



CAPE TOWN & WESTERN CAPE FILM & MEDIA SECTOR STUDY

SITUATION ANALYSIS REPORT 2017

PREPARED BY:



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Section 1: Introduction

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1.1 Introduction

The Western Cape Tourism, Trade and Investment Promotion Agency (“**Wesgro**”) issued a request for proposal for suitably qualified service providers to conduct a study on the Western Cape Film and Media Sector (“**the Project**”).

The Film and Media Sector in Cape Town and the Western Cape has been identified as one of the key industries that has the potential to contribute to economic growth. The industry has grown rapidly over the last few years with the Western Cape emerging as a popular choice for local and international film and commercial productions.

In 2006 Stratecon (then Strategic Economic Solutions now t/a Stratecon) completed a study of the Western Cape Film and Media Sector for the then Cape Film Commission (CFC). The CFC had been established as the official advocate for the feature film, television, video, commercials, and Stills photography production industry in the Western Cape. The CFC combined the film-related interests of the City of Cape Town and the Provincial Government of the Western Cape under an independent, autonomous organisation. The core aim of the CFC was to position Cape Town as a globally competitive film city, thereby boosting tourism, job creation and the development of core competencies. This function has since been taken over by Wesgro.

The 2006 Stratecon study reported on the macroeconomic contribution that has been made by the Western Cape Film and Media Sector. This included:

- Contribution to GDP.
- Provincial and Cape Town GGP.
- Direct and indirect jobs.

- Household incomes.
- Contribution to taxes, and
- The next generation of foreign exchange.

Since that time the National Film and Video Foundation (“**NFVF**”) has reported on the turnover of the provincial Film and Media Sector, as has the South African Association of Stills Producers (“**SAASP**”) while the Commercial Producers Association (CPA) has reported similar figures for the Stills and TV commercials sector.

Wesgro has identified the need for the Western Cape Film and Media Sector Study to address two primary objectives:

1. To update the economic contribution of the Film and Media Sector to the economies of both the City of Cape Town and the Western Cape Province. and
2. To understand the nature and/or characteristics of the film sector in Cape Town and to identify potential opportunities and inherent constraints for the local industry.

The critical elements of the study and the expected outcomes as per the request for proposal are:

- International benchmarking of global film destinations to ascertain best practice.
- Determination of the size and contribution of the Film and Media Sector to the economy and multiplier.
- Indication of employment and job creation potential of the Film and Media Sector.

- Indication of value chains of the Film and Media Sector to determine the “downstream and upstream” value adding activities associated with/dependent on the Film and Media Sector.
- Growth potential of the Film and Media Sector.
- Identify and analyse barriers to growth of the Film and Media Sector in Cape Town.
- Determine the development needs of the Film and Media Sector.
- Lessons learnt from the local film industry and necessary improvements.
- Transformation status of the Film and Media Sector and an indication of possible interventions on the part of government as well as the Film and Media Sector to accelerate transformation of the Film and Media Sector.
- Alignment to national policies and the national baseline. and
- Analysis of the scope of economic activities and key players in the industry.

Grant Thornton has partnered with Stratecon to combine the required Film and Media Sector expertise with the required economic analyses in order to deliver the Project.

1.2 Defining the Film and Media Sector

Due to the complexity of the study and the many variables and elements included in the film and media value chain a distinction has been made between the Film and Media Sector and the individual industries it includes. “Sector” refers to a large segment of the economy, while the term “industry” describes a much more specific group of companies of businesses.

For the purposes of this study the Film and Media Sector is defined not only as feature films but also as television series and documentaries, commercials, Stills photography and so-called ‘new media’, such as animation and interactive computer games.

It should be noted that the definition for the purposes of this study is broader than the definition by the NFVF. The NFVF defines film and television as including feature films, documentaries, TV series (including broadcaster commissions), TV films (including broadcaster commissions), animation and short films. The definition is closely aligned to the classification of qualifying films for the dti incentives. TV commercials, Stills photography, and gaming is therefore excluded.

