creation as a significant number of employment opportunities are created through just a single production. Through the jobs created disposable income rises, which allows people/households to consume more?

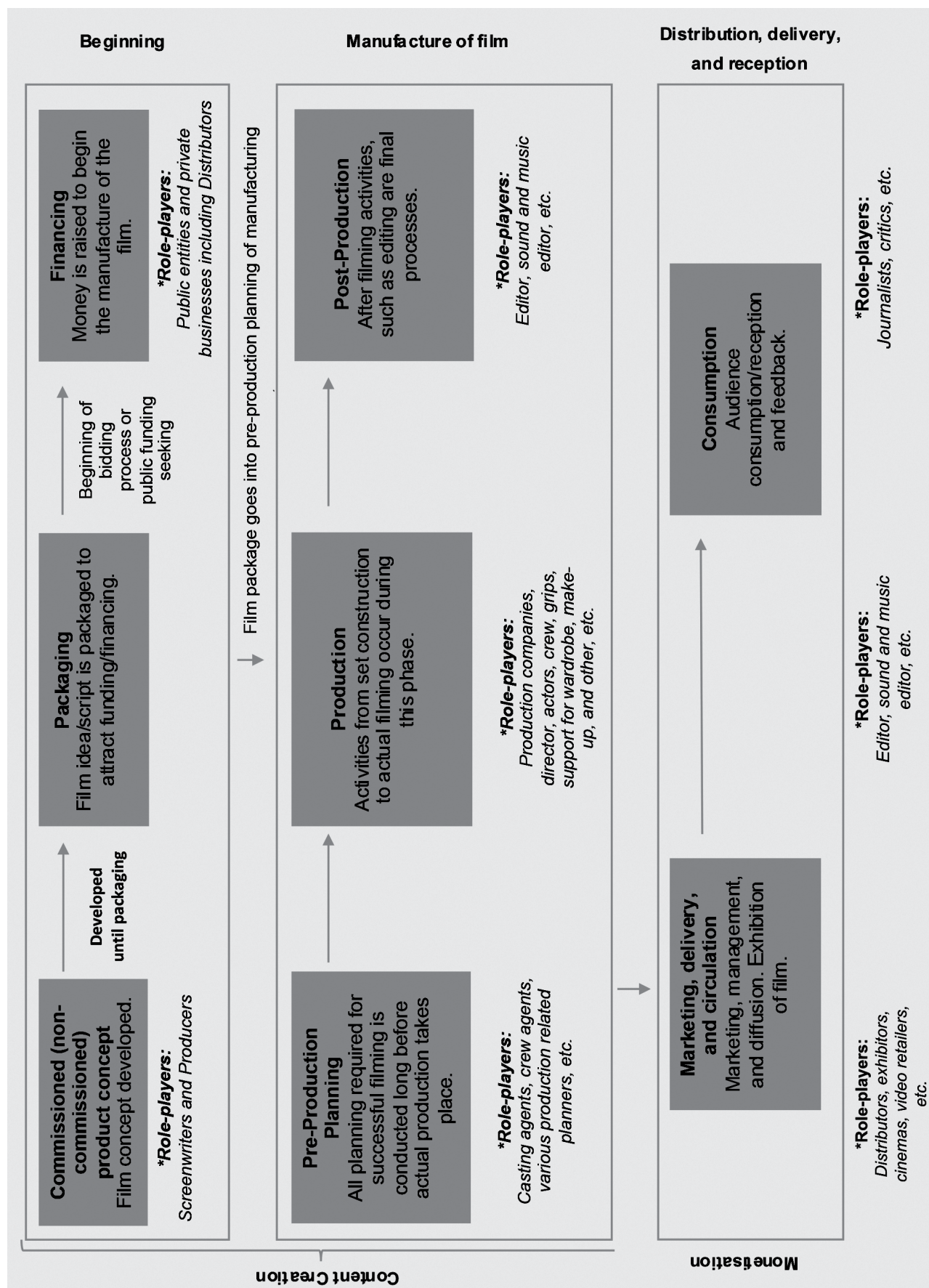
The industry is able to communicate knowledge of different cultures, introduce common beliefs and values, and share information and ideas. There is no single agenda or idea that is to be shared across this medium; therefore individuals from different countries can connect with a multitude of people and influence their lives long after films have been viewed. This aspect of the industry is extremely important as it can affect peoples' attitudes and consumer behaviour.

From a cultural perspective, the industry can contribute to the culture of an economy, providing a sense of identity and sharing the history and diversity of a country or parts of it. Films will also serve as a record of the most significant developments in a country, enlightening future generations and preserving traditions. Furthermore, transnational activities are encouraged when visitors from another country look to learning and experiencing lifestyles and cultures exhibited on films, cultivating the appeal of a country and developing trade transactions.

2.2. UNDERSTANDING THE VALUE CHAIN

A value chain is a range of activities that create a product/service to a final consumer. It includes roleplayers such as producers, processors, input suppliers, exporters, etc.; where the linkages in a chain can be horizontal or vertical. In general, the beginning of the film industry value chain involves the idea/script stage, where it can be commissioned by some party or it can be a project seeking funding. This proceeds from this stage through to the exhibition stage, where films/motion pictures are consumed by the public. A detailed description of the value chain is presented in the next figure, where film is used to represent both film and video products.

FIGURE 2-2: FILM PRODUCTION VALUE CHAIN



2.2.1. OPERATIONS BEGINNING STAGE

Concept

All initial processes for the development of a film has a beginning stage, which incorporates concept development packaging and financing for the film. Concept development is the first step in creating a motion picture. Here the idea is formed, target audience research is conducted, and finally preferred producers, directors and actors are selected to support the manufacture of the film. The key participants of this stage include primary roleplayers that create the content of the project, consisting of screenwriters and producers.

Financing

Following the concept stage, the film idea is packaged in an attractive form and used to obtain funding, which leads into the financing stage. Financers can include public sector entities as well as private sector entities (particularly film distributors). Financing of a film project is crucial, as the industry is viewed to be high in costs as well as high risk in returns. This means that films not linked to well-known individuals or companies find it much more difficult to garner financing, leading to the need for government assistance in the form of incentives or initiatives (discussed in more detail later in the report).

Other methods with which filmmakers are able to generate finances include:

- Co-production agreements (both official and unofficial) – where producers collaborate and receive benefits in the form of tax incentives in the partner country.
- Product placement – where films promote companies' products by including them in the final product and receive payment for marketing.

Once financing has been obtained, projects move from a development phase to a more planning phase, as the allocation and effective use of resources requires planning. This planning phase is also referred to a pre-production phase.

MANUFACTURING STAGE

Pre-production

The pre-production stage is where all planning, budgeting and scheduling takes place so that the product may be produced. This incorporates creative, technical, artistic, photographic, locational, casting and support planning. This phase is vital in ensuring that costly resources are spent efficiently and are maximised, as inadequate planning can disrupt proper operation and lead to the failure of the product. Roleplayers include:

- Casting agents
- Crew agents
- Various production related planners, etc.

Production

Filming of the product occurs during this phase, consisting of programming, filming animation and other production support activities. The participants include production companies, actors, crew, animators and other support service providers. It is important to note that the majority of support activities and service providers are involved in this phase. These create industry linkages with other sectors such as transport, construction, tourism and more.

Post-production

Final operations are conducted in this stage. These are activities that add final editing touches to the filmed product; additionally, special effects and sound are added. Post-production participants consist of effects and sound editors.

DISTRIBUTION, DELIVERY AND RECEPTION STAGE

Distribution

This secondary activity looks to monetising the film product and incorporates marketing, delivery, circulation and finally audience consumption. Distribution agreements may be formed between distributors and

independent or major (i.e. globalised distribution agreements) producers. Independent agreements are drawn up when the distributor purchases or finances the film/video and sets certain requirements such as upfront minimum guarantees. Distribution roleplayers include cinemas, video retailers/renters and festival organisers.

Delivery/exhibition

As soon as distributors choose a film to screen, exhibitors are allowed to view the film before circulation. This culminates in the selection of the number of prints to produce as well as deciding on the final exhibitors. Audiences that view the product are individuals and households, as well as auxiliaries such as members of libraries.

3. GROWTH, POLICY AND DEVELOPMENT ASPECTS IN SOUTH AFRICA

3.1. INTRODUCTION

The strategic direction of the country's long term development policies is an important starting point for any economic assessment and overall growth outlook. It assists to determine if development policies are aligned and supportive of the industry, as these can have a substantial impact on the future development of the sector. The purpose of this section is thus to highlight any intended national economic and social development initiatives and review the implications of these on the film and video sector.

Over the last decade, the development of policies that promote economic growth have become an integral part of the public sector. But the apparent inability of these policies to sustain successful outcomes over time has led to policy-makers exploring alternative avenues for creating sustainable growth.

Joseph Schumpeter in the 1930s stated that one way of spurring economic growth is to provide new goods to the consuming public. It is for this reason that many governments around the world have been exploring creative industries, which includes film, as a potential avenue to form part of the "consumer's basket" of goods and services.

South Africa as a country is characterised by high levels of unemployment, inequality and poverty; aspects which are collectively referred to as triple-economic challenge. Over the years, South African policy-makers have placed a lot of emphasis on both the socio integration as well as economic integration of its citizens, and continue to pursue both socio and economic development goals.

Before reviewing the policies that have either a direct or indirect influence on the growth of the South African film industry, it is important to highlight the key factors that drive the policy direction by looking at the symptoms that government aims to treat. Figure 3-1 illustrates the current socio-economic dynamics of South Africa.

FIGURE 3-1: SOUTH AFRICAN SOCIO-ECONOMIC BASELINE, 2015

South Africa



Total expenditure
R2 470,5 billion



Expenditure on
recreational
entertainment and
educational services
R53 645 million



9.5% of the population
have had no schooling



46.4% of the population
have completed matric



GVA total
R2 775,8 billion

GVA growth rate
2.6%



Most significant sectors:
Finance, Government
and Trade



Population size
54,9 million

Population growth
1,5%



Income
R2 468,8 million

71.8% of the population earn
between R801 - R25 600 p/m



Gini coefficient
0.6



Unemployment rate
26.0%

Working age population
= 65.9% of population



Most significant
sectors: Trade, Social
and Finance

The infographic showcases that those with no schooling are a low percentage of the total, and that the proportion of those with complete secondary schooling (Grade 12) is substantially low, particularly when looking at the massive proportion of those with incomplete secondary schooling (44.1%). This contributes to:

- The majority of the populace being semi-skilled.
- The income distribution for the country is mainly concentrated in the low to middle-income ranges. Thus, much of the population earn wages between R801 to R25 600 per month; however, the earnings of a large share of this group is on the lower side of the income scale.
- A significantly high national unemployment rates of 26.0%, and which means that there are fewer job opportunities nationally.

These key dynamics that make up the country's economic profile often filter down into the film sector and can influence the growth and development of the industry. This is why it is important for policy-makers to be instrumental in driving the sector's development.

3.2. KEY NATIONAL GROWTH AND DEVELOPMENT POLICIES

There are a number of policies that impact on the South African film and television sector. For the purpose of this report, policies that are new or in development will be highlighted. The National Development Plan (NDP) provides the blueprint for the future economic and socio-economic development of the country. The film and TV industry can contribute to job opportunities, economic growth and transformation and equitable distribution of wealth, which are objectives of the NDP. Chapter 3 of the NDP identifies that arts and culture as well as other parts of the creative economy have the potential to generate employment and export earnings. The industry's revenue already contributes to available income and economic growth. This shows that it has the potential to create massive productions that would further the local economy, as with overseas industries such as the United States (USA). Furthermore, a large percentage of employment in the film industry falls into the high and medium-skilled category. This is supported by Chapter 3, which further states that the arts and related creative economy sector is an asset that needs investment to provide opportunities for more people, often outside of the formal economy. Therefore, developing the local film industry can translate into developing of the local skills base, which in turn has the potential to improve living standards.

Mzansi Golden Economy is an approach designed to change the position of cultural industries in South Africa in response to the NDP. Its purpose is to make strategic investments to optimise the economic benefit of the arts in South Africa. This strategy opens the arts, culture and heritage sector to society in an attempt to create employment and grow the economy through improving the production and dissemination of local content in the creative industries. Its objectives include human capital development, developing cultural entrepreneurs, audience development and consumption, stimulating demand and information-gathering.

The strategy provides funds to creative industry practitioners to allow them to, among other things, participate in international professional development events such as conferences, festivals, performances and exhibitions. These professional development events increase the audience and exposure that each film production receives, which will in turn increase the number of jobs created, livelihoods supported and income generated through the development events. This platform can help upcoming local filmmakers to showcase their work and to also learn from already established filmmakers how the industry operates. The Mzansi Golden Economy also supports arts and culture productions to tour South Africa and internationally. This will help act as a marketing tool and distribution channel to send local films abroad. The rollout of digital terrestrial television (DTT) in South Africa is seen an opportunity for content providers through the proposed establishment of digital content generation hubs for local content provision. DTT will enable the country to unlock the economic and social benefits of broadband technology. It will also change the way the local film industry operates and the way in which audiences access local content by opening up distribution channels for those who are aspiring to be in the TV production space, but are currently unable to find a platform to express or showcase their work.

There are a number of policies and laws that are currently undergoing review that will impact on the film and TV industry. These include the Copyright Amendment Bill and Performers Protection Amendment Bill published in 2016 under the auspices of the dti. The 1996 White Paper on arts, culture and heritage which provides South Africa's cultural policy is undergoing review. The Department of Arts and Culture published a revised version in November 2016. The main proposed changes that relates to the NFVF and the film industry is the establishment of a 'Creative and Cultural Industries Fund' and a single council for the National Arts, Film and Audio-visual Council and removal of reference of film & video (now audio-visual media).

3.3. SYNOPSIS

From the assessment of the existing policies in the country it can be gathered that:

- The industry is supported by numerous plans and strategies that aim to provide access to financing and resources such as infrastructure and expertise.
- The industry is a key catalytic sector that has potential to significantly impact on job creation, income, economic growth and quality of living.
- Various plans aim to address historical inequities in skills, resources, and infrastructure distribution and access.
- South African culture is preserved, developed, and fostered through local films; this progresses transnational cultural relations and promotes the local culture abroad.

4. NATIONAL SECTORAL REVIEW

A sectoral assessment is necessary in any industry to determine the current state of the industry, identify developments and categorise key role-players. Ultimately this section will refer to available literature to provide an understanding of key features, which will help identify challenges in the growth of the national sector and suggest improvement methods to overcome these issues.

4.1. CURRENT FILM INDUSTRY DYNAMICS

The current film industry dynamics presented in this section were compiled using the databases provided by the following institutions: the NFVF, the dti and the KwaZulu-Natal film commission, which collectively comprised of 600 film companies. Of the 600 companies listed, only 465 formed part of the total sample for the study. Of these 465 companies, 45 (10% of the total sample) materialised into actual interviews. Some could not participate in the study due to the following reasons:

- Contact details in databases that were not valid/outdated
- Unwillingness to participate by filmmakers
- Conflicting filming schedulers
- Companies did not make the cut in terms of the financials (they needed to be operational in the financial years).

It is important to note that in 2013/14 to 2015/16 instances where companies did not qualify to form part of the main economic impact assessment survey due to the financial limitation set out by the study, those companies were invited to form part of the focus group sessions to discuss overall industry trends as well as provincial dynamics.

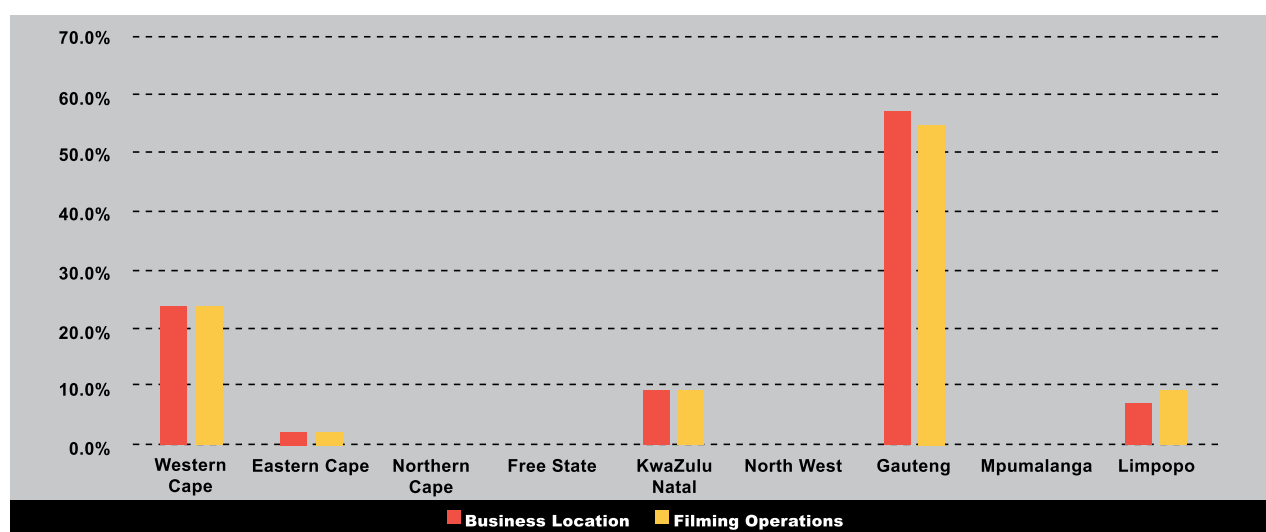
4.1.1. BASELINE INFORMATION

The information below provides comprehensive input into the film industry patterns from the information gathered during the primary data collection process with industry role-players.

Data relating to the growth and development of the South African film industry is extremely difficult to gather without the consultation with industry stakeholders, there has been very little independent research that has been conducted over the years on the film industry.

Although this may be the case, it is evident that the South African industry is currently divided in terms of its development, with development mostly concentrated in three provinces namely Gauteng, the Western Cape and KwaZulu-Natal. While provinces like the Eastern Cape, for example, are currently in the infancy stage of development. **This is depicted in Figure 4-1 below.**

FIGURE 4-1: FILM ACTIVITY BY PROVINCE



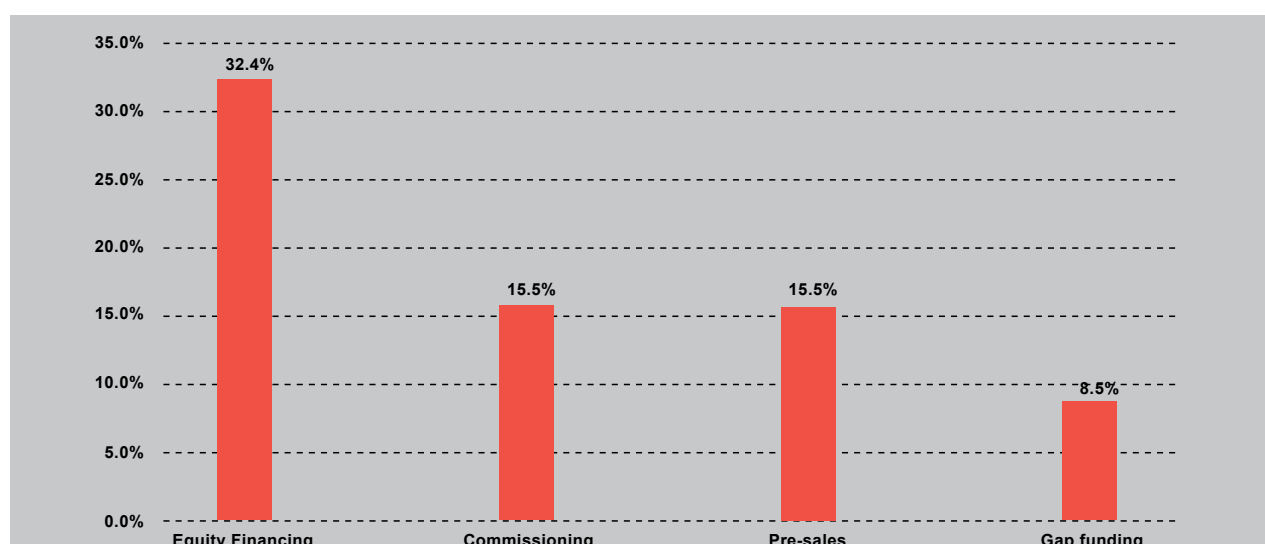
Source: Economic Impact of the South African Film Industry Survey (2016/17)

According to the survey conducted, filming operations in South Africa are mostly taking place in Gauteng (54.8%) and the Western Cape (23.8%). This is followed by KwaZulu-Natal and Limpopo, with 9.5% of the country's filming operations taking place in these provinces. This can be attributed to availability of resources required to carry out full-house productions and the diverse shooting locations within these provinces.

The results also indicated that there are no filming operations recorded in the following provinces: Northern Cape, Free State, Mpumalanga, and North West for the years under review. This means that these provinces have not produced income-generating films for three (2013 to 2015) consecutive years, however the film industry dynamics of these provinces is analysed. A correlation was found between the province in which industry-aligned companies are located and where its filming operations take place. For example, 57.1% of companies are located in Gauteng, where most film operations take place.

Besides being strategically located, another key critical factor to consider is funding. Figure 4-2 illustrated the nature of funding that is currently taking place in the industry.

FIGURE 4-2: NATURE OF FUNDING

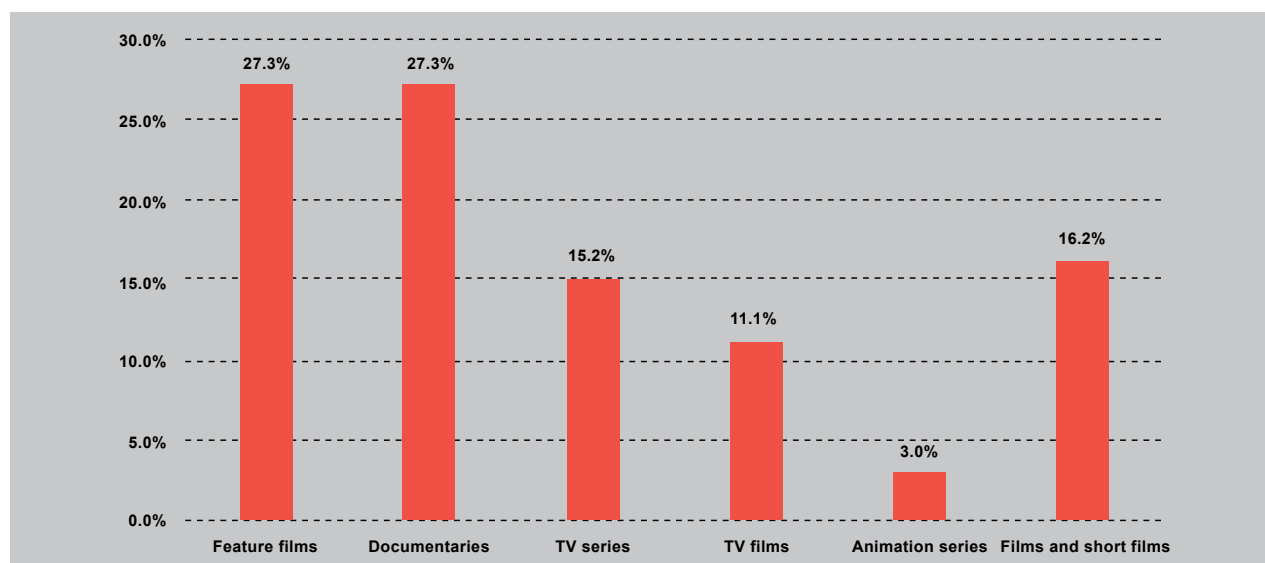


Source: Economic Impact of the South African Film Industry Survey (2016/17)

The results of the survey indicated that most of the companies in the film industry are involved in the pre-production (38%), production (38%) and post-production (36%) stages of the value chain, with only a few making it into the distribution stage (11%). The results of survey also indicated that most of the fiscal support that takes place in the industry comes from the government sector (32.8%) and individual private funding (40.3%). Commonly used government funders include the dti, NFVF and the Industrial Development Corporation.

At least 10% of the total budget of creating films comes from government investment in the form of equity financing (32.4%). Gap funding (8.5%) on the other hand is the least form of funding offered due to the high risk involved in issuing these loans. There are usually significant challenges for upcoming film producers to secure loans from banks as they are viewed as a risky investment that might not generate revenue.

FIGURE 4-3: SEGMENT OF FILM AND TV INDUSTRY

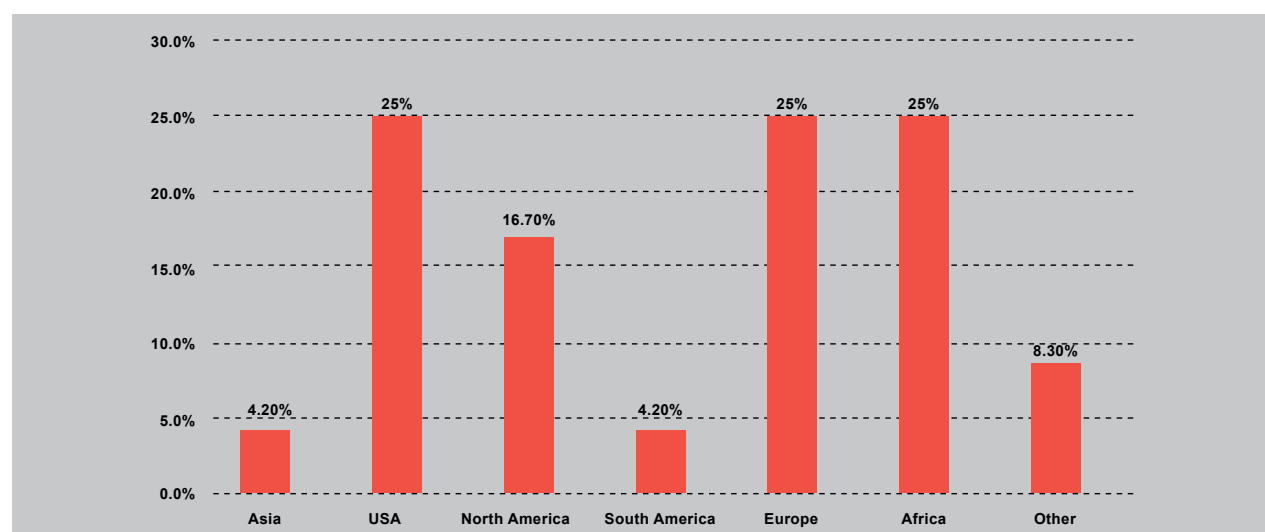


Source: Economic Impact of the South African Film Industry Survey (2016/17)

As shown in Figure 4-3, most of these companies are involved in feature films and documentaries (27.3%). This is attributed by the fact that there are a lot of donor funding and NGOs supporting the production of documentaries, because they address critical issues that have a direct impact on society. Documentaries are also easier to produce since there are rarely ever false events added for entertainment purposes. They use real images, videos, commentary and pictures of what took place, while feature films are usually 90 to 120 minutes that are often theatrically released in cinema before being exploited on other modes of distribution. They are mostly produced due to their attractiveness to the consumers.

Animation series (3%) on the other hand, is the least produced segment in the film industry. Although South Africa's animation industry holds potential, it is small in comparison to major international markets. The South African industry typically comprises 2D, 3D and VFX content development for the broader animation sectors, including television, advertisements, films, short films and interactive media and games. Although participation in these sectors exists, the development along the value chain remains minimal and when compared to the amount of targeted content produced in other film segments.

FIGURE 4-4: EXPORT QUANTITY TO COUNTRY



Source: Economic Impact of the South African Film Industry Survey (2016/17)

Figure 4-4 above depicts the countries to which South African companies export their services. It can be identified that 45.2% of the services produced in the film industry is exported equally between the USA, Europe and the rest of Africa. Europe was identified by Industry stakeholders as the primary importer and international consumers of South African arts and creative products. In the rest of Africa, the largest categories of exports provided by the South African creative sector were publishing products and design products.

South Africa's inclusion in the African Growth and Opportunity Act (AGoA) which is an important agreement allowing South African products easier access to the US market, has made it one of the major trading partners of creative content with the USA. The creative industry has been able to penetrate international markets due to the support of the dti, the South African Revenue Services, the Industrial Development Corporation and the Export Marketing & Investment Assistance. Gaining access to global markets has enabled companies in the industry to grow and compete in large scale markets.

From the analysis of the survey, it was found that 73% of all employment created by the film industry between 2013 and 2015 was created among the youth ages (25 to 39). Although the film industry is providing employment opportunities for the country, it is important to note much of this employment is still in the unskilled and semi-skilled market within the industry and this shows that the industry still lacks transformation - as the top half of the industry is still largely occupied by minorities.

Based on the previously discussed information, the following can be deduced regarding the South African film sector:

- Over the period under review, film productions seem to be based primarily in Gauteng, the Western Cape, and KwaZulu-Natal.
- Little to no activity was seen in the Northern Cape, Free State, North West and Mpumalanga.
- Correlation exists between film business location and film operation location.
- Funding is mainly equity financing, as well as commissioning and pre-sales.
 - * Common funders are public such as dti, NFVF, and IDC.
- The majority of films are feature films and documentaries, followed by films and short films, and then TV series. Few animation series productions.
- Roughly 45% of services are exported to major regions, including the USA, Europe, Africa and North America.

The creative industries, which include film, stand out as an opportunity for continued growth and increased global recognition. This subsection of the report highlights the current industry dynamics within provinces, examining both the current drivers of and the possible drivers for growth, going forward.

Film Industry Status-Quo

The South African film industry is a vital part of the country's economy, as it contributes to socio and economic development. Much like the country which is divided into the "first" and "second" economy, the film industry in South Africa can also be currently divided into established and underserved provincial film industries.

The industry has distinct potential to stimulate growth, generate substantial employment, and attract foreign exchange.

2013 Industry Multiplier:

2.89

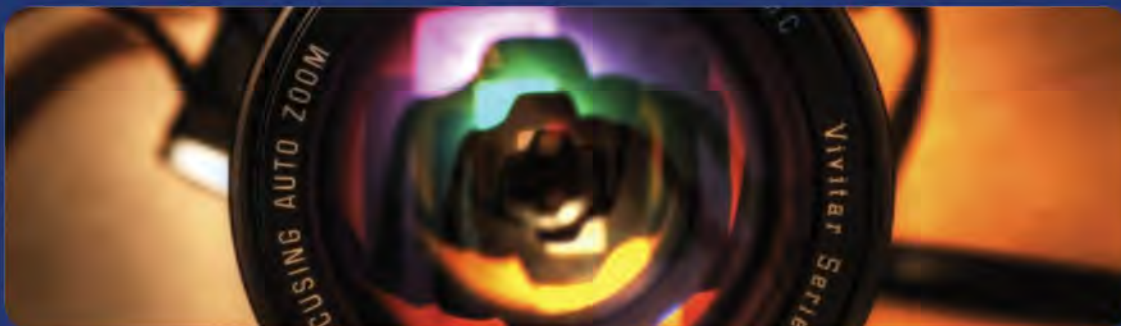


Current Growth Drivers:

- Provincially located film offices and commissions
- Technology
- Affordability due an increase in access platforms (e.g. Cell phones, BoxOffice)
- Support structures (the NFVF, the DTI)
- Committed Film makers

Current Inhibitors of Growth:

- Lack of support infrastructure
- Lack skill development in pre-development phase
- Lack of entrepreneurial skills of film makers



4.2. STAKEHOLDER CONSULTATIONS

Methodology is the way of obtaining, organising and analysing data, and will encompass qualitative information obtained from the various interviews. The goal of the industry consultation process is to understand from a stakeholder perspective, the direction in which the film industry is going as well as critical areas for development in order to facilitate and guide future strategies.

The methodology used during the stakeholder analysis focused on two primary aspects, specifically stakeholder engagement and primary data collection, which was based on a structured questionnaire. The participatory techniques that were used were:

- Face-to-face consultations;
- Telephonic interviews; and
- Focus groups

The contributions of all consultations were captured in writing and the results were recorded in a template that provides specific details and assesses the information.

4.2.1. TOPICS FOR ENGAGEMENT

The questionnaire was structured to guide the consultations by identifying and quantifying the economic impacts of activities from companies and/or individuals in the film sector. This is to provide both the public and stakeholders with valuable insights into the industry, and to offer recommendation measures on how the NFVF can address the issues in the industry. The general topics of discussion and their value to the project are given in the table below.

TABLE 4-1: GENERAL TOPICS DISCUSSED

TOPICS/ISSUES	SIGNIFICANCE
Growth and constraints	The topic determines the patterns attributing to the growth of the film industry and factors that hinder the growth of this industry.
Audience development	This topic relates specifically the needs of existing and potential audiences and how the film industry can further develop and reach its audiences.
Coordination among key role players	This topic is intended to obtain an understanding of the role each stakeholder plays and to deduce the contribution they make in the film industry.
Consumption patterns.	The topic provides a platform for discussing issues concerning the way in which the public choose to view films, the types of films they want to view and the way in which they consume content.
Funding avenues	The topics aim to explore whether current funding avenues are sufficient and how the different funding bodies fund the film industry.

What has clearly emerged from the consultations is that the film industry has the potential to create jobs with a bigger multiplier effect; and that the film industry has the potential to compete globally with its production services and its capacity to sell and distribute content. Although the stakeholders present different views on what the key drivers are, it is evident that all sectors of the industry have an integral role to play to build a sustainable local film industry within the respective provinces.

Consultations also examined key elements that are critical for the growth and development of the film industry, especially in parts of the country where development still needs to take place. The objective is to showcase critical areas that can be capitalised on to help catapult the industry to new heights. These areas are illustrated in Figure 4-2.

FIGURE 4-2: CRITICAL PILLARS OF GROWTH FOR A DEVELOPING FILM INDUSTRY



Source: Urban-Econ Development Economist (2016).

Regardless of the current industry dynamics it is evident that South Africa is a very diverse country rich in culture, history and locations. All these elements can be used as an advantage by both “established” and “underserved” provincial industries to attract local and international markets. South Africa has a number of locations that are attractive to local and foreign producers/filmmakers. Cape Town is particularly renowned for its beautiful landscapes and pleasant weather, and several international productions such as *Safe House* starring Denzel Washington, and *Mandela: Long Walk to Freedom*, have been shot using those very landscapes. In addition to, three features, including *Grimsby*, Sacha Baron Cohen’s latest project, *The Last Face*, directed by Sean Penn; and *Eye in the Sky*, directed by Oscar winner Gavin Hood, are currently filming in the country.

However, it was stated by various stakeholders that in order to effectively capitalise on these elements, officials in the industry should work in partnership with both public and private sector to market these elements. In addition to incentivising the industry and its investors, one such example is the operation “Buyela Ekhaya”, endorsed by the Kwazulu-Natal Film Commission.

4.2.2. INDUSTRY OPPORTUNITIES AND CHALLENGES

To assist industry roleplayers to capitalise on the growth potential, a strategic Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis was conducted using inputs from various consultations with industry stakeholders to identify the strengths and weaknesses, as well as any opportunities and threats that may exist. Table 4-2 indicates the key findings of the SWOT analysis, which can be used for strategic planning purposes.

TABLE 4-2: SOUTH AFRICA FILM INDUSTRY SWOT

STRENGTHS (S)	WEAKNESSES (W)
<ul style="list-style-type: none">Existing institutional support structuresWeaker exchange rateDigital technology driving quality content productionAccess to global marketsExperienced crew	<ul style="list-style-type: none">Lack of variety of skills (film business, entrepreneurial etc.)No coordination between key support bodiesSlow transformation of the industryLimited distribution channelsLack of private investment

OPPORTUNITIES (O)	THREATS (T)
<ul style="list-style-type: none"> • Maximise location of diverse shooting locations for local and international film industry • Enhance and tailor make funding models • Investor-attracting incentive programmes • Incorporation of Previous Disadvantaged Individuals (PDIs) into the industry • Emerging filmmakers with talent • Increase training institutions • Emergence of alternative/innovative distribution platforms 	<ul style="list-style-type: none"> • Changes in political and policy environment • Inability to retain skills • Lack of supporting infrastructure in provinces • Protection of creative ideas (intellectual property) • Piracy

Source: Stakeholder Consultations (2016).

INDUSTRY GROWTH AND CONSTRAINTS

The film industry, from pre-production to distribution, plays a vital role in the economics and social dynamics of South Africa. Although the industry has been in existence for a very long time, it is still faced with challenges that continue to inhibit its full growth potential. Industry experts identified the challenges experienced by film and television producers in South Africa to include the lack of business acumen among producers, especially smaller companies. There is also a lot of competition from other countries regarding acquiring incentives and subsidies. This is because most of South Africa's direct competitors compete aggressively through the provision of financial incentives and tax breaks. Many countries around the world offer tax rebates or tax credits to attract foreign film or TV productions, which can boost local economies. Incentives however, can be hard to compare, as they contain a wide variety of limits and caveats on exactly what type of expenses qualify for rebates or on what the minimum spending should be. In many cases, foreign producers have to partner with local firms to qualify; and in some countries, federal states or autonomous regions have their own schemes. South Africa is no exception in this regard as it has signed co-production treaties with eight countries in an attempt for it to be eligible for any benefits or programmes of assistance available in either country. Below is an outline of some of the most attractive film tax rebates globally:

FIGURE 4-3: FINANCIAL INCENTIVES RANKING BY COUNTRY

RANKING	COUNTRY	NATURE OF THE FINANCIAL INCENTIVE
1	LOUISIANA (USA)	Up to 40 percent transferable tax credit on production expenditure in the state. Credits capped at \$180 million per fiscal year for 2016 to 2018.
2	AUSTRALIA	Co-productions with Australian producers can get a tax rebate of up to 40 percent of expenditure on feature films.
3	COLOMBIA	Cash rebate of up to 40 percent on projects at least partially produced in Colombia.
4	IRELAND	Tax rebate of up to 32 percent of eligible Irish expenditure. Capped at 50 million euros (\$56 million) per project, or if lower at 80 percent of total production cost.
5	UNITED ARAB EMIRATES	Abu Dhabi offers a 30 percent cash rebate on production spending, with a \$5 million cap on feature films.
6	MALAYSIA	Cash rebate of 30 percent on production expenditure for foreign projects in Malaysia.
7	CANADA	33 percent rebate on labour expenditure.
8	BRITAIN	Cash rebate of up to 25 percent of film expenditure, for British films or co-productions, with no cap.

RANKING	COUNTRY	NATURE OF THE FINANCIAL INCENTIVE
9	FRANCE	Rebate of 20 percent for non-French projects at least partly made in the country, with a 20 million-euro (\$22 million) cap per project. That rises to a 30 percent rebate from 2016, with a 30 million cap.
10	SOUTH AFRICA	Tax reduction of 20 percent on expenditure for foreign productions, with potential for higher breaks if post-production takes place in South Africa or for co-productions with local companies.
11	CZECH REPUBLIC	Offers a 20 percent rebate on expenditure in the country; no overall cap but eligible spend limited to 80 percent of total production budget.
12	EUROPE	Other European countries offering tax rebate or tax credit schemes for productions include Austria, Croatia, Germany, Iceland, Italy, Macedonia, Malta, the Netherlands and Slovakia.

Source: (REUTERS, 2015)

These incentives, together with the strengthening rand and the continued escalation of prices in the film and support industries, means that local competitive advantage is being eroded. Furthermore, there is also very poor demand for local South African films, especially in the comedy genre. This is attributed to the poor quality of the films produced by upcoming talent, usually caused by insufficient skills in script-writing and the limited budgets of producing these films. In addition, there is lack of vertical integration. This is because South Africa as a country remains a major importer of various components of the film value chain from both local and international markets.

The potential of the South African film industry is unlimited and what is currently depicted as threats of the industry in the SWOT analysis can be turned into opportunities for development, if all roleplayers work together to coordinate their efforts and create a structured approach in terms of the support they offer to the industry. This entails the development of more aligned objectives to ensure that market gaps (current threats) are covered.

SKILLS TRAINING AND DEVELOPMENT

South Africa has a small, but already well-established private sector creative industry, an important part of which is the film and television sector. However, especially in the highly mobile global film and television industry, competition is fierce and education and training is not yet a norm. In certain cases, training is not valued and fresh candidates are hired and trained on the job. This leads to time and budget overruns at the employer's end, and in one form or another, these organisations end up bearing the cost of training. In other cases, employers continue to hire entry-level professionals from graduate schools and colleges, and as a result, most aspiring candidates come with no formal education or experience. This leaves the sector characterised by a sizeable shortage of trained professionals who possess the relevant skills for jobs within each subsector. Stakeholders also identified that in instances where some upcoming talent can get basic training, there is no upskilling taking place as there is a limited pipeline of jobs for upskilled individuals, they find that this is because there are not enough experienced local companies that can employ and offer them the much-required training. It was also identified that most highly skilled professional in the industry do not pass on their skills, nor do they share their creative ideas as there is limited legislation available that protect their intellectual ideas.

Industry experts identify that a producer's responsibility for training and developing freelance crew lies in its ability to create sufficient work opportunities in viable, commercial projects. This applies not only to generating employment, but also to providing opportunities for crew to step up into more senior roles. Internships and trainee placements (including those supported by MICSETA) are considered to work well and provide mutual benefit. However, once the internship is complete, there is no formal employment for the person. Other challenges, according to industry experts, are that salaries across the media industry are low as compared with other industries. As such, the quality of candidates employed is compromised. Furthermore, it is a

challenge to identify and attract students that are naturally talented for creative courses such as filmmaking, script-writing, production, acting, animation, journalism etc. There is also a shortage in the business, financial and entrepreneurial skills among upcoming filmmakers. This compromises their chances of succeeding or even growing their companies within the industry.

Although skills development efforts have been made by the NFVF through initiatives such as the SEDIBA script-writing programme for documentaries and feature films, there is still a great need for training on comedy and animation. Industry experts identified that these industries were not doing very well in South Africa due to poor content.

TRANSFORMATION

While the demand for workforce is on the rise and there has been no shortage in the number of people seeking to be employed in the sector, transformation in the industry has been slow, partly due to the short-term contract nature of the industry, which makes it a risky career option for emerging black filmmakers. A lot of work in the sector is undertaken on a project basis or through freelancers – especially in film and TV content production, which generate a significant proportion of employment in the sector. Inclusion of black individuals continues to linger especially in the more established provincial film industries. Industry experts find that service companies that yield higher returns are mostly owned by the white demographic in the country, whereas the majority population group which is the black Africans end up getting involved in Human Development Index (HDI). These aspects are a major hindrance for the development of the industry as it excludes most emerging filmmakers from market participation. Although the industry has undergone some changes, the need for further transformation and development remains.

Transformation is less of an issue in underserved provinces, as the focus on growth and development of the film industry is more critical across the value chain. According to industry experts, the majority of transformation has been taking place in casting and crew. This is because most of the creative work done in these markets is mostly informal and small scaled and there aren't much avenues for the people involved to get access to training and development. Another issue hindering transformation is financial strength to compete with established film production companies in high-performing provinces such as Gauteng. Most upcoming filmmakers cannot secure loans or other private funding from banks. In most cases they do not have business plans, are not credit worthy and do not have security to access the loans. Industry experts identify that in most cases, it is the black filmmakers that have been struggling to acquire this funding.

The industry was founded largely by the white minority groups in the early 19th Century, and since then they still have the financial capacity to develop their own films. Poor and underserved film provinces end up excluded from both the mainstream industry and the economy. As a result they remain focused in the underserved portion of the industry with limited training and chances of growth. In these markets as well as in established markets segments, skill development is of utmost importance and more specifically entrepreneurial skills to ensure sustainability in industry of emerging filmmakers. Industry experts also identify that transformation is not taking place partly due to the disincentive for private firms to invest in upcoming talent, this is because there are not a lot of incentives from government that motivate private firms to spend their money on developing local and emerging talent. According to industry experts, the only incentives investors get are tax rebates, returns on investment and intellectual property income.

Industry experts observe that transformation is also not taking place because most people are not qualified to do high level work in the industry such as directing and producing content. Industry experts state that students are not incentivised to study media because even after completing a course in media, job placements are not guaranteed. Given the geographical spread and relatively fragmented nature of the industry, there are no comprehensive signs that shows the transformation gap closing.

TAX EXEMPTIONS AND EXCHANGE RATES

The new tax exemption found in Section 12O of the Income Tax Act in respect of film, which came into effect in January 2012, is projected by industry experts to make investing in the local film industry more attractive. This

incentive eliminates all income tax on film profits for a ten-year period from the time the production becomes marketable. This applies to local productions and co-productions with overseas companies of feature films, documentaries and animations that have been approved by the NFVF. This is a great opportunity for foreign investors to want to produce content in the country. The weak exchange rate in the country also becomes an attractive tool for foreign direct investment into the film industry. This is because a weak currency helps a country's exports gain market share when its goods are less expensive compared to goods priced in stronger currencies. The increase in sales boosts economic growth and job creation, while increasing profits for companies conducting business in foreign markets. These advantages help grow the film industry and opens it up to the global economy.

DISTRIBUTION AND MARKETING

Film distribution is a vital component of the film value chain, which monetises the products and helps create a sustainable film industry. It is important to note that the traditional distribution model has been continuously changing as new modes of distribution have emerged. Distribution markets started facing greater uncertainty by early 2000 with the development of digital technologies. What also attributed to the major changes in the film industry is new technologies that paved the way for a saturated market, Video on Demand (VOD) and an increase in piracy, further impacted by South Africa's slow broadband. These factors have caused disruptions to the traditional distribution model and increased both opportunities and challenges to the distribution of South African film content.

The distribution and marketing segment is not as strong also because South Africa has the disadvantages of demand uncertainty and cultural discount, which is intensified by the fact that South Africa has a relatively small film industry and does not have the advantage of economies of scale. Furthermore, international negative perceptions of Africa affect the international market's attitude towards films from and about Africa. However, the review also demonstrated that South African filmmakers in general are hesitant to enter the international market and so there is an opportunity for growth if training and development on distribution were to be promoted.

Industry experts state that the arrival of cheaper digital technology, particularly digital cameras and editing suites, which is breaking down barriers to entry and allowing the market to be oversupplied with independent films, saturates the market and dramatically pushes down the prices of independent films. The consequence of this market saturation and lower prices for independent films is that it has become extremely difficult for independent filmmakers all over the world to simply recoup the costs of their films. Industry experts identified that in order for filmmakers to overcome distribution challenges, they could reserve the right to sell DVDs and VODs at screenings and through their film websites. Another opportunity to improve their market share is by improving their production quality, their understanding of the market and the marketing of their films.

Industry experts identified a great need for support of local talent. This is because currently the three big companies facilitating international production do not focus on local series. This prohibits the prospective growth of township cinema. There is a great need for filmmakers to seek help from organisations such as Multichoice, Kyk-net, Netflix and Brands SA in order to be able to penetrate the industry and for their content to be distributed to a large spectrum of viewers.

4.2.3. SYNOPSIS OF CONSULTATION PROCESS

The following highlights fundamental aspects of the film and video industry. It contrasts the underserved and established provinces in an attempt to deduce their similarities and their differences.

TABLE 4-3: UNDERSERVED VERSUS ESTABLISHED FILM MARKETS

TOPICS/ISSUES	UNDERSERVED FILM PROVINCES	ESTABLISHED FILM PROVINCES
Provincial distribution	Northern Cape, Free State, North West and Mpumalanga	Gauteng, Western Cape and KwaZulu-Natal
Industry Type	Creative industry are industries that have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.	Service industry involves the provision of services to businesses as well as final consumers.
Transformation	Most black emerging film makers.	White owned and dominated.
Growth	Diverse locations are an attractive tool to foreign markets.	Diverse locations are an attractive tool to foreign markets.
Constraints	Distribution channels are limited due to limited funding.	Skill development is constrained as people do not want to share their creative ideas.
Funding	Mostly government funding.	Equity finance.
Access to Markets	New markets.	New markets.

The results of the survey indicate that the South African film industry is still located within so-called film hubs in the country. However, it is important to note that Limpopo although still in its infancy stage of developing a fully-fledged film industry, is one of the country's emerging film markets. As part of this developments, the province is currently in the process of developing a provincial film commission geared to cater to the provincial needs of the local filmmakers.

The Limpopo film industry as well as other provincial film industries such as the Eastern Cape have the potential to develop into sustainable industries contributing to the growth and development as is seen in other creative markets around the world, Provided the right combination of tools are used to support and aid this development.

For underserved film provinces, which are creative-intensive, the combination of tools needs to be centred around skills development programmes to assist these creatives to develop content that is of good quality and can serve both the local market and compete internationally. Programmes should also be tailored to address aspects such as financial literacy and entrepreneurial skills.

In more established and mature film provinces, it is often found that a more a holistic approach is taken in terms of film. These markets often view the film industry as a business, which is why in most instances these markets are known to also engage in the service part of the industry. The tools required to optimise the industry's economic capabilities within these markets are distribution channel to help get the developed content to the right audience. Audience development is critical to future development in both markets, and one such avenue to explore and invest in are township cinemas.

4.2.4. KEY DOMESTIC INDUSTRY ROLEPLAYERS

The industry encompasses a number of players across its value networks, with the main roleplayers' categories consisting of content creators, and support resources. Both categories are active throughout the value chain, however the support resources have their main impact at the beginning and end of the process. As discussed in the value chain analysis previously, the process begins with financing and development, followed by the production process, and finally delivery and exhibition.

While there are independent scriptwriters, they do not have much access to support and funding, and thus most of the content which gets created is developed by scriptwriters already in the employ of one of the larger

production houses. These houses have easier access to funds, both within and without the company, and thus form the main roleplayers in terms of content creation.

Many companies fund some part of the concept development themselves and use the partially developed concept to attract more funding from sources such as the IDC, NFVF and private investors. Distributors may also purchase the film and provide undertakings or an upfront guarantee that the movie will be distributed, which will aid in seeking investment. Much literature states that distribution negotiations are crucial and in the past it has been near impossible to obtain funding; therefore, all films must have a viable audience and quantifiable objectives to measure success (DACST, 1998).

Once funding has been sourced and the concept and script have been fully developed, the production process can begin. This process has three components, namely pre-production, production, and post-production. In South Africa, these steps are usually all executed by the same company that developed the concept. While these companies do not always have permanent staff with the necessary technical skills to encompass all phases of production, they have access to a large base of freelance staff, hired on a “per project” basis. There are some companies which specialise in specific segments of the value chain, such as post-production or even just editing, but they are very few, thus very little work gets outsourced completely.

During pre-production, production houses hire directors, producers and various technical staff that begin the planning and preparation for the production. This includes scheduling, location-scouting or set-building, and preparation of props and wardrobe, so as to make the shooting process run as smoothly as possible. During the production phase, companies hire their cast, crew and other support staff such as caterers or drivers. It is during this section that the film is shot and physical effects are inserted. In the post-production phase, companies hire mainly editing staff. This is the phase in which the final product is created. Digital effects, sound and music are added, and the film scenes are placed in the correct order and subtly edited to create the required mood.

The major roleplayer during this phase is the production company, although sometimes investors or funders will require the option to give input during production. A few examples of large South African production houses include Shadowy Meadows Productions and Triggerfish Animation Studios. One notable company which specialises in post-production is The Refinery Post Production.

In the last step of the value chain, the film is distributed for exhibition to audiences. This step may be executed through several different channels. A film may be sold to an exhibitor/distributor such as Ster-Kinekor or NuMetro, who will pay a portion of the returns on ticket sales. Such an agreement may be made before production begins. Films can also be taken for showings at film festivals in the hopes of creating sales; or they can be independently screened for direct revenue, although this option is very limited in South Africa as most cinemas are owned by major exhibitors. In South Africa, the majority of films get sales from film festivals, with cinemas mainly play international films. For this phase, the main roleplayers are the exhibition companies, film festivals and markets.

4.3. CURRENT SUPPORT INITIATIVES

As previously stated, the industry has a major issue with financing sources, which has called for government intervention over the past few years. These interventions are in the form of initiatives that provide subsidies, rebates and actual funding. The South African government makes funds available to the industry through the DTI, the IDC, SARS and the NFVF. At provincial level, financial assistance is carried out through film commissions or offices and development agencies. At municipal level, film offices have also been established in some cases to support film production. The various support initiatives that are available to filmmakers at a national level are discussed in the table below.

TABLE 4-4: FILM INDUSTRY SUPPORT INITIATIVES

SUPPORT INITIATIVE	QUALIFYING CRITERIA	OFFERING	RESPONSIBLE INSTITUTION
Programme: Foreign Film and Television Production Aim: Attracting international film productions to shoot in South Africa.	Foreign production companies that choose to shoot locally, or use local services.	Successful applicants receive between 20% and 25% of qualifying expenditure as a rebate.	Department of Trade and Industry
Programme: SA Film and TV Production and Co-Production Incentive Aim: Support the local industry and contribute towards employment, income, and economic growth. To encourage high value local productions.	Productions with a budget of more than R2.5 million. Majority South African ownership qualify.	Pays back up to 35% of qualifying expenditure as a means for the production company to begin recouping costs.	Department of Trade and Industry
Programme: SA Emerging Black Film incentive Aim: To nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.	South African black-owned qualifying productions with a total production budget of R1 million and above.	A rebate of up to 50% for the first R6 million of the Qualifying South African Production Expenditure (QSAPE) and 25% thereafter. <ul style="list-style-type: none"> No cap is applicable for this rebate. 	Department of Trade and Industry
Programme: Export Marketing and Investment Assistance (EMIA) Aim: Developing export opportunities and foreign investment attraction.	South African enterprises owned by historically disadvantaged individuals, as well as groups or councils representing these enterprises.	Practical assistance in terms of exhibition material for international exhibition as well as financial assistance to pay for exhibition fees and travel allowances.	Department of Trade and Industry
Programme: Production funding Aim: To increase the number of South African films and previously disadvantaged individuals producing them. To encourage high value local productions.	South African-owned production companies that have produced at least three documentaries that have been broadcast on television or released theatrically in either one hour or feature length formats. New and emerging filmmakers or writers who have a production company attached to the project.	Production funding is given for feature films, short films and documentaries. A R1 million grant each year is given for the purchase of archive material for feature-length and hour-long documentaries.	National Film & Video Foundation

SUPPORT INITIATIVE	QUALIFYING CRITERIA	OFFERING	RESPONSIBLE INSTITUTION
<p>Programme: Development funding</p> <p>Aim: Support the local industry and contribute towards employment, income and economic growth.</p> <p>To encourage high value local productions.</p>	<p>Independent production companies who hold exclusive rights or options for at least 12 months</p> <p>Writers attached to a project.</p>	<p>Feature length films and TV formats-R200 000; (R40 000 reserved for script editor) Documentaries-R120 000.</p> <p>Short films- R100 000.</p> <p>Animation-R250 000 (R40 000 reserved for script editor and R50 000 for storyboarding).</p>	National Film & Video Foundation
<p>Programme: Marketing, Distribution and Festivals Grant</p> <p>Aim: To provide financial support to filmmakers and distributors to promote their product at film markets and festivals effectively</p>	<p>South African independent filmmakers and independent local distributors who have a complete film or TV product</p>	<p>Markets and festival attendance grant-R29 000 cap per applicant; twice per applicant per annum.</p> <p>Marketing and Distribution grant -R250 000 per applicant per annum.</p> <p>Organization and administration of local festivals -R1 600 000 per applicant per annum.</p>	National Film & Video Foundation
<p>Programme: The Film Tax Incentive/ Allowance</p> <p>Aim: Aimed at high net worth individuals and corporates as a way of reducing their tax liability when investing in film.</p>	<p>If the income is received by or accrues to an investor; and only to the extent that the income is received or accrues within a 10-year period after the film's completion date.</p> <p>The tax exemption is limited to investors who acquired the exploitation rights before the completion date of the film.</p>	<p>Successful applicants receive an upfront deduction, or in some circumstances a deduction which is spread over 10 years, for certain production or post-production costs incurred by the taxpayer.</p>	South African Revenue Services
<p>Programme: The Film Tax Incentive/ Allowance</p> <p>Aim: Aimed at making a difference by helping South Africa Filmmakers to turn their creative visions into a reality</p>	<p>New or existing companies within the Media and Motion Pictures sector that need funding of up to R1-billion.</p> <p>Application for funding should be in writing, including an executive summary and a comprehensive business plan.</p>	<p>Offers funding up to R1- billion which can be structured in the most appropriate manner utilising a wide range of instruments to meet the needs of the business including:</p> <ul style="list-style-type: none"> • Debt/equity • Quasi-equity • Bridging finance • Venture capital 	Industrial Development Corporation

From the table above, support initiatives from the industry are often geared towards integrating PDIs into the industry. The table also indicates that most the support offered by these initiatives cater to individuals attached to a project. This could either be in the form of a developed film, documentary or TV product.

To develop the industry, government also encourages foreign production as a way not only to earn revenue but also upskill local resource. From the current structure, there is a gap in terms of initiatives offered to those that are just starting out and have no credentials as most of the current support initiatives require film makers to at least have a resume or experience, without this emerging filmmakers will not be able to develop any productions due to lack of start-up capital. Further leaving the industry untransformed and underserved in some parts of the country.

5. International Growth Trends

To better understand the local industry, an analysis of the international situation will provide some context in terms of standards, advancements and, hopefully proposals on how similarly experienced issues may be addressed.

Films were initially introduced by the American, Thomas Edison, in the 18th century through the invention of the first motion picture camera, the kinematograph (Economic History Association , 2016). These were viewed through kinetoscopes, which were designed for films to be observed by one person at a time through an opening at the top of the device. Following this invention, the French brothers Lumière, began to project films in locations similar to theatres, introducing the concept of projectors and cinemas. In the same period, cinemas were further developed to incorporate mobile screenings, where operators would travel to different towns with tents or portable theatres.

Even before the introduction of films, many countries realised the contribution of the entertainment industry to development and once strict regulations were liberalised, leading to the industry being formalised and commercialised. Towards the end of the 19th century the industrial revolution led to shorter working hours and higher disposable incomes, which allowed for more leisure time. Due to this, the industry grew exponentially and more focus was placed on further innovation, which has contributed to today's enhanced film and cinema technology.

At present, the industry is one of the most significant contributors to the global economy, with box-office revenue expected to increase from U\$38.3 billion in 2015/16 to U\$50 billion in 2020 (Statista, 2016); Motion Picture Association of America, 2015. This expectation is based on the expansion of the global market, which has been increasing by 18% between 2011 and 2015. Key global players include the United States (US), which houses the famed Hollywood film industry, and China as the largest box office cinema market, with roughly U\$6.8 billion made in 2015. India produced the most number of films, at 1 966 films, and is regarded as the American version of Hollywood.

Countries that play a major role in the global market will be reviewed next, with a focus on the trends, challenges and lessons to learn. It must be noted that as there is little information on the industry, particularly in terms of quantities, available data will be used for each country. This may result in varying study periods when discussing statistics such as revenues.

5.1. AN INTERNATIONAL PERSPECTIVE

United States: Hollywood

The US is a major player in the motion picture industry, through the introduction of the first film and its related innovations to the development of Hollywood cinema and its popularity. The industry has boomed over the past few years and has dominated the global market. Today, box office smashing films are eagerly awaited by millions of people over the world, generating massive revenues and excitement when released.

In the past, nine leading film companies partnered to monopolise the industry and maximise returns, resulting in the Motion Picture Patents Company (MPPC) that primarily produced short films. This saw the beginning of filmmakers relocating to Los Angeles (which is the home for Hollywood) to avoid the MPPC's strict rules (United States History, 2016). Later on, Universal Studios was formed to compete with the MPPC, and together with other independent film companies it began to weaken the MPPC's market power. This was accomplished through: product innovations, the creation of the movie star system and larger budget feature films. More recently, the industry's rising success led to film patent conflicts, which resulted in many film companies spreading across the continent, but particularly to Hollywood. Technical and narrative style defined Hollywood cinema, particularly during the Golden Age of Hollywood from 1920s to the 1960s. Film companies succeeded under the studio system, where many people were contracted as directors, producers, actors and support, and locations were purchased or leased for shooting. This system weakened because studios owned theatres and had rights on which films would be released, and television was introduced. An

effect of this system declining was less films being manufactured but with larger budgets, to offer consumers entertainment that was more impressive than television productions. After the 1960s, new Hollywood and post-classical cinema emerged, where film methods of storytelling were transformed and international techniques were adopted.

At present, Hollywood is defined by modern cinema, where film companies focus on producing blockbuster and independent films. Blockbuster films have massive budgets and rely on spectacle, movie star power and special effects. These types of motion pictures garner massive following and generate sufficient returns to offset the high production costs. Independent films are meant to supplement blockbusters by focusing on niche markets, and as production costs are low, they are able to have high profits but incur minimal losses should the film not be successful.

Furthermore, the US has contributed to the innovation of film technology that has developed the visual arts element. This includes innovations such as 3D films, green screens, iMax and computer-generated imagery (CGI) (Motion Picture Association of America, 2016). New technologies have improved standard frames per second (fps) resulting in captivating visually stunning motion pictures. Other developments are in the different mediums for films to be viewed, where second screens and widely available content are becoming more prevalent. Second screens can be anything from tablets to smartphones, allowing for more viewing in various locations. Content is becoming more accessible through multiple platforms, particularly through online mediums such as streaming services, providing alternatives to pirating and waiting for cinema releases.

As of 2015, US (and Canadian) films generated roughly US\$11.1 billion, which increased by 9% since 2011 (Motion Picture Association of America, 2015). This represented 29% of the global market, reaffirming the US's significance in the industry. The industry is expected to continue growing, however challenges such as the growing informal film market (i.e. film piracy) have been hindering filmmakers as revenues are being redirected. This causes further issues as this informal market does not contribute taxes to the state, and thus funds that may be used to address national issues are not being maximised for the benefit of the economy.

Asia/India: Bollywood

The Indian film industry has progressed substantially over the last century, particularly in aspects such as goods/services, capital, human resources and technology. Today it is the largest market in terms of the quantity of films and the industry is doing well in the global market, experiencing higher levels of exports than domestic sales.

The history of Indian film is said to have begun in 1896 when the Lumière brothers presented short films in Bombay (Pillania, 2008). From then on, the industry released its first silent and sound films during 1913 and 1931 respectively. The government realised the significance of the industry in 1918, through the promulgation of the Indian Cinematograph Act, which was later amended to the Indian Cinematograph Act of 1952. In 1992, the country liberalised requirements for film, allowing for more foreign films to be released.

India certainly contributes the most in terms of quantities in 2012 the country produced 1 602 films, while the US produced 476 films. Approximately 2.6 billion tickets were sold during that year, which was much higher than the US number of 1.36 billion. From this, the country grossed roughly US\$1.6 billion, nearly 85% less than the US's US\$10.8 billion. While the industry is the largest in numbers, it however does not generate as much revenue. Due to the lack of screening facilities (where India has 96 300 people per screen and the US has a much lower 7 800 people per screen) severely hinders revenue generation. Other challenges include the quality and lack of cinema infrastructure, as the country only has single-screen cinemas. This further takes away from already low ticket prices in the country. The country also produces films in more than 20 different languages causing disintegration in the industry and increased production and marketing costs. This would improve if the industry is more integrated. Taxes that must be paid by industry companies are quite large; revenues are further limited as filmmakers must pay both Entertainment and Service Tax whereas other industries in the country only pay one form of tax. The country, like the US and many other countries, suffers from piracy, however in this case illegal film downloading service providers are supported by government and such activities are even encouraged.

Various literature suggests that while it is a significant participant in the international market, it has a long way to go to compete with Hollywood, thus more resources need to be applied in infrastructure, industry integration, and global marketing and distribution.

5.2. AN AFRICAN PERSPECTIVE

The history of African cinema is nearly as old as the history of global cinema, beginning with the use of peephole devices in the late 1890s. Following this, Africa was often used as an “exotic” location to shoot films, entirely produced by the Western cinema industry. This continued until the mid-1900s, when African filmmakers began to emerge and create their own content. Currently, African cinema is growing rapidly, both the service industry and the production industry. Some countries, such as Mozambique or Zimbabwe, are still mainly used for locations shooting, with many international companies bringing their own staff with them; very little content is locally produced in these countries. Other countries, such as Nigeria and Kenya, have large productive industries of their own, creating content and exporting it to the Western market. These two countries will be discussed below.

Nigeria

The film industry in Nigeria, colloquially known as Nollywood, began expanding rapidly after Nigeria's independence in the 1960s. Prior to this, the majority of films made in Nigeria were international productions, although they did often use Nigerian actors. After independence, many former theatre actors and directors began to shift into the film industry, and the industry experienced massive growth, along with a concurrent growth in consumption of local content in Nigeria.

In terms of volume, Nollywood is second only to Bollywood by number of films produced, having eclipsed Hollywood in 2009. Though many of these films are not as polished as those produced in Hollywood, and generally go straight-to-video, they have found a steady export market in the West, particularly among Africans living in America and Europe. This has been attributed by Dr. Petrus de Kock (2014) to Nollywood's tendency not to emulate Western films, but rather to tell Nigerian stories while learning from Western techniques. More recently, African digital media start-ups, as well as established Western digital broadcasters, have begun to provide an alternate option for distribution of Nigerian films.

According to the Entertainment and Media Outlook 2015-2019 (2015), Nigeria's filmed media expenditure in 2014 was approximately R2.4 billion, and is predicted to keep growing at 10% per year. It is estimated that the industry produces 50 films per week, and earns approximately R8.1 billion per year (Oh, 2014). It is also estimated to be the second largest employer in Nigeria, after agriculture. The challenge for Nollywood is the very high incidence of piracy. As a result of this piracy, very little revenue makes its way back to the producers, directors and actors involved in a film. This means that investors are wary of getting involved in film, as the returns are very small. This, in turn, leads to budgets remaining small and therefore stopping the Nollywood-made films from reaching the levels of quality found in Bollywood and Hollywood.

Kenya

As with most African countries, Kenya's film industry began when film producers from Hollywood and Europe used Kenya's locations and climate as a valuable resource to aid their storytelling. As the industry began to form, it did not follow the Nigerian model. Rather, it focused on creating documentaries, usually portraying life in Kenya, and typically more expensive to produce than what the Nollywood budgets often cost. In more recent history, Kenya has begun its own film festival, dedicated to identifying and nurturing young producers and actors. Kenya has begun expanding its fictional feature film production volume, and producers are beginning to emulate Nigeria, producing more films, more cheaply, albeit at the expense of lower quality.

In 2014, the entertainment and media industry spent approximately R500 million, growing at 3.4%; the total worth of the industry is estimated at R24 billion, expected to grow at 12.9% until at least 2019 (PwC, 2015). The high value, despite the lower volume, is partially due to the higher-quality, higher-cost method used in

most of the industry. Kenya faces a challenge nearly opposite to that of Nigeria. The film industry produces high quality films, with low risk of piracy, but does not earn high revenue per film. This leads to insufficient investment within the country, and so the industry is unable to produce at a high volume.

FROM THE INTERNATIONAL REVIEW, SOME APPLICABLE LESSONS THAT MAY ASSIST THE LOCAL INDUSTRY ARE:

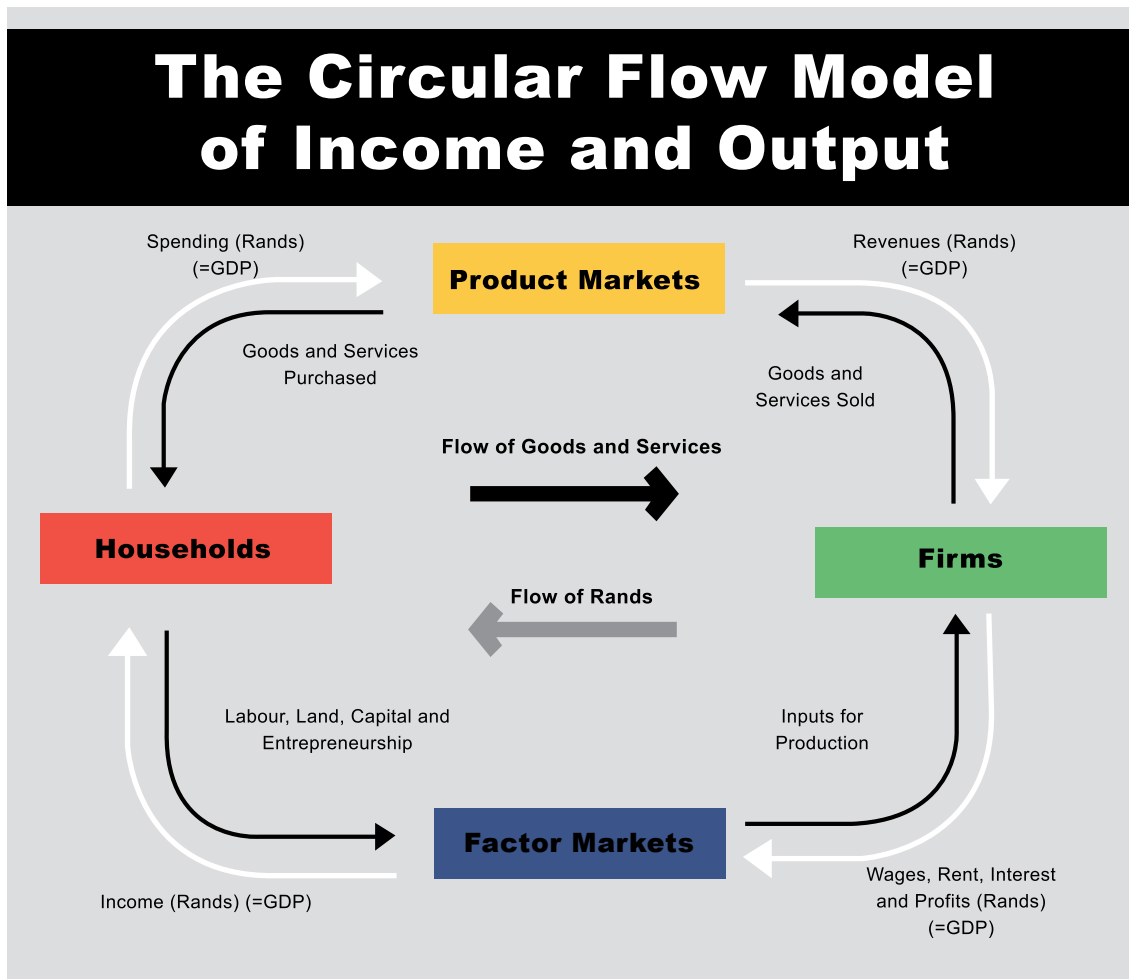
- Film content that is more widely and immediately available and accessible, particularly online, could help in preventing illegal downloading or cinema taping.
- International sales of films could be improved through focusing on niche markets and through incorporating Western filming techniques.
- It must be ensured that high-quality films will earn sufficient revenues to avoid lack of investment in the industry.

5. MODEL FRAMEWORK

One way of portraying the economy is the circular flow diagram shown in Figure 5-1 below, which captures all transfers and real transactions between industries and organisations.

Productive activities, purchase land, labour and capital inputs from the factor markets, and intermediate inputs from commodity markets, and use these to produce goods and services, which are then sold through commodity markets to households. In the circular-flow diagram, each organisation's expenditure becomes another organisation's income.

Figure 5-1: Circular Flow Of The Economy



Adapted by Urban-Econ

For instance, household purchases of commodities provide the income producers need to continue the production process. This money is then used by firms to pay the households for their work, through wages. This is represented by the blue, outer loop in the diagram below.) In other words, all income and expenditure flows are accounted for, and there are no leakages from the system.

Breisinger, C., Thomas M & Thurlow J. (2009) Social Accounting Matrices and Multiplier Analysis. The International Food Policy Research Institute (IFPRI)

5.1. THE MODELLING PROCESS

A Social Accounting Matrix (SAM) is an accounting framework that assigns numbers to the incomes and expenditures in the circular-flow diagram. Despite the fact that there are various methods of regional economic impact analysis, the SAM modelling approach has proven to be a particularly effective method for evaluating the implications of introducing an exogenous change to the economy. The modelling approach is recognised and accepted both nationally and internationally. The model utilised as part of this Report is based on the national model and has been adapted to reflect local economic dynamics and local forward and backward linkages.

An SAM represents the flow of all economic transactions that take place within an economy (regional or national). An SAM is essentially a matrix representation of the national accounts for a given country which can be extended to include non-national accounting flows, and created for whole regions or areas (as has been done in this case for the study area).

SAMs refers to a single year providing a static picture of the economy, based on national accounting statistics and input-output tables that are compiled and published by Statistics South Africa, using primarily South African Reserve Bank Accounts data. The sectorial parameters utilised in the model are therefore strictly compatible with the macro national accounting data published by the South African Reserve Bank and Stats SA on a regular basis. However, the model has been amended to include the local conditions. Importantly, it is the matrices that can be derived from the model that are used as instruments for economic analysis. The fundamental assumptions with regard to the model, as well as the use of this model for analytical purposes, are:

- Production activities in the economy are grouped in homogeneous sectors
- The mutual interdependence of sectors is expressed in meaningful input functions
- Each sector's inputs are only a function of the specific sector's production
- The production by different sectors is equal to the sum of the separate sectors' of production
- The technical coefficients remain constant for the period over which forecast projections are made
- There will be no major change in technology

It should also be noted that:

- All the rand values in this report represent 2016 Rand values (cost excluding 14% Value-Added Tax/ VAT)
- The different measures of economic impacts cannot be added together and should be interpreted as separate economic impacts
- The model quantifies direct and indirect economic impacts for a specific period of time. Therefore, the estimates that are derived do not refer to gradual impacts over time

Economic impacts can also be viewed in terms of their duration, or the stage of the life cycle in which the operations takes place. The current study analyses the operational phase (OPEX) which has the potential to last decades, hence the impacts during this stage would be of an ongoing nature.

The range of possible economic benefits and impacts attributable to the operation of the film industry are quite diverse and these benefits and impacts can be quantitative or qualitative (measurable and non-measurable). The quantitative economic impacts during construction and operational phases can be viewed in terms of a change in the following:

- **Business Output (or Sales Volume)** – the value of all inter- and intra-sectorial business sales generated in the economy as a consequence of the construction and operation.
- **Gross Domestic Product (GDP)** – the value of all final goods and products produced during a one-year period within the boundaries of a specific area, as a direct, indirect and induced result of activities at the SA Film industry during construction and operation.
- **Employment** – the number of additional jobs created by economic growth. This includes jobs in constructing new infrastructure and sustainable jobs during operation. Indirect and induced job creation will also occur as a result of direct job and income creation.

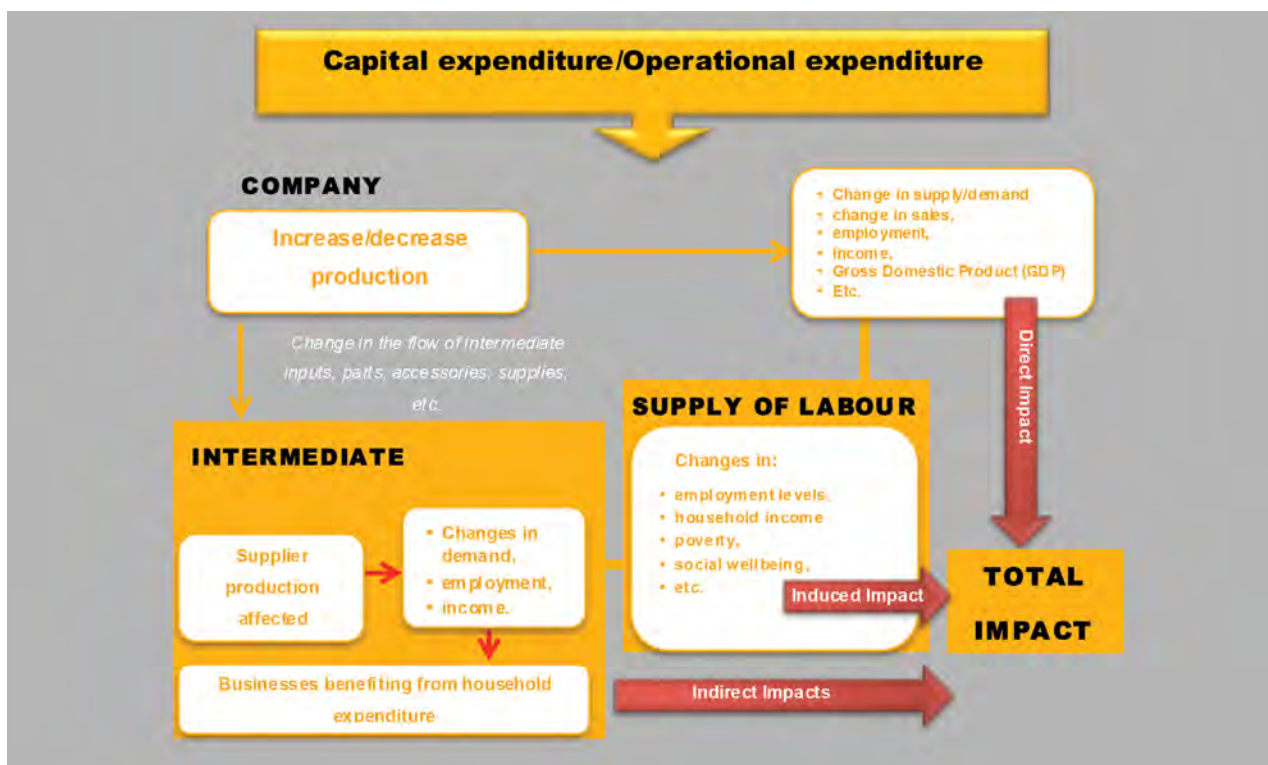
- **Worker income** – this relates to the job creation mentioned above and indicates the increased household income of the new jobs created by this development.
- **Taxes** – the taxes paid on an employee's income, etc.

Any of these measures can be an indicator of improvement in the economic wellbeing, which is generally the goal of any government. The net economic impact is usually viewed as the expansion or contraction of an area's economy, resulting from the induced changes.

Economic impacts can be measured, in terms of direct, indirect and induced impacts:

- The **direct effects** occur as a result of the expenditures of the relevant decision-maker, i.e. the economic agent that is responsible for the economic phenomena under assessment. Direct impacts are impacts caused directly by the activity and generally occur at the same place and time as the purposed activity. These impacts are usually associated with the construction, operation or maintenance of an activity and are generally obvious and quantifiable. Known or planned facility construction and operating expenditures are a typical example.
- The **indirect effects** occur when the suppliers of goods and services to the new businesses or facility experience an influx in demand, access larger markets and have potential to expand. Indirect impacts result in an increase in job creation, GDP and household income.
- The **induced effects** represent further shifts in spending on food, clothing, shelter and other consumer goods and services as a consequence of the change in workers and payroll of directly and indirectly affected businesses. This leads to further business growth/decline throughout the local economy.

Figure 5-2: Impact Of Capital Investment/Operational Expenditure



Source: Urban-Econ (2017)

Economic impacts can be viewed in terms of their duration, or the stage of the project's lifecycle that is being analysed. Generally, two phases are subjected to the economic impact assessment - the construction phase and the operational phase. Most of the economic impacts that occur take place during the construction phase and have a temporary effect. On the other hand, the operational phase of the project usually takes place over a long-term; hence, the economic impacts that occur during this stage are generally of a sustainable nature.

6. MODEL INPUT DATA

The input data discussed in this section of the report will be used to formulate an economic model that will demonstrate the economic impact of the South African film industry on the economy. The economic contribution model will assist to quantify the various economic spin-offs that emanate as a result of each of the South African film industry business operations. The inclusion of total expenditure, employment, wages and salaries and tax contributions will allow for a detailed and dynamic model that can inform the industry of its impact in each area of the economy, from employment opportunities created to contributions to the national fiscus in the form of (PAYE) taxes.

6.1. EXPENDITURE PROFILE

This subsection will provide information on the input data to the SAM model, which will mainly be expenditure costs incurred during all production phases from 2013/14 to 2016/17. The costs will be based on expenditure data from the survey; and funding data from public agencies. In the latter case, it will be assumed that funding for production projects is equivalent to the costs that were incurred during that specific year. Funding on film industry operations come from two sources:

- **Public** – this mainly comes from public entities, where the dti (one of the main funders) will be used as a proxy for this group to avoid double counting, as it was found that funding applicants who went to the dti also went to other public agencies such as the NFVF.
- **Private** – this consists of productions that are funded from private sources, where most are self-funded.

The expenditure used as input to the SAM model, is presented in the following table.

TABLE 6-1: FILM INDUSTRY EXPENDITURE, 2013/14-2016/17, RAND

	2013/14	2014/15	2015/16	2016/17	Total
Public (DTI)	4 192 063 287	3 726 414 336	3 312 489 067	2 944 542 079	14 175 508 769
Private (Survey)	401 460 000	619 128 000	927 966 000	1 410 980 834	3 359 534 834
Total	4 593 523 287	4 345 542 336	4 240 455 067	4 355 522 913	17 535 043 602

Source: DTI and Urban-econ Survey, 2017.

Public funding can be seen to have decreased over the four-year period, from R4.2 billion to R2.9 billion. Overall, this totals to R14.2 billion. In terms of private funded productions, it is much lower than publicly funded productions, however it has been growing over the period, having increased from R401.5 million to R1.4 billion. Thus, it can be deduced that over recent years, the trend in private versus public funding is shifting from public to private.

Overall, the total expenditure of the national film industry amounted to an estimated R17.5 billion, decreasing slightly from R4.6 billion in 2013/14 to R4.4 billion in 2016/17. It is clear that the size of the industry has remained at the same general level over the last four years.

6.2. EMPLOYMENT PROFILE

The film and video industry plays a critical role in meeting the needs of society for entertainment, diversity and expression, promoting heritage and information needs. This industry has undergone significant changes over the years. The majority of these changes have been marked by quick growth in employment opportunities within the sector; it has, however, also have experienced a long tradition of insecure work which is characterised by questions over the employment status of its workforce and unclear contractual arrangements, foreign competition for jobs, unstable shifts in the work organisation, employment relationships and the labour market structure caused by both negative and positive consequences in the rapid growth of the information and communications sector. This growth in technology has made for an increase in production, while decreasing the need for the number of people once employed in the process. The following infographic shows a summary of the survey results' employment profile of production companies questioned.



The data depicted in the infographic gives a graphical representation of the total number of employees in the companies surveyed. The graph shows that the average number of people employed in 2013 were 320 on a permanent basis and 2180 on a temporary basis, and this accounted for 7% and 50% consecutively. The graph however, shows a decrease in the number of people employed in the film and video industry as 4% permanent and 49% of temporary people were employed in 2014; and in 2015, 5% of employment was at permanent basis and 53% was on temporary basis. The trend over these three years is such that a significant large proportion has been for temporary employment, which is a characteristic of the film and video industry as films are made periodically and once a film is made, there is no obligation to keep people on a payroll. This puts employees at a disadvantage as it removes the job stability factor and the employee benefits associated with full time employment.

The age demographics of the survey is also displayed in the infographic, the data shows that 25% of the film and video industry workforce is in the age group between 40-64 years. This data shows that there has been a significant shift towards an older workforce. Despite this shift, the highest proportion of jobs is still taken by the 25 to 39 age group, which occupies 73% of the workforce. The findings of this survey suggest that this large change could be attributed by the fact that experiences are different between women and men, and that there is a difficulty in retaining a large number of women beyond their 30s. The nature of freelance work can be difficult for many people, particularly women and especially if they chose to have families. Returning to freelance work can be difficult after maternity leave, and this could be one of the reasons that the largest group of women in our sample are aged between 25 and 39. These dynamics become a problem as they inhibit skills transfer, as more experienced individuals tend to leave the industry in their forties.

The infographic also displays ethnicity factors as found in the survey. The employment levels of both permanent and temporary employees by race are depicted, where of the permanent employees, only 1% Asian male and 4% Asian females were employed as opposed to the 32% black and white males and females employed as permanent staff and the 30% white female and 25% males as temporary staff. The survey conducted also deduces that, of the total number of people employed in 2013, none of them were females and in 2014, only one black female was employed. Participation in the film and video industry also appears limited in the Asian ethnic group. The survey conducted shows that in 2013, no Asian both male and female was employed, either permanently or temporarily. In 2014, only one Asian female was employed - this trend is also evident in 2015.

6.3. ECONOMIC IMPACT ASSESSMENT

This subsection will analyse the results of the SAM modelling, with regard to the national film industry's impact on production, employment, income and taxes.

6.3.1. ASSUMPTIONS

The following assumptions were used in the econometric model and modelling exercise:

- Input information for some cases is only available for certain years; the other years were estimated using the available information.
- The aggregate film industry size is a combination of publicly (dti data) and privately (survey data) funded productions.
- Relevant sectors that are stimulated are similar for public and private funded productions.

6.3.2. IMPACT RESULTS

The results of the SAM modelling will be presented per annum then as a whole for all four financial years (2013/14 to 2016/17). The following table shows the impact for 2013/14 on the various indicators.

TABLE 6-2: 2013/14 FILM INDUSTRY IMPACT, R MILLION AND NUMBER

	Direct	Indirect	Induced	Total
Production (R Million)	4 593,52	3 847,30	2 698,63	11 139,46
GDP (R Million)	2 691,11	1 730,35	1 138,57	5 560,03
Employment (Number)	6 928	5 468	4 219	16 615
Income (R Million)	889,98	825,15	493,91	2 209,04
Tax (R Million)	158,78	63,82	57,43	280,03

Source: Urban-econ Calculations, 2017.

For 2013/14, it can be seen that a direct production injection of R4.6 billion resulted in a lower indirect (R3.8 billion) and even lower induced (R2.7 billion) production impact, to total to R11.1 billion. A similar trend can be seen for the other economic indicators, where, in terms of employment, 6 928 direct jobs were created, which resulted in a total of 16 615 jobs. Total production resulted in a lower total GDP (R5.6 billion), followed by income (R2.2 billion) and taxes (R280.0 million). The impact of the film industry productions for 2014/15 is shown next.

Table 6-3: 2014/15 Film Industry Impact, R Million and Number

	Direct	Indirect	Induced	Total
Production (R Million)	4 345,54	3 839,09	2 572,40	10 757,03
GDP (R Million)	2 488,03	1 698,68	1 085,31	5 272,02
Employment (Number)	7 901	5 609	4 022	17 533
Income (R Million)	838,94	795,95	470,80	2 105,70
Tax (R Million)	146,65	65,28	54,74	266,67

Source: Urban-econ Calculations, 2017.

For 2014/15, similar trends to the previous year can be seen, where a direct production created lower indirect and induced production impacts in other industries, to total to R10.8 billion. The production impact effected GDP, employment, income and taxes by creating totals of R5.3 billion, 17 533 jobs, R2.1 billion, and R266.7 million, respectively. The impact results for the 2015/16 financial year is given in the following table.

TABLE 6-4: 2015/16 FILM INDUSTRY IMPACT, R MILLION AND NUMBER

	Direct	Indirect	Induced	Total
Production (R Million)	4 240,46	4 155,95	2 626,43	11 022,84
GDP (R Million)	2 315,22	1 786,54	1 108,11	5 209,87

Employment (Number)	8 845	6 194	4 106	19 145
Income (R Million)	844,49	824,75	480,69	2 149,93
Tax (R Million)	126,81	72,60	55,89	255,30

Source: Urban-econ Calculations, 2017.

Similar to the previous year, 2015/16 direct film production of R4.2 billion impacted on: GDP by R5.2 billion in total; employment by 19 145 total jobs; income by R2.1 billion and taxes by R255.3 million. The next year's impact, 2016/17, is provided next.

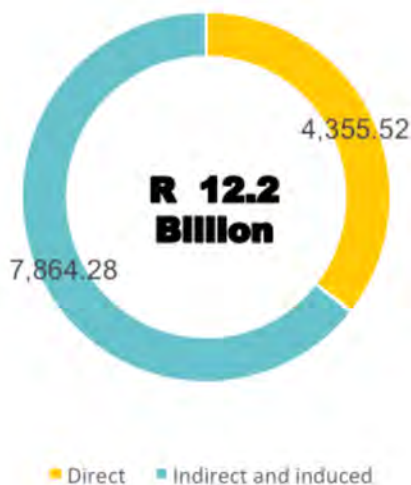
TABLE 6-5: 2016/17 FILM INDUSTRY IMPACT, R MILLION AND NUMBER

	Direct	Indirect	Induced	Total
Production (R Million)	4 355,52	4 912,19	2 952,09	12 219,80
GDP (R Million)	2 189,04	2 050,75	1 245,50	5 485,29
Employment (Number)	9 657	7 384	4 615	21 656
Income (R Million)	943,91	932,31	540,30	2 416,51
Tax (R Million)	99,37	89,81	62,82	252,00

Source: Urban-econ Calculations, 2017.

The direct production injected increased from the previous year to the same level as 2014/15, at R4.4 billion. This caused a higher indirect production impact of R4.9 billion, and a lower induced impact of R3.0 billion. This resulted in lower total impacts on GDP (R5.5 billion), employment (21 656 jobs), income (R2.4 billion), and taxes (R252.0 million).

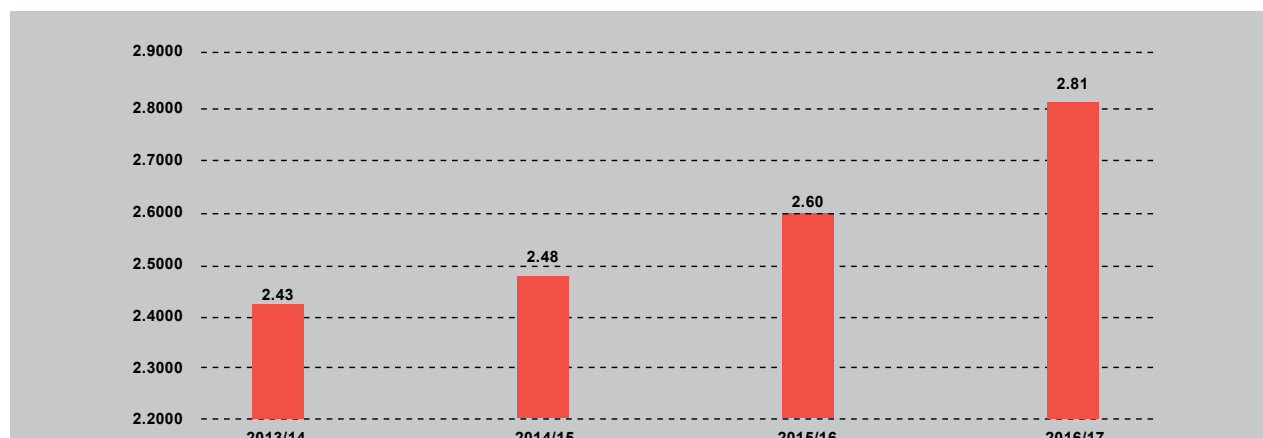
Figure 6-1: Operation Expenditure Total Economic Impact, R' Billion, 2016/17



Source: Urban-econ Calculations, 2017.

The production impact multipliers of the national film industry are given next.

TABLE 6-6: 2013/14-2016/17 FILM INDUSTRY MULTIPLIERS PER R1 MILLION INVESTED



Source: Urban-econ Calculations, 2017.

From the table it can be seen that the 2016/17 multiplier is R2.81 million, thus for every R1 million invested the film industry creates other production of R2.81 million. The following infographics summarise the impact results visually.

It will be useful to compare the film industry's impact to other industries, as a benchmark in terms of contribution to the national economy. The table below shows multipliers of various industries in relation to the film industry.

TABLE 6-7: COMPARISON OF INDUSTRY MULTIPLIERS

	Direct	Indirect	Induced	Total
Film	1	1,1	0,7	2,8
Trade	1	0,6	0,7	2,4
Automotive	1	2,2	0,8	4,1
Construction	1	1,5	0,7	3,3
Tourism	1	0,7	0,7	2,4
Advertising/Marketing	1	0,4	0,8	2,3

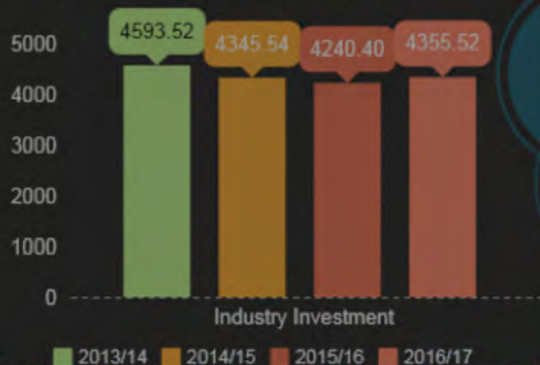
Source: Urban-econ Calculations, 2017.

From the table it can be seen that the film sector's impact is higher than trade, tourism, and advertising. This is likely due to its large value creation over the various production phases. The more labour or technology-intensive sectors such as automotive and construction have higher effects than film.

Economic Impact Results

Total Investments (Rm)

For every R1 million investments 4.9 jobs will be created



Industry Multiplier (2016/17)

• For every R1 million investments made in film industry towards its operations, a multiplier effect of R2.81 will be created due to the production or new business sales generated.

2.81

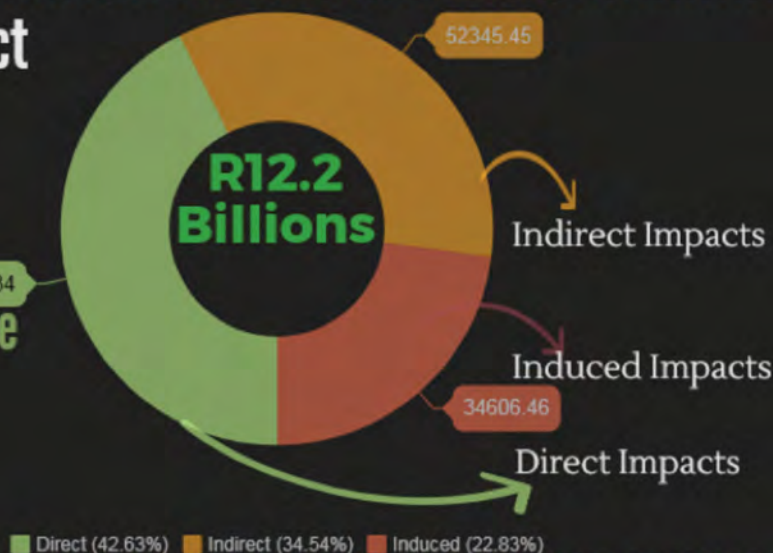
Total Economic Impact

2016/17

The Film industry has a direct impact of R4.3 billion on economic production as result of stimulates increased productivity in other sectors of the economy

Total Industry Expenditure = R17.5 Billion

Total Economic Impact in 2013/14 was R11.1 bn



Tax contribution

2016/17

Total contribution to tax in 2013 was R280m



Employment

Direct Jobs (2016/17)

9 656,68



Total number of jobs created 2016/17

21656.19



These workers generate approximately 943,91 million in income

GDP Contribution

2016/17

R 5485.29 MILLIONS



7. CONCLUSION AND RECOMMENDATIONS

7.1. CONCLUSION

The film industry, which is part of the cultural or creative industries, has become recognised for both its social and economic contribution in many economies, including South Africa. The industry has evolved into a completely distinct art form that provides leisure, education/information and cultural understanding, while contributing to numerous economic components such as production, employment and economic growth.

From an international perspective, the industry has expanded to become one of the major contributors to revenue and economic growth, and many countries have recognised the creative industry's significance. In India, for example, the industry has grown substantially in the last century to be the largest in terms of production volumes of films. This is due to their popularity both nationally and transnationally. The most significant findings show that illegal film downloading is growing rapidly taking away from revenues generated and diversified niche genres are recognised as gateways to higher earnings, globally.

In South Africa, there are multiple policies and plans that identify the industry as a catalytic sector with substantial potential to affect the development of the economy. These policies look to assist the sector through financial and resource support to ensure that issues such as inequitable resource distribution are addressed. In terms of size, the industry is seen to be divided between two developed and underdeveloped markets, where Gauteng and the Western Cape are the major developed regions and underdeveloped regions include the Free State and Northern Cape.

The national film industry is quite large in terms of its outputs as well as its contribution to GDP, income and taxes. It stimulates multiple sectors through film productions, particularly the real estate (which includes renting of facilities), business services (which include use of services such as film-editing and make-up) and finance sectors (which include insurance, fringes, etc.). Over the four-year study period, expenditure on film productions declined from 2013/14, and then increased to R4.4 billion in 2016/17. The total period expenditure of R17.5 billion (direct production injection) resulted in non-direct expenditure of R22.4 billion, which totalled to a R39.9 billion increase in production. Overall, it was found that indirect multiplying effects were lower than direct effects but higher than induced, in the case of taxes.

The key opportunities that may drive the growth of the overall industry lie in the diverse attraction venues available for shooting films, which are strengthened by existing support structures and access to the global market. On the other hand, the major constraints of the industry come from the lack of skills and skills development (particularly regarding creative thinking), limited distribution channels, limited supporting infrastructure; and an uncoordinated operational approach for roleplayers.

These issues/constraints have led to the identification of critical growth areas that will drive the industry's growth if addressed. These areas include skills development of film sector participants, development of supporting infrastructure, and the establishment of provincial film commissions to guide the specific film markets and role-players. An additional improvement measure is to ensure that films being produced locally are of high quality and that genres are diverse, to attract and keep investment in the industry. These measures will thrust the industry's growth to internationally competitive standards in the long term.

7.2. RECOMMENDATIONS

The film industry has made significant strides towards the development of sectors as a whole, not only in terms of its recognition for its significant shooting locations and diverse global market access as previously known, but also as a talent hub. Currently South Africa has a more diverse marketplace, with people consuming more content on more platforms than previously, so it is important that the industry adapts to the changing environment. This being said, the apartheid historical past of South Africa still lingers on the Industry to date, and has continued to create movement and contribute to the big gaps in transformation and skills development at both the upper and lower level.

At the lower level, there are skills gaps and shortages across the sector, particularly in camera and photography skills, as well as in visual special effects, post-production and editing. Providing those in the industry with the opportunities to learn their trade is a key component to creating a sustainable film and video industry. In fact, for the industry to thrive, it needs to be able to attract and retain talented people by creating sustainable and successful businesses, which is why it is important that the youth talent are integrated into the industry through dedicated skills development programmes that are holistic in nature, not only to assist young talent to understand the artistry behind filmmaking but also on the business and financial side.

At the upper level, funding is a challenging factor. Currently, funding agencies focus on funding filmmakers already involved in a project. This means that independent production companies and individuals that have not produced content are constrained and excluded. This calls for a broader spectrum of funding avenues where public bodies provide clarity on their respective roles in supporting the film industry, and private and foreign industries also get directly involved in providing funding support. Furthermore, the future of film and video production should include more co-produced and co-funded projects to enable broadcasters to offer the widest possible choice. In conclusion, the following recommendations are suggested, formulated using the stakeholders' input:

- A holistic business and skills development programme to assist black emerging filmmakers and to fast track transformation.
- Introduction of an integrated approach to funding and filmmaker support programmes among all roleplayers at local, provincial and national level. This will ensure producers can close financing and that the best projects (commercial projects) are funded for production.

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national film and video foundation
SOUTH AFRICA

an agency of the
Department of Arts and Culture

Address: 87 Central Street | Houghton | Johannesburg | Gauteng | 2198
Tel: 27 11 483 0880 | **Fax:** 27 11 483 0881 | **Email:** info@nfvf.co.za | **Email:** www.nfvf.co.za



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