

CULTURAL INDUSTRIES GROWTH STRATEGY (CIGS)

THE SOUTH AFRICAN FILM AND TELEVISION INDUSTRY REPORT

**REPORT TO THE DEPARTMENT OF ARTS, CULTURE, SCIENCE AND
TECHNOLOGY.**

FINAL REPORT

November 1998

The report was commissioned by DACST to research the cultural industries and to propose strategies for their growth and development. The report does not necessarily reflect the views of the Department or the Ministry of Arts, Culture, Science and Technology but will be used to inform future policy formulation.

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LIST OF ABBREVIATIONS

AME	-	AFRICAN MEDIA ENTERTAINMENT
CBS	-	COLUMBIAN BROADCASTING SYSTEM
CIGS	-	CULTURAL INDUSTRIES GROWTH STRATEGY
CSG	-	CULTURAL STRATEGY GROUP
CSS	-	CENTRAL STATISTICAL SERVICES
FRU	-	FILM RESOURCE UNIT
IPO	-	INDEPENDENT PRODUCERS ORGANISATION
ITB	-	INDUSTRY TRAINING BOARD
MEGA	-	MILLENIUM ENTERTAINMENT GROUP AFRICA
NFVF	-	NATIONAL FILM AND VIDEO FOUNDATION
NTVA	-	NATIONAL TELEVISION AND VIDEO ASSOCIATION
OWN	-	OPEN WINDOW NETWORK
PAWE	-	PERFORMING ARTISTS WORKERS EQUITY
SABC	-	SOUTH AFRICANN BROADCASTING AUTHORITY
SAGE	-	SOUTH AFRICAN GUILD OF EDITORS
SASC	-	SOUTH AFRICAN SOCIETY OF CINEMATOGRAPHERS
SASWA	-	SOUTH AFRICAN SRCRIPTWRITERS ASSOCIATION
SCRAWL	-	SOUTH AFRICAN SCREENWRITERS LABORATORY
SWOT	-	STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS
WIFT	-	WOMEN IN FILM AND TELEVISION

FORWARD

South Africa's diverse and dynamic arts and culture heritage is one of its richest and most important resources, with the capacity to generate significant economic and social benefits for the nation. Equally important, but less well understood, is the potential for a vibrant and dynamic arts and culture sector to contribute significantly to the economy of the country.

The Department of Arts, Culture, Science and Technology (DACST) is contributing to the government's Growth, Employment and Redistribution (GEAR) strategy through a number of initiatives intended to enhance the economic and social benefits of arts and culture. The Cultural Industries Growth Strategy (CIGS) is one such initiative and has concentrated on developing strategies for the growth and development of the cultural industries, in particular to realise their potential to create an export market, to create employment, to ...

DACST appointed the Cultural Strategy Group, a multi-disciplinary consortium, to undertake the research and policy aspects of the study. The team included KPMG, the Centre for African Transformation (CART), LMA/SQW policy and research consultants and BDM consulting.

The term "cultural industries" is used to describe a wide variety of cultural activities which all have commercial organisation as their prime motivating force. These activities take a number of different forms and are organised in different ways from the manufacture or creation of products to the marketing and distribution thereof.

The cultural industries that CSG concentrated on included: the music industry; the craft industry, publishing industry and the film and television industry. Their selection was based on a number of criteria including the recognition that these sectors were identifiable industries in South Africa; are potentially internationally competitive; have the potential to create employment and offer opportunities for rural and urban job creation. The cultural industries tend to be:

- knowledge intensive, involving highly skilled workers
- labour intensive, creating more than the average number of jobs
- differentiated, taking the form of small and medium enterprises (SMMEs) and large enterprises and
- linked with close, interlocking but flexible networks of production and service systems, allowing the sector flexibility in the face of economic recession

Understanding the global context of the cultural industries is of crucial importance if any attempt is made to develop them. The politics of the "New Economy" and phenomena like the Internet make understanding these processes absolutely necessary. The CIGS process was designed to ensure a critical dialogue with experts from other countries where successful strategies to develop the cultural industries within this global context has been undertaken.

The methodology followed for the CIGS study is an industry strategy analysis. Each sector report is therefore principally an economic analysis providing baseline data for each of the four sectors, and focusing on the current economic and social contribution of each sector; the impediments to growth and the opportunities for employment creation and competitive development.

Each sector report concludes with strategic policy recommendations and interventions for both the public and private sector. These recommendations aim to:

- maximise investment opportunities in the sector;
- highlight areas for government participation and legislation;
- identify potential private sector initiatives;
- leverage in multiple funding sources and
- benefit all stakeholders and practitioners within the industry and the economy as a whole

This report is one of four sector studies. A fifth document "Creative South Africa" presents the argument for taking cultural industries seriously and develops a strategy for doing so. The principal vehicle for this is the recommended Cultural Industry Development Agency (CIDA), a public-private partnership agency specifically geared towards building up the cultural industries. The primary functions of this organisation would be knowledge and information management, human resource development, strategic investment, grant funding as well as advocacy on behalf of the cultural industry sector.

While CIDA will develop initiatives in the cultural industries which have a high potential for commercial success as well as stimulating some already flourishing enterprises, the challenge lies within the industries themselves in order to realise themselves as mainstream sectors capable of being involved in the political, economic and social agenda of our country. CSG hope that the information within this report goes some way to enabling this.

EXECUTIVE SUMMARY

The Cultural Industries Growth Strategy (CIGS) is an initiative of the Department of Arts, Culture, Science and Technology. The aim of CIGS is to develop growth strategies for the film, music, craft and publishing industries. This report reflects the findings of this process for the South African film and television industry.

The report was commissioned by DACST to research the cultural industries and to propose strategies for their growth and development. The report does not necessarily reflect the views of the Department or the Ministry of Arts, Culture, Science and Technology but will be used to inform future policy formulation.

Why is this industry important?

The Film and Television industry is important on three levels, the social, political and economic levels.

First, this industry plays an important role in communicating ideas, information and ideology. Second, on a political level, this industry provides a forum for debate and discussion as well as information which is essential for citizen's participation in community life. Third, economically this is an industry which turns over billions of dollars and generates millions of jobs throughout the world. In 1997, the global entertainment industry generated US\$172,50 billion. The entertainment industry includes film, television, music and publishing. The film and television industry generates jobs directly in production and post-production companies, through casting and crewing agencies, in equipment-hiring companies, through set design and manufacturing companies and prop suppliers. Jobs are also created indirectly in supporting industries such as the hospitality industry in catering firms and hotels, and the transport industry.

Trends in the Global Industry

A number of trends are evident in the global film and television industry that impact on the South African industry. These include:

- Increasing levels of vertical and horizontal integration as well as concentration of ownership. Vertical and horizontal integration of entertainment companies result in greater profit maximisation due to the ability to recoup revenue across a number of delivery channels. For example the research and development cost of a Disney production is recouped through the box office sales, video and pay television as well as through the sale of merchandise such as T-shirts and stationery with pictures of the characters printed on them.
- Increased concentration of ownership has led to higher barriers to entry for new entrants into the global industry.
- Increased distribution channels due to the advent of digital and satellite technology that has created a greater number of channels. The impact of increased distribution channels has been a fragmentation of audiences as audiences have greater choices regarding the programs that they watch. This has resulted in two options for filmmakers. They can target a mass audience by accessing bigger budgets in order to employ high profile actors, actresses and directors and bigger and better special effects. Alternatively, they can target niche markets and access smaller audiences. It is recommended that the South African industry adopt the second approach. Independent producers are most equipped

to address the needs of niche markets as they are used to working with smaller budgets and are often more in touch with the tastes of these markets.

- A secondary pricing system has developed in the global television industry. This refers to a situation where production studios recoup a great deal of their costs in the domestic market. They then sell the production to foreign markets at a cost below the cost of production. This means that no locally produced production can compete with a foreign production. It also means that industries with large domestic markets such as America have a big advantage over industries with smaller markets such as South Africa. Therefore, it is imperative that broadcasters retain local content quotas.

The South African Industry

The South African entertainment industry is worth approximately R7,4 billion. The South African entertainment industry is comprised of the broadcasting, cinematic, music and interactive industries. Of this figure, the film and television industry is worth R5,8 billion and employs approximately 20 525 people.

The South African film and television industry has been struggling to overcome the history of badly directed and managed funding schemes, intense censorship and a lack of equity in opportunity. The 1990s have seen a drop in the level of production. This is however due to the fact that during the 1980s many films were being made under the auspices of the tax incentive scheme, many of which were never seen by any audiences anywhere in the world.

The biggest problems in the industry have been:

- limited access to financing
- limited access to distribution and exhibition facilities
- insufficient audience development
- few training opportunities for people entering the industry as well as producers, directors and scriptwriters currently working in the industry
- a small domestic market
- few opportunities to export South African film and television products
- a lack of understanding of the needs of the market by South African film makers
- inadequate co-ordination and an absence of standards in training provision

A number of important developments during the late 1990s indicate that the film and television industry has the potential to grow significantly in the future.

Firstly, the government has acknowledged the importance of the film and television industry and is implementing a number of important initiatives aimed at developing the industry. These include:

- **The National Film and Video Foundation (NFVF)** which aims to promote an indigenous film and television industry in South Africa. This foundation will be set up during the course of 1998. The FVF could fund such diverse activities as training, production, distribution and exhibition and research.
- The government over the last two years has used the Interim Film Fund of R10 million to stimulate new projects in the industry. During 1996/97 alone 300 proposals were received. Of these 96 received funding. In 1997/98 605 funding proposals were received, 165 of which were funded.
- Attendance by government and industry representatives at international film markets.

Secondly, during 1997, there has been a significant realignment of ownership structures in the industry. This has led to renewed vision by the private sector of how to build and develop the film and television industry.

The realignment of ownership structures began with Primedia's acquisition of the Ster-Kinekor distribution and exhibition business in July 1997 and the subsequent establishment of an entertainment division. Primedia is developing a distribution pipeline for South African products. This involves acquiring some profitable production companies and developing relationships with others to distribute their products. It also involves the development of a network of distributors both domestically and internationally. The domestic network includes Ster-Kinekor as well as, possibly, the new commercial free to air television station.

Another development is the coming together of a number of companies under the African Media Entertainment (AME) company that was listed on the JSE during early 1998. AME has already got a few scripts in development.

In addition there are a number of discussions occurring in the industry, many of which are still confidential. One such initiative involves the setting up of a film fund by the major players in the industry. This film fund would provide funding for the development and production of films and would develop linkages to a number of international markets through an international distributor. Speculations are that this fund would initially be worth about R30 million.

These projects are in the initial stages of development and an assessment of their impact on the development of the industry is difficult to make at this stage. However they do provide an important indication of the role that the private sector is starting to play in the development of the local production industry. If these initiatives do get off the ground they will provide the industry with a pipeline for the distribution and exhibition of products internationally and domestically. The lack of access to distribution and exhibition has been a key weakness in the industry.

Thirdly, the White Paper on Broadcasting has made a number of recommendations concerning changes in the broadcast industry which are sure to result in fundamental shifts in the broadcasting landscape. These include recommendations for the commercialisation of some operations of the SABC that would see it in a position to list on the stock exchange, enter joint ventures and privatise parts of its operation.

Changes in both the global and domestic broadcasting industry indicate that this is a huge growth area in the film and television industry. These changes are related to the introduction of satellite and digital technology leading to an increase in the number of channels all over the world. This increases opportunities for export of South African television productions. The number of channels in South Africa are likely to increase rapidly over the next decade, leading to increased demand for local content. This is coupled with the fact that the cost of production for television is lower than for theatrical release and, in the case of series or serials, more people are employed over a longer period of time. For these reasons television production should be prioritised for development by government.

Lastly, there are some initiatives already in place to address problems in the industry. These include:

- **Sithengi**: The International Southern African Film and Television Market which provides an opportunity for networking and deal-making between South African film makers, distributors, exhibitors, broadcasters and international players.

- Training programmes which seem to be making some progress in meeting the needs of the industry. These include the SCRAWL, scriptwriter training workshops, the New Directions scriptwriter and director development program and the Short and Curlies initiative.
- Audience development programs initiated by the Film Resource Unit.

PROPOSED INITIATIVES

The National Film and Video Foundation will be the most important vehicle for government assistance to the film and television industry. The Cultural Strategy group therefore recommends that it plays the following roles and carry out the following projects:

- **Financing**- The National Film and Video Foundation should continue to provide seed funding to new and previously disadvantaged filmmakers.
- **Co-Productions** - The National Film and Video Foundation should assist with partnering local and foreign film-makers
- **Distribution** - The National Film and Video Foundation should be assisting with opening up distribution and exhibition channels by:
 - sending film makers to international markets
 - providing more opportunities such as the Cape Town Film and Television Market for South African film-makers to meet with international players
- **Information provision** - The National Film and Video Foundation should:
 - develop a database of the South African location industry in order to ensure that producers wishing to make movies in South Africa can access information at central points
 - provide South African producers with information on potential export niche markets in Africa and the rest of the world
 - facilitate the collection of information by Central Statistical Services on the South African industry itself in terms of economic growth, employment creation and value of exports
 - provide information to players in the industry which will enable greater co-operation between different players in the value chain
 - provide information on possible co-production partners in the international industry.
- **Networking, Communication and Lobbying** - The National Film and Video Foundation should provide opportunities for networking, communication and lobbying by the industry players
- **The promotion of the location industry** - The National Film and Video Foundation could promote South Africa as a location for foreign productions by:
 - setting up a web site providing details on the quality of the location and support services offered in the country as well as contact details.
 - setting up an office which provides support for foreign film makers in the country in the form of information and assistance with obtaining work permits
- **Training and Development** - The greatest gap in skills in the film and television industry is in the areas of:
 - film direction
 - production
 - distribution and financing
 - scriptwriting

The National Film and Video Foundation should provide bursaries for students to study in these areas. In the case of distribution and financing, where there is very little training offered in this area in South Africa, bursaries to international institutions should be offered. Black people and women generally should be prioritised for these bursaries. The National Film and Video Foundation could also, in conjunction, with the private sector, be running similar scriptwriter workshops to SCRAWL.

- **Export Stimulation** - The National Film and Video Foundation should organise trade relations in conjunction with the Department of Trade and Industry, where

industry players and government officials will investigate new markets and make contacts with players in those markets.

Pilot Project - The film and television industry has not been taken seriously as an employment and income generating industry in South Africa. The best way to show what impact this industry can have would be to run a pilot project. This pilot project would aim to show the economic and employment creating benefit of the industry, including the multiplier effects.

This pilot project could take the form of documentation of three productions such as a documentary, a feature film and a television series. Booklets could then be produced describing:

- the development, production and distribution process for each production
- how financing was obtained
- how much of the budget was spent on writers, crew, actors, equipment, marketing, post production, etc
- how many people were employed directly and indirectly
- how well the production did financially
- lessons learned

Other initiatives that should be embarked on to develop the industry include:

- Easing access to Department of Trade and Industry incentives. These would need to be adapted to the needs of the film and television industry. Specific incentives, that could be easily adapted to this industry, are the Sectoral Partnership Fund and the Export Marketing and Investment Assistance Scheme.
- An audit of training and development offered in the industry, possibly by Tactics.
- The establishment of a cultural Industry Training Board.
- More audience development programmes, possibly through the Film Resource Unit.
- Using a share of the revenue from the National Lottery for the film and television industry.

SECTION ONE - INTRODUCTION

1.1 Background

Take any day of the week and tune in to SABC 1 at 5h30 p.m. to watch *The Bold and the Beautiful*. If you did do this, you would not be alone. You would be in the company of some 250 million people in 90 countries. The *Bold and the Beautiful* soap opera is owned by Columbia Broadcasting System (CBS) which has been a major television network in the United States since 1934. CBS also owns *Chicago Hope*, *Dr Quinn Medicine Women* and *the Bill Cosby Show*. Westinghouse, a powerful US broadcasting group, owns CBS. They own two radio networks and television stations that cover one third of the US population of 250 million people.

Should you prefer to tune into M-Net at 6pm you will be the company of more than a million viewers across the globe as you watch the South African produced soap opera *Egoli*. *Egoli* is produced by Frans Marx Films and has currently been distributed to 37 African countries via M-Net's satellite broadcast and a further five via terrestrial broadcast. It has also been distributed to Venezuela.

Film and television products are easily transportable, and international products are broadcast and exhibited throughout the world every second of the day. The film and television industry has been, almost since its inception, a truly global industry. This is true whether the market for the product is 250 million or only one million people. The film and television industry is made up of vertically and horizontally integrated companies dominating the global market.

In spite of South Africa's political isolation the global nature of the industry can be detected in South Africa. Even during the cultural boycott audiences were exposed to international films and television programs. However, with the liberalisation both politically and economically in South Africa, the global opportunities and challenges of the industry are becoming more apparent to the local players. It is in this global environment that any viable growth strategy for the South African film industry must be located.

The Cultural Industries Growth Strategy (CIGS) is an initiative of the Department of Arts, Culture, Science and Technology. The aim of CIGS is to develop growth strategies for the film, music, craft and publishing industries. This report reflects the findings of this process for the South African film making industry.

This report provides an economic analysis of the film and television industry and makes recommendations on policy and initiatives that could help the industry to grow. In using the term filmmaking we have included film, television and video production, distribution, exhibition and broadcasting.

In this section we outline why the film and television industry is important, how it is defined and describe the methodology used to analyse it. In section two, we provide an overview of the global context and draw out the trends applicable at a local level. This is followed by a history of the South African film and television industry in section three. Section four provides the reader with a guide to the key players in the South African film and television industry. The value of the industry in economic and employment creating terms is outlined and analysed in section five. Section six evaluates the industry throughout the value chain while section seven offers a tabular summary of the strengths, weaknesses, opportunities and threats of the

industry. The final section (section eight) details international practice with regard to both institutional arrangements and incentives, and outlines the recommendations CSG is promoting to assist the South African film and television industry to grow.

1.1.1 What makes the film industry important?

Firstly, this industry plays a powerful role in communicating ideas, information and ideology. For individuals, film and television provides at least an indirect link to the rest of society. It has the potential to create a common culture and system of values as well as inform people of a diversity of cultures and ideas. It can provide minority communities with local news and entertainment and allow them to see the world through their own lenses.

Secondly, on a political level, this industry provides a forum for debate and discussion as well as information, which is essential for individual's participation in community life. It therefore plays a central role in the workings of a democratic state.

Economically, this is an industry which turns over billions of dollars and generates millions of jobs through out the world. The film and television industry also contributes economically by generating jobs directly in production and post-production companies, through casting and crewing agencies, in equipment-hiring companies, through set design and manufacturing companies and prop suppliers. This industry also creates jobs indirectly in supporting industries such as the hospitality industry in catering firms and hotels, and the transport industry. Employment in the entertainment industry in Los Angeles alone has grown from 53 000 in 1988 to 112 000 in 1995 to 262 000 in 1998.¹

The global communication and information industry² grew from \$350 million in 1980 to \$1,600 billion in 1986.³ The global entertainment industry generated approximately US \$150 billion per annum in 1996 and has had an annual growth rate of 15% per annum during the 1990s.⁴ The entertainment industries include film and television, music, publishing and games and online entertainment. In 1997, the entertainment industry was worth approximately US\$172,50 billion. The media and entertainment industry is growing faster than GDP almost everywhere in the world and significantly faster in the Far East and Central Europe. There have however been periods of slowing down in this growth rate. For example, in 1996, "after a decade of increased output, the film studios reduced production in the face of a saturated market and some short term losses."⁵ In January 1998, Fortune Magazine reported that the American Broadcast networks were in a state of decline due to poor ratings, high costs and declining interest from advertisers.⁶

However there are a number of factors that suggest that growth in the film industry will continue to remain high. First, there is the construction of thousands of multi-screen theatre complexes across the planet. The American companies mainly dominate this construction. However, local cinema chains also see the importance of acquiring a global reach. For example, the South African based cinema chain,

¹ LA Times, "In local economy Hollywood is star", 18/01/1998

² The communication and information industries include the film and television industry, the IT industry, the advertising industries, the telecommunications industries and the publishing industries.

³ Herman and McChesney, 1997,pg 38

⁴ Unesco report, 1996, Cultural Policies Database

⁵ Herman and McChesney, 1997,pg 42

⁶ Fortune Magazine, "What's wrong with this picture", January 12, 1998

Ster-Kinekor, is currently in the process of constructing 350 screens in 30 multi-screen complexes in the UK, Ireland, Greece, Czech Republic, Hungary and Poland.

Second, the widespread growth in the number of video cassette players ownership has meant that over half of the film studios' 1995 global income was generated from the home video market (+- \$8.8 billion)⁷.

Third, changes in the broadcasting landscape related to deregulation of public broadcasting and the increase in digital and satellite broadcasting, have meant that there has also been a rise in the number of multi-channel commercial television broadcasters. All of these factors continue to increase the demand for products.

Apart from the economic importance of the film and television industry, this is an industry that is able to contribute to the cultural life of a country. First it can assist in staking a nation's claim on the information, communication and entertainment age. Second, it can assist to maintain a sense of identity and acknowledge the diversity of our nation. Importantly, the most economically powerful countries are also countries that have the most developed and influential entertainment and information industries.

This report deals primarily with the economic and employment potential of this industry. However, in doing this, the cultural value of the industry is acknowledged and integrated into recommendations.

1.2 What is the Film and Television Industry?

Film and television production can be defined as being part of the broader communication, entertainment and media industries, as represented in figure 1.

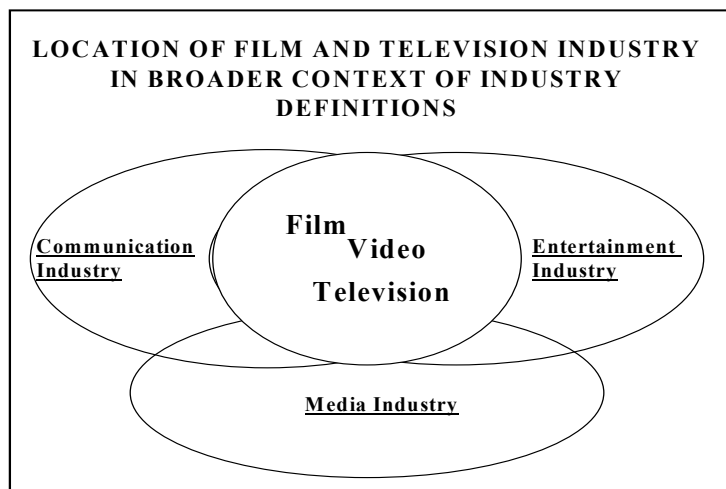


Figure 1 - Location of Film and Television Industry

Communication industries include all forms of communications such as telephones, newspaper publishing, advertising etc. Entertainment industries cover those industries that provide some form of entertainment such as music, online entertainment, films and television as well as publishing. Media industries play more

⁷ Herman and McChesney, 1997, pg 42

of an educational and informative role. Advertising falls into both the communication and media industries. This sector plays an important role in the film and television industries both because the marketing of films is critical to their success and also because advertising provides financing for the film and television industry. Film, video and television are an aspect of all three of these sectors but all of these sectors are comprised of more industries than the film, television and video industries alone.

The Central Statistical Services definition of the film and television industry is presented in figure 2. This definition indicates the major aspects of the industry, namely production, distribution, exhibition (in a cinema) and broadcasting.

Film and television production covers a number of activities within this broad definition. These activities vary from the creative and high profile world of script development and film direction, to the high tech world of post production, from the cut-throat world of financing, deal making, distribution and exhibition to the politically fraught world of broadcasting. It covers a myriad of industries including those industries directly involved in the film and television value chain such as film and television production and post production, distribution, exhibition and broadcasting to the supply industries such as casting agencies, insurance companies and equipment suppliers.

Central Statistical Services Definition of the Film and Television Industry

Central Statistical Services defines the industry under Division 96: Recreational, Cultural and Sporting Activities which is divided in sub category 961: Motion Picture, radio, television and other entertainment activities. This sub category is further divided into the different processes of film and television production namely:

- motion picture and video production and distribution (Standard Industry Classification (SIC) code 9611) which includes the production of theatrical and non theatrical motion pictures
- motion picture projection (SIC code 9612) which covers the screening of film and video tape,
- radio and television activities (SIC code 9613) which includes the production of radio and television programmes.

Figure 2 - Central Statistical Services Definition

In addition the film and television industry also relies on support industries such as training and education, the hospitality industry and the transport industry. Therefore, by stimulating growth in the film and television industry, employment growth is being stimulated in a number of different industries.

1.2.1 Film and Television Production and Delivery

Film and television production is a complex process. The film and television production process follows roughly the same steps, namely development, pre-production, production and postproduction. There are, however, significant differences in the art of writing scripts for television drama series, serials, sitcoms and full-length feature films. There are also significant differences in the delivery of television and feature films. The broadcast and theatrical environments are different not only in the delivery of the product but also in its distribution. This is particularly true of the South African industry where different players distribute television and theatrical releases. The role of broadcasting in the public arena also takes on a much more political tone due to the role that public broadcasters are expected to play and the

relationships between public broadcasting and the increasing number of satellite and digital television stations.

1.3 Methodology

The success of the South African film and television industry is not only dependent on the producers, actors, directors, broadcasters, distributors or any other one player in the industry. The success of this industry will firstly depend on the effectiveness of all the players in the industry and, perhaps more importantly, it will depend on how the activities in the industry are co-ordinated.

Methodologically, the film and television industry can be represented as a value chain. At each stage of the value chain the product becomes more commercially valuable. In other words a movie starts out as an idea, this idea is then written as a script or treatment, the rights to the script may then be bought by a producer/director. The movie may then be produced and distributed. Lastly it will be shown at a cinema, on television or on video and frequently on all of these mediums.

In analysing the film and television industry, we therefore focus on each aspect of the value chain and the co-ordination between these aspects, in order to highlight the strengths and to identify where problems are located.

The advantage of using a value chain analysis of industries is that it changes the focus of the analysis from looking at an individual industry like film production to looking at all the industries involved in the pipeline of the production and delivery of the product, acknowledging that all these industries contribute to the success of the end product. By doing this, it becomes easier to identify where problems are located.

This analysis is particularly important in the film industry where the initial investment is high and the raw materials of production can not be reinvested in other production processes. A script is commercially useless unless it is produced into a movie, a movie is worthless unless it is distributed and exhibited. A diagrammatic representation of this approach is presented below.

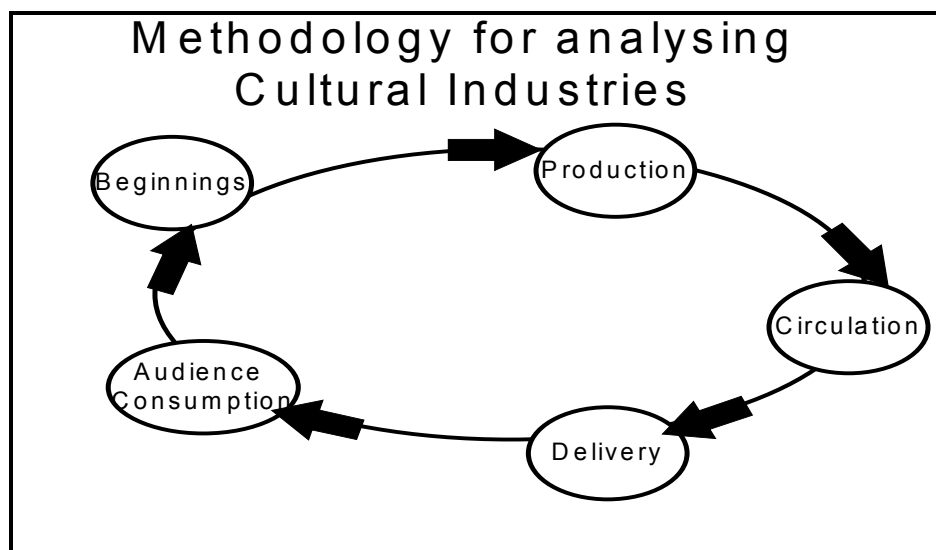


Figure 3 - Methodology for Analysing Cultural Industries⁸

We will describe this model using, as an example, the production of a film. Beginnings refers to the “cultural milieu” or context in which the industry operates. A film starts out as an idea that is influenced by the social, political and cultural context. It is then written as a script that is an essential input into the production process. Production, in the context of film making, refers to pre production, production and postproduction. Once the film is produced it is then circulated in the marketplace, through the distribution process. Delivery refers to the methods through which the market gains access to the product. In film, this may be through cinema, television or video and frequently through all three of these mediums. Audience consumption refers to the response of the market to the product either through the public media or in other ways. This response then feeds back into the beginnings or cultural milieu that provides an environment in which the industry can either flourish or flounder.

The important issue to note is the linkages between each stage, namely, beginnings, production, circulation, delivery and audience consumption. Part of the analysis of the film industry will be to identify where these linkages have broken down. It is at these points that intervention is required.

⁸ We have drawn heavily on Charles Landry's five-column model since it provides an approach to the assessment of cultural industries as value chains. We have, however adapted the model so that it is represented as a circular diagram with feedback between audience consumption and beginnings

SECTION TWO - THE GLOBAL INDUSTRY

This report will now provide an outline of the players in the global industry, the parameters of this industry as well as identify key trends in the global industry. The purpose is to understand the impact of these facts and trends on the local industry and also to identify the opportunities they provide for the local industry.

2.1 The Global Context

The global entertainment industry generated approximately US\$ 172,50 billion in 1997. This figure includes film and television, publishing, music and on line entertainment. Every year consumers around the world buy US\$ 300 billion worth of movie tickets, compact disks, videotapes and other entertainment products. Video and computer games now account for the greatest revenues world-wide, followed thereafter by television, sound recordings (phonograms), books and magazines, and then films.⁹

The global film and television industry is an industry of bizarre statistics. Every year many scripts are written, few of which ever make it to the screen. Figures for theatrical releases in the American film industry are, for every twelve features proposed, only one gets made and for every seven that get made only one yields a profit. This is with a population of 250 million people and an industry that is entrenched in the global market. Feature films do, however, also have opportunities to make profit from video and pay television. Increasingly, many of the big studios with vast libraries of productions are re-releasing these productions in foreign markets.

FACT
For every 12 proposed features, one gets made. For every seven that get made only one makes a profit.

The nature of the industry is extremely high risk. Films need significant capital investment and there is no guarantee that they will make a profit. However, in spite of these difficulties, it is an industry that generates billions of dollars in turnover and millions of jobs across the globe.

2.1.1 The players

The global media has since its inception been dominated by the American film industry located in Hollywood Los Angeles. As early as 1914, 85% of the world film audiences were watching American films. In 1925 American-made movies accounted for over 90% of film revenues in the United Kingdom, Canada, Australia, New Zealand and Argentina and over 70% of film revenues in France, Brazil and Scandinavia. Some governments, such as Britain and France, introduced mechanisms such as tariffs on American productions that helped to protect the local industry. As a result during the first half of the century, motion picture production was predominantly based in Europe and North America.¹⁰

⁹ Burnett R, 1996, pg10

¹⁰ Herman, E & McChesney R.W, 1997, pg 13,14,40

However the '80s and '90s have seen a great deal of flux in the global industry ownership structures. A great deal of concentration of ownership occurred during this time. Film budgets have escalated and the American industry can no longer afford to depend as heavily on the domestic market. Hence the 80s and 90s have seen the industry ownership structures becoming truly global. No longer are films produced in America with the aim of recouping most of the profit in the domestic market and making extra profits in foreign markets. Films are now being produced with the foreign market in mind.

FACT

During the 80's and 90's, the global film industry adopted a transnational model for production and distribution

10 mostly US-based transnational conglomerations dominate the global media. There are another thirty to forty very large media firms operating in niche and regional markets. These firms are mostly based in North America and Western Europe and are to a greater or lesser extent all involved in film and television production and/or distribution. ¹¹

The studios owned by Disney, Time Warner, Viacom, Universal, Sony, Polygram, MGM and News Corporation dominate global film production. There are large and sometimes subsidised national film industries, such as India, Australia, Canada, Ireland, but the export market is effectively dominated by these eight firms, some of which are not owned by Americans, but all of which are part of Hollywood.

FACT

Nine transnational conglomerations and another 30-40 large media firms dominate the global film and television production industries. The products of these companies are all sold in South Africa and one of the conglomerations (Time Warner) has a stake in the new television channel.

Neither Africa as a continent nor South Africa specifically is seen as a big market for these companies, although South African cinema chains, Nu-Metro and Ster-Kinekor both distribute their products. However, Nu-Metro has recently signed a deal with Warner Brothers (a subsidiary of Time Warner) in South Africa and there is some speculation that Nu-Metro may become a subsidiary of Warner Brothers.

The table below provides an overview of the major players in the global industry. The 6 biggest media players are Sony, Time Warner, Disney, Seagram, Viacom and News Corporation. The four media companies with the biggest stakes in the film and television industries, namely Warner, Disney, Viacom, and News Corporation all see the biggest potential for global expansion in the broadcasting industry. They are also all planning to expand their non-US sales to between 40% and 50% of overall sales by the year 2000. Universal is also planning to expand its non-US revenues to 60% during the late '90s. Broadcasting is therefore set to become the biggest growth area in the global entertainment, media and communications industries.

FACT

The biggest media companies are all planning to expand their sales into countries outside of the US, mainly in the area of broadcasting.

¹¹ McChesney and Herman, 1997, pg 189

Overview of biggest media companies operating in the global film and television industry

COMPANY	TOTAL SALES	% OF SALES GENERATED IN THE US MARKET	% OF SALES GENERATED OUTSIDE OF THE US	% OF SALES GENERATED IN THE FILM, TELEVISION (INCLUDING CABLE SYSTEMS) AND VIDEO INDUSTRY
MEDIA GIANTS				
Time Warner (US based)	\$25 billion (1997)	66% (1996)	33% (1996)	68% (1998)
Disney (US)	\$24 billion (1997)	77% (1995)	23% (1995)	73% (1998)
Viacom (US)	\$13 billion (1997)	80% (1996)	20% (1996)	59% (1998)
News Corporation (US based - originated in Australia)	\$ 11 billion (1998)	70% (1995)	30% (1995)	54% (1998)
MEDIA FIRMS				
Universal (owned by Seagram)	\$6 billion (1997)	na	na	50 -60% (1996)
Polygram (owned by Seagram)	\$6 billion (1997)	25% (1996)	75% (1996)	25% (1996)
Sony Entertainment	\$9 billion (1997)	na	na	40% (1996)

Table 1 - Overview of Biggest Media Companies¹²

2.1.2 Production

While the biggest exporters are the big media companies mainly based in the US, India is the biggest producer of film in the world.

India has a population of 931 million. They have had a steady growth rate in film production since 1950. One out of every four feature films made every year comes from India. In 1993, 90 million people were attending cinema every week. The Indian industry is worth about US\$850 million per annum.¹³

¹² This information was taken from two sources: Herman and McChesney, 1997, pg 70-106, and Fortune Magazine, "There's no business like Show business" June 22, 1998

¹³ Time Magazine, "Mob Scene", 19/05/1997

In figure 4 below we can note that India produced 68 more films than America in 1996. South Africa is presently an insignificant player in the global industry, producing an average of 8 films a year during the 90s.

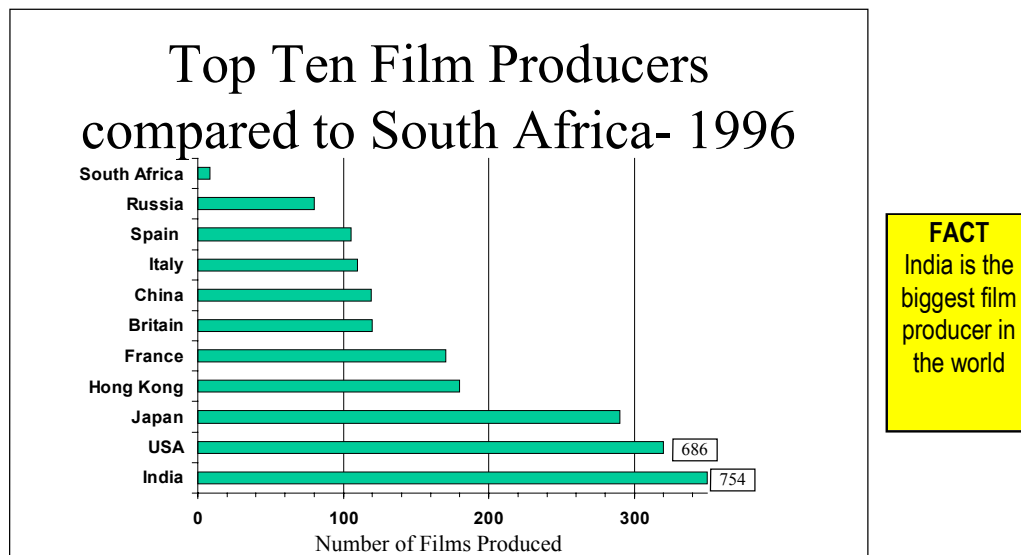


Figure 4 - Top Ten Film Producers 1996¹⁴

2.2 Global Trends

2.2.1 Structure of global entertainment companies

The feature film industry is a relatively new form of media technology that originated during the first half of the twentieth century. The youth of this industry has perhaps contributed to the ease with which it has become entrenched in the global economy. As Edward Herman and Robert McChesney note in their book, *The Global Media*; "In the case of motion pictures, unlike the earlier history of newspapers and magazines, there was no long drawn out period of small scale industrial competition followed by concentration. Indeed in keeping with the ascendant corporate (and transnational companies) form of industrial organisation, the film industry developed quickly into an oligopoly dominated by a handful of very large studios. Moreover, the film industry was the first media industry to serve a truly global market."¹⁵

The handful of large studios outlined above are all vertically and horizontally integrated. *Vertical integration* refers to companies in the value chain moving into other parts of the value chain. This could involve producers moving into broadcasting through mergers and acquisitions or broadcasters moving into distribution. During the early 50s in America, legislation was introduced which forced the production studios to sell off their cinema theatres. However, legislative deregulation in the mid 1990s has resulted in vertical integration being permitted once again. An example of vertical integration is News Corporation, which owns Twentieth Century Fox, a major film and television production company and the US Fox Broadcasting network.

¹⁴ Screen Digest cited in The Economist, *A World View*, 18/01/98

¹⁵ McChesney and Herman, 1997, pg 13

Horizontal integration refers to companies moving into different but related industries. This could involve producers moving into publishing or broadcasters moving into cinema. For example, News Corporation owns newspaper businesses, film businesses and music businesses and is therefore horizontally integrated.

Time Warner, the largest media corporation in the world, which had sales approaching US\$25 billion, is another example of a vertically and horizontally integrated company. The company is vertically integrated from production through to broadcasting and theatrical release.

In terms of production or acquisition of product, Time Warner owns:

- Warner Brothers Film Studio that also produces television productions and has recently moved into South Africa through their distribution deal with Nu-Metro and their stake in the new television station.
- A library of 6 000 films and 25 000 television programs

In distribution they own WB, a major US television network. In broadcasting they own:

- HBO, the largest pay cable channel in the world,
- Cinemax pay cable channel,
- Several global and US cable television channels including CNN, Headline News, CNNfn, the Airport Channel, TBS, TNT, Turner Classic Movies, The cartoon network as well as CNN -SI Sports Channel,
- A 50% stake in Comedy Central Channel,
- A 33% stake in Court TV Channel,
- Significant interests in non-US broadcasting joint ventures including Germany's N-TV, New Zealand's Sky Network television, European music channel VIVA and Asian music channel Classic V

In exhibition, they own a global leading motion picture theatre company (New Lines Theatres) with over 1 000 screens outside the USA. They are also horizontally integrated and own:

- Twenty four magazines including Times, People and Sports Illustrated
- The second largest book publishing business in the world
- Warner Music Group
- A number of theme parks
- The Atlanta Hawks and Atlanta Braves professional sports teams.

In addition, apart from a number of small media firms operating in the global market, Time Warner has equity joint ventures, equity interests or long term strategic alliances with:

- Viacom
- TCI
- Sony
- News Corporation
- Bertelsmann
- NBC¹⁶

Reasons for this concentration of ownership and vertical and horizontal integration can partly be attributed to the historical dominance that Hollywood has had over the global industry. Companies which first entrenched themselves in Hollywood have since managed to capture a large proportion of the global market through the

¹⁶ McChesney and Herman, 1997, pg78-79

acquisition of or the signing of contracts with distribution, exhibition and broadcasting companies in foreign countries. However, an important reason for the development of this form of industry organisation is related to the benefits of maximising profit over a number of different delivery channels.

Film and television production as a content creating industry, entails an enormous research and development cost. This is a once off cost, but represents an extremely high-risk investment. The more companies that a media giant owns in different parts of the value chain (ie the greater the vertical integration of a media company) the lower the risk. This is because distribution companies can cross subsidise broadcasters while a production becomes profitable.

An example of this, is the program, *The X-Files*, which is currently the most valuable show on American television, worth approximately half a billion dollars. However, if it had not been for the fact that the media company News Corporation owned both a studio and a television network, the show might have died prematurely. *“That’s because The X-Files took time to catch on, ranking a dismal No 111..... at the end of its first season. Any other network would have cancelled it. But fledgling Fox, desperate for a hit, believed the show’s cult following could be broadened. Now no one questions its worth.”*¹⁷ This example demonstrates that companies that distribute and broadcast products are more likely to persevere in the marketing and promotion of programs that they own, in order to make them profitable.

The risk of not profiting from the high initial investment is also reduced through companies becoming horizontally integrated. Through horizontal integration, companies can recoup revenue through a number of different delivery channels. Audiences who have seen the film, may buy the book, the magazine with the star on the cover, the music from the soundtrack and maybe a T-shirt. They may even rent the video or watch the film again on television or listen to the theme song on radio or music television. The Disney corporation has adopted this model of profit maximisation since its inception, with a lot of success.

The more opportunities that a company has for recouping costs and increasing its profit margin on a certain production, the more money they have to reinvest in other productions and increase their budgets. Bigger budgets in turn provide more opportunities for reaching greater markets, because producers can afford bigger stars, more special effects and better locations. These movies also generate revenue across a number of different delivery channels which leads to greater profit margins. This can sometimes make the difference between a profitable movie and one that generates a loss.

The movie produced by Disney in 1996, *The Hunchback of Notre Dame*, for instance generated \$99 million at the US and Canadian box office. This was considered a disappointing return. However, the movie was expected to generate \$500 million in profit (not just revenues) from its other revenue sources.¹⁸ These sources include merchandising of soft toys of the characters in the movies, stationery with pictures of characters, theme parks etc.

Other advantages for firms of concentration include:

:

- the ability to dominate markets more effectively,
- skills can be shared between complementary companies,
- economies of scale,

¹⁷ Fortune Magazine, “TV’s Most Lucrative Franchise: It’s a Mystery”, January 12 1998

¹⁸ McChesney and Herman, 1997, pg 54

- diversification of risks,
- major possibilities for innovation and career opportunities for employees.¹⁹

ISSUE: Profit margins can be significantly increased by recouping costs across a number of different delivery channels.

The industrial organisation that has developed in the global entertainment market has some real disadvantages for other players wanting to play a role in the global industry. The ten media conglomerates and the 30-40 other large players all have relationships and strategic alliances with each other that increase the barriers to entry for other firms in the media market. The global market situation is also forcing firms to move towards being larger, globally integrated companies. This leaves less opportunities for other players.

ISSUE: Oligopolisation of the global industry increases the barriers to entry into the global market by smaller national based firms

The big conglomerates also tend to move into foreign countries and 'gobble' up the local media producers, broadcasters and cinema chains. This means that the productions that are aired tend to reflect the national concerns less and less. The level of import of foreign productions also increases as the conglomerates seek to develop greater audiences for their products. This is particularly the case where broadcasters are being commercialised. The media conglomeration, News Corporation, owned by Rupert Murdoch, for instance, owns a number of interests in other countries' broadcasters. News Corporation owns:

- Asian star television,
- El Canal Fox in Latin America,
- India Sky Broadcasting,
- controlling interests in British Sky Broadcasting,
- a 49.9% stake in Germany's Vox channel,
- a 30% stake in Sky Latin America Digital Satellite service,
- a 50% stake in Japan Sky Broadcasting,
- a 49.9 % stake in India's Zee Television,
- a 50% stake in Channel V the Asian music video channel and
- a 45% stake in Hong Kong based Phoenix Satellite.²⁰

ISSUE: Transnational companies are acquiring nationally based broadcasting services. This gives them control over the content that is viewed by national citizens.

However, it has also been noted by these transnationals themselves that audiences often prefer nationally produced film and television productions to foreign productions. In Western Europe, for example, "the top rated TV programs are nearly always domestically produced, and there is widespread recognition that audiences prefer home-grown programs if these have the resources to compete with Hollywood production"²¹. Many of the transnational corporations have realised this and are trying to introduce an element of cultural specificity into the productions that they sell to foreign markets.

¹⁹ Burnett, R, 1996, pg 15

²⁰ McChesney and Herman, 1997, 72

²¹ McChesney and Hermann, 1997, pg42

Many of the global media and entertainment companies are now producing content in indigenous languages and are incorporating local productions in their television or theatrical offerings. This also results in US-based media giants entering into partnerships with local producers.

ISSUE: Audiences tend to prefer local content television productions to foreign produced productions when they are of similar quality.

2.2.2 The importance of the size of the market

A dynamic relationship, albeit chicken and egg, exists between the size of the market and the size of the budget. As film and television industries have access to greater markets they can afford greater budgets and the greater the budget the greater the likelihood of reaching bigger audiences (because then they can afford big name actors and actresses, special effects, better and well known directors, producers and writers).

This has clear advantages for countries such as America and India. America has a population of approximately 250 million people compared to 57,8 million in France, 58 million in Italy and 43 million in South Africa. The big population in America provides a huge domestic base from which products can start recouping their costs and making profits.

This is coupled with high barriers to entry for foreign productions in the US market because of the preference American audiences have for American product.

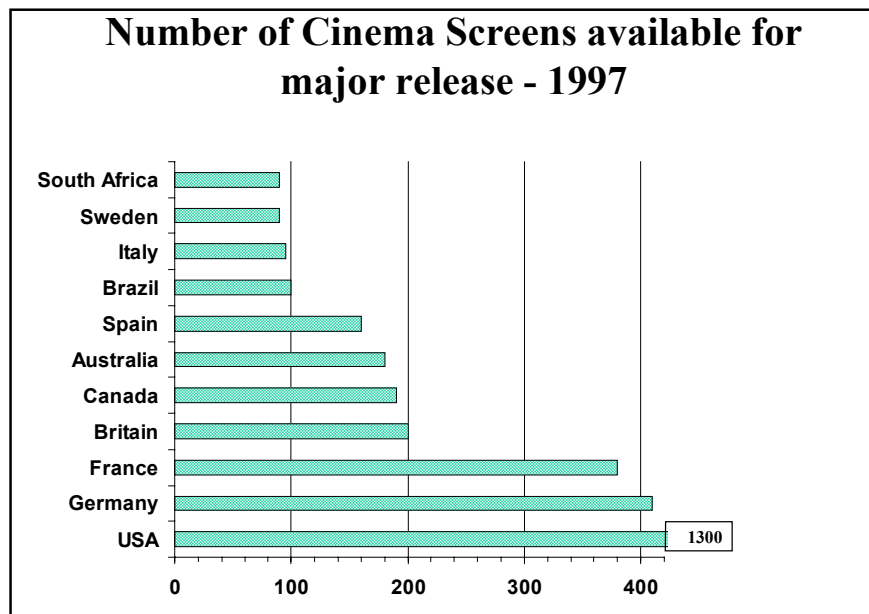


Figure 5 - Number of Cinema Screens available for Major Releases²²

²² Screen Digest survey cited in Economist "A World View" A World View, 18/01/98

The number of cinema screens available for major cinema release is shown below in figure 5. This demonstrates that America has by far the greater number of screens available for new releases.

The table below provides a comparison of the percentage of US and domestic box office takes for six selected countries (average 1990-1994)²³:

US and Domestic Box Office

Country	Total Domestic % of box office	Total US % of box office (US\$m)
South Africa (1994)	3%	90%
UK	5%	91%
Australia	7%	85%
France	33%	58%
Germany	10%	83%
New Zealand	2%	na
US	96%	96%

Table 2 - US and Domestic Box Office

Table 2 demonstrates that the domestic market is a big proportion of box office return for the American industry. This figure is decreasing as movie budgets increase and American studios look for international markets for their products. However, the strong domestic market in America for film and television has provided an important springboard into the international market.

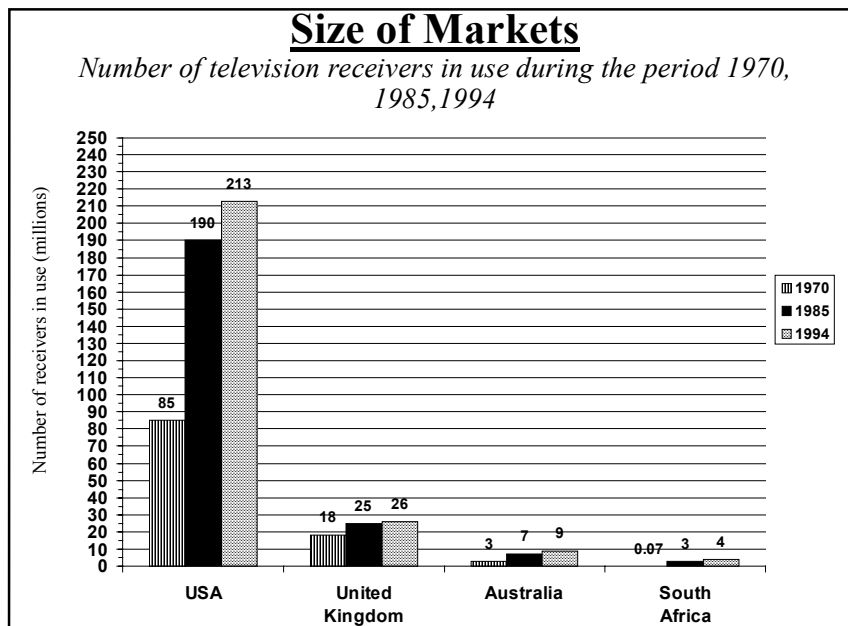


Figure 6 - Size of Markets²⁴

²³ Figures taken from Paper by Michael Ward "On issues related to the development of the South African film and television production sector"

ISSUE: The size of the domestic market is important in providing a springboard for export of film and television production. South Africa's domestic market is at present very small in comparison to developed markets.

A large domestic market as well as access to big domestic audiences allows filmmakers to produce movies with bigger budgets than other countries. The average investment for a theatrical feature film in the United States, for instance, is \$12.3 million, compared with \$6 million in Britain and less than \$5 million in France²⁵

A 1996 survey by Variety magazine of 164 Hollywood releases cited in the book "The Global Media" concluded that films with budgets greater than \$60 million tended to be far more profitable than less expensive films. In 1996 just 13 of the 417 films released by Hollywood studios accounted for nearly 30% of total box office.²⁶

While the main studios are increasing their output to meet demand, they are concentrating on the production of blockbusters. With the financial stakes so high the implications for film making tend to be homogenisation of content and less risk taking. They are therefore becoming less inclined to take risks with smaller independently produced productions.

ISSUE: Studios targeting a global audience are disinclined to take risks on smaller productions by independent producers

2.2.3 Distribution and Exhibition

A distribution pipeline exists in the global industry. Distribution companies distribute a number of productions from one studio. These productions all cross subsidise each other. The entire distribution and exhibition business is one of cross subsidisation. For example, Ster-Kinekor's contractual arrangements with the majors are called Globalised Distribution Agreements. With these agreements, the distributor agrees to distribute all of an individual studio's products. At the end of each year the distributor looks at the income statements for each of the films produced by the majors. They then add up the profits and losses from the movies. If an overall profit has been made by all the movies produced by a major, it is divided between the distributor and the producer (the distributor earns on average 25% on the gross margin). If the cumulative effect is a loss, the studio will pay the loss back to the distributor.

For the major studios, the movies that are most profitable make so much revenue that the studios can afford to cross subsidise movies that are less profitable. In an industry with the bizarre statistics of this one, where so few movies actually make a profit, this form of distribution makes sense.

South African producers have tended to try to get their individual productions distributed in the international market with limited success. An important opportunity would therefore be to develop a distribution pipeline both for domestic and international distribution. This opportunity has already been recognised by a number of the bigger players in the industry who have plans to put such a pipeline in place. This will be elaborated on later.

²⁴ UNESCO Statistical Yearbook 1995

²⁵ The Economist, *A World View* 18/01/98, pg 3

²⁶ McChesney, R and Herman, C, 1997, pg 45

ISSUE: The development of a national and international distribution pipeline for South African productions is an important opportunity.

2.2.4 The Broadcasting Environment

The US television market is vertically and horizontally integrated with relationships between broadcasters, program suppliers, and facility providers as well as relationships between national networks and affiliated stations. While US law limited the number of stations each network could own, structured relationships were allowed to develop between stations or affiliates. There are also program purchase arrangements with other broadcasters or major film and television distribution companies. As a result of these relationships, the American industry developed the secondary market pricing system in which television networks could recoup the cost of production in the primary market through the television stations that they owned, and then sell the product at a reduced price to their affiliated stations (their secondary markets). These products are then sold to other national broadcasting services at further reduced rates.²⁷

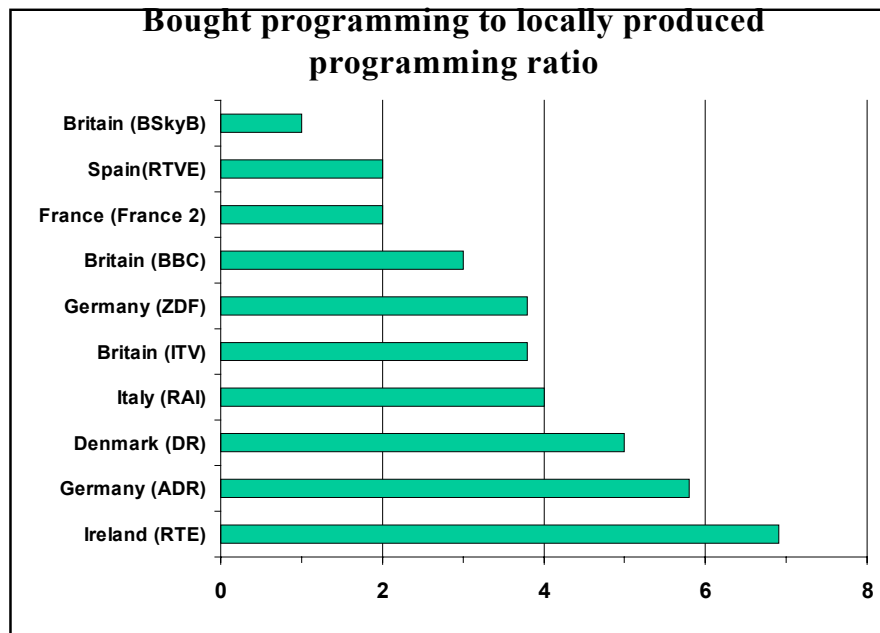


Figure 7 - Bought to locally produced programming ratio²⁸

Figure 7 shows the ratio of bought programming to locally produced programming in a number of countries. While the ratio may vary for different countries, bought programming is always cheaper. The implication of the secondary market pricing system is that no domestic audio-visual production industry is ever in a position to compete with foreign products. Foreign productions are always being sold at prices far lower than the cost of production because they have already recouped their cost of production in their domestic market.

²⁷ Michael Ward, Address to the Conference on Local Content, 20 November 1997

²⁸ The Economist *A World View* 18/01/98

ISSUE: The cost of local content will always far outweigh the cost of international product because international product will always have recouped a significant portion if not the entire cost of production before being sold on to the foreign market.

2.2.5 Local Content Quotas

With the globalisation of film and audio-visual products, a concern arose within many countries that national cultural development had become undermined. With this concern has come a push to promote and develop local culture through the development of national film industries. However, given that local content always costs more than imported product, many governments have imposed local content quotas on broadcasters in order to ensure the development of the local industry. Local content legislation aims to provide the public with as broad a range of entertainment to reflect the diversity of the country in which it is being exhibited.

The table below provides examples of local content quotas that have been imposed. These differ based on the strength of the lobby of local producers as well as the level of integration of the economies in the global market. The greater the integration the more difficult it becomes to maintain high local content quotas.

International Local Content Quotas²⁹

United Kingdom:	BBC and Commercial Television are required to program 25% from independent producers.
Australia:	Commercial Television must program 50% over the whole day.
France:	A quota of 60% European content is legislated of which 40% must be French content
Malaysia:	A target has been set of 80% local content by the year 2000
Singapore:	Local content of 55% of total schedule
China:	Local content quota of 90%
South Africa	<ul style="list-style-type: none"> * 30% local content for private terrestrial channel (40% of this to be sourced from local producers) * 50% by 1998 for the public broadcaster (with a minimum of 30% per channel and 40% sourced from independent producers) * 5% for terrestrial pay television, 20% local content for open time

Figure 8 - International Local Content Quotas

ISSUE: Local content quotas provide a way for national audiences to see their own productions in spite of higher costs.

2.2.6 Changes in the broadcasting environment

Prior to the introduction of satellite television, there was a restricted number of television channels due to broadcast signals being limited to terrestrial signals. Terrestrial transmissions refer to signals that are broadcast from transmitter stations located on earth. With terrestrial broadcasts, television signals can only be received within a 50-60 kilometre radius due to the curvature of the earth. Satellite television has greatly enhanced the capacity of broadcast technology. This increased capacity resulted in the globalisation of television during the 80s, largely due to the decreasing cost of using communication satellites. *“During the 1980s multichannel television spread around the world. The main driver was the falling cost of launching communication satellites: the technology that had allowed the Soviet Union and America to spy on each other became an inexpensive way to transmit television signals.”* Initially only cable companies could afford the huge antennas required to capture those signals, which they would then transmit to fee-paying subscribers.³⁰ The increase in the number of broadcasters increases the opportunities for filmmakers to get their productions onto television.

ISSUE: Changes in the global broadcasting environment has resulted in a greater number of distribution outlets for audio-visual productions

²⁹ Michael Ward, Presentation to the local content conference Durban, 20 November 1997

³⁰ The Economist, *A World View*, 18/01/98, pg 3

The emergence of an increased number of broadcasting channels has a number of opportunities and challenges for countries where film producers have historically found it difficult to get product distributed internationally.

On the one hand, new distribution technologies and increased demand for programming creates opportunities to expand beyond the domestic market and penetrate other markets. On the other hand, as in all industries that move from regulated policies to deregulation, the potential for greater imports to take over the market has also increased. The advent of satellite television provided many US based television networks opportunities to further exploit their libraries of television productions.

ISSUE: New entrants into the global markets are competing with the established players for the opportunity to have their productions broadcast or exhibited through the new delivery channels

2.2.7 Market Fragmentation

Despite the dominance of the American audio visual industry and the extent to which it has developed distribution and exhibition channels in countries across the globe, increasingly the mass market is becoming fragmented because the number of delivery modes available to audiences are multiplying all the time. The increasing number of television channels and cinema screens have provided consumers with a much greater range of choice.

The implication of the fragmentation of the mass market is that in order to reach a huge audience, film makers have two options; either they access huge budgets in order to access huge global audiences or they access smaller budgets and reach smaller, niche markets.

Smaller, niche markets are better served by independent producers who are more in touch with the needs of these markets and are in a better position to make non-formulaic films for specific audiences. The South African film industry is mainly comprised of independent filmmakers who could capitalise on the international fragmentation of markets.

ISSUE: Fragmentation of audiences has led to the development of niche markets which independent producers are best suited to servicing

2.2.8 New markets in the global industry

While North America and Western Europe remain the most important markets for global media players, there are a number of other markets that are important for industries trying to develop niche markets.

The global media players are relatively inactive on the African continent. Many of the broadcasters in Africa have been privatised but have limited capital for the purchasing of productions. There is however a growing market for satellite television. South African based private television station, M-Net has started to capitalise on this market. M-Net currently broadcasts satellite television to 1.1 million African homes in 37 countries. In November 1996, M-Net also launched the M-Net Egypt channel as part of a digital satellite bouquet owned by Arab Radio and TV (ART).

There are also some inroads being made into this market using the system of bartering. Bartering involves the exchange of television productions for advertising time rather than payment. This provides broadcasters with ways of acquiring good quality productions without having to pay vast amounts of money for them.

The South African based African Barter Company has had some success with this approach in Africa. They have successfully sold the South African soap opera *Egoli* to a number of African countries. However, in terms of theatrical releases, Africa will probably not be a viable market for some time. At present many cinema's have in fact been closed down and converted into storage areas because there are often not enough people with disposable income for this form of entertainment.

Another development, which should help to develop a market for films in Africa, is the commitment by South African based cinema group Ster Kinekor (Owned by Primedia) to develop cinema complexes in Africa. At present they are investigating markets in Zimbabwe, Botswana, Namibia, Uganda, Kenya, Mozambique, Malawi, Zambia, Gabon and the Cote d'Ivoire.

Eastern Europe has been seen increasingly as an emerging market for the global players because of the developing affluent middle class.

Latin America is also a growth area. 85% of Latin American homes have television sets and 11% to 15% have cable or satellite television.

Asia is seen as one of the fastest growing media markets for the global players. The table below shows the projected increase in television ownership in Asian countries.

Projected increase in television ownership in Asia

Country	Projected Increase in television ownership between 1995 and 2003
India	50%
China	33%
Indonesia	33%
Thailand	25%
Malaysia	25%

Table 3 - Projected increase in Television Ownership in Asia³¹

China in particular is set for huge growth. The number of channels has increased from 32 in 1973 to 600 by 1992. It is expected to become the largest cable market in the world by the year 2000 with the number of subscribers increasing to 100 million.³²

³¹ Source - McChesney and Herman pg 64-68

³² Financial Times, "China keeps tight grip on cable television boom", 1996,

ISSUE: The biggest opportunities for export outside of the US and Western Europe seem to be in Asia, Western Europe and Latin America. There are also some opportunities for the export of television productions into Africa.

2.2.9 Intellectual Property

Like all content creating industries, intellectual property rights are very important in the film and television industries. The party with the rights to exploitation of audio-visual productions is going to make the money out of the product, irrespective of where the film is shot, the content of the production and the nationality of the cast or crew working on the production.

An example of this is the production of the British movie *The Full Monty*. This film was the most successful movie of 1997, in that its box office revenue was 59 times its £2,1 million budget. The Economist reported that almost all of the £124 million it took went to Rupert Murdoch in America. This was because, the company, Fox Searchlight (a subsidiary of News Corporation), financed the movie and therefore retained the rights. In terms of British eligibility to tax incentives the Full Monty would qualify even though the majority of the economic benefit does not accrue to the British economy.³³

ISSUE: When foreign companies fund a production in its entirety, the intellectual property rights are liable to rest with the foreign company. This means that the full economic benefit of the production will not accrue to the country of origin.

³³ The Economist, "Celluloid and Silliness", 03/1998

SUMMARY

The global industry is characterised by increasing levels of vertical and horizontal integration and concentration of ownership.

Opportunities for the South African industry presented by global trends include:

- The opportunity to increase profit margins across a number of different delivery channels
- The tendency for audiences to prefer local productions when they are of similar quality to international productions
- The development of a national and international distribution pipeline
- The increase of distribution outlets relating to the advent of satellite television and a greater number of multi-screen cinemas.
- The opportunities for local producers of local content quotas
- The fragmentation of markets leading to opportunities for independent producers in niche markets
- Biggest opportunities for export are in Asia, Western Europe, and Latin America. There are also some opportunities in Africa for the export of television programmes

Challenges presented by the global market include:

- The need to withstand the transnational companies threat to domestic cultural industries
- To need to increase the size of the domestic audience
- The disinclination of large global studios to take risks on smaller independently produced products
- The problems of high barriers to entry for new players in the global market
- The high cost of local content
- The loss of intellectual property rights to big global players leading to a loss of economic benefit for the domestic economy

SECTION THREE - HISTORY OF THE SOUTH AFRICAN FILM AND TELEVISION INDUSTRY

In the preceding section of the report, trends in the global industry were outlined in order to identify the opportunities and challenges for the South African industry. We will now give a brief history of the development of the South African industry before describing the industry in its present form.

The story of the South African film industry begins with the establishment of African Film Productions and the production of the first fiction film made in South Africa, "The Great Kimberley Diamond Robbery" in 1910. This movie tells the story of the discovery of a diamond by .."a native and its purchase by two prospectors who in turn dispose of it for 1 000 pounds."³⁴ Many of the movies made in South Africa during the early years are adventures related to gold and diamond mining. South Africa was also the subject of a number of movies during the early years. Most of the early movies dealt with white heroes and heroines with Africans placed in roles of either villains or protectors, but always as sidelines to the plot.

FACT

The first fiction made in South Africa was "The Great Kimberley Diamond Robbery" in 1910.

Isadore William Shlesinger was the father of cinema in South Africa. He owned African Film Productions (AFP), a distribution company called African Consolidated Films (AFC) and exhibition venues under African Consolidated theatres. It was only in 1956 when 20th Century Fox bought out Schlesinger's interests that US companies acquired a market share in South Africa.

Forty-three movies were made between 1913 and 1956 by African Film Productions. Thirty-seven of these were made during the period 1913-1922 when, due to World War One it became too expensive to import many American productions into the country.³⁵ After the war, however, production declined rapidly and during the period 1930-1950 very few South African films were made .

This changed when Jamie Uys established a relationship with the South African government. As the Actag report states; *"A 30 year lull was broken in the early 1950s by Jamie Uys when he succeeded in attracting Afrikaner dominated capital to establish independent production. He and a group of feature filmmakers persuaded the government to provide a subsidy for the making of local films. Though the subsidy scheme underwent numerous revisions over the years its prime aim was to foster conservative populist themes."*³⁶

Despite the subsidy scheme, South Africa has never had a coherent approach to the film industry. The Film Subsidy scheme was introduced in 1956 and stopped in 1992. The auditor general's report in 1995 revealed that R2 billion was spent on this scheme and 800 feature films were subsidised. This scheme allowed producers to write off their investment within the year of production and claim 80% of the investment back. In theory the criteria for accessing the funding was narrowly defined audience attendance rates rather than overall development of the industry.

FACT

The film subsidy scheme was introduced in 1956 and stopped in 1992. During this time R2 billion was spent on the scheme.

³⁴ Davis, P, 1996, pg 13 (this is a quote from the Star 12 December 1911)

³⁵ Tomaselli, K, 1997, pg2

³⁶ Chapter 9, The ACTAG report page 289

In practice the criteria were haphazardly applied. Films only had to be registered with the Department of Home Affairs and comply with the censorship legislation of the time. These films were predominantly Afrikaans and had a conservative political agenda. Many were never viewed. During the period 1956-1984 only 16 out of the 604 movies produced were sold outside of South Africa.³⁷

The first film made by an African was *Joanie and Gemma* by Lionel Ngakane. Although Lionel Ngakane was not living in South Africa at the time, the film was shot in the country. In 1976, Gibson Kente, another black South African filmmaker made the film *How Long*.

A secondary funding scheme was introduced in 1974 that assisted the production of films made by whites for black audiences. This was called the subsidy B scheme (the subsidy A scheme was for white Afrikaner produced films) and its aim was to create funding for "African" films in a black language. *"Based on the principle of "separate but equal development", a number of "black" films were produced under this scheme. They tended to promote a "feel good" attitude that had little or no political comment on the state of black people in the country. The subsidies given to both English and so called Bantu films were considerably lower than that given to Afrikaans films"*³⁸

Television was introduced in South Africa in 1976 and immediately took audiences away from the cinemas. The first channel, TV1 started broadcasting on 5 January 1976. However, "Television viewership stabilised around 1978 and by 1979 the cinema going public had increased to levels greater than before 1976."³⁹

FACT

Television was introduced in South Africa in 1976.

During the mid '80s, a loophole was found in the Income Tax Act, which was aimed at stimulating exports⁴⁰. In terms of this section an exporter could deduct marketing expenses against tax. The loophole discovered allowed exporters to deduct between 50% to 100% of those expenses again. This allowed foreign moviemakers to make movies in South Africa and attract domestic investors to pay for the local production costs. They could take advantage of the double deduction, as the movie could be seen as an export.

This substantially reduced the risk to the investor and removed a great deal of responsibility from investors to evaluate the potential success of the movie. As a result movies were offered to investors at a huge return with guaranteed returns said to be as high as 185%. Consequently, many fly-by-night producers got involved in the industry and movies were made that no one saw simply to make money from the tax incentive. During the late '80s, government promulgated the Section 24H of the *Income Tax Act* that cut export incentives from 250% to 20% of foreign turnover.⁴¹ This substantially reduced the benefits to the industry of export.

Little of the money from the subsidy and tax incentive schemes was invested in developing a sustainable industry. Government money was used to make to a few individuals rich. Allegations of corruption in the allocation of the funding, the funding of "ghost" movies that never got produced and movies that never got distributed or

³⁷ Bignaut, J, 1992, pg 112

³⁸ Luis De Barros

³⁹ Tomaselli, K, 1997, pg7

⁴⁰ Section 11 (bis) Exporters Compensation Allowances and Credits

⁴¹ Gus Silber, 1992, pg122

exhibited have been made. The scheme also operated in tandem with the censorship legislation and movies were not subsidised which challenged the political and social status quo.

During the apartheid years a parallel stream of independent producers developed, such as VNS and the Free Filmmakers, who did challenge the political and social conditions in South Africa. They were generally funded by overseas funding agencies and produced political or social documentaries. Very few feature films were made which challenged the status quo prior to the mid 80's. Exceptions to this were *Cry the Beloved Country*- made in 1949, and *Boesman and Lena* by Atholl Fugard.

During 1987/1988 the scenario changed with the production of movies such as *Mapantsula*, *The Stick* and *Place of Weeping*. This occurred because independent producers had graduated from documentary production and because reputable international producers became interested in the South African industry.⁴²

With the scrapping of the film subsidy scheme, the industry has found itself in a crisis. The scheme lacked key elements for the development of a film and television industry. These key elements include the development of markets, the development of talent and a distribution and exhibition pipeline. Funding was simply used as an extra income source rather than as a way of creating a sustainable industry and did not create an audience for South African movies. One exception to this is Leon Schuster, who has created an audience that grew out of a traditional Afrikaans base of people who identified with his characters and developed a loyalty to his films.

However, during the tax incentive and film subsidy scheme years, a number of films did get made. The fact that production was occurring meant that a strong technical and infrastructural base developed. As a result South Africa has well-developed audio-visual facilities and other supply industries. Crewmembers also gained skills and, although some of them left the industry when the opportunities for making short term profit dried up, many of them are still working in the industry today.

⁴² Interviews with Neville Singh, Indra De Lanerolle and the ACTAG report

SECTION FOUR - WHO'S WHO IN THE SOUTH AFRICAN FILM AND TELEVISION INDUSTRY

In this section of the report we will look at the ownership structure and players in the South African film and television industry.

4.1 Ownership structures

4.1.1 History of players

During the 50s and 60s, the Independent Film Studio was set up. They mainly made corporate films on training and industrial relations. When television started in the 70's there were only a few producers with experience, so the Independent Film Studio was well positioned to take advantage of the introduction of this media form. During 1986-87, Sol Kerzner developed an interest in the industry. He started to acquire companies in the leisure industries such as Ster-Kinekor, Satbel, the Killarney Film studios and the Independent Film Centre. All the film and television interests were owned by the Interleisure group that was a listed company. They owned film distribution networks, exhibition facilities, Toron production company, and production facilities such as the Video Lab.

In the 90's it was predicted that the television market would open up and more players would be licensed. With the establishment of the Independent Broadcasting Authority (IBA) and certain ground rules in place it was decided that it would not necessarily be an advantage for Interleisure to be so horizontally and vertically integrated.

As a result there was a management buyout of Toron, the production company. Endemol, the Dutch based production company, helped finance the buy out and is a major shareholder in Endemol Productions South Africa. The Video Lab group was bought by the Sasani group, which listed on the Johannesburg Stock Exchange on the 20 January 1997 and now also owns the Movie Camera Company (a large production equipment company). Lastly, Interleisure sold Ster-Kinekor's distribution and exhibition companies in mid '97.

4.1.2 Present Ownership Structures

Profile of big entertainment companies

Ownership structures in the industry changed quite significantly during 1997. David Dison, executive director of African Media Entertainment (AME) made the following comments in this regard; "The industry is undergoing huge changes, deregulation is opening up the market. The IBA Act requires broadcasters to make greater use of local content, which means there are new opportunities"⁴³ Over the 1997 to 1998 period a number of initiatives have been embarked upon to develop the film industry. These initiatives have been both government- and private- sector driven and will be elaborated on further in the report. This section of the report deals with the major players in the South African film and television industry, which are not specific to one part of the value chain.

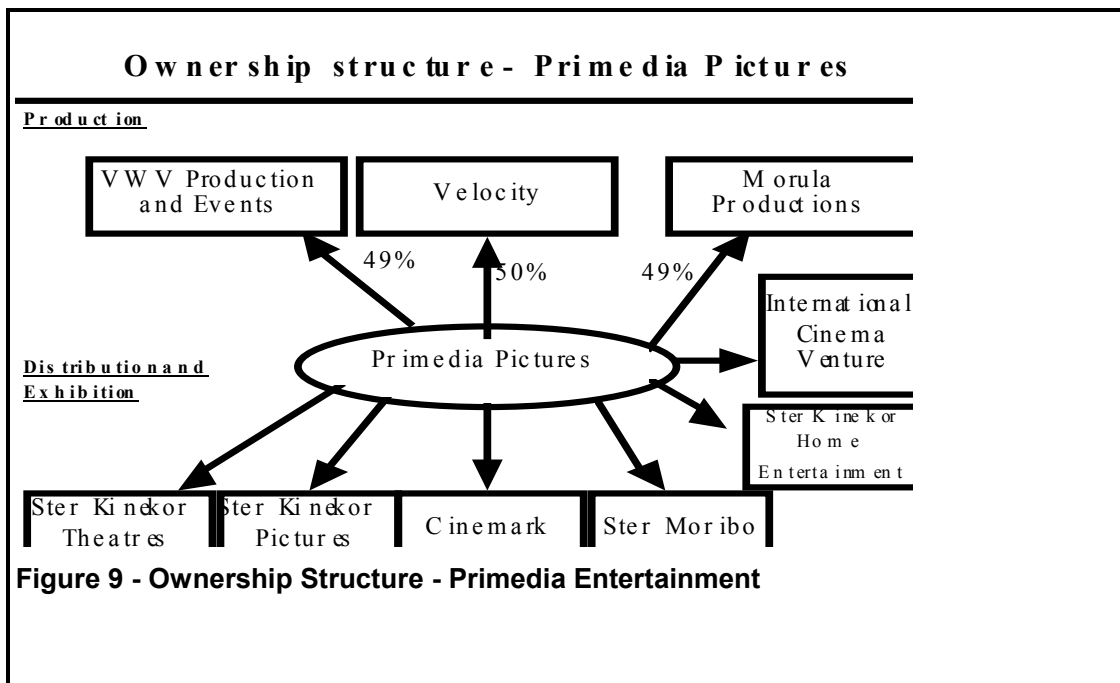
⁴³ Sunday Independent Business - 09/11/97

Primedia

Primedia is one of South Africa's biggest media companies. The company is organised into seven divisions, Entertainment, Specialist Marketing, Publishing, Direct Marketing, Broadcasting, Outdoor Advertising and Interactive Multimedia.

Entertainment is the largest division, comprising about 66% of the company⁴⁴. During July 1997, Primedia acquired Ster-Kinekor, the biggest distributor and exhibitor in the South African market, from Interleisure for R1,5 billion. As a result they also acquired Ster Kinekor's international cinema venture into Eastern Europe. They have since proceeded to establish a film division within Primedia Entertainment, called Primedia Pictures, which is focusing on international distribution of local content. They have acquired a 49% stake in VWV a video production company and 50% in Velocity Films a leading commercial production company. They have also acquired a stake in Mfundu Vundla's production company, Morula Pictures (who produces the soap opera *Generations*). The production company Catalyst Films has also been acquired. However, Jeremy Nathan, from Catalyst, is now employed as an executive producer in Primedia Pictures and Catalyst no longer exists.

Primedia will only acquire companies that are financially successful. Primedia Pictures goal is to become Africa's premier distributor of South African and African content to global markets. However they are also investing in content development and production. They are doing this through acquiring some production companies and developing a network of other production companies who will supply them with product. They are aiming to cross collateralise their film and television interests with their other businesses listed above. They will also be establishing a non-classical distribution company to target developing audiences.



⁴⁴ Merrill Lynch, 1997, pg 3

Millenium Entertainment Group Africa (MEGA)

CNA Gallo, which owns Tusk Music Group and Nu-Metro Cinemas as well as a number of publishing assets divested its interests in non-entertainment related areas in order to focus its activities on entertainment, leisure and related intellectual property during September 1997. They have since changed their name and listing on the JSE to Millenium Entertainment Group Africa (MEGA) listed under entertainment. Omni Media Corporation has a 33% stake in Mega and also owns the Sunday Times and Business Day Newspapers and has significant stakes in M-Net. The Omni Media Corporation is in turn owned by Johnnic. Johnnic itself is aiming to become an ‘infotainment’ company with interests in media, entertainment and information technology.⁴⁵

Sasani

Another major player in the industry is Sasani, which owns Video Lab and the Movie Camera Company. The Movie Camera Company (MCC) is the biggest supplier of camera equipment in South Africa.

The Video Lab Group is a production and post production facilities company. The Video Lab Group includes:

- The Video Lab Johannesburg, which provide post-production facilities for the television commercial, film and corporate industries.
- The Video Lab, Cape Town, which provides commercial and corporate post-production facilities, processing of film and sound production.
- The Video Lab, Durban, which provides corporate and retail commercial post production facilities.
- The Audio Lab, which deals with music and commercial sound post production facilities
- The House Next Door, which specialises in computer generated graphics
- ZSE TV, which offers studios for corporate, commercial and programme production. The soap opera Egoli is shot using these facilities
- The Film Lab, which is the premier film-processing laboratory in South Africa.
- The Camera Store, which is a highly specialised video production rental company. They hire out cameras, sound gear, outside broadcast vans, crews and support equipment.
- Chris Fellows Sound Studio, who are a leading feature film sound post production facility.

⁴⁵ Business Times, “Omni Mirrors the changing face of Johnnic Media Group” 17/07/1998

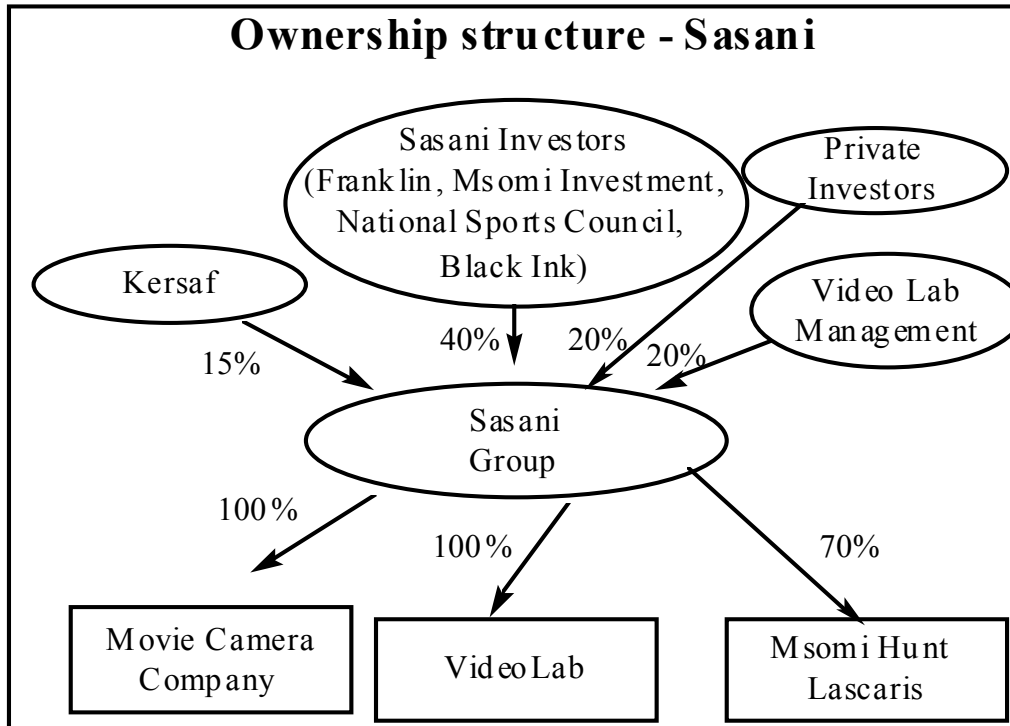


Figure 10 - Ownership Structure - Sasani

Sasani's view is that an increased number of local productions will mean greater use of their facilities. The quality of facilities for post production have improved greatly over the past few years due to increased foreign productions being filmed in South Africa.

Sasani has also established an Integrated Communications Services division aimed at corporate below-the-line promotional market. They have made acquisitions of Mozaic Digital Designs (70%) and an industrial theatre company called The Blue Moon Company (30%). In addition they have acquired a 30% stake in newly formed business digital satellite company Global Access South Africa (GASA).⁴⁶

African Media Entertainment

Another new development in the industry is the coming together of five companies that will be registered on the stock exchange under the name African Media Entertainment (AME).

The group comprises of

- Moonlight Film Makers, an advertisement production company,
- Penguin Films, a production house which specialises in television sitcoms and drama,
- Pro-Touch and Exclusive Hire which is a niche event management and launch facility, and
- the Northgate Dome, which is South Africa's first purpose build indoor event, exhibition and banqueting facility.

⁴⁶ The Business Day, "High Growth foreseen for Sasani", 24/06/1998

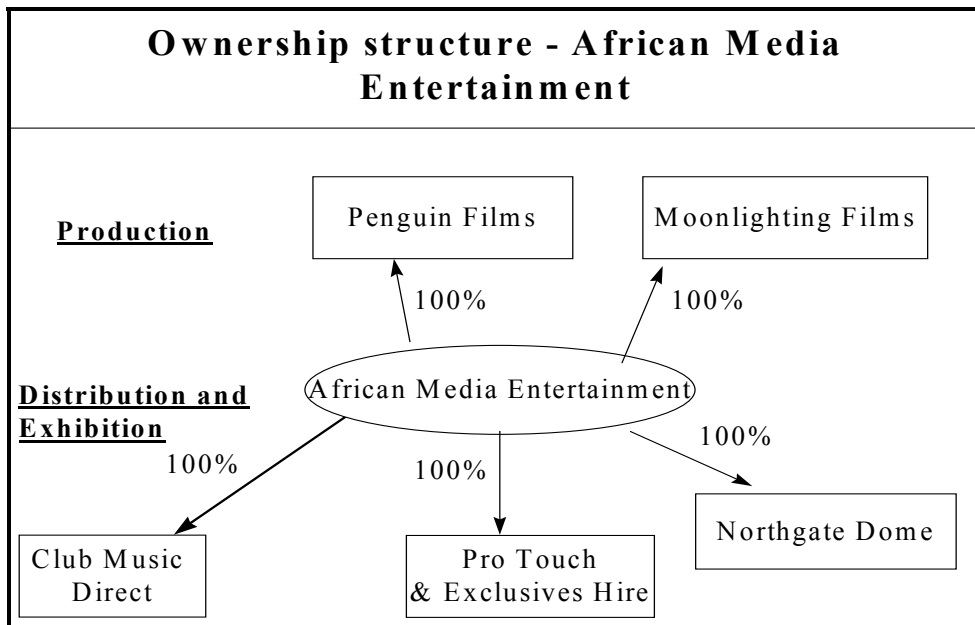


Figure 11 - Ownership Structure - AME

Kagiso Media Limited

At present this group is involved mainly in print, publishing and radio broadcasting industries. They are, however, aiming to become a leading integrated electronic, print and entertainment media group. Kagiso Media Limited is primarily interested in the provision and distribution of content. For this reason they could very well become a player in the film and television industry. The group is 68.7% black controlled. One of the shareholders is Anant Singh's company Videovision who own a 15% stake.

Comment

The ownership structures in the communications, information and entertainment industries are in the midst of a great deal of change and realignment. A number of the newer media companies such as AME and Sasani are making acquisitions and consolidating their positions in the industry. During the next two years there is likely to be a shakeout and consolidation of companies in these industries. Due to increased competition from foreign players there is also likely to be a number of joint ventures and partnerships set up between the players in different parts of the value chain as they attempt to starve off competition.

4.1.3 Players in the value chain

The film and television value chain is presented below. In the previous section we outlined players who are involved in a number of different sections of the value chain. In this section we outline the main players in the value chain. In the conclusion to this sub-section we provide a diagrammatic representation of the beginners, intermediate and advanced players in the value chain.

Ownership structures in the South African film and television industry are very different for the production of films, and for the delivery of films. The industry is characterised by high levels of concentration in the distribution, exhibition and broadcasting industries, with a fragmented production industry.

The aim of this section is to provide a brief overview of the players in the value chain. The structure of the industry is presented in figure 12 below. For the purposes of this report we will concentrate on:

- the production companies,
- the casting and crewing agencies,
- the facility and equipment suppliers,
- film and video distributors,
- video retail and rental
- exhibitors and
- the broadcasters.

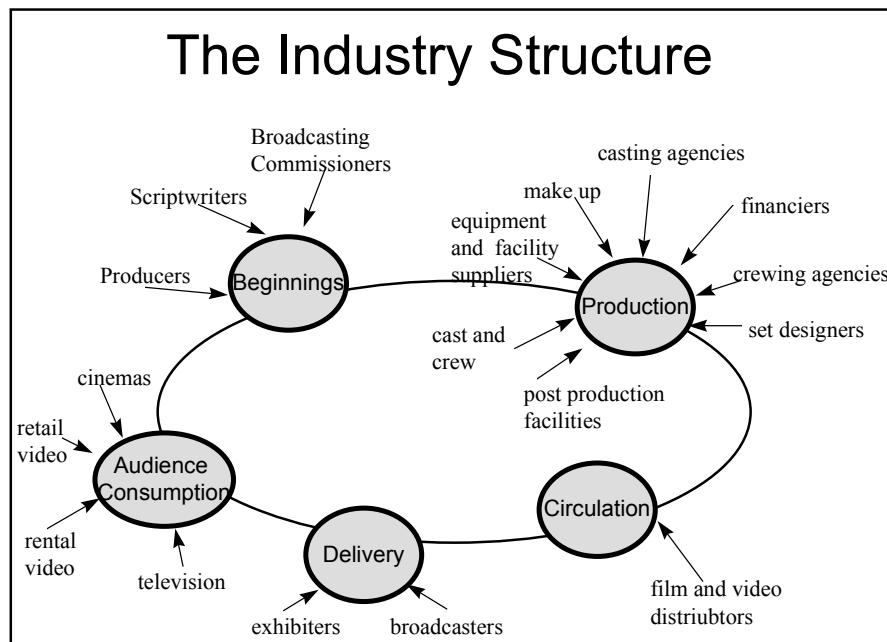


Figure 12 - Industry Structure

Production Companies

This part of the value chain is very fragmented and there are hundreds of small production companies in the industry. Estimates range from 400 to 550. Merrill Lynch, for instance has estimated that there were approximately 400 production companies in 1997. According to Showdata, however, there were 542 production companies in the South African industry in 1995. These are broken down as follows:

Breakdown of South African Production Companies 1995

	Gauteng	Western Cape	Natal	Eastern Cape	Free State
Production Company - Audio Visual	42	3	3	1	
Production Company - Community	59	21	2	2	
Production Company - Corporate	19	3			
Production Company - Documentary	42	4	1		
Production Company - Television	234	18	29	3	4
Production Company - Video	42	3	4	3	
Total	438	52	39	9	4

Table 4 - Breakdown of South African Production Companies⁴⁷

By far the majority of the production companies are located in Gauteng (approximately 80%) and most of these are involved in television production. The agglomeration of film and television production in Gauteng has been partially offset by the development of the location industry in Cape Town. Approximately 9% of production companies are located here and are mostly involved in community and television production. Natal has approximately 7% of production companies and the remaining few are spread between the Eastern Cape and the Free State. ⁴⁸

FACT

There are between 400 and 542 production companies in South Africa, mostly located in Gauteng. Of these, about 150 are very active.

Of the 400 - 550 production companies, there are about 150 very active companies that belong to the Independent Producers Organisation (IPO) as at November 1997. Table 5 below gives an indication of the employment figures in these 150 companies. As can be seen from the table, the majority of these companies comprise of 2-3 people.

Employment Figures in IPO Companies

	2-3 people employed	4-10 people employed	More than 10 people employed
No of production companies	138	9	3

⁴⁷ Source Showdata Website

⁴⁸ Westgro, 1996

Table 5 - Employment Figures in IPO Companies⁴⁹

The three biggest companies, in terms of employment figures, on the IPO database are Endemol, Philo Pieterse Productions and Videovision.

Endemol Productions South Africa (Pty) Ltd was established in the early 90's as a result of a management buyout of Toron Production Company, previously owned by Interleisure. They also have a 50% share in Dapple Films (who produce *Suburban Bliss*). They employ approximately 20 people, of which 12 are filmmakers (producers, directors, and writers). Their productions are mainly for television.

Endemol has produced all the Leon Schuster movies and produces mainly television productions, including *Suburban Bliss* and *Isipingo*.

Philo Pieterse produced the movie *Lipstiek Dipstiek* and is currently involved in the production of foreign films in South Africa.

Anant Singh owns VideoVision. He produced the movies *Pajjas* and *Cry the Beloved Country*, amongst other features. Anant Singh is also involved in some co-productions. His most recent co-production was the movie *Brave to Zero*, co-produced with the BBC and starring Sean Bean. Videovision has a 15% stake in specialist media group Kagiso Media Limited (previously Publico).

The largest producer, in terms of quantity, in the television sector, is Franz Marx Films, which produces *Egoli* for M-Net. Other players, in television, are Endemol, Sonneblom Films, Penguin films (owned by African Media Entertainment), Jan Scholtz, Combined Artists Productions, Heyns Films, Cape Waterfront TV and Morula Films.

Approximately, eight feature films are made per annum in South Africa. Of these Anant Singh usually produces between one and two, New Image produces approximately two and smaller producers produce another five.⁵⁰

Facility and Equipment Suppliers for Production and Post Production

This part of the value chain involves the provision of studios and equipment for production and the provision of postproduction facilities such as sound, editing and print processing.

Postproduction is also very fragmented and is comprised of about 150 small players and a few bigger players.

The Movie Camera Company (owned by Sasani) is the largest supplier of film equipment in the country. They rent cameras, video equipment, lighting and grip equipment. The MCC also supplies technicians to operate the equipment. They also sell Kodak film and manufacture generators and lighting grip equipment that is all exported. Their nearest competitors are Logical Designs, and Ken Eddie (an independent based in Cape Town).⁵¹

FACT
Sasani is by far the biggest player in the production and postproduction facilities and equipment supplier companies

⁴⁹ Source IPO database

⁵⁰ Merrill Lynch, 1997, pg 96

⁵¹ Interview with Corrie van Wyk - Managing Director of the Movie Camera Company

The largest post production facility in the country is the Video Lab group (also owned by the Sasani group). Six Street Studios (owned by Abacus) is their closest competitor. There are however a number of smaller companies which offer specialised postproduction services such as sound, audio and facilities.

Casting and Crewing Agencies

There are approximately 10 crewing agencies in the country, 7 of which are in Johannesburg and 3 in Cape Town. The agencies in Johannesburg have approximately 3000 people on their books. There are approximately 78 casting agencies operating in Johannesburg and Cape Town⁵². These agencies provide staff for the commercials, modelling and film and television industries.

Film and Video Distribution

Film and video distribution is a concentrated sector in the value chain. The three main players are Ster-Kinekor, UIP and Nu-Metro.

For video distribution, Ster-Kinekor has the distribution rights for Columbia and some independents and Nu-Metro has the distribution rights for Paramount, Universal and MGM.

FACT
The three main players in film and video distribution are Ster-Kinekor, UIP and Nu-Metro

In the past the distribution of feature films for theatrical release was owned by Ster-Kinekor (50%) and by UIP Warner (50%), which included Nu-Metro Independent distribution⁵³. Nu-Metro Entertainment, a wholly owned subsidiary of MEGA, has recently signed a three-year distribution partnership with Warner Bros and will begin the distribution of their products in March 1998. Warner has therefore moved from UIP to Nu-Metro. The impact of this is still to be seen but there is some speculation that Nu-Metro may become a subsidiary of Warner Brothers.

As a result there are now three players in the theatrical distribution business, Nu-Metro, Ster-Kinekor and UIP. Ster-Kinekor picture distributes for the major studios, Columbia Tri-Star, Twentieth Century Fox and Disney, as well as independent productions acquired at the film markets. Recently output deals were struck with Castle Rock, Rysher and UGC. Ster-Kinekor Pictures also has strong relationships with Polygram, Summit, Miramax, Rank and Majestic. UIP distributes product for Paramount, MGM and Universal studios.

There are also some significantly smaller players who distribute film and video productions. These include the company VideoVision owned by Anant Singh and the Film Resource Unit that distributes videos.

Video retail and rental

⁵² Figures based on estimates from Screen Africa and Contact (published by Limelight)

⁵³ Interview with Rob Collins and Richard Ishmael

There are four players in the video retail sector. They are Nu-Metro Video with 60% of the market, Ster-Kinekor Home Entertainment with 25% of the market and GTV (who distribute National Geographic videos) and Music for Pleasure, who share the remaining 15% of the market.

FACT
Nu-Metro Video, Ster-Kinekor Home Entertainment, GTV and Music for Pleasure are the major players in video retail and rental.

Ster- Kinekor Home Entertainment and Nu-Metro video each have 42.5% of the South African market in video rental. CIC (owned by UIP) has about 12.5%.

Cinema Exhibition

There are about 639 screens in South Africa, including drive-in screens. Of these, 360 belong to Ster-Kinekor, 150 belong to Nu-Metro and another 131 belong to independents.

Cinema Screen Ownership 1996-1997

COMPANY	NUMBER OF SCREENS		NUMBER OF COMPLEXES	
	1996	1997	1996	1997
Ster-Kinekor	308 (60.8%)	358(56%)	51**(49%)	60*(54%)
Ster Moribo	29 (5.7%)	-	7 (6%)	-
Nu-Metro	38 (7.5%)	150 (23%)	20 (19%)	19 (17%)
Independents	131 (26%)	131 (21%)	27** (26%)	32 29%)
Total	506 (100%)	639 (100%)	105 (100%)	111(100%)

Table 6 - Cinema Screen Ownership 1996-1997 ⁵⁴

***In addition to the number of complexes in 1996, Ster-Kinekor owned 15 Drive-ins, Maxi Movies owned 7 single screens and the independents owned 44 single screen and 7 drive -ins.*

** In addition to the number of complexes in 1997, Ster-Kinekor owns 13 drive-ins, Maxi Movies owns 6 single screens and the Independents owns 36 single screens and 5 drive-ins.*

As can be seen from the above table, the total number of screens has grown from 506 to 639 since 1996. There has also been a greater deal of concentration of screens in complexes. Ster-Kinekor averages 6 screens per complex, which is up from the figure of 2.5 screens per complex a couple of years ago.

FACT
There are 639 screens in South Africa owned by Ster-Kinekor, Nu-Metro and a few independent players.

The number of cinema screens in South Africa has increased consistently at an average annual rate of 4.2% over the past seven years.⁵⁵

Broadcasters

⁵⁴ Source: Cinemark Media Rate Card 1996 and 1997

⁵⁵ Merrill Lynch, 1987, pg82

Broadcasters include SABC and M Net/MIH Holdings. SABC has three channels and M-Net/MIH has holdings have two analogue terrestrial and 28 digital satellite channels. MIDI TV, the new commercial broadcaster has also been licensed and is due to be on air by the end of 1998. Satellite television was launched during 1996. South Africa currently has approximately 33 channels.

FACT

SABC and M-Net are the two broadcasters in South Africa. MIDI TV is due to be on air by the end of 1998.

South Africa currently has

Stakeholders

Stakeholders in the film and television industry have lacked unity in the past. This was largely due to the effects of apartheid in the industry that meant that white producers had more opportunities. There was also much dissent regarding the role that the industry should be playing in either supporting or challenging the status quo. This left a legacy in the early '90's of an industry unable to respond to issues with a united voice.

However over the last year there has been a level of consolidation. The Independent Producer's Organisation, formed in 1996, has begun to play an important role in representing independent producers to the broadcasters as well as to government. They have played a role in lobbying parliament, helping to devise legislation, making submissions to the IBA regarding the licensing of M-Net and commenting on the Broadcasting Green Paper.

Other stakeholders are also playing an important role in holding seminars for the industry, representing various interests in the industry (such as workers rights through PAWE) and providing networking opportunities for members of the industry.

A list of stakeholders is provided in table 7 below.

Stakeholders in the film and television industry

Name of Organisation	Description	Membership and Location	Racial and Gender Breakdown
South African Scriptwriters Association (SASWA)	SASWA represents scriptwriters from television to radio, broadcast and non-broadcast. They advise the SABC on contract law, provide training on the craft of script writing, and present workshops on the marketing of scripts and on copyright.	+ - 250 Mostly in Gauteng, some members in Western Cape, Kwa-Zulu Natal and the Northern Province	35% are black and 45% are women
Independent Producer's Organisation (IPO)	The IPO was launched in 1996. It looks after the interests of emergent and established motion picture, audio-visual and non-broadcast producers, as well as the industry as a whole.	+ -188 members They have about 27% of their membership located in Cape Town,	16% are black and 22% are women.

*The SA Film and Television Sector
Cultural Industries Growth Strategy (CIGS)*

		3% in Durban and 70% in Gauteng	
Performing Arts Worker's Equity (PAWE)	PAWE was established in May 1990. PAWE represents actors, directors, writers, singers, dancers, musicians, technicians, administrative staff and other people who work in the arts field. PAWE represents approximately 75% of actors and actresses in the industry and +- 50% of technicians.	+3500 members. Most of the members are located in Gauteng with a few in Cape Town and Durban.	65% are black and 50% are women.
The National Television and Video Association of South Africa (NTVA)	The NTVA is an umbrella industry association for the electronic media industry and has been in existence for 18 years. Its members comprise of companies and individuals working in television, video, film and related industries. They represent the broadcast and non-broadcast sectors of the industry, including film, multimedia and support industries, such as equipment supply and hire, and postproduction facilities. The NTVA is involved in: education and training, the Avanti awards ceremony, arbitration, disseminating information and providing forums for the industry to network	2 500 companies. There are chapters in the Eastern Cape, Gauteng, Kwa Zulu Natal, Free State and the Western Cape.	97% white membership and 40% women membership.
The Cape Film and Video Foundation	This organisation has been in existence since July 1993. It is a Section 21 company that represents companies either directly involved in film in the Western Cape, or influenced by the industry. Its main purpose is to promote the Cape both locally and internationally as film and television location and to interact with the local, regional and central government.	Operates in Cape Town	
Women In Film and Television (WIFT)	WIFT was founded in February 1996, and is affiliated with women involved in film and television throughout the world. The organisation is based in Johannesburg and Cape Town and plays a role in educating and promoting the achievements of professional women, supporting equitable opportunities for women in the industry, and enhancing communication within the entire industry. They host workshops, forums and screenings on a number	200 members	

	of issues of relevance to the industry.		
South African Society of Cinematographers (SASC)	Formed 43 years ago, SASC is based loosely on the American Society of Cinematographers(ASC). They define themselves as an educational, cultural and professional organisation. Membership is by invitation only and is extended to directors of photography with distinguished credits.	73 members	100% white and one women member
South African Guild of Editors (SAGE)	SAGE was established in order to promote editors in the industry, ensure high standards of editing, facilitate channels of communication with other stakeholders, provide education and training for members and lobby producers for better working conditions and contracts.	60 members	Mostly white, 50% women

Table 7 - Stakeholders in the Film and Television Industry

Conclusion

The table below provides a rough categorisation of the SA players in the industry into the categories of beginners, intermediate and advanced players. This categorisation is done in relation to the players in the South African film and television industry. However, in comparison to the global industry players such as Primedia and AME would be seen as beginners.

This table helps to illustrate the uneven development within the film and television industry. As stated above the next two years will probably see a consolidation of these players that will result in a more concentrated industry, particularly at an ownership level.

Categorisation of the players in the South African value chain

Value Chain	Beginners	Intermediate	Advanced
Production Companies	+ - 150 small production companies employing between 1-3 people	Endemol, VideoVision, PhiloPieterse	Primedia, AME investments in production
Facility and Equipment Suppliers	Chris Fellows Sound Studios, Prosound, The Audio Lab, The Facilities Factory	Six Street Studios	Sasani
Film and Video Distribution	Film Resource Unit	VideoVision	Primedia, MEGA, UIP
Video Retail	GTZ, Music for Pleasure	Ster-Kinekor (Primedia),	Nu Metro (Omnimedia)
Video Rental	CIC (UIP)		Ster Kinekor Home Entertainment, Nu Metro video
Cinema	131 independents		Ster Kinekor

Exhibition			(Primedia), Nu Metro (Omni media)
Broadcasters	MIDI		SABC, M-Net

Table 8 - Categorisation of the players in the South African value chain⁵⁶

SUMMARY

The film and video value chain is characterised by high levels of fragmentation in the production and postproduction sectors and a high level of concentration in the distribution, exhibition and broadcast sectors. The main entertainment companies in the South African film industry are:

- Primedia
- MEGA
- Sasani
- African Media Entertainment and
- Kagiso Media Limited may become a player in the future
- There are between 400-550 production companies in South Africa, these are mostly based in Gauteng and are predominantly engaged in television production
- Facility and postproduction suppliers are also a fragmented sector. However, Sasani, which owns the Movie Camera Company and the Video Lab group is by far the largest player.
- The film and video distribution sector is concentrated, dominated by three players namely, Ster-Kinekor, UIP and Nu-Metro
- There are four players in the video rental and retail sector. These are Nu-Metro, Ster-Kinekor, GTV and Music for Pleasure. Ster-Kinekor and Nu-Metro have 85% of this market between them.
- There are two broadcasters, SABC and M-Net. However a new broadcaster, MIDI TV will be on air before the end of 1998.
- There has been a significant level of consolidation of stakeholder groups in the film and television industry over the last year. Organisations like the Independent Producer's Organisation are playing an important role in representing the industry.
- The entertainment industry overall is characterised by uneven development. The industry is likely to become more consolidated over the next two years.

⁵⁶ Model based on discussions with Neville Singh and Jeremy Nathan from Primedia Pictures. Categorisation done by the consultants

SECTION FIVE - THE SOUTH AFRICAN INDUSTRY IN FIGURES

Very few figures have been collected on the film and television industry in South Africa. If growth in employment and economic contribution is to be noted, analysed and supported by government and the industry itself, it will be necessary to develop a detailed database.

FACT

The South African entertainment industry represents 1,75% of GDP and 0.8% of the global market

This section of the report provides figures on the size of the industry, the employment levels and the size and profile of the South African market for film and television.

The entire South African entertainment industry is worth approximately R7,4 billion out of a media industry that is worth about R15 billion.⁵⁷ The entertainment industry includes the, broadcasting, cinematic, music and interactive industries. The entertainment industry is worth approximately 1.75% of gross domestic product. It also represents approximately 0.8% of the global industry.

5.1 Spatial Distribution

The bulk of the industry (77%)⁵⁸ is located in Gauteng because of the location of the SABC television centre and most of the main consumers of corporate television services. There is, however, a trend to locate shoots in the Cape, especially commercials. Approximately 16% of the industry is located in the Western Cape. The industry in the Western Cape is centred in the metropole especially around the Longkloof studios complex. There are smaller concerns in Somerset West and Paarl. Other pockets of the film industry can be found in Kwazulu-Natal and Mpumalanga. These areas are mostly used as locations and do not have many facilities or studios.

FACT

77% of the film and television industry is located in Gauteng.

Concerns are often raised by producers in Cape Town about the unequal distribution of opportunities between Gauteng and Cape Town. The development of the film industry on more of a decentralised basis may be facilitated by the establishment of the Film and Video Foundation due to be set up during 1998 (this will be discussed in more detail below). There is a possibility that provincial Film and Video foundations will be set up in provinces that identify the industry as viable. Gauteng, Mpumalanga, Kwa-Zulu Natal and the Western Cape would be the most obvious provinces in which provincial foundations could be set up. However, the reality is that Gauteng is likely to remain the centre of production, distribution, and exhibition for the foreseeable future. All the main players in the industry are located in Gauteng or have head offices located there.

⁵⁷ Merrill Lynch, 1997, pg 77

⁵⁸ Westgro, 1996

5.2 Production

The value of the local content production industry is estimated at approximately R1,3 billion.⁵⁹ Other estimates indicate that in 1996 the film and television production industry was worth approximately R1 billion excluding interactive production.⁶⁰

FACT
The content production industry is worth about R1,3 billion

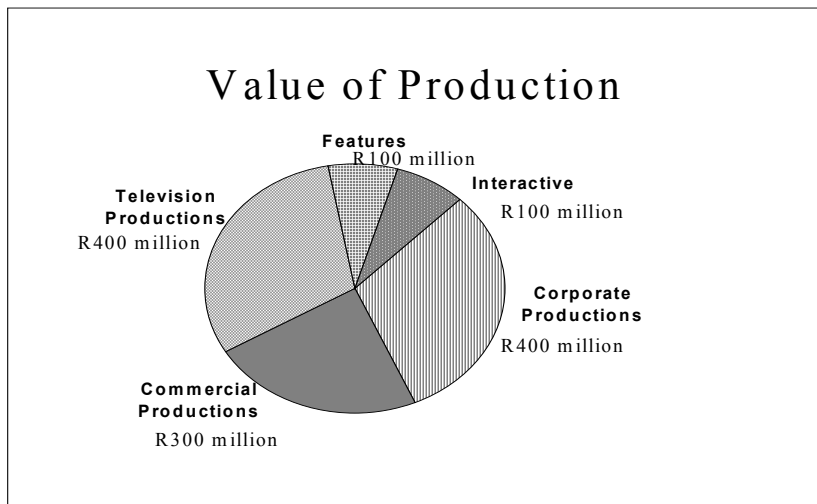


Figure 13- Value of Production⁶¹

As can be seen from figure 13 above, corporate and television productions form the biggest part of this industry. This represents a small portion of the global production industry: the size of a fairly small American production.

ISSUE: The South African industry is small in the context of the global industry.

As far as television production is concerned, SABC has for a long time been the most important generator of jobs in the industry. The breakdown of production contracts given by the SABC is presented in the table below:

⁵⁹ Merrill Lynch, 1997, pg77

⁶⁰ Study done by Marilyn Boogaart in 1996 for Six Street Studios

⁶¹ Merrill Lynch 1997

Production contracts commissioned by the SABC 1991 - 1996

	1991		1992		1993		1995		1996	
	No	R ml	No	R ml	No	R ml	No	R ml	No	R ml
TV production contracts	1728	140,6	881	87,6	661	94,5	904	179	908	169
Dubbing contracts	210	11,9	204	11,2	215	12,8	134	9,1	109	8,5
Writer's Agreement	na	na	91	3,9	103	2,8	77	4,97	42	2,98

Table 9 - Production Contracts commissioned by the SABC 1991 -1996 ⁶²

As can be seen from table9, the number of television and dubbing contracts commissioned from outside producers by SABC has almost halved during the period 1991 -1996. The latter is due to a move away from the dubbing of productions by the SABC.

Feature Film Production 1979 - 1997

Year	No of films produced	By no of different companies
1979	25	20
1980	32	28
1981	24	20
1982	18	14
1983	34	27
1984	84	47
1985	113	65
1986	63	45
1987	135	80
1988	170	126
1989	110	86
1990	111	84
1991	25	21
1997	8	na

Table 10 - Feature Film Production 1979-1997⁶³

⁶² SABC Annual Reports 1991-1996

⁶³ Source Showdata Website

As can be seen from table 10, the number of South African feature films produced has dropped significantly over the last few years. It should, however be noted that many of the above productions were produced during the film subsidy years. Therefore, it is not clear how many were in fact viewed by audiences, as some films made during the subsidy years were never exhibited. It has not been possible to get figures on how many of these have been exhibited.

The drop in television and feature film production can be attributed to two main factors, the removal of the subsidy scheme in 1992 as well as the cut in budget to the SABC. However, this figure can be expected to grow significantly with the advent of the new Free to Air channel that has been awarded to the Midi consortium.

ISSUE: Television production is expected to grow with the advent of the new free-to-air television station.

5.3 Distribution and Exhibition

Table 11 shows that television and cinema are the most valuable sectors in the delivery of audio-visual products in South Africa. Video Rental and Retail are still very small sectors of the value chain. This is expected to change as more people acquire VCRs. At the moment there is a growth rate of 10% in this area and it is expected to remain at this rate of growth. Another reason for the small relative size of the retail sectors is that there is an ad-valorem duty of R7-50 imposed on tapes by the government. This results in an operating margin of only 3% in this sector. In developing growth in the video retail sector for South African productions, this issue may need to be addressed.

FACT
There is a 10% growth rate in VCR ownership.

The Value of Sectors involved in the delivery of content

SECTOR	AREA OF REVENUE GENERATION	VALUE (millions)
Cinema	Box Office	550
	Advertising	50
	Concessions	150
Video	Rental	360
	Retail	100
Television	Advertising	2 000
	Subscription	1 300
TOTAL		4 510

Table 11 - The Value of Sectors involved in the delivery of Content⁶⁴

ISSUE: Operating margins are only 3% in the video retail sector due to a small market and an ad-valorem duty of R7-50 per tape.

FACT
Television and Cinema are the most valuable sectors in the delivery of audio-visual products

⁶⁴ Source Merrill Lynch 1997 pg 80

5.4 Broadcasting

The broadcast industry is set for considerable growth in South Africa. Figures in the Broadcasting Green Paper estimate that the industry is growing at a rate of 6.1%, nearly twice the rate of the world economy and that its revenues exceed R815 billion.

The broadcast industry as a whole contributed approximately 0.60% to the GDP in the financial year 1995/1996. This is expected to rise to 0.85% with the introduction of the new free to air television channel. The trend in other countries is a little higher. For example, in the UK the broadcasting industry contributes 1.30% to GDP.⁶⁵

In particular, the pay television industry has grown enormously over the last few years. The pay television industry contributed close to 0.34% (R2 billion) to GDP in 1996/97 financial year. This was up 0.04% from 1995/96 figures. The SA pay TV industry grew at a rate three times the national economy in 1997. This is related to a liberal broadcast environment.

FACT

The South African broadcasting industry contributed approximately 0.80% to GDP in 1995/1996. This is expected to rise to 0.85% in 1998.

Of the R2 billion generated by pay television, about R770 million accrued directly to GDP, R760 million came from the industry's stimulation of upstream activities, such as marketing and advertising and the balance from downstream activities such as employees spending power.

The case of M-Net illustrates the immense potential of pay television in South Africa and throughout Africa. M-Net made its first broadcast in October 1986. Within 18 months the broadcaster had already broken even. In 1991, M-Net expanded its satellite transmission into Sub-Saharan Africa. It also invested R280 million to join a consortium and gained 40% of European Pay TV company FilmNet. This venture gave it a foothold in Europe and made it a worldplayer. In 1992 a second channel into Africa was launched and in 1993 the company had grown to such an extent that it was split into the M-Net channel and Multichoice which housed the subscriber management services. It now has three separate listed companies, M-Net, MIH Holdings and M-Cell. Over the last 12 years it has become a major force in world pay television and telecommunications.

While M-Net does not at present screen a significant number of South African productions it could provide an increasingly important outlet for South African content as its quality improves.

The new television station, scheduled to be operational by the end of 1998, is expected to provide more work for local producers. The IBA has stipulated that at least 30% of the content on the new channel must be local content and 40% of this must be sourced from independent producers.

ISSUE: The new television station will provide local producers with more work.

5.5 Prospects for growth

⁶⁵ Business Times, Pay Television makes its voice felt in growth stakes, 15/03/1998

Prospects for growth in the film and television local production industry appear very good for the following reasons:

- the local content regulation for the new television broadcaster
- more international co-productions
- increased investment by private sector companies

The last reason will be expanded on later in the report.

Merill Lynch has estimated that the entertainment industry will be worth approximately R15-R16 billion by the year 2000. This implies a growth rate of 19-21%. This estimate is based on:

- the new local content regulations
- increased advertising expenditure
- more pay TV subscriptions
- a growing commercial industry
- more international co-productions
- extensive multimedia PC penetration
- the deregulation of the airwaves⁶⁶

5.6 Employment figure

5.6.1 Employment in the Value Chain

The film and television industry employs approximately 20 525 people (see table 12), this includes direct and indirect employment figures for broadcasting but only direct employment figures for the rest of the value chain. This is equivalent to approximately half the people employed in construction in South Africa.⁶⁷

Employment in the film and television value chain

	Full Time	Part Time	Total
Production		3925 (1995)	3 925
Facilities	600 ⁶⁸		600
Distribution and Exhibition	4 000		4 000
Broadcasting	12 000 (directly and indirectly) ⁶⁹		12 000
Total	16 600	3925	20 525

Table 12 - Employment in the Film and Television Value Chain

Table 13 shows a breakdown of the 3925 people who were employed in the industry in production in 1995⁷⁰.

⁶⁶ Merill Lynch, 1997, pg 4

⁶⁷ CSS, Statistics in brief, 1996

⁶⁸ VideoLab employs about 300 people, Six Street Studios employ about 150 people the rest based on estimates

⁶⁹ Business Times, Pay-Television makes its voice felt in growth stakes, 15/03/1998

⁷⁰ Showdata Figures

People represented by occupation (1995)

	Number	Percentage
Assistant Director	28	0.71%
Actor	665	16.94%
Animal Handler	7	0.18%
Art Director	46	1.17%
Best Boy	15	0.38%
Boom Swinger	16	0.41%
Cameraman	30	0.76%
Clapper Loader	23	0.59%
Construction	11	0.28%
Continuity	21	0.54%
Costume Designer	10	0.25%
Director	106	2.70%
Director of Photography	59	1.50%
Editor	74	1.89%
Electrician	28	0.71%
Focus Puller	27	0.69%
Gaffer	19	0.48%
Grip	40	1.02%
Make-Up	44	1.12%
Music Dept	34	0.87%
Producer	104	2.65%
Production Designer	12	0.31%
Production Manager	61	1.55%
Props	28	0.71%
Scriptwriter	85	2.17%
Sets	23	0.59%
Sound Recordist	41	1.04%
Special Effects	25	0.64%
Stunt Co-ordinator	14	0.36%
Wardrobe Dept	35	0.89%
Other	2 194	55.90%
Total	3 925	

Table 13 - People represented by occupation 1995⁷¹

In 1995 only:

- 34% of the people working in the industry were female
- 10% were black
- most employment was created for actors

ISSUE: The South African film and television production industry is still predominantly white and male dominated.

⁷¹ Source Showdata Website

5.6.2 Employment in the Location Industry

Cape Town is being used as a location for many foreign commercials, documentaries, features and television programmes. Table 14 gives a breakdown of the number of commercials, features, documentaries and television programmes shot in South Africa over the last 4 years. Last year saw a significant growth in the number of commercials (up 129% from 1995), features (up 100% from 1995) and documentaries shot in South Africa (up 66% from 1995).

Foreign Productions shot in South Africa 1995 - 1998

	1995	1996	1997	1998 (as at April 1998)
Commercials	138	246	317	134
Features	16	14	33	13
Documentaries	93	118	154	53
Television	12	12	5	1

Table 14- Foreign Productions shot in South Africa 1995-1998 ⁷²

For each commercial or documentary shot in South Africa, approximately 40 or 50 people are employed behind the camera. For each feature film shot in the country approximately 75 to 100 people are employed behind the camera. Using an average figure of 45 people behind the camera for each commercial, documentary and television programme and 88 people behind the camera for features, an estimated 24 324 job opportunities were created during 1997. These jobs can last anything from a couple of days (for a commercial) to a couple of months (for a feature).

ISSUE: The South African location industry is playing a significant role in creating work opportunities for people in the film and television industry

5.6.3 Cost of labour

Staff costs and talents comprise approximately 40% of production costs and 45% of facilities costs.⁷³ This is significantly higher than in manufacturing where staff costs only comprise approximately 10% of total costs. This represents a fairly high investment in the employment of people, which is unsurprising in an industry that generates its competitive advantage from its people.

FACT
Staff costs and talents comprise approximately 40% of production costs and 45% of facilities costs.

While the average cost per job in the film and television industry is fairly high⁷⁴, the impact of the industry on job creation should not only be limited to the direct jobs created. The industry has the potential to create jobs in transport, catering and

⁷² Source The Consultative Committee

⁷³ Merrill Lynch, 1997, pg 99

⁷⁴ Approximately R60 000 for feature production, R40 000 for television drama productions, R225 000 for post production and R700 000 for broadcasting,

hospitality industries. International figures show that for every one job created directly in production, 1.7 jobs are created in the local economy.⁷⁵

5.7 The South African Market

While the South African market for television and cinema is fairly small in comparison to many developed countries, it has been growing steadily over the last years. This section shows where growth is occurring and provides a profile of film audiences.

5.7.1 Growth in the market

As is noted in the table below, television audiences have increased quite significantly over the last year. (28% for SABC1, 36% for SABC 2, 43% for SABC 3 and 28% for M-Net). This is related to a growth in television ownership from 91 per 1000 inhabitants in 1985 to 105 per 1000 inhabitants in 1996.

Television Audiences 1996-1997

	SABC 1	SABC 2	SABC 3	M-Net
1996	8 245 million	5 955 million	3 020 million	2 477 million
1997	5 955 million	8 096 million	4 324 million	3 139 million

Table 15 - Television Audiences 1996-1997

VCR ownership is also growing. About 1.9 million households have VCRs (1997). This represents about 21.4% of households up from 11.7% of households in 1996.

The number of people attending cinemas has increased by 5.5% per annum over the period 1990 - 1995 (see Figure 14). However, there was no growth in cinema attendance during the year to June 1997. This has been ascribed to high crime rates and the competition between the cinema and other forms of entertainment such as music concerts. However there was growth by black cinema audiences in 1996 of 36% over the 1995 figures compared to a 5% growth rate of white audiences. There are now approximately 2 million black cinemagoers.

FACT
Television ownership increased from 91 per 1000 inhabitants in 1985 to 105 per 1000 inhabitants in 1996. VCR ownership increased to 21.4% of households in 1997 from 11.7% in 1996.

⁷⁵ Case study of Wellington Film Industry in New Zealand, in reading pack provided to Automotive Cluster in South Africa

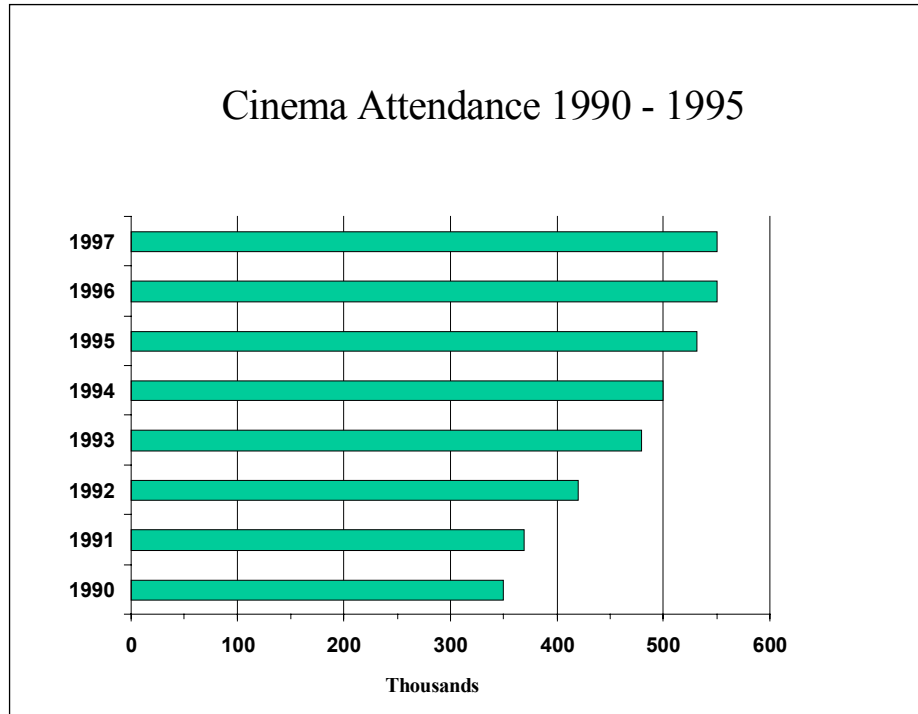


Figure 14- Cinema Attendance 1990 - 1995⁷⁶

5.7.2 Profile of Cinema Audiences

The profile of cinema audiences is presented below in figure 15. Approximately 44% of cinema audiences are white, 40% are black and the remaining 16% are Indian and coloured. There is still, therefore, a big untapped black market for cinema attendance. During the past two years Ster-Kinekor has built three complexes in townships, namely in Mabopane, Daveyton and Dobsonville. They have also committed R62 million over the years 1999-2000 to expanding their South African operations. They are planning to build 12 complexes and a further 26 projects are being considered.⁷⁷ This should help to increase cinema audiences in South Africa.

⁷⁶ Source: Merrill Lynch 17/12/1997

⁷⁷ Business Day, "Ster-Kinekor aims to conquer Africa", 22/07/1998

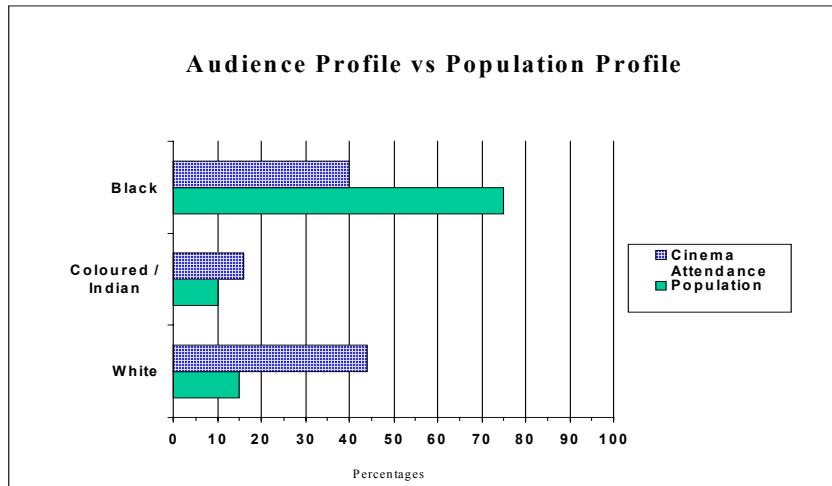


Figure 15- Audience Profile vs Population Profile⁷⁸

Approximately 23% of urban adults go regularly to the cinema. This figure is differentiated by age. Approximately 35% of 16-24 age groups, 29% of 25-34 age group, 17% of the 35-49 age group and only 6% of the 50+ age group attend cinemas regularly.

FACT
Approximately 23% of adults regularly attend cinemas

Gauteng has the greatest number of moviegoers at 31% while the Eastern Cape has the fewest at 15% of total population.⁷⁹ Therefore there is a trend for younger people to be attending cinemas. This is a positive sign as it indicates that younger people are adopting cinema as part of their entertainment lifestyle.

5.7.3 Occupancy Rates at cinemas in the townships and the suburbs

An analysis of the occupancy rates in various cinema theatres is presented below. An occupancy rate of 20-25% is considered good.

Occupancy Rate at Cinema Complexes 1997

Cinema Complex	Average Occupancy Rate
Carlton Cine	16.02%
Kine Centre	13.46%
Hillbrow Kine Centre	22.17%
Hillbrow Movieworld	17.46%
Dobsonville	14.88%
Hydepark	14.38%
Cresta	25.11%
Rosebank	23%
Sandton Mall	23.56%
Eastgate	33.99%
Mabopane	8.26%
Daveyton	9.26%

⁷⁸ Source: Merrill Lynch 17/12/1997

⁷⁹ The Business Day, More People go to church than to the cinema, 16/02/98

Maxi Movies	11.9%
-------------	-------

Table 16 - Occupancy Rate at Cinema Complexes 1997⁸⁰

As can be seen from the table above, the complexes that were built in the townships of Daveyton, Dobsonville and Mabopane have had very low occupancy rates. These cinemas were, according to Ster-Kinekor, built to world class standards. Similarly, Maxi Movies, which was a joint venture with Thebe Investment (now owned 100% by Ster-Kinekor), also only have average occupancy rates of 11.9%. Maxi Movies focus on providing cinema entertainment to previously under serviced communities through a video franchising business. This poses important questions regarding the development of audiences in the townships, such as whether a growth in cinemas in the townships will lead to greater levels of audience attendance.

It would appear that those township residents that do attend movies tend to do so in town. This would explain the relatively higher occupancy rates at movie theatres in town such as the Carlton Cine. Many of the shebeen owners in Soweto have opened businesses in the city centre because they attract more customers. It may therefore be that people prefer to entertain themselves in the city.

FACT
Township cinemas have very low occupancy rates ranging from 8% to 11%

However, there is still much work to be done in marketing cinema as an entertainment activity to black audiences. Once more black people are attending cinemas there may be changes in which cinemas they attend and township cinemas may become more popular. Another issue to note is that the majority of black people who do attend cinemas may in fact live in town rather than in the townships. This would also explain the low attendance rates in the townships. More research needs to be conducted in this area by the cinema chains.

Merill Lynch, who did an analysis of cinema attendance during December 1997, has predicted a 5% per annum growth rate in cinema attendance over the next three years. They have based this prediction on increased black audiences as a result of a growing black middle class and increases in the price of movie tickets remaining below inflation.

In sum, the market for television and cinema is growing, albeit slowly, both in South Africa and in Africa more broadly. However, as will be discussed in more detail below, the South African market is too small to support a film and television industry. For this reason, the development of new markets for South African productions is essential to the development of the industry.

5.7.4 African markets

The table below gives a breakdown of the growth in some African countries in the number of television receivers per 1000 inhabitants. This number is still relatively low when compared to Western countries. However it is important to note the growth in television receivers in Africa, as this could become an increasingly important market for South African product.

⁸⁰ Source: Media Rate Card 1997

Number of receivers in use in African countries per 1000 inhabitants

	1970	1980	1985	1990	1994
Angola		4.3	4.6	6.2	6.6
Botswana				16	17
Burkina Faso	1.1	2.9	4.7	5.3	5.5
Egypt	15	32	78	101	109
Ethiopia	0.3	0.8	1.7	3.8	4.3
Lesotho			0.3	5.6	10
Nigeria	1.4	7.6	12	36	38
Senegal	0.2	1.4	31	36	37
Sierra Leone	1.1	6.2	8.4	11	11
South Africa	3.1	69	91	100	101
Swaziland		1.8	12	19	20
Tunisia	14	47	55	77	81
Zaire	0.3	0.4	0.4	1.1	1.5
Zambia	4.1	10	13	26	27
Zimbabwe	9.5	10	21	26	27

Table 17 - Number of Television Receivers in use in African Countries⁸¹

ISSUE: The potential exists for export of South African products to other countries

SUMMARY

- The South African entertainment industry is worth **R7,5 billion**. Of this figure the film and television industry is worth approximately **R5,8 billion** and:
 - Film Production is worth **R1,3 billion**
 - Cinema is worth **R750 million**
 - Video is worth **R460 million**
 - Television is worth **R3,3 billion**
- Approximately 20 525 people are employed in the South African film and television industry. Of these approximately 4000 are employed in production. The location industry provided approximately 24 234 job opportunities during 1997. These lasted anywhere between a couple of days and a couple of months.

⁸¹ Source: UNESCO Statistical Yearbook 1997

3. 40% of production and 45% of postproduction is spent on staff costs. The cost per job in the film and television industry is fairly high, but jobs are created indirectly in other industries.
4. Television ownership (up from 91 per 1000 inhabitants 1985 to 105 per 1000 inhabitants in 1996), VCR ownership up from 11% in 1996 to 21.4% in 1997. The number of people attending cinema has grown 5.5% during the period 1990-1995. Black attendance grew by 36% in 1996 over the figure in 1995.
5. Township cinemas have a very low occupancy rate - between 8-16%.

SECTION SIX- EVALUATION OF THE FILM AND TELEVISION INDUSTRY

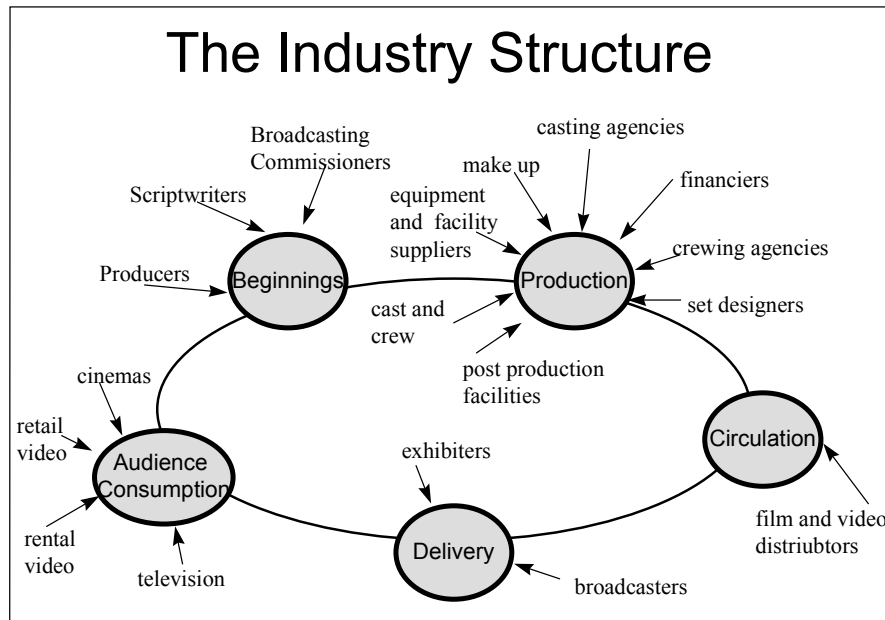


Figure 16 - The Industry Structure

This section of the report analyses the film and television industry along the value chain focusing on the strengths of that section of the chain, the impediments to growth and the impact these have for other parts of the value chain.

6.1 The artistic or creative milieu (Beginnings)

Beginnings defines the context (social, political, individual) in which films are conceived or where creativity is encouraged to flourish.

6.1.1 The market

South African society is still socially and politically fragmented. As has been discussed the South African market is already small and the level of social and political fragmentation means that the markets for specific genres of films and television productions become smaller.

ISSUE: The South African market is not only small, it is also fragmented.

6.1.2 The creative milieu

The creative milieu in South Africa is defined by a wealth of interesting stories waiting to be told. A common concern raised by people inside and outside the industry is that because South Africa has been isolated from the international

community for so long, that scriptwriters and producers do not have a clear understanding of what the international market is looking for and what will make a movie commercially successful.

6.1.3 Government Assistance

During 1997 and 1998, the Department of Art and Culture, Science and Technology introduced an Interim Film Fund of R10 million. During 1996, 300 proposals were received by DACST from scriptwriters and producers. During 1997 another 605 were received. These figures show that by introducing such an initiative, ideas can be stimulated. This film fund, although small, has played an important part in encouraging the creative milieu in the South African film and television industry.

FACT

During 1996, 300 proposals were received from DACST for the Interim Film Fund. In 1997, another 605 were received.

ISSUE: The Interim Film Fund helped to stimulate the film and television industry.

6.1.4 Script

A good script forms the foundation of a good film. The development of good scripts has been identified by both the government and the industry as a priority in improving the quality of South African productions.

The impetus for writing a script comes from different sources. A production company or television channel may commission a production on the basis of a draft outline of a story line (a 'first treatment'). A production company may also decide on the subject matter for a production and employ a scriptwriter to write it into a script. The treatment will then be developed into a finished script. Less often a writer may write a completed script and try to interest potential producers or directors in the script after it has been completed.

For non-fiction productions, a proposal will be written up either by the producer or the director of the production.

The process of writing scripts is done differently depending on the genre and the writers themselves. For some television productions, particularly serials, series and sitcoms a group of writers may be employed to generate scripts. For example, the sitcom *S'Good S'Nayci*, produced by Penguin Films is brainstormed by a group of people for every episode. By writing scripts in teams of people, more opportunity is provided for the development of talent.

The pool of talented scriptwriters in South Africa is small and the quality of scripts in South Africa is not always very high.

This can be attributed to three causes:

- A lack of investment by production companies in film development and in good scriptwriters. Many international production companies pay scriptwriters an annual salary while they focus their time developing the script. In South Africa, the pay is very low ranging from about R5 000 to about R20 000 per script. At best a scriptwriter can spend approximately 4 months full time on the script.

“There is a lack of investment in the foundation of film making” says Angus Gibson (a film producer). He also believes that there is no sense of nurturing and encouraging fledgling talent in South Africa. People can earn a maximum of about R20 000 per script irrespective of how well known or talented the scriptwriter is.

- A dearth of good scriptwriters as a result of a lack of training and development of scriptwriters. The legacy of Bantu education has affected the quality of scripts emerging from South Africa. For the production of “Suburban Bliss”, Endemol interviewed 60-65 writers and found very few who could write well. “Bantu education did not provide opportunities for people to write in English, so although people were good at the technical aspects of script writing, such as structuring of the script, they could not write well.”⁸²
- A lack of research work on subject matter and market demand by both scriptwriters and producers.
- A lack of interaction between scriptwriters and international players leading to a lack of understanding of the needs of the international market.
- A lack of cinema literacy amongst script writers themselves which results in a lack of understanding of the technical aspects of writing for audiovisual purposes. The art of writing a script involves specialised writing skills and there are a number of techniques that get employed in this process. In general, South Africans have not mastered these skills. This is true both for situations where writers write a script from scratch and in situations where a book is transformed into a script. The possibility of importing scripts does not seem to have been explored by the South African industry. However, the best situation would be to improve the skills of South African writers in order to encourage the development of this industry.

ISSUE: There is a small pool of talented scriptwriters in South Africa due to a lack of investment in scripts, the education legacy, a lack of research and development and a lack of cinema literacy.

There are however some initiatives in place to address this problem. These initiatives include the M-Net New Directions Programme, Scrawl (the South African Screenwriters Laboratory), the Short and Curlies initiative and the government’s interim fund of R10 million.

The **New Direction Programme** was set up by M-Net to attract filmmakers with no or little access to SABC. New Directions is a strategy to tap into the raw talent in South Africa.

The New Directions strategy is to select scriptwriters and directors through a workshop process and to partner them for the production of the film. They have traditionally concentrated on short films. However they have recently changed focus and moved into feature film production. The reason for this shift was that through the New Directions programs a pool of writers and directors was being developed who had nowhere to go. It was decided that by shifting to feature production this pool of people could be further developed. New Directions has produced 11 short films and 2 features. One of the features, *Chicken Bizness* is currently being shot in Soweto. ‘

This feature was originally a short film and won an award for first time director in Fesbacher, the West African film market.

⁸² Interview Carl Fisher

Different parties for developing scriptwriters have run a number of workshops. The most recent and most publicised ones have been the **SCRAWL** workshops. These workshops are focused on developing experienced writers in the industry.

Scrawl was launched during the first week of November 1997 to address the training of scriptwriters in South Africa. Liza Keyes, who was formerly an organiser of the Mail and Guardian Film Festival, is running it. Scrawl has been funded by AME, who have a "first look deal" with SCRAWL. This means that 90 days after the end of the laboratory, AME can make a first offer to the scriptwriters who are under no obligation to accept the offer. Miramax has also expressed an interest in a "first look deal" and may agree to a joint deal with AME.

The impetus behind the initiative is that there is a lack of training for professional writers in South Africa. Most scriptwriter workshops are run for beginners rather than for people who are already writing professionally in the industry.

A selection committee comprised of South African and international readers selects participants on the basis of scripts submitted. If successful, participants will work on these in the laboratory.

Fifty scripts were submitted for the first workshop that was held in March 1998, 10 were selected. The workshops have been based on The Sundance institution in America, which was initiated by Robert Redford as a scriptwriter-training laboratory, and the Performing Artists Laboratory in the UK. SCRAWL is linked up with the Sundance Institution and similar initiatives in France and England.

International tutors, editors and readers are used as the organisers believe that there is a need to look to international professionals in order to guide South Africans as to the stories the international market is looking for. As part of the training team a cast of 6 actors were included to improvise and read the scripts.

In addition SCRAWL is also sending one writer to the UK every year to attend the Performing Artists laboratory in the UK. This year Teboho Mahlatse, a talented new scriptwriter in South Africa, was selected.

The **Short and Curlies Initiative** is also assisting with the dearth of skills in scriptwriting and directing in South Africa. This initiative was funded by Channel 4 (UK), Miramax (USA), SABC and Kodak. The funding went to 9, 11 minute 35 millimetre short films by emerging South African writers and directors. Directors and producers were selected on the basis of having some previous experience in film or television production.

ISSUE: Initiatives such as SCRAWL, M-Net's New Directions and the Short and Curlies Initiative are assisting in the development of scriptwriters in South Africa.

6.2 The value chain analysis focusing on Production

Figure 17 provides a diagrammatic representation of the film and television production process. Three key aspects of this production process will be discussed in this section.

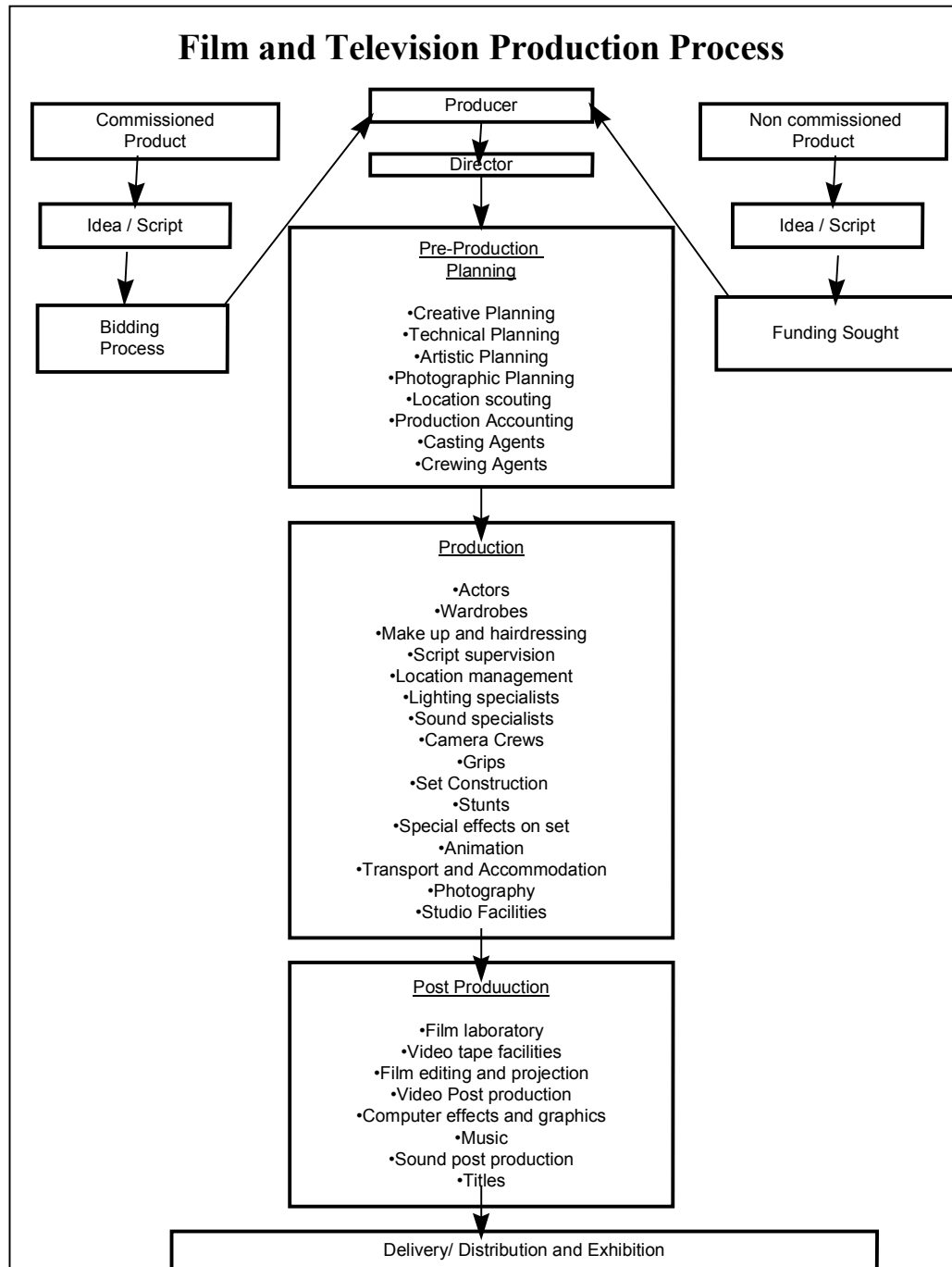


Figure 17 - Film and Television Production Process

6.2.1 Inputs

The production of a film or television programme requires a number of key inputs. These include finances, scripts, equipment, location, human resources and support functions like set design, make up people etc. Script development has already been discussed in the above section. This section focuses on financing and technical expertise.

Financing

As has been discussed, the economics of film and television production are somewhat nonsensical. The industry is very high risk, fact that often scares potential investors away. It is because the state acknowledges the social importance of the industry as well as the problem of attracting investors that it gets involved in funding the industry in other countries.

The South African industry is certainly no exception to this and is in fact confronted by more difficulties in getting potential investors.

The need for government support has been noted in a number of documents, including the Film Development Strategy which states; *“For cultural and investment reasons, many countries provide their industries with state support and financial incentives of one kind or another.”* The Film Development strategy also states that *“The nature of the film industry is such that the dominance of products from the North is difficult to resist without a degree of state support”*

There are generally four funding providers for filmmaking:

- Distributors of films
- Public Funds
- Broadcasters
- The private sector

Film distributors may invest in a production or give an upfront guarantee that the movie will be distributed theatrically. An upfront guarantee allows the producer to seek funding from investors and at least guarantee them that the film will indeed be screened. This is an important guarantee because many investors all over the world have been left with no returns after investing in a movie which was never distributed. A common complaint by film producers is that the film distributors have no interest in investing in South African films. “Without the distributors involvement, the private sector is even more reluctant to invest because the delivery agents that are crucial to generating income are not taking the risks”.⁸³

Ster-Kinekor, introduced, what they claim is a most generous deal for local filmmakers, during the second half of 1997. This deal guarantees local producers a theatrical release for their production of at least one print. This means that the product will be viewed at, at least one theatre. This contract is signed before the film or even the script has been produced. Ster-Kinekor has also agreed to distribute locally made product on 15% commission, a cut from their usual 25%. The producer’s share will be retained until the release costs are recouped.

Public sector finance at the moment is restricted to the R10 million per annum interim fund that has been introduced by DACST over the past two years. The Film and Video Foundation will provide seed funding for film and video projects. These will include low cost loans, grants and equity in productions.

⁸³ Interview Indra De Lanerolle

The budget for the foundation is at present still being drawn up. However, because the foundation will be a statutory body, it will be in a position to raise funds from other avenues apart from the state coffers. By taking equity in productions it can increase the funds available for financing. There are also possibilities that money can be raised through international donors.

Local broadcasters are mainly involved in the commissioning of dramas, documentaries and sitcoms. However, M-Net has financed a few feature films through the New Directions project described above as well as through their commissioning division, Magic Works. SABC has been the most significant funder of television productions in South Africa. However, their funding has been reduced over the last few years. This has resulted in reduced opportunities for local producers. The SABC has also never funded feature films unlike broadcasters in many other countries. In the global market there is a large market for made-for television films. By not investing in feature films broadcasters are not accessing this market.

Over the last few years the private sector has been disinclined to invest in the film or television industry for the following reasons:

- The film industry is extremely high risk and the South African film industry, in particular, has few buffers to reduce this risk. In Australia, the film commission takes the first risk by investing the initial development money. The filmmakers are however expected to access private funding to match the funding provided by the commission for production of the film.
- Another problem is that South African filmmakers seem to lack the skills to sell their films to the private sector. Business skills have not been part of the training that is provided by many film schools.
- The South African film industry is not perceived to be viable by private investors. One filmmaker said “the way that the industry operated during the tax break years showed them up as incompetent and not to be trusted. There are few examples which can contradict this perception”.

Most of the capital required to make feature films has been obtained abroad. Sources include foreign television stations such as America’s Showtime and HBO, minimal ad hoc donations from foreigners, co-productions, and film funds from Europe and Canada.

ISSUE: There is a lack of investor confidence in the South African film and television industry.

Other sources of funding that can be used by Filmmakers include:

Co-Productions

Since lack of capital is one of the major impediments to the growth of the South African film industry, co-productions are extremely important in overcoming the financial shortfall. Australia, Canada, New Zealand, and many Western European states, have a system whereby the government contributes a certain amount of national revenue towards the film industry. When a co-production treaty is signed between two countries, for example, Canada and South Africa, a film that is made in South Africa can qualify for Canadian tax breaks. That is, depending on the local content requirements of the partner country, the production can be considered both

as a South African film and a Canadian film. In this manner, the 'South African' film can benefit from the Canadian Film Fund.

For example, *Jump the Gun* was predominantly financed by a European film fund in which the British television station, Channel 4, has major investments. The television drama series *Molo Fish* was co-produced with Canadian Broadcasting. There are a few exceptions, such as *Panic Mechanic* for which most of the funds were raised locally.

South Africa and Canada signed a co-production treaty during the first week of November at the International Film and Television Market in Cape Town. South Africa and France are still in discussions and South Africa and Australia have started initial co-production negotiations.

The benefits of co-production agreements include:

- pooling of financial resources
- access to partner government incentives and subsidies
- access to partner's market
- access to partner's knowledge of other markets they have exported productions to.
- access to new locations
- access to cheaper inputs
- learning opportunities from partners.⁸⁴

However, there are also some disadvantages that include:

- increased shooting costs if shooting occurs in both countries
- increased co-ordination costs between the two partners in different countries.
- loss of control and cultural specificity - a certain level of compromise will be expected between the partners.
- increased levels of negotiations with local and international broadcasters and exhibitors. For example, the television production *Molo Fish* was a co-production between Canada and South Africa. The producers had to negotiate hard to convince the Canadian broadcaster to screen the production during prime time.

However, co-productions do provide an important mechanism for accessing more funding. Co-productions with a number of African partners could also help to stimulate the Southern African region although they will not generate great amounts of money for local producers.

ISSUE: Co-productions provide opportunities to access more funding for television and feature films. Co-productions with Southern African countries could help to develop the capacity of this region to produce films.

Product Placement -

Product placement provides another option for funding of films. Product placement is where a company pays a filmmaker to place their product in the film. For example, characters in the film may be seen to be eating at a certain fast food restaurant. Some filmmakers may feel that this would compromise the artistic integrity of their film. None the less it does provide one way to access funding.

⁸⁴ A Comparison of International and Joint Ventures, Canadian Journal of Communication 1995

ISSUE: Product placement may provide limited opportunities for generating funding. However there is the danger of compromising the artistic integrity of the film and giving advertisers too much control over content.

Taxes/Levies -

Many people in the industry have been pushing for a tax on movie tickets. While the Department of Arts, Culture, Science and Technology have not ruled this out; there are some concerns. These are:

- It would result in an increase in the price of tickets which already subsidise the price of production
- It would provide limited benefit because audiences are so small
- It would constitute an indirect tax that is ruled out by GEAR and the film industry would have to present a case for why they should be the exception to this.

Deferral of payment of cast and crew -

Deferral of payment refers to a situation where cast or crew are paid less than their usual weekly rate, on the understanding that should the movie make money, they will be paid more than their usual rate from the profits. This is a mechanism for distributing risk. A cameraperson may, for instance, take a deferral of 50%. S/He may agree to take R5,500 per week where the usual rate is R12,000 per week. If the movie makes money the person would get back pay of R17,500 per week. Obviously the system of deferral only works for cast and crews if the movie makes money.

One of M-Net's New Directions productions has utilised this mechanism of deferred payment. The movie *Chicken Bizness* is being produced on a budget of R2,1 million which has been invested by M-Net. The producer, Richard Green has a 30% equity interest in the movie. He has deferred some of the payments to the actors, postproduction facilities and crew. Of the R2,1 million - R700 000 is in postproduction and R500 000 is in deferrals.

The ACTAG report recommended a number of other funding mechanisms:

- A VAT on TV licenses to be channelled into a support scheme
- That films be pre-licensed, thus the broadcaster provides the financial catalyst to get the project going
- That a lottery similar to that of the British Film Institute be set up

The late 1990s have seen renewed interest by the private sector in the film and television industry. This renewed interest has meant that a number of plans are being made for changes in the industry.

The new television channel licensed to the MIDI Consortium has committed itself to 50 % of local content. This significantly increases the opportunities for local producers in the industry, as they are no longer so reliant on the SABC.

ISSUE: The licensing of MIDI, the new free- to-air television station provides a significant opportunity for the industry

Private sector initiatives -

Private Sector Film Fund

Sasani studios, M-Net and Primedia are in preliminary discussions on the possibility of setting up a film fund.

The structure of such a fund is presented diagrammatically in figure 18 below:

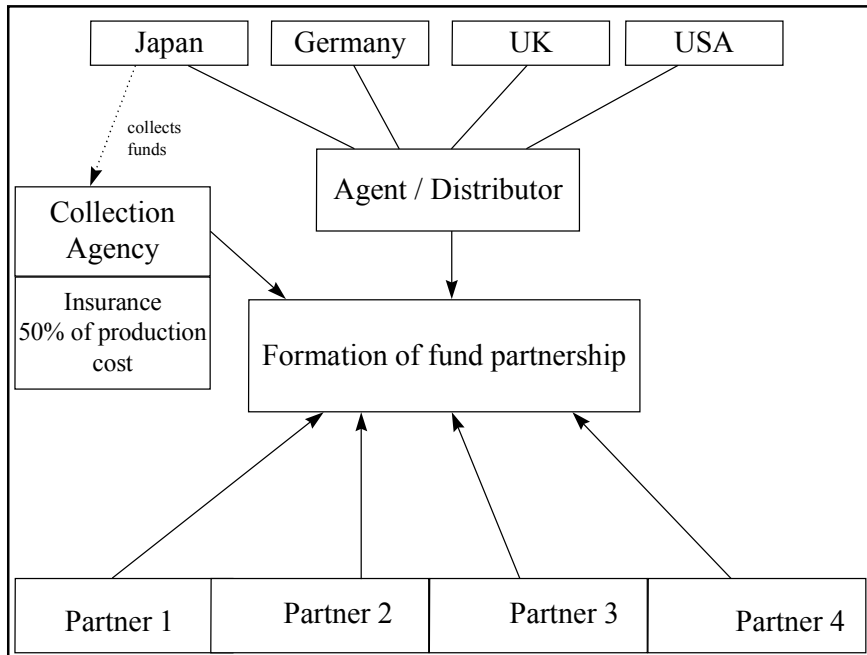


Figure 18 - Private Sector Film Fund

There would be a number of investors or partners in the fund (speculation is that the fund could initially be worth about R30 million and will grow as the number of investors grow). This fund would find an international agent or distributor to distribute products in a number of countries abroad. They would also have an independent collection agency to collect funds and ensure that the money from foreign countries is reinvested into the fund. They would employ an insurance company to insure that at least 50% of the production costs are retrieved by fund.

This fund would be set up by companies interested in stimulating the industry for their own benefit. For example, it would be in Sasani's interests to ensure that local production increases because this will mean that a greater number of production companies will be using their facilities. A company like Primedia may buy the local and/or international distribution rights to a production financed by the fund. While the partners may not immediately make money from the fund itself, these constitute a substantial benefit to the companies investing in the fund.

The advantage of this structure, for the film and television industry, is that it provides a pipeline for the distribution and exhibition of productions, which is not in place at present. The international distribution industry works on the principle of buying and distributing a block of programmes and films rather than individual productions (although they do acquire individual productions at film markets). This is done in the hope that at least one of the groups will be profitable. In South Africa, producers have tried to market their productions individually overseas and have not been able to establish a foothold. This structure would greatly facilitate the establishment of an

export pipeline for South African products if an agreement were reached with an international distributor who agrees to distribute a block of South African product.

However, as stated above this initiative is very much in preliminary discussion stage and has not been finalised.

Other private sector activities in the area of financing include the role of African Media Entertainment. AME has a number of scripts in development and will be entering into strategic alliances with international partners.

ISSUE: Big players in the industry are in preliminary discussions to invest in a film fund for the South African industry.

Technical Expertise

A positive legacy of the subsidy scheme years is a strong infrastructural base in the South African industry. Technical skills are good in the areas of camera work, lighting and sound. South African crews are of a high standard. "The film subsidy policies of the past - which were frequently abused by tax freeloaders - nonetheless promoted the establishment of a large pool of skilled technicians and crew".⁸⁵ However, there are still concerns that because of a lack of standards in the industry, the quality of the crews may vary. During periods of high volumes of international productions being shot in South Africa, there are sometimes not enough skilled people to service their needs. South African studios and postproduction facilities are world class. Over the last few years, postproduction facility providers have been upgrading their services to ensure that technology is on par with the rest of the world.

ISSUE: South Africa has a strong technical base of skills and infrastructure.

6.2.2 The Production Process

Pre-production refers to the planning phase of the production of film and television productions. This involves finding the location, planning and scheduling the shoots, budgeting for the shoots and employing casting and crewing agents. The aim of this budgeting phase is to ensure that time and money is not wasted during the expensive time when the production is being shot. Decisions are also made at this stage about whether to shoot on film or video. Film is considered better quality but is more expensive to shoot with.

Production refers to the actual shooting of the production. A key aspect of this process is the selection of a location. South Africa has a number of good locations that are attractive to both domestic and foreign filmmakers. Good locations coupled with good infrastructure and technical skills make it an attractive place for foreign productions. The cost of filming in South Africa is also relatively cheap compared to northern countries. Filming in the Cape is 30-40% cheaper than in Europe or America and 20% cheaper than in Australia.⁸⁶

⁸⁵ Worsdale, 1998, **The Film Industry**, Arts and Heritage 1998,

⁸⁶ The Economist, Africa's Hollywood, 1 November, 1997

Filmmakers are drawn to Cape Town because of the good weather; good scenery and non-unionised labour. This can change as shots of the scenery lose their “freshness” and filmmakers start losing interest. It is however, an important industry in the interim, as it provides out of work crew with jobs, thereby avoiding the loss of skills to other industries, and brings in foreign currency. At present the development of the location industry in South Africa has been fairly organic in that there has been little active promotion of South Africa internationally. The Cape Film and Video Foundation has played an important role in this regard but there is a need for national co-ordination and marketing of South Africa overseas.

ISSUE: The marketing of South Africa as a location for foreign productions overseas provides employment and income generating opportunities. However, the marketing and promotion of the location industry should be better organised.

Postproduction refers to the editing process where the production is edited, and special effects and sound are added. If the film has been shot on film it may be transferred to video at this stage.

This has had an impact on the post production process in that the editing technology is becoming a lot cheaper. As a result, companies such as Video Lab are concentrating on high end, special effect commercials. The equipment needed for this type of editing is still too expensive to be purchased in-house by any production companies.

6.3 Marketing, management and diffusion (Circulation and Delivery)

A critical problem in the industry is that there is no pipeline for the distribution of product within South Africa, and to international markets. The linkage in the value chain between local producers and distributors has never really existed in South Africa. The distribution and delivery mechanisms in the industry often distribute international product rather than South African productions. International experience in Australia, for example, shows that distributors only really start taking the domestic producers seriously when they have produced a box office hit. This occurred in Australia after the movie *Crocodile Dundee* became a success. For this reason governments often get involved in assisting with the distribution of local products.

6.3.1 Distribution

Distributors generally have two types of distribution agreements, those with independent producers and those with “major producers”. Agreements with “majors” are renewed annually (in the case of Ster-Kinekor) or are ongoing and based on the distribution company’s ownership structure (in the case of UIP). UIP is a joint venture owned by Paramount, MGM and Universal and has first rights to all their motion pictures. UIP also had the rights to Warner Brothers. This has now changed with the move of Warner to Nu-Metro.

Ster-Kinekor’s contractual arrangements with the majors are called globalised distribution agreements. With globalised distribution agreements, the distributor agrees to distribute all of the production company’s products. With these agreements the risk belongs to the production company.

Globalised distribution agreements work in the following way. At the end of each year the distributor looks at the income statements for each of the films produced by the majors. They then add up the profits and losses from the movies. If an overall profit has been made by all the movies produced by a major, it is divided between the distributor and the producer (the distributor earns on average 25% on the gross margin). If the cumulative effect is a loss, the production company will pay the loss back to the distributor. This means that Ster-Kinekor takes very little risk in distributing the productions of the majors.

UIP and Ster-Kinekor have different agreements with the majors. UIP is not obliged to screen all the films produced by the majors, while Ster-Kinekor is (as stated above).⁸⁷

Distributors buy films from independent producers by bidding for them at markets, or from individual producers who bring their product to the distributor to make a deal. Distributors often buy these films from the producers before they have even been produced. In making a deal with an independent film producer the distributor has to pay an upfront minimum guarantee which is non-refundable. They are also liable for all advertising and print costs.

The risk is therefore greater in buying independently produced movies but the returns are also greater, because the distributor will earn a greater percentage of the income from the movie. Usually the rights to theatrical, home video, retail (the sale of videotapes in retail outlets), pay television and free television are all purchased.⁸⁸ Distributors consider South African productions to be particularly high risk as they have with, a few exceptions (like Leon Schuster movies), always made a loss at the box office.

Once the deal has been struck with the filmmaker, or a movie has been acquired through the majors, the distributor receives 5 or 6, 35 mm reels, or a VHS cassette if they are really unsure whether to show it on the big screen. A group of staff watch and assess the movies. This group would consist of directors, managers and staff including marketing people, the censorship expert, the independent product executive, a financial manager and sometimes the CEO.

Based on their impression of the film, as well as overseas charts, local and international cinema critics they decide whether to screen the film on cinema circuit or put it onto video release immediately (in the case of Ster-Kinekor, this is only an option if it was bought from an independent) and how many prints to make. "It is not a very exact science...We take the average of everyone's opinion but it's a bit of a thumb suck"⁸⁹.

If they are very unsure of the movie they may do a limited screening to the public to assess their reaction. About 5-10% of the movies bought from independents go straight to video. If the assessment is that the film will not do well on the cinema circuit but will do better on video, they may still release it on the cinema circuit in order to market it for video. As part of their marketing strategy, they may also hold off the release of some of the films for thematically linked events such as Mother's Day or Valentine's Day etc.

⁸⁷ Monica Newton, 1996, pg 109

⁸⁸ Monica Newton, 1996, pg 109

⁸⁹ Interview Judi Harrington - Ster-Kinekor

One print is made per cinema so, if only one print is made, it will only show at one venue. One print costs approximately R6 000 to produce. Once it has been decided to release it onto the cinema circuit, the film is booked into the cinemas.

In terms of copyright, the following “lag periods” apply (lag periods refer to the minimum period a film must be exhibited on film, video, pay television and free television before it can be exhibited on the next less profitable medium):

- the film must be shown for a minimum of 6 months in cinemas before they can be exhibited on video
- the film must be shown for a minimum of 12 months on video before it can be exhibited on pay television and
- for a minimum of 24 months on pay television before it can be exhibited on free television

6.3.2 Exhibition

In South Africa, all cinemas exhibit all products irrespective of who distributes them. This is quite unusual because in other countries exhibition companies only screen products which have been purchased from the majors with whom they have agreements.

Once the distributors have decided to screen the product, they invite the exhibitors (Nu-Metro and Ster-Kinekor, not the independent exhibitors) to view the product. They then decide finally which cinemas the film will be released to and how many prints to produce. At the end of each week the two movies with the lowest audiences for each cinema come off the circuit and two new releases are put onto the circuit. The process of making the video master usually starts about 3-6 months in advance of the video release.⁹⁰

ISSUE: Distribution and exhibition tends to be closed and monopolistic in South Africa. There is no pipeline between producers of South African feature films and distributors and exhibitors.

A key strength of the South African Film and Television industry in the area of exhibition is that cinemas in this country are world class. Ster Kinekor is achieving great success in expanding into Eastern Europe as a result of the high quality of their cinemas. As stated earlier they are also planning to expand into Africa.

ISSUE: South Africa has world class cinemas

6.3.3 Cash flow of distribution and exhibition

Figure 19 shows the cash flow for domestic theatrical releases. From this diagram it can be noted that the last people to get money from a production are the producers and investors, who are also the first to invest the money. Distributors and exhibitors recoup their costs and commission before the producers recoup the cost of production. Their risk is therefore considerably lower

The distributors biggest risk is the cost of prints and advertising which is why the process of deciding on the number of prints to be made is important.

⁹⁰ Interview Judi Harrington

The biggest risk to the exhibitor is the opportunity cost of showing one movie at the expense of others. There is always an abundance of movies to be shown on the cinema circuit and a limited number of venues. It is; therefore, important that the process of deciding how long a movie is shown on a particular screen is a fairly accurate one.

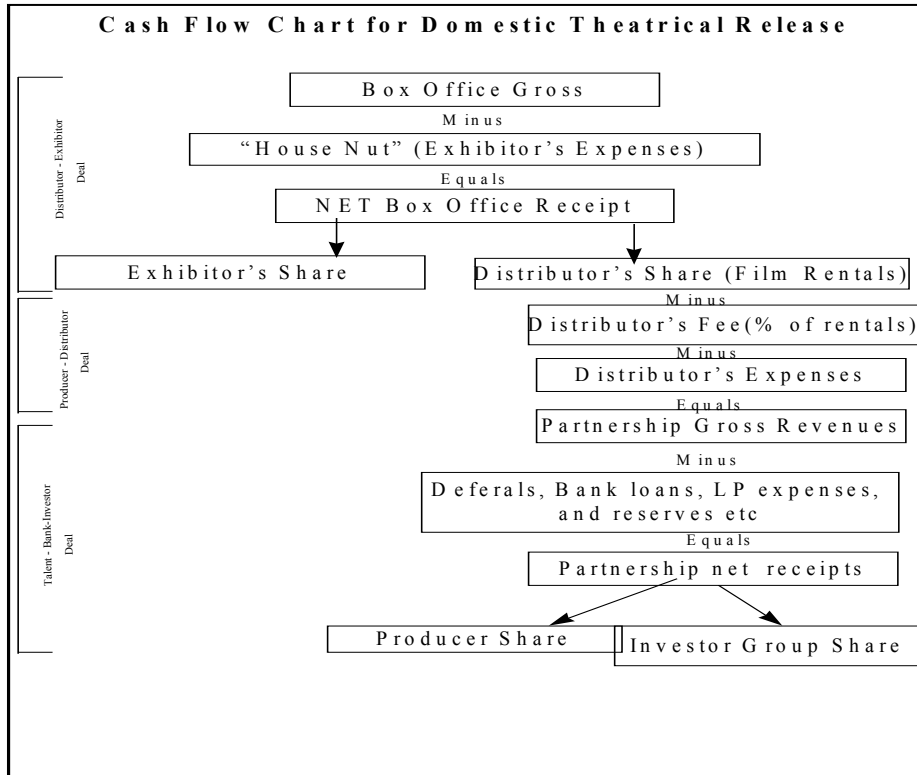


Figure 19 - Cash Flow Chart for Domestic Theatrical Release⁹¹

For the producer, the biggest risk is that not enough people will see the movie in order for him or her to recoup the costs. The table below provides an income scenario for a movie distributed locally with a production budget of R2 million.

Cash Flow for Theatrical Production

	THEATRICAL	VIDEO	PAY TV
Theatrical - Box Office	5 million		
Subtract Exhibitor's Share	2.5 million		
Equals	2.5 million		
Subtract Distributor Share	0.5 million		
TOTAL (Usually 30-40% of Box Office)	2 million		
Prints and Advertising Costs	0.5 million		

⁹¹ Source "The Film and Video Production Industry", compiled by David Muirhead for Westgro, 31/12/96

(60 Prints)			
Income	1.5 million	150 000	300 000
Cash	2 million		
Loss	<0.5 million>	<350 000>	<50 000>

Table 18 - Cash Flow for Theatrical Productions

Table 18 shows the profit scenario of a production with a budget of R2 million and a box office take of R5 million. The table shows that, even with a box office of R5 million, which is high for the South African market, a movie with a budget of R2 million cannot break even, and makes a loss of half a million rand. Even after video and pay television income the film still makes a R50 000 loss. The top grossing South African movie was Leon Schuster's *Panic Mechanic*. This movie was released in 1996 at the same time as *Independence Day* and took more money at the box office. It was made on a budget of R5,2 million and had a box office take of R16 million.

FACT - Most South African productions do not recoup costs at the box office

ISSUE: The South African theatrical market is not big enough to sustain a thriving local production industry. Opportunities for export therefore need to be explored.

6.3.4 Initiatives in the local industry to link distribution and exhibition

Film and Television Market

The Film and Television Market is held every year during November in Cape Town. This market brings together local and other African filmmakers with local and international buyers. It provides a forum for dealmaking and networking for the local film industry that is essential for its success.

ISSUE: The Film and Television Market in Cape Town provides a forum for dealmaking and networking

Private sector initiatives

Primedia Entertainment is aiming to develop a distribution structure that will ensure the distribution of South African productions. This structure is depicted diagrammatically below:

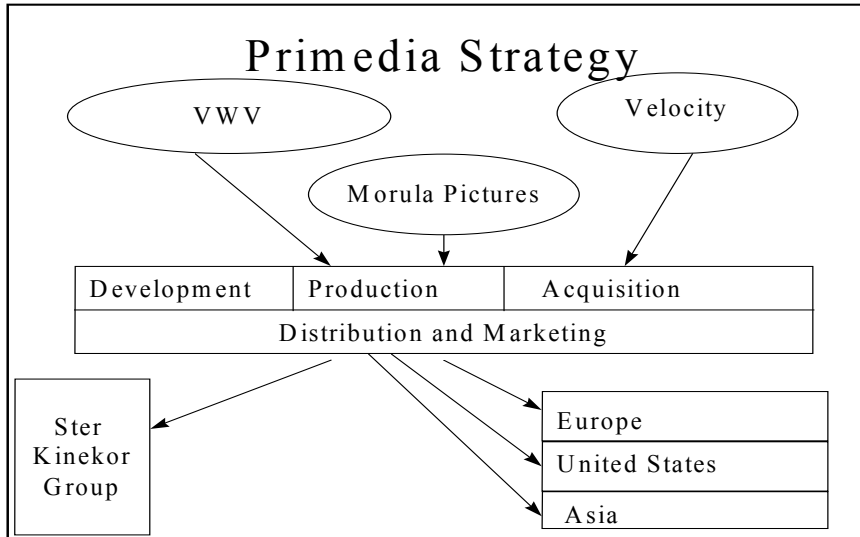


Figure 20-Primedia Strategy

Primedia's aim is to span multiple delivery platforms, involving the creation, ownership and delivery of content as is the trend in the global industry. Primedia's interests in the film and music industries total R148 million. They have established Primedia Pictures that will allow the group to create, own and distribute media content across multiple delivery platforms both locally and internationally. These delivery platforms include their other businesses namely Specialist Marketing, Publishing, Direct Marketing, Broadcasting, Outdoor Advertising, Interactive Multimedia. They have also bought the Toron Screen Library that includes 235 feature films as well as Velocity, VWV, Catalyst and Morula Pictures acquisitions.

This provides them with a lot of content that they can begin to exploit immediately while their development and acquisition departments get established. In addition, with the changes in ownership structures that has taken place over the last year as well as the consolidation of the industry that has been occurring over 1997,

The possibility of cash injection into the industry seems probable. Primedia is rapidly shaping itself into a vertically and horizontally integrated entertainment corporation in the style of the international players. There are a number of opportunities and threats to this form of industrial organisation. The advantage of the development of this form of organisation is:

- the cross collateralisation of content across a number of different delivery channels, leading to an increase in profit margins of productions.
- the creation of a pipeline for the distribution and exhibition of South African films
- increased investment in the industry

Threats resulting from this form of organisation include:

- monopolisation of the industry and the establishment of barriers to entry for new emerging players
- the retention of intellectual property rights by Primedia of independent productions leading to a few people getting rich

It is essential to the development of the industry that a pipeline of distribution and exhibition is developed for the South African industry. It should not however be Primedia alone that is involved in developing this pipeline. There is certainly a central role for the Film and Video Foundation in developing the pipeline for distribution and exhibition.

The proposed broadcasters fund for independent production as well as seed funding to be provided by the Film and Video Foundation could be important alternative sources of funding for independent producers as could other players in the industry.

However, it is a very positive sign that Primedia, Sasani, AME, M-Net and other players are looking at ways in which they can be investing in an industry which has attracted very little private sector funding in the past.

6.3.5 Broadcasting

<p>SABC Commissioning Process</p> <p>Step One Proposal Submitted to Commissioning Editor Letter of Acknowledgement issued within 2 weeks</p> <p>Step 2 If response positive Letter of interest issued within 6 weeks for factual and 3 months for fiction</p> <p>Step 3 Meeting arranged between commissioning editors within 2 weeks</p> <p>Step 4 Letter of intent issued within 1 week</p> <p>Step 5 Meeting between Production Accountant, Business Enterprises, Legal Representative, and Co-Production person within 6 weeks to negotiate proposed budget and contract terms</p> <p>Step 6 Business Plan submitted and budget approved</p> <p>Step 7 Contract issued and signed</p> <p>Step 8 Executive Producer assigned to production if first time producer or director</p> <p>Step 9 Production commences</p> <p>Step 10 Monitoring of editorial and contractual issues</p> <p>Step 11 Production completed and delivery arranged</p> <p>Step 12 Materials processed and viewed and technically accepted</p> <p>Step 13 Presentation - prepare for transmission</p> <p>Step 14 Programme Transmitted</p> <p>Step 15 Programme Distributed</p> <p>Step 16 Audience Figures assessed⁹²</p> <p>⁹² Source : SABC Television terms of Trade on Commissioning for in-house and independent producers</p> <p>© DACST November 1998</p> <p>Figure 21 - SABC Commissioning Process</p>	<p>The commissioning process at the SABC is outlined in figure 21. Once the SABC has accepted the programme proposal they require all the rights to the program.</p> <p>These rights include the right to satellite, cable and terrestrial exploitation of the program. The SABC owns the master tape or negative of the programme. The SABC also holds distribution rights and can decide how and where the product will be distributed. In some cases clauses related to the distribution of product will be written into the contract with the producer.</p> <p>The producer may be able to negotiate that the SABC only acquire terrestrial rights, i.e. the rights to exploit the product within South Africa. However, this means that the producer's budget allocation from the SABC will be a lot smaller. This is a difficult situation for the producer in the South African context where access to financing is particularly scarce.</p> <p>Cost of local productions</p> <p>As noted in the global trends, the cost of local content is always more expensive than the cost of importing productions. This is also true for the South African industry. A perusal of the AMPS (which measure audience ratings for television productions) show that in any week some South African productions feature high up on the list. Programmes such as Generations, Suburban Bliss, The Truth Commission are consistently rated in the top ten of the AMPS lists. However, this does not necessarily imply that they are the most profitable programmes on the air.</p>
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SABC 2 - PROGRAMME PROFITABILITY - APRIL 1997

Least profitable programmes

PROGRAMME NAME	COST	AD REVENUE	LOSS	ALL AR
1. GMSA*	2 420 076	571 327	- 1 848 749	1.78
2. TRIPTIEK II*	1 512 600	880 486	-632 114	9.3
3. CARPE DIEM*	672 000	211 365	-460 635	8.63
4. SEIPONI*	475 198	81 079	-394 119	6.89
5. ON CAMERA	343 200	72 934	-270 266	4.58
6. BIG GARAGE	239 918	15 291	-268 626	1.19
7. RAINBOW KIDS	270 399	5 653	- 264 746	1.33
8. HIDDEN CITY*	647 384	394 054	- 253 330	8.1
9. ORKNEY SNORK NIE (MOVIE)*	299 631	51 190	- 248 440	8.7
10. KOINONIA*	249 600	19 904	- 229 696	10.33

Table 19 -SABC Least Profitable Programmes

(* denotes a South African production)

Most profitable programmes

PROGRAMME NAME	COST	AD REVENUE	PROFIT	ALL AR
1. ONE WEST WAIKIKI	86 655	1 021 724	935 069	11
2. BURKE'S LAW	82 558	938 605	856 047	10.38
3. NANNY	66 966	858 452	791 456	10.22
4. HAWKEYE	117230	674 186	556 955	10.38
5. NOOT VIR NOOT*	338 853	756 768	417 915	8.5
6. TOP BILLING*	417 568	821 303	403 753	5.93
7. GOEIE MORE ALASKA (DUBBED)*	215 194	540 390	325 196	5.45
8. SUBUBBAN BLISS*	422 400	693 416	271 016	15.18
9. MODELS INC (DUBBED)	233 276	474 726	241 450	5.35
10. WAYANS BROTHERS	69 828	304 122	234 293	9.96

Table 20 - SABC Most Profitable Productions

(* denotes a South African production)

The table above shows the most and least profitable productions at the SABC during April 1997. Programmes such as *Suburban Bliss* that has the highest AMP rating of the profitable shows is still not the most profitable production. This is because of the high cost of production. Similarly, the programme *Koinoinia* that had fairly high viewership figures still made a loss.

ISSUE: The cost of local productions can make them unprofitable even though they are popular with audiences. For this reason, it is essential that local content quotas be retained.

6.3.6 Marketing of South African television productions outside of South Africa

When the SABC commissions a production they take full rights to that production. They may then choose to market the product internationally or not. Concerns that have been raised by filmmakers are that there is a perceived lack of expertise in the SABC to market local product. As a result, television productions are seldom sold on to other territories.

The lack of marketing skills at the SABC is not only a problem in terms of selling productions to foreign companies, it is also a problem within the domestic environment. This takes the form of both a weakness in marketing up coming programmes on television as well as a non-alignment of advertisers with programs. As stated above local productions are expensive and often do not meet their costs of production. However, in cases where programs have a particular appeal to black audiences, the SABC often does not use advertising agencies who target black audiences in particular. This points to a key weakness in the SABC's sales department.

ISSUE: The SABC has not been very successful in marketing South African productions overseas or domestically.

With the increased demand for local production, local producers may be in more of a position of power to challenge the SABC on their access to all rights. If more avenues for financing are opened, there will also be less need to rely so heavily on the SABC to fund the entire production costs

6.3.7 The African Barter Company

The African Barter Company has developed an innovative mechanism for distributing television productions all through Africa. They use a method of distribution called "Barter Programming". This is a distribution system whereby a distributor in exchange for a defined number of commercial spots distributes a finished product to a network or station. The distributor/ producer then sells the commercial spots to an advertiser.

This assists with making the acquisition of television productions less expensive for African broadcasters. “Dramatic changes in the television industry have caused stations to re-evaluate the way in which programming is acquired. Increased competition from pay, satellite and terrestrial stations have caused program acquisition prices to skyrocket, viewership to fragment and the value of commercial spots to decrease. In addition, diminishing government subsidies have hampered a station’s ability to produce and acquire quality programming. Often the local advertising market can not fully support the existing commercial inventory. All of these conditions call for a new way of doing business”⁹³

The advantage of this system of selling programming is that broadcasters can improve the quality of their programming without increasing budgets. Other players in the industry who have tried to sell South African products into Africa have found that broadcasters are often too poor to buy the products at an acceptable price.

With this system of distribution, there may be more chance for exporting of South African products into Africa.

6.3.8 The changing broadcast environment in South Africa

The White Paper on Broadcasting⁹⁴ has made a number of recommendations concerning changes in the broadcast industry, which are sure to result in fundamental shifts in the broadcasting landscape. These include recommendations for the commercialisation of the SABC which would see it in a position to list on the stock exchange, enter joint ventures and sell off parts of its operation. Recommendations have also been made to set up a Broadcast Production Agency. The aims of this agency will primarily be to help fund and promote the production of South African Broadcasting content. The role of this agency in relationship to the Film and Video Foundation to be set up by the Department of Arts and Culture has not been clarified.

In addition the White Paper has stipulated that the IBA should draw up a plan for local content carriage by broadcasters - for South African broadcasters to reach a predominant local content in all genres within 10 years.

Changes in both the global and domestic broadcasting industry indicate that this is a huge growth area in the film and television industry. These changes are related to the introduction of satellite and digital technology leading to an increase in the number of channels all over the world. This increases opportunities for export of South African television productions. The number of channels in South Africa are likely to increase rapidly over the next decade, leading to increased demand for local content. This is coupled with the fact that the cost of production for television is lower than for theatrical release and, in the case of series or serials, more people are employed over a longer period of time. For these reasons television production should be prioritised for development.

ISSUE: Television production should be prioritised for development due to increasing opportunities for export, increasing demand for local products in South Africa, and the relatively greater number of people employed in television compared to theatrical production.

⁹³ James Makawe, Director of African Barter Company

⁹⁴ Broadcasting White Paper, Department of Communication, May 1998

6.4 Feedback (Audience feedback & development)

The vast majority of the South African population do not attend cinemas and those that do are seeing American productions.

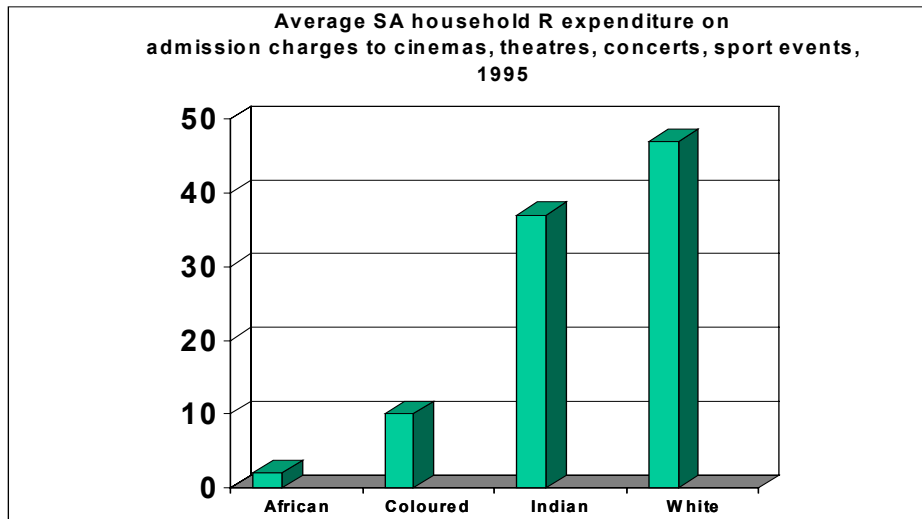


Figure 22 - Average SA household R expenditure on admission charges⁹⁵

Audience development is not only about where movie theatres are located. It is also about people's commitment to watching and paying for South African-made productions. "...exposure is not enough, there needs to be ongoing visual education"⁹⁶. That commitment is partly there when it comes to television. The African language productions have high viewer numbers and programs such as "Suburban Bliss" also do well.

South African audiences are however not drawn to South African films on the theatrical circuit.

The Film Resource Unit (FRU) has an audience development strategy aimed at developing the visual literacy of rural people. This strategy involves a number of elements:

- **The Rural Outreach Program** - FRU has two fully equipped vans that travel around the Northern Province and Mpumalanga. The program developed out of their voter education program during 1994. Field workers spend 2 months with a community consulting the chiefs and community leaders to uncover the issues affecting that community. They then design a program for the community, which may consist of an African movie and a social documentary. The field worker facilitates extensive discussion before and after the screenings. The programme has yielded good results. As the director of FRU says, "We have found that there is a high rate of development of visual literacy. People appreciate the plot and respond appropriately even if the film is not in their language".

⁹⁵ Source: CSS 1995

⁹⁶ Film Resource Unit Annual Report April 1995 - March 1996

At the end of the year FRU is hoping to have 2 more vans available - one more in Mpumalanga and one in the Eastern Cape. This is quite similar to an initiative in Australia called the Indigenous Drama Initiative where films are taken to rural communities and projected onto a blanket hung between two trees.

■ **Video Resource Centres** - The video resource centres are an attempt to empower local communities to manage their own development communication programmes. FRU has 10 up and running resource centres, with two located outside the borders of South Africa, one in Lesotho and one in Swaziland. These video centres are used as video libraries and screening venues. FRU is envisaging an evolved form of the video resource centre that can act as a fully-fledged distributor. The video resource centre would then sell or hire videos, employ agents to promote videos in rural areas, raise funds to buy their own vans and lobby local cinemas to screen their films. The agents play an important role in accessing buyers through their knowledge of the communities in which they operate. They can access the spaza shops, the informal video hire outlets and the home screening venues.

FRU has also hosted a number of festival festivals, the latest of which was at the South African Centenary Centre in Johannesburg. During the end of 1997, FRU was screening African films every Friday at this centre. Each viewing was preceded by a discussion about the movie.

Audience development is an important part of developing the film and television industry. The idea behind any audience development program should be to increase the diversity of audiovisual programmes available to audiences. By exposing South African audiences to films and television programs made in countries across the globe they begin to understand and appreciate different styles and approaches to telling stories. This may be an important role for the Film and Video Foundation. Important mechanisms for audience development include film festivals and film markets. Film festivals that showcase African productions broadly would assist in creating awareness of African products and increasing the diversity of film available to South Africans.

ISSUE: South African audiences are not watching South African productions. The South African Film and Video Foundation should be showcasing a diversity of productions in order to help develop audiences who watch South African productions.

6.5 Human Resource Development for the film and television industry

There are a handful of talented producers, directors and actors and actresses in the South African industry. However as the industry grows there will be an increased need to increase this pool. Training in the industry is seen as being hopelessly inadequate at present.

A survey conducted by the IPO during 1997 revealed that of a group of 23 producers, only 2 had received any formal training, 5 had done short on-the-job courses and the remainder had received training through working in the industry. While this is a very small sample, it does indicate a certain pattern. All of the producers had made their way through the ranks of the industry.

Training is a major weakness in the industry on a number of levels. There are not enough training opportunities for producers or directors. *“Until the SA film industry*

has a thriving culture of film training, one that is accepted and supported by the professional industry, one in which the students are seeped in South African culture and storytelling, are inculcated with the goal and passion to make the definitive South African film, all the subsidy in the world would come to nought”⁹⁷

The debate about the role of apprenticeships versus more “formal training” in a training institution is a hotly contested area. The cost of maintaining a film training school is high if the institution is to keep up with the changes in technology in the industry. This coupled with the fact that the industry is relatively small makes film training schools difficult to maintain. However the scope provided in film schools for experimentation and risk taking is an important part of the learning process.

It would therefore seem that an integration of apprenticeship training and formal training would be the best way of developing filmmakers. The problem in South Africa seems to be that there is a lack of commitment by production companies to training. This results in trainees being treated as lackeys and not being given real developmental opportunities.

Britain has an apprentice training system that is very effective⁹⁸. 1% of all film budgets in Britain is channelled into a film-training fund. This fund is used to place potential filmmakers with production companies. They are placed as assistants in different film productions over a two-year period. They also attend six weeks of college every seven months.

There is consensus that training and development is weak in the South African film industry. The ACTAG report has noted that training institutions generally work independently of each other with little external input. There is also an absence of any standards in the industry, which give an indication of what level of skills people working in the industry have.

The Film Development Strategy has stated that the feasibility of setting up an Industry training board will be explored in consultation with the National Training Board and the industry. The Broadcasting White Paper has recommended that a sector education and training authority (SETA) be established for broadcasting, telecommunications and information technology. The SETAs are structures which will be set up through the skills development act (due to be passed in October 1998) of the Department of Labour. Their role will be to collect and disperse a training levy, develop skills plans for the sectors and quality assure training providers. The Department is presently still determining the demarcation of these SETAs.

The immediate challenge in terms of training is the need to develop standards in the industry to assess the training that is being offered. The South African Qualification Authority has resolved to establish 12 learning fields. For each learning field, a National Standard Body will be established. The role of this body will be to establish guidelines for recognition of Standards Generating Bodies, which will be responsible for generating standards. One of the learning fields is Culture and Arts. However, these bodies have not yet been established.

A standards setting process has been initiated by the TACTICS programme. However, this process has not yet managed to involve all the players in the industry and is currently focusing on technical competencies such as sound and lighting.

⁹⁷ Deon Opperman and Garth Holmes, Dream, 1997

⁹⁸ Interview Khetiwe Ngcobo - producer at the SABC

There is also a need to conduct an in-depth audit of all the training. This would help to both identify the gaps and identify where institutions are not meeting industry standards. It may then be more useful to invest in individual training programmes in different institutions rather than invest in one national film school.

ISSUE: Training is a key weakness in the industry due to a lack of standards and a lack of communication between the industry and the training institutions

There are a number of training institutions providing training for film and television production in South Africa. Wits University and Natal Technikon offer courses in video technology with the former also offering courses in film criticism. City Varsity in Cape Town, The South African Film School and the Cape Town Film School all offer various courses, diplomas and degrees in film and television production.

Below is a more in-depth description of a few other training initiatives.

Training Initiatives

INSTITUTION	DESCRIPTION
<p>Newtown Film School</p>	<p>The Film and Allied Workers Organisation set up the Newtown Film School in 1991. In 1993 the school became independent from FAWO and registered as an Education Trust. The Newtown Film School currently admits 18 students per year, for a two-year film course including a minimum of 6 months internship. Eight of the students admitted this year were from other Southern African countries. The course is accredited with CILECT, which is an international body of film schools based in France.</p> <p>The course includes theoretical modules as well as production and technical modules. They exercise a bias in favour of blacks and women in their selection criteria. According to the Director their students have a 99% success rate in being employed full time after they have graduated. The tuition fees are R6 000 per year with a deposit of R1 500.</p>
<p>Open Window Network (OWN)</p>	<p>The Open Window Network has piloted a video access centre in Kwa Zulu Natal, which is located at the BAT Centre in the Durban harbour. This Centre offers the community a range of support services. They offer basic training over weekends and after-hours, in production, distribution, and exhibition. They have also started to develop a partnership with the SABC, so that some of the productions can be screened through the regional SABC services.</p> <p>The idea is that members of the community can come into the centre, and with a minimal amount of training can make short films or documentaries about events in the community or issues of concern to the community. Through creating partnership agreements with the SABC they believe that they can start to create a sustainable model for community media, as they will start generating their own income which will be poured back into the communities in which they operate. They are also hoping to attract advertising to make the project more financially viable. Apart from providing a voice for the community, this video access centre is providing entry-level training for the film and television industry.</p>
<p>SABC</p>	<p>The SABC has provided a lot of training for the industry. Some interviewees felt that it is playing a positive role presently in developing black directors and producers while other interviewees felt that not nearly enough was being done. One interviewee said that trainee directors and producers were used to boost the profile of the organisation but were not given access to real learning opportunities.</p>
<p>Cape Film and Video Foundation Shadowing Scheme</p>	<p>The Cape Film and Video Foundation has set up a sub-committee to address the issue of accreditation systems, as relating to the National Qualifications Framework (NQF) and has instituted a shadowing scheme in the industry</p>

Table 21 - Training Initiatives

In addition, the SCRAWL, New Directions and Short and Curlies initiatives, described earlier, are also contributing to the development of better-trained people in the industry.

Tactics

An organisation called Tactics has been initiated by the film and music industry in Johannesburg. The body was formed to facilitate the setting of work and training standards according to the requirements of the National Qualifications Framework legislation. Tactics is in the process of being registered as a section 21 company. They plan to set up a database of institutions, individuals and qualifications on the Internet. This web site will act as a mechanism for transparency and allows for consultation with the industry about the standards set.

At this stage they are primarily involved in researching standards. They have registered with the South African Qualification Authority and have received endorsements from the Department of Labour and the Department of Education. The National Standards Body has not yet set standards for the film and television industry. The standards being developed by Tactics could therefore provide a framework for the standards setting body, which could begin to inform training, provided in the industry.

The proposed film school

The Film Development Strategy has stated that a national film school is established. This strategy has outlined the need for a feasibility study in order to establish whether any of the existing establishments can be supported and developed into this institution. Once the school has been set up they will need to assist with setting up the industry training board. Questions that need to be answered in setting up this institution are:

- Where will it be based?
- What will the interaction be with existing institutions?
- Will the Department of Education sponsor it?

It is unlikely that this film school will be set up within the next year. There is certainly a need for a more cohesive approach to training and development in the film and television industry. However, in meeting the needs of the industry, an audit needs to be done in order to establish what training is being offered and where the gaps are, before a national film school is considered.

The proposed broadcasting school

The broadcasting white paper has recommended that a Broadcasting School be established to provide all round training for the broadcast industry. The relationship between this school and the proposed film school has not been clarified although the White Paper does specify that the school should co-operate with existing institutions.

ISSUE: There is a lack of co-ordination and standards in the provision of training in the film and television industry.

SECTION SEVEN - STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Throughout this report a number of strengths, weaknesses, opportunities and threats have been identified for the local film and television industry. The table below summarises this SWOT analysis.

STRENGTHS	WEAKNESSES
1. Increasing levels of consolidation of stakeholder organisations	1. Small local production sector
2. Increased investment by private sector	2. The industry is still predominantly white male dominated
3. The market for cinema and television is growing	3. Fairly high cost of jobs in the industry
4. Increasing numbers of young people are attending cinemas	4. Low occupancy rates at township cinemas
5. Initiatives such as SCRAWL and New Directions to develop scriptwriters	5. Lack of investment in scriptwriting
6. A strong technical and infrastructure base in the industry	6. Lack of understanding of the needs of the market by South African filmmakers
7. South Africa has world class cinema complexes.	7 Weaknesses of education and training system: lack of co-ordination, absence of standards, poor skills in all areas.
8. Cinema complexes are being built by Ster Kinekor in Eastern Europe and Africa.	8. Lack of investor confidence
	9. SABC's lack of marketing of South African productions overseas and domestically
	10. The quality of local productions is often weak due to a lack of interaction between local filmmakers and the international community.
	11. Lack of statistical data
OPPORTUNITIES	THREATS
1. Opportunities to increase profit margins across a number of different delivery channels	1. The threat of transnational companies to domestic cultural industries
2. Audiences prefer local productions when they are of a similar quality to international productions	2. The small size of the South African market in that it is not large enough to sustain a local industry
3. The development of a national and international distribution pipeline for South African products	3. The disinclination of global players to take risks on independent producers
4. The increase of distribution outlets resulting in fragmentation of audiences. This presents more opportunities for local, independent producers	4. The high barriers to entry for new players in the global market
5. The opportunities for export in Asia, Western Europe, Latin America and Africa (for television)	5. The high cost of local content

6. The new television station will provide opportunities for local producers	6. The loss of intellectual property rights to international players leading to a loss of economic benefit
7. The location industry is playing a significant role in providing jobs to cast and crew in South Africa and thereby halting the risk of losing skills to other industries	7. The lack of a distribution pipeline for South African products
8. Untapped black market for cinema	8. Low levels of audience development
9. Co-productions	
10. Big players in the domestic market are in discussions about setting up a local fund	
11. The film and television market in Cape Town provides opportunities for dealmaking and networking between South African producers and international players	
12. The opportunity of using the barter system for selling television programmes (particularly in Africa)	

Table 22 - SWOT Analysis

SECTION EIGHT - POLICY DEVELOPMENT

The South African film and television industry has struggled to escape a history based on censorship, poorly directed funding strategies, and a political system which permitted limited creative expression and provided little incentive for the development of (particularly black) producers, directors and scriptwriters.

The late '90s have however seen a restructuring of the ownership structures in the industry and the establishment of a number of exciting initiatives. These initiatives include renewed interest from the private sector in investing in the film industry, a number of promising training programs and audience development programs. Changes in the broadcasting landscape are also providing exciting opportunities for the development of the South African film and television industry.

In addition, the government has a film section in the Department of Arts, Culture, Science and Technology. This department is currently in the process of establishing a Film and Video Foundation and has been administering a R10 million interim film fund over the last two years in order to stimulate the industry. The Department of Communications has also recommended the establishment of a broadcasting agency to promote local production. These initiatives will be discussed in more detail below.

This report has mapped out the scope and functioning of the global and local film and television industry and has identified a number of strengths, weaknesses, opportunities and threats. The purpose of this section of the report is to build on this analysis by making recommendations that will assist the film and television industry to grow.

This chapter is divided into six sections. The first section provides short case studies on the institutional arrangements in three countries. This provides an indication of the structures other countries have used to facilitate the growth of the film and television industry. The second section will provide some examples of incentive measures that have been used in a number of countries.

The third section provides an overview of existing initiatives in South Africa. The fourth section suggests a role for the Film and Video Foundation while the fifth section outlines recommendations for initiatives outside of the Film and Video Foundation. Finally we summarise these initiatives in a tabular format.

8.1 INTERNATIONAL INSTITUTIONAL ARRANGEMENTS

A number of countries have recognised the need for state support in developing a facilitative environment for the film and television industry. This is particularly important for such a risk intensive industry dominated by American products as the film and television industry. The institutional arrangements utilised by three countries are outlined below.

8.1.1 Australia

The Australian Film Commission is a strategic development agency that receives \$27.6 million in public funding. The primary activities of the AFC are to⁹⁹:

- provide development and production funding for film and television projects
- promote and facilitate international co-productions
- assist the cultivation of new and critical audiences for film
- support the marketing, distribution and exhibition of Australian programs
- provide a central information resource for the film and television industry and monitor industry developments and
- provide advice to government on film matters

The Film Finance Association provides investment matched private funds and receives public funding of \$48.5 million.

8.1.2 France

In France, the Centre National De La Cinematographie (CNC) allocates subsidies for production, distribution and exhibition of films. In the television sector, it aids the production of programs aimed at the entire spectrum of televisual channels. Since 1993, it has supported video. The subsidy account distributes subsidies that are calculated on the basis of a film's box office, its broadcast on television and its video sales. Funds are allocated on the condition that they be reinvested. This so-called automatic subsidy is supplemented by selective subsidies that are aimed at upgrading the quality of French film production and improving distribution.¹⁰⁰

8.1.3 India

India's Film Finance Corporation (FFC) was set up in 1960 with the intention of offering low interest loans for quality films. The FFC expanded in 1980 to become the National Film Development Corporation. Its mandate was extended to give loans as well as distribute films. It now also gives loans for the construction of a network of low cost theatres. Other government and state-supported programmes include state and national film awards, professional film training, support of film societies, sponsorship of film festivals and encouragement of alternative film culture abroad. The Indian Motion Picture Export Association (IMPEC) and the Film Finance Corporation (FFC) merged in 1980 to form the National Film Development Corporation.

8.2 International Incentive Measures

Below is a table of incentives offered by a few countries for the development of the film and television industry. As can be seen from these examples, incentives can be offered in a number of ways for a number of different purposes. Incentives can be offered in the form of tax incentives, tax relief and tax shelters as well as direct grants and low cost loans. The purpose of these incentives can be to:

- encourage local cultural development
- encourage the export of film and television productions

⁹⁹ Australian Film Commission Annual Report 1997 - Note: Film is interpreted in the broadest sense of "moving images" and encompasses all film gauges and video.

¹⁰⁰ Up to date figures of public funding of the CNC were not obtainable at the time of writing. In 1993, the subsidy account totaled 1.9 billion francs.

- encourage investment by other countries in location industries
- encourage co-production agreements
- encourage the establishment of distribution and exhibition pipelines

INCENTIVES OFFERED BY THREE COUNTRIES

	Subsidies	Tax Incentives	Tax Relief	Tax Shelters
United Kingdom	<p>1. Limited government assistance in the form of grants, loans or guarantees available for films qualified by the British Film Institute or British Screen Finance.</p> <p>2. The European Co-production fund has a budget of \$9.5 million to invest annually</p> <p>3. The British government also provides £0.2million per annum to Eurimage, the Council of Europe's co-production fund.</p> <p>4. The UK national lottery pledged to inject £80 million into the British film making industry over a five-year period.</p>	<p>1 Expenditures for the production or acquisition of film is written off for tax purposes during the period over which the value of the film is expected to be realised (the income matching method)</p> <p>2. This is supplemented with a "cost recovery" claim that allows the amount of the write off in any year to be increased to the value of the film realised in that year. This defers the recognition of any taxable profits until all the costs of production or acquisition have been recouped out of the income derived from production (the cost recovery method)</p>		
Ireland			Section 35 Investments - allows investors to obtain tax deductions	

			equal to 80% of the amount of their investment, subject to certain limits. It also provides a windfall to producers by lowering the below-the-line production costs by as much as 20%.	
Canada	Funds for the development, production, distribution and marketing of Canadian feature films (\$40 million). Supports the production of feature films that will find their way to the television market (\$15 million)	Up to 11% of the cost of qualifying Canadian labour expenditure for production services performed in Canada		Refundable tax credit worth up to 25% of costs of labour

Table 23 - Incentives offered by Three Countries

8.3 Existing Initiatives for the South African Industry

8.3.1. The Department of Arts, Culture, Science and Technology policy and initiative

The Film Development Strategy was published by the Department of Arts, Culture, Science and Technology in 1996 and built on the recommendations of the ACTAG report. This strategy acknowledges that film is a high risk industry, supported by the state in many countries for cultural and investment reasons. The film development strategy committed the department to the establishment of a South African Film and Video Foundation to support the South African film industry. The department sees a very different role for itself in promoting the development of the industry from that of the subsidy scheme years. This is stated in the Film Development Strategy as follows: “ *It behooves us to reiterate a fundamental principle of the White Paper on Arts and Culture, government will maintain an arms-length relationship with the arts and culture. This is especially important in the case of the popular media such as the moving image, where state interference has previously made its presence felt. The*

*Ministry is committed to freedom of expression consistent with the norms laid down in the constitution.*¹⁰¹

The idea of a Film and Video Foundation was first proposed in the ACTAG report and elaborated on in the Film Development Strategy. This Foundation has already been referred to throughout this report and its main objectives are briefly reiterated here.

The objectives of the Film and Video Foundation are to:

- promote the development of an indigenous South African film industry which caters for all language and cultural groups and provides entertainment, education and information
- effect affirmative action policies to redress the imbalances of the past
- support the training of creative personnel and personnel working in the associated business functions of the industry
- support wider film distribution and exhibition, particularly in areas which currently have the least access to film communication facilities
- promote ongoing research into film policy
- disseminate information on film as widely as possible and
- provide funds both for production purposes and for training and development¹⁰²

The structure of the Film and Video Foundation is broadly based on the Australian Film Commission model. There are two funds that are made available by the Film Development Strategy. The first is a Film and Video Initiative that will provide seed funding for film and video projects “according to publicly transparent criteria”. The Film and Video Foundation will provide funding in the form of low cost loans, grants and may also take equity in some productions. The fund will be administered on a matching fund basis.

The Film Development Strategy also advocated the establishment of a Film Development Fund. This fund’s main purpose is to affect redress across communities by providing funding for:

- entry level producers
- bursaries for film study and
- short and specialised film and video productions

8.3.2 The Broadcasting Agency

The White Paper on Broadcasting recommends that a non-statutory agency be established to support the production of quality South African broadcasting content. This agency will seek to promote and encourage local content production in radio and television. The objectives of such an agency will be to:

- promote the production of South African broadcasting content
- promote the production of broadcasting materials that meet the broadcasting needs of the community sector
- promote the distribution and exhibition of South African content in foreign markets
- redress the imbalances of the past

¹⁰¹ Film Development Strategy

¹⁰² Film Development Strategy

At the time of writing the amount of R30 million was said to be available for such an agency.

The proposal for a Broadcasting Agency would appear to be a duplication of the Film and Video Foundation. At this point in the development of the South African film and video industry the existence of two promotional and funding agencies seems unnecessary and a waste of scarce resources. It is therefore proposed that one agency be established. Although this agency is referred to as the Film and Video Foundation in this report it could well be the joint responsibility of the Department of Communications and the Department of Arts, Culture, Science and Technology. The establishment of this agency will hopefully help to meet some of the expectations of the industry, while at the same time promoting "an arms length relationship" between the government and the industry.

8.3.3 Private Sector Initiatives

As already discussed in this report, a number of initiatives have already been embarked or are being discussed by players in the private sector, which will assist the development of the industry. These include:

1. The structure developed by Primedia to facilitate a pipeline for the distribution of South African productions into the global market.
2. Initiatives by Primedia, Sasani, M-Net and African Media Entertainment to invest in the industry
3. The film and television market which is partly funded by the private sector and provides an opportunity for local producers to access funding and distribution.
4. Training programmes which seem to be making some progress in meeting the needs of the industry. These include the New Direction programme and the SCRAWL initiative.
5. Audience Development programmes initiated by the Film Resource Unit. Primedia will also be embarking on some audience development programmes
6. The Cape Town Film Market which provides a forum for networking and dealmaking between South African film makers, distributors, exhibitors, broadcasters and international players.
7. The Tactics organisation which is researching standards for the film and television industry.
8. The African Barter Company, which is selling products to African broadcasters using the bartering system of exchanging advertising time for programmes.

8.4 Vision for the Industry

The South African film and television industry is presently an immature industry. In the broadcasting sector, SABC has provided by far the majority of the employment opportunities for local producers. In the theatrical sector there has essentially been no industry at all. Any industry where the product is cut off from its market, as has been the case in this sector, cannot survive. Producers themselves often do not have a very sophisticated understanding of what market needs are or of how a business should be run. The few South African movies that do make it onto the theatrical circuit are exceptional and often do not recoup the cost of production.

In addition, the reality of globalisation is becoming increasingly apparent to South African filmmakers. In the next few years foreign media companies will probably start moving into the country. There is therefore an immediate need for the South

African industry to become more competitive. This may involve a pooling of resources and increased partnerships by the players in the industry in order to develop better quality South African productions.

The South African film industry has the potential to grow due to a number of reasons:

- the new television station which will create more demand for locally produced productions
- increased investment from the private sector
- new opportunities for co-productions
- opportunities in the global market such as increased distribution channels

The biggest opportunities both in the domestic and global market are in broadcasting and television production. This is due to:

- the increase in the number of channels in countries all over the world due to the introduction of satellite television and digital technology
- the relatively lower cost of producing television productions leading to a lower cost per job for these productions. Television production therefore has a greater potential for creating jobs than theatrical productions.
- the establishment of a new free-to-air television station by the Midi Consortium in South Africa leading to increased demand for local productions
- increased competition between broadcasters leading to increased demand for good quality local productions.

The Cultural Strategy Group therefore recommends that funding of television productions should be prioritised (including television feature films), although limited support for theatrical productions should be continued.

8.5 The Film and Video Foundation: defining its role

8.5.1 A role for the Film and Video Foundation

The Film and Video Foundation, as the primary mechanism for state assistance in the development of the film and television industry is the key institution to co-ordinate and promote the film and television industry. Its role is therefore broad in scope whilst initiating concrete and specific programmes. It should be playing the following role:

- supporting the production of features films, television productions and videos by people who do not have access to financing from the private sector. This will ensure that members of previously disadvantaged communities are able to gain access to the industry.
- supporting the production of feature films, television productions and videos that are important in terms of reflecting South Africa's cultural diversity, in providing education or, in serving other social development purpose.
- collecting and providing information
- assisting with the development of a distribution pipeline for South African products to international markets
- providing opportunities for players in the industry to network and solve problems in the industry co-operatively
- representing and promoting the industry internationally
- assisting with training and development
- assisting with co-productions
- assist with stimulating exports

- audience development

8.5.2 Specific programmes and initiatives for the Film and Video Foundation

The rest of this section will outline in concrete terms the initiatives and programmes the Film and Video Foundation could promote to meet the above objectives:

Financing

The sources of funding for television and feature productions have increased over the year.

- Investment in content is likely to be made by the following players:
 - Primedia,
 - AME,
 - Sasani,
 - M-Net and
 - Midi

However, it should be noted that as soon as a company or organisation funds a production, they have a certain level of power in determining content. For this reason it is important that a diverse source of funding be developed for the industry. It should also be noted that none of the above potential investors are likely to risk funds for the development of new filmmakers. It is therefore imperative that the Film and Video Foundation continue to invest in new filmmakers and productions that are not commercially attractive but which do have cultural value.

In addition the Film and Video Foundation should provide a forum for lobbying on the issue of tax incentives and relief. There should, perhaps, be a subcommittee that deals with this issue and include representatives from industry, the Department of Arts and Culture, the Department of Trade and Industry and the Department of Finance. This subcommittee could look at incentive measures to stimulate:

- export
- the location industry and
- investment in film and television

Co-Production Agreements

Co-production agreements provide important opportunities for local filmmakers to:

- access bigger budgets
- develop their skill through interaction with foreign film makers and
- access wider distribution networks

However, it is often difficult for local producers to find international partners. The Film and Video Foundation could be assisting by helping to partner local and foreign producers, particularly in cases where South Africa has signed co-production treatise with other countries (as is the case presently between South Africa and Canada). The Film and Video Foundation could do this by:

- developing a database of foreign film makers interested in working with South African film makers
- provide networking forums for international and local filmmakers to meet

Distribution

The South African production industry has been cut off from distribution opportunities, both domestically and internationally. The Department of Arts, Culture Science and Technology has played an important role in assisting with seed funding for a number of new productions through the interim film fund. The effect of the interim film fund has, by all accounts from members of the industry, been very positive. The mere fact that as many as 1403 scripts could have been produced in so short a space of time (2 years) in an industry that has been declining, is indicative of the stimulus that this fund provided. However the administration of the fund has been fairly ad hoc. International experience shows that providing production money without assisting with the distribution and exhibition of products is not especially effective. There is therefore a need to provide seed funding along with opening opportunities for distribution and exhibition.

The Film and Video Foundation should continue to provide funding for productions, for black and women producers, directors and scriptwriters. However, they should help to develop a distribution and exhibition pipeline for these productions because investment in production is not enough to ensure that the products in fact reach the market.

It is therefore essential that they are involved in opening up opportunities for these productions to be distributed.

Distribution channels can be opened by the Foundation by:

- Sending film makers to international film markets to sell their products (they are already being sent to Cannes)
- Establishing contact with international distributors
- Providing more opportunities such as the Cape Town Film and Television Market for South African Film makers to meet with international players

Information Provision

A key weakness in the South African Film and Television Industry is a lack of information. This includes information on both the domestic as well as the international industry. Information on the domestic industry is difficult to collect due to a lack of trust from filmmakers that government will not use the information against them by other players in the industry. Therefore it will be important for the Film and Video Foundation to establish a relationship of trust with the industry.

The Film and Video Foundation should therefore:

- develop a database of the South African location industry in order to ensure that producers wishing to make movies in South Africa can access information at central points
- provide South African producers with information on potential export niche markets in Africa and the rest of the world
- facilitate the collection of information by Central Statistical Services on the South African industry itself in terms of economic growth, employment creation and value of exports.
- provide information to players in the industry that will enable greater co-operation between different players in the value chain.
- provide information on possible co-production partners in the international industry.

Networking, Communication and Lobbying

The South African Film and Television Industry has been beset by a breakdown in the value chain between producers, distributors and broadcasters. It is therefore important that as many opportunities as possible are created for the players in the different part of the value chain to meet and discuss problems in the industry. The Film and Video Foundation should provide forums for all players in the value chain to meet on formalised basis to discuss issues concerning them all. One such issue is that of tax incentives in the industry. It is recommended that a sub-committee be formed in the Film and Video Foundation that deals with tax incentives. All players in the industry should be represented in this sub-committee as well as a representative from the Department of Finance.

The Film and Video foundation could also be hosting a film market for African Filmmakers, perhaps in partnership with the private sector, to provide a forum for networking of African filmmakers.

The Promotion and Marketing of the Location Industry

The South African film and television industry does not have profile in the international arena. This is due, in part, to South Africa's political isolation during the apartheid years. The Film and Video Foundation should therefore be playing a role in promoting the South African industry internationally.

For example, it has been acknowledged in this report that the location industry in South Africa is an important generator of foreign currency and employment. Therefore, the Film and Video Foundation should be actively promoting the South African location industry internationally.

They could do this by:

- setting up a web site providing details on the quality of the location and support services offered in the country as well as contact details.
- setting up an office which provides support for foreign film makers in the country in the form of information and assistance with obtaining work permits

Training and Development

The greatest gap in skills in the film and television industry is in the areas of:

- film direction
- production
- distribution and financing
- scriptwriting

The Film and Video Foundation should be providing bursaries for students to be studying in these areas. In the case of distribution and financing, where there is very little training offered in this area in South Africa, bursaries to attend international institutions should be offered. Black people and women generally should be prioritised for these bursaries.

The Film and Video Foundation could also, in conjunction, with the private sector, be running similar scriptwriter workshops as SCRAWL.

Export Stimulation

Due to the increase in the number of distribution pipelines internationally, audiences are fragmenting. This leaves filmmakers with two options. They can use bigger budgets to get well known actors, actresses and directors, expensive special effects and impressive locations in order to draw mass audiences. Alternatively, they can target niche markets all over the world with smaller budgets. It is recommended that the South African industry adopt the latter approach.

The South African film and television industry can not survive without the export of film and television productions. However, South African filmmakers are not aware of opportunities in foreign markets for export. Therefore, the Film and Video Foundation should organise trade relations in conjunction with the Department of Trade and Industry, where industry players and government officials will investigate new markets and make contacts with players in these markets. Given that South African is looking to focus on trade with China and Southern Africa, these may also be good markets to explore for the film and television industry.

Representation by South Africans at film markets is not presently well co-ordinated. South African filmmakers or distributors have individual stands scattered all over the market. Investigations should be made into putting up a South African “umbrella” stand, where South African companies, organisations or people can have their own stands. This will help to present more of a united presence at the market.

Pilot Project

The film and television industry has not been taken seriously as an employment and income generating industry in South Africa. The best way to show what impact this industry can have would be to run a pilot project. This pilot project would aim to show the economic and employment creating benefit of the industry, including the multiplier effects of these benefits.

This pilot project could take the documentation of three past productions such as a documentary, a feature film and a television series. Booklets could then be produced describing:

- the development, production and distribution process for each production
- how financing was obtained
- how much of the budget was spent on writers, crew, actors, equipment, marketing, post production etc
- how many people were employed directly and indirectly
- how well the production did financially
- lessons learned

The industry would be encouraged to co-operate with this documentation with the quid pro quo support of government.

8.5.3 Time Frame for Film and Video Foundation Initiatives

The Film and Video Foundation has not as yet been set up and may not be set up before the end of 1998. Prior to its establishment a preparatory process should be embarked on to promote the foundation and provide information to the industry. This process could include the wide distribution of this report as well, a presentation of the findings of the CIGS process and progress on the establishment of the Film and Video Foundation at the Film Market in November.

The table below provides a suggested time frame for the implementation of the above recommendations.

Time Frame for Film and Video Foundation Initiatives

Time Frame	Recommendation
Immediate initiatives	
<ul style="list-style-type: none"> ■ Promotion of the Film and Video Foundation should begin immediately 	Preparation
<ul style="list-style-type: none"> ■ On going financing of productions (through interim film fund during the period before the Foundation is established) 	Financing
<ul style="list-style-type: none"> ■ Some networking forums could be established this year prior to the establishment of the Foundation 	Networking, Communication and Lobbying
<ul style="list-style-type: none"> ■ Contact made as soon as possible through the representatives who are sent to the Cannes market 	Export Stimulation
<ul style="list-style-type: none"> ■ Contact should be made as soon as possible through the representative who are sent to the Cannes market 	Promotion of the industry internationally
<ul style="list-style-type: none"> ■ This will be an ongoing long-term process. Where possible, information collection should start immediately 	Information Collection
<ul style="list-style-type: none"> ■ Information for database should start being collect immediately ■ Forums for networking to be established within the next year 	Co-Production Agreements
Long term initiatives	
<ul style="list-style-type: none"> ■ To be developed when the Foundation has been established 	Distribution Pipeline
<ul style="list-style-type: none"> ■ To be initiated once the Film and Video Foundation is established 	Training and Development
<ul style="list-style-type: none"> ■ To be initiated once the Foundation as been established 	Pilot Project

Table 24 - Time Frame for Film and Video Foundation Initiatives

8.6 Recommended Initiatives for players other than DACST

8.6.1 Department of Trade and Industry Incentives

Sectoral Partnership Fund - The aim of the Sectoral Partnership Fund is to improve competitiveness and productivity through the formation of inter-firm linkages. At the moment this fund is being used exclusively for the manufacturing sector. These criteria should be changed to include cultural industries. Access criteria is a partnership of five firms. This funding could be used by the film and television industry to develop the distribution pipeline for South African products. A group of five or more organisations could partner and apply for funding for marketing, developing international contacts and international trade tours.

Export Marketing and Investment Assistance Scheme - This scheme aims to assist exporters with export market research, with trade missions and exhibitions. This scheme is available to all industries and could be accessed by the film industry. This funding could be used to finance travel costs to meet with international distributors or to attend international film markets.

8.6.2 Training and Development

This report has outlined problems with the provision of training in the film and television industry. These problems include a lack of standards in the industry as well as a lack of co-ordination of training institutions. The establishment of an industry training board for the film and television industry would overcome these problems. This report has outlined, for instance, the role that Tactics is playing in researching standards for the industry. However, not all players in the industry have been involved in this initiative. There needs to be greater involvement from all players in the industry in this forum and an industry training board, established under the auspices of the Department of Labour would ensure such co-ordination.

An audit needs to be conducted of all training institutions, possibly by Tactics, to assess training providers, the needs of the industry and provide recommendations regarding the new film school.

8.6.3 Audience Development

Audiences in South Africa are, by and large, not watching South African productions. There is therefore a continued role for organisations such the Film Resource Unit as well as other organisations including the Film and Video Foundation to be hosting African and South African film festivals. Film festival should be held which explore diverse films from a number of different countries. In addition, a film festival could be held which celebrates film making in South Africa. Films dating back to the first movie made in South Africa could be screened. During this festival the aim would be to educate the public about the diversity of South African film making as well as its history. Academics and experts in the field of South African film and television would also host a number of talks.

8.6.4 Lottery

A National Lotteries Act was passed in Parliament in October 1997. This Act gives the go-ahead for a national lottery of R3-R5 billion to be set up. Five direct beneficiaries, namely the RDP, charities, sport and recreation, art culture and natural heritage and an ad hoc disaster allocation, will probably share the revenue generated from the lottery. It would appear that only 5% of the revenues will go to the arts. However, the film and television industry should be lobbying for a share of this revenue.

8.7 Summary of recommended Initiatives

The table below provides a summary list of recommended initiatives, outlined in this section, to assist with the growth of the industry

Summary of Initiatives

	Problems	Current Initiatives	Possible Initiatives	Responsible Organisation
Beginnings	<ul style="list-style-type: none"> ■ lack of enthusiasm for South African film and television industry ■ fragmented local market 	<ul style="list-style-type: none"> ■ Cape Town film and television market ■ Film festivals - eg FRU screening of African movies during end of 1997 at SAB centenary centre 	<ul style="list-style-type: none"> ■ More film festivals showcasing South African and African productions marketed during tourist seasons ■ Film market for African film makers to be hosted in South Africa to provide opportunities for African film makers to meet and network ■ More development of mobile cinemas for rural areas 	<ul style="list-style-type: none"> ■ Film and Video Foundation, Film Resource Unit, tourist agencies
Production	<ul style="list-style-type: none"> ■ Lack of scriptwriters 	<ul style="list-style-type: none"> ■ SCRAWL ■ New Directions ■ Short ad Curlies 	<ul style="list-style-type: none"> ■ More scriptwriter workshops ■ Increased funding of writers to attend training overseas eg Performing Artists Laboratory or Sundance Institute 	<ul style="list-style-type: none"> ■ Film and Video Foundation, SCRAWL, Entertainment Companies (AME, Primedia)
	<ul style="list-style-type: none"> ■ Lack of investor confidence 	<ul style="list-style-type: none"> ■ Renewed private sector interest in the industry through new television channel and vision for industry by private investors ■ New initiatives from AME, Primedia, Sasani, M-Net 	<ul style="list-style-type: none"> ■ Provision of seed funding by the Film and Video Foundation so that producers are in a better position to access money from other investors ■ Tax Incentives ■ The lottery 	<ul style="list-style-type: none"> ■ Film and Video Foundation, Possibly the Broadcasting fund ■ Subcommittee of Film and Video Foundation (comprised of Department of Trade and Industry, Finance and Arts and Culture as well as industry representation) to look at tax incentives

	Problems	Current Initiatives	Possible Initiatives	Responsible Organisation
	<ul style="list-style-type: none"> ■ Too little training ■ Lack of co-ordination of training ■ Lack of standards setting process in training 	<ul style="list-style-type: none"> ■ Tactics 	<ul style="list-style-type: none"> ■ Encourage greater participation in Tactics ■ In depth audit of training provision should be commissioned. This audit should assess training providers, needs of the industry and provide recommendations regarding the new film school ■ Establish Industry Training Board 	<ul style="list-style-type: none"> ■ Film and Video Foundation ■ Department of Labour ■ Tactics
	<ul style="list-style-type: none"> ■ Lack of co-ordination of foreign location industry 	<ul style="list-style-type: none"> ■ Cape Film and Video Foundation 	<ul style="list-style-type: none"> ■ Provide a one stop shop for potential foreign investors to get information on the support services offered, the best locations in South Africa, where to hire equipment etc 	<ul style="list-style-type: none"> ■ Film and Video Foundation

	Problems	Current Initiatives	Possible Initiatives	Responsible Organisation
Circulation	<ul style="list-style-type: none"> ■ breakdown of pipeline between production and distribution 	<ul style="list-style-type: none"> ■ new structure envisaged by Primedia 	<ul style="list-style-type: none"> ■ Film and Video Foundation should be developing relationships with international distributors, exhibitors and broadcasters and establishing a database for the industry. ■ Providing more opportunities for film makers to attend international markets ■ Film and Video Foundation should provide seed funding for the establishment of an independent distribution company ■ Providing networking opportunities for producers, distributors, exhibitors and broadcasters 	<ul style="list-style-type: none"> ■ Film and Video Foundation
	<ul style="list-style-type: none"> ■ small market ■ high cost of local productions ■ lack of marketing by SABC overseas ■ lack of exports 	<ul style="list-style-type: none"> ■ New initiatives from Primedia and AME 	<ul style="list-style-type: none"> ■ Trade relations with government and members of the industry to investigate new markets ■ Film and Video Foundation should develop a database of potential export markets and be able to offer assistance to producers wanting to export products ■ Lobby Department of Trade and Industry to adapt incentives to Film and Television Industry 	<ul style="list-style-type: none"> ■ Film and Video Foundation, Department of Trade and Industry

	Problems	Current Initiatives	Possible Initiatives	Responsible Organisation
Delivery	<ul style="list-style-type: none"> ■ lack of attendance at township cinemas ■ lack of infrastructure in townships and rural areas 	<ul style="list-style-type: none"> ■ Some FRU initiatives 	<ul style="list-style-type: none"> ■ Seed funding for the establishment of cinemas in under serviced areas 	<ul style="list-style-type: none"> ■ Film and Video Foundation ■ Film Resource Unit
Audience Feedback	<ul style="list-style-type: none"> ■ lack of spending power ■ lack of prioritisation of film as entertainment activity ■ limited audience development 	<ul style="list-style-type: none"> ■ FRU 	<ul style="list-style-type: none"> ■ Film Festivals 	<ul style="list-style-type: none"> ■ Film and Video Foundation ■ Film Resource Unit ■ Private Sector

Table 25 - Summary of Proposed Initiatives

8.8 Conclusion

This report has provided a descriptive overview of the South African film and television industry and a detailed analysis of both its competitive advantages and impediments to growth. This industry is poised to grow significantly over the next decade if suggested initiatives are embarked on. In addition there are significant developments in the film and television industry which will aid its growth, such as recent increased private sector investment, changes in the broadcasting industry (both globally and locally), the establishment of an institutional framework and an enhanced understanding of the inter-linkages within the film and television industry.

The Film and Video Foundation provides the institutional framework for the development of the South African film and television industry. This report has provided recommendations on the types of projects and initiatives that could be embarked on by this foundation. Investment in the television production industry, in particular, could help promote employment creation and economic growth.

However, it should be noted that while government institutions and commissions have a vital role to play, the players in the industry will make by far the most decisive impact. It is therefore essential that players in the value chain continue to communicate with each other through organisations such as the NTVA, the IPO and the Film and Video Foundation in order to promote the viability and growth of the industry. Local and global players require greater interaction to effectively integrate the local industry into the global industry. Fundamental to this is the creation of a pipeline for the production, distribution, exhibition and broadcasting of South African products (both domestically and internationally).

The growth of the South African film and television industry will benefit the country as a whole: with the support suggested above it can make a significant contribution to the economy and employment while it also plays an important social role providing information and entertainment, reflecting diversity and promoting a sense of nationhood. As we enter the 21st century, growing this industry not only provides economic benefits and international exposure but more critically provides an outlet for South African talent with the consequent rewards of recognition, skill and income.

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APPENDIX ONE - DETAILS OF INTERVIEWEES

Distributors and Exhibitors

Rob Collins - Ster-Kinekor - 12/08/97
Judi Harrington - Ster-Kinekor - 12/08/97
Richard Ishmael (UIP pictures) - 27/08/97
Mike Dearham (Film Resource Unit) - 29/08/97
Melanie Chait - SABC - 22/10/97
Zamambo Mkhize - SABC - 30/10/97
Jeremy Nathan - was with Catalyst now with Primedia Pictures- 20/11/97 (features , television)
Jason Xenopoulos - Primedia Pictures interviewed on the 18/11/97

Producers

Karl Fisher (Endemol productions) - 14/08/97 (theatrical and television productions)
Angus Gibson (La Duma film factory) - 25/08/97 (documentary productions)
Sharon Farr (Shoot the Breeze productions) - 04/08/97 (television documentaries and new inserts)
Harriet Gavshon (Mail and Guardian TV) - 28/07/97 - (documentary productions)
Indra De Lanerolle (Catalyst Films and De Lanerolle Films) - 29/07/97 - (Feature and short films - theatrical and Television exhibition)
Revie Fox (Fox productions) - 04/08/97 - (Features)
Mike McCarthy (Movie Makers International and Cape Film & Videomakers Association) - 19/08/97 - (Features)
Stephen Markovitz - Big World Cinemas - 06/08/97 - (Television, features, commercials)
Dingi Ntuli - Hybrid Films - 21/08/97 - (features)
Alexis Roberts - producer and trainer (commercials) - 06/08/97 - (commercials and corporate videos)
Khetiwe Ngcobo - SABC producer - 28/08/97 - (television educational productions)
Duncan Irvine - Rapid Blue - 29/10/97 - (Corporate videos)
Barry Munchik - Velocity - interviewed on 13/11/97 - (Commercials)
Peter Vundla - Herdbuoys - interviewed on 18/11/97 - (Commercials)
Peter Esterhuizen - Frameworks - 17/09/97 - (Television)
Helena Spring - Video Vision - 20/11/97 (Features)
Philo Pieterse - Philo Pieterse Productions - 21/11/97
David Heitner - African Media Entertainment (AME) - 21/11/97

Other

Neville Singh (DACST) - 08/08/97
Monica Newton (DACST) - 08/08/97
Dimitri Martinis (IBA) - 28/07/97
Michael Ward (Australian Film Commission) - 13/11/97

Training

Karen Thorn (Open Window Network) - 06/08/97
Zulfah Otto-Sallies (Community Video Education Trust) - 20/08/97
Maspeke Sekhukhuni (Newtown Film School) - 27/08/97
Liza Key (SCRAWL) - interviewed on the 19/11/97
John Hill and Nada Rubens - (Cape Town Film and TV school) - 21/10/97

Post Production

David Keet (Video Lab) - 23/10/97

Mike Bouchier (Film Lab) - 28/10/97

Cas Odendaal (Six street studios) - interviewed on the 14/11/97

Stakeholders

Marilyn Boogaart (NTVA) - 24/10/97 -

Dan Robertse (PAWE)

Norma Craven (PAWE) - telephone interview

Patti Putter, Mark Neuman (IPO) - during the film market

Telephonic Interviews conducted with:

South African Scriptwriters Association (SASWA)

South African Guild of Editors (SAGE)

South African Society of Cinematographers (SASC)

Women in Film and Television (WIFT)

Financing

Isaac Shongwe - interviewed on the 2/12/97

David Selwyn - interviewed telephonically

Services

Moonen Lee - Casting agent - interviewed on the 17/11/97

Heather Stetson - Hot Shots Crewing Agency interviewed on the 18/11/97

Conferences and Seminars attended:

- Australian Film Seminar held at the Market Theatre - July 1997
- African Cinema Panel Discussion - St Josephs College Rondebosch - August 1997
- The NTVA Western Cape General Meeting - August 1997
- The NTVA Gauteng Meeting - October 1997
- Bienale Seminar on Film and Globalisation - October 1997
- The Southern African Film and Television Market - November 1997