For the purposes of this study the Film and Media Sector is also defined as all the activities required for the relevant production from the initial conceptualisation of a creative work to its final delivery to a designated target audience, which could be local or international, or both.

The Film and Media Sector can be categorised into the following industries:

- **Long form productions:** This refers to a range of filmed production outputs, such as feature films, made-for-TV movies and direct-to-DVD productions. A production is classified as long form when it meets the relevant length criterion, which could be a minimum of 40 minutes, 60 minutes or 90 minutes. Even an unusually long episode of a television show (e.g. a season finale) might be considered by some to be long form.
- **Television productions:** This refers to a range of productions that are typically shorter than the long form variety and are geared for viewing on the small screen, such as documentaries, game shows, reality TV shows and corporate videos.

- **Commercials:** These refer to very short productions (generally from 10 to 60 seconds in duration) that are designed to advertise a product or service. Commercials are well suited to the television medium.
- **Stills:** Stills productions include posters, billboards, point-of-sale advertising materials, catalogues, magazine spreads, fashion photography and product brochures.
- **New media:** These are new or contemporary platforms for creating and delivering material, such as video games, animations, internet (including social media) websites, augmented and virtual reality and podcasts.

For a typical film production, direct film-related services will include, amongst others, the procurement of the cast and crew, design and construction, equipment hire, camera work, electrical installations and sound, special effects and editing. Indirect services, relating to transport, hotel accommodation, meals and refreshments, ICT assistance, medical attention, beauty or exercise therapy.

1.3 Approach

The study will be completed in five phases, namely:

- Phase One: Project Inception.
- Phase Two: Situation Analysis.
- Phase Three: Socio-Economic Impact Modelling.
- Phase Four: Identification of Opportunities and Constraints.
- Phase Five: Reporting.

The critical elements and expected outcomes addressed by each phase of the study are shown in **Table 1.1** below.

Table 1.1: Critical Elements and Expected Outcomes

PHASE	CRITICAL ELEMENTS AND EXPECTED OUTCOMES
Phase 1: Project Inception	<ul style="list-style-type: none"> Confirmation of project scope.
Phase 2: Situation Analysis	<ul style="list-style-type: none"> International benchmarking of global film destinations to ascertain best practice. Indication of value chains of the Film and Media Sector to determine the “downstream and upstream” value adding activities associated with/dependent on the Film and Media Sector. Growth potential of the Film and Media Sector. Determine the development needs of the Film and Media Sector. Transformation status of the Film and Media Sector. Alignment to national policies and the national baseline. Analysis of the scope of economic activities and key players in the industry.
Phase 3: Socio-Economic Impact Modelling	<ul style="list-style-type: none"> Determination of the size and contribution of the Film and Media Sector to the economy and multiplier. Indication of employment and job creation potential of the Film and Media Sector.
Phase 4: Identification of Opportunities and Constraints	<ul style="list-style-type: none"> Identify and analyse barriers to growth of the Film and Media Sector in Cape Town. Lessons learnt from the local firm industry and necessary improvements. An indication of possible interventions on the part of government as well as the Film and Media Sector to accelerate transformation of the Film and Media Sector.
Phase 5: Reporting	<ul style="list-style-type: none"> Policy mechanisms to encourage growth. Interventions by local and provincial government and the Film and Media Sector to enhance development in the Film and Media Sector. Institutional arrangements and governance for an effective and internationally recognised Film and Media Sector. Identify possible linkages and opportunities for smaller companies to partner with big companies to set the scene for the transformation agenda.

1.4 Methodology

The methodology for the study is detailed below.

Phase 1 – Project inception

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
1.1 Inception Meeting	<ul style="list-style-type: none"> Present & review proposed methodology. Finalise scope of work, methodology, project team & budget. Define Client’s expectations and required outputs from the study, including the objectives of the study. Identify key stakeholders for the process. Agree on the number & dates of meetings (as far as possible at the time of the meeting). Provide comments on the draft service level agreement (“SLA”). 	Final terms of reference Meeting 1

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
	<ul style="list-style-type: none"> ▪ Identify documentation review requirements, sources of information & assistance required from Client to obtain information. 	
1.2 Inception Report & final SLA	<ul style="list-style-type: none"> ▪ Prepare final inception report. ▪ Sign final SLA with Client. ▪ Issue inception invoice. 	Inception Report Signed SLA
Deliverable 1	Inception Report	

Phase 2 – Macro-Economic View and Growth Scenarios

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
2.1 International Benchmarking	<ul style="list-style-type: none"> ▪ The three international film destinations that have been identified, in conjunction with the steering committee, for benchmarking purposes are: <ul style="list-style-type: none"> • Los Angeles. • London. • Toronto. ▪ Conduct a benchmarking case study of the selected destinations to access: <ul style="list-style-type: none"> • Regulation. • Funding. • Incentives. • Industry development. • Branding and marketing. • Competitive advantage, etc. ▪ The two domestic film destinations that have been identified, in conjunction with the steering committee, for analysis purposes are: <ul style="list-style-type: none"> • Johannesburg, Gauteng. • Durban, KwaZulu-Natal. ▪ Conduct a high level analysis of the selected destinations to access: <ul style="list-style-type: none"> • Regulation. • Funding. • Incentives. • Competitive advantage, etc. 	Three international benchmark case studies Two domestic high level analysis

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
2.2 Focus Groups	<ul style="list-style-type: none"> ▪ The five focus groups that have been identified in conjunction with the steering committee are: <ul style="list-style-type: none"> • Production/Film and Television. • Logistics, facilities, locations, crafts and hospitality. • Services, commercials and Stills. • Post-production, animation and virtual reality. • Training and skills. ▪ Conduct five focus groups in order to obtain input regarding: <ul style="list-style-type: none"> • Income and expenditure patterns in the Film and Media Sector. • Employment trends in the Film and Media Sector. • Growth potential. • Barriers. • Development needs. • Transformation status. • Required interventions. • Supporting and funding for film. 	Stakeholder input to the study
2.3 Electronic Survey	<ul style="list-style-type: none"> ▪ The electronic survey will be supplemental to the focus groups in order to provide opportunity for every stakeholder to provide input regarding: <ul style="list-style-type: none"> • Income and expenditure patterns in the Film and Media Sector. • Employment trends in the Film and Media Sector. • Growth potential. • Barriers. • Development needs. • Transformation status. • Required interventions. 	Stakeholder input to the study
2.4 Policy Review	<ul style="list-style-type: none"> ▪ Review all relevant policies and legislation that impact on the Film and Media Sector. 	Policy Review
2.5 Report Writing	<ul style="list-style-type: none"> ▪ Compile a succinct report addressing the following critical elements: <ul style="list-style-type: none"> • International benchmarking of global film destinations to ascertain best practice. • Indication of value chains of the Film and Media Sector to determine the “downstream and upstream” value adding activities associated with/dependent on the Film and Media Sector. • Growth potential of the Film and Media Sector. • The development needs of the Film and Media Sector. • Transformation status of the Film and Media Sector. • Alignment to national policies and the national baseline. • Analysis of the scope of economic activities and key players in the industry. 	Draft Situation Analysis Report
Deliverable 2	Succinct Situation Analysis Report	

Phase 3 – Socio-Economic Modelling

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
3.1 Value Chain Framework	<ul style="list-style-type: none"> ▪ A value chain framework will be developed that will trace the value creation from conceptualisation through the various stages of the value chain up to the final distribution phase for the various types of film production. Distribution will exclude retail distribution like movie houses and video outlets. 	Value Chain Framework
3.2 Focus Groups	<ul style="list-style-type: none"> ▪ Information obtained during the Situational Analysis Phase will be analysed ▪ Additional focus groups will be conducted if required. 	Stakeholder input to the study
3.3 Electronic Survey	<ul style="list-style-type: none"> ▪ Information obtained during the Situational Analysis Phase will be analysed ▪ Additional electronic surveys will be conducted if required. 	Stakeholder input to the study
3.4 Economic Modelling	<ul style="list-style-type: none"> ▪ Social Accounting Matrices (SAMs) for South Africa and the Western Cape, of which Stratecon already has copies, would be used to determine the input output multipliers. The steps required to measure the overall economic impact of the provincial Film and Media Sector include: <ul style="list-style-type: none"> • First, is to identify appropriate costs. These costs need to be differentiated between capital expenditure and operating expenditure. The Film and Media Sector is not a designated SIC sector. As a result it needs to be estimated using as many approaches as possible. The following are proposed: <ul style="list-style-type: none"> ○ The 2013 NFVF South African Film Industry Baseline Study Report on the size of the industry (as presented in the Wesgro Film and Media publication) is the starting point. ○ Any publications by the Commercial Producers Association and the South African Association of Stills Photography and any other industry bodies. ○ The number of permits issued by the Cape Town Permitting Office. ○ Focus groups questions to industry role players regarding the number and size of productions and their use of the Cape Town Film Permitting Office. ○ Questions in the on-line survey. ○ The on-line survey and focus groups will give the base information. This would then be cross tabulated to film permits and published information. • Second, is to determine the relative proportions of plant and material¹ for each cost line item. • Third, is to assign each item of plant and material to a particular SAM code as identified in the various SAMs. • Fourth, is to decompose labour and profit into income categories and apportion the total wage bill and profits to each income category, which differs by province and income level. • Finally, all the items in the SAM coded costs are brought together. The total multiplier effect of the capital and operating expenditure is calculated as the aggregate product of the SAM coded spending on plant and material, as well as the SAM coded spending by personnel multiplied through the national and provincial multipliers. The national and provincial multipliers have already been established by Stratecon from the relevant SAMs. 	Size (income and employment) and contribution of the Film and Media Sector to the economy and multiplier
Deliverable 3	Socio-Economic Impact Modelling	

¹ The terminology “plant and material” are standard nomenclature for a SAM and it is simply the way in which the SAM information is presented. The principle remains the same, irrespective of the application. For a film shoot they will have material and labour but instead of plant they might have equipment. The principle is that each component of expenditure (by main expense category) needs to be classified according to one of the SAM sector codes. Salaries and wages will be decomposed according to expenditure patterns in the province.

Phase 4 – Opportunity and Constraints

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
4.1 Identification of Opportunities and Constraints	<ul style="list-style-type: none"> ▪ Based on input from stakeholders obtained through personal interviews, the online survey and focus groups, as well as the international benchmarking, we will identify the opportunities and constraints in the Film and Media Sector. ▪ The identified opportunities and constraints will be ranked and evaluated according to mutually agreed criteria to identify the top priorities. ▪ Key interventions will be identified to address the top priorities. 	Identification of Opportunities and Constraints
4.2 Brainstorm	<ul style="list-style-type: none"> ▪ A brainstorm will be conducted with Wesgro and key stakeholders to present the results of the study and to obtain input as to the recommendations. 	Stakeholder input
Deliverable 4	<ul style="list-style-type: none"> ▪ Brainstorm to present study results and obtain input 	

Phase 5 – Reporting

MAIN TASK	PROJECT TEAM ACTIVITIES/KEY STEPS	OUTPUTS & DELIVERABLES
5.1 Report writing	<ul style="list-style-type: none"> ▪ Compilation of the Western Cape Film and Media Sector Study, including: <ul style="list-style-type: none"> • Situation Analysis including input from stakeholders and international benchmarking. • Socio-Economic Impact Assessment. • Policy mechanisms to encourage growth. • Interventions by local and provincial government and the Film and Media Sector to enhance development in the Film and Media Sector based on input from stakeholders and international benchmarking. • Institutional arrangements and governance for an effective and internationally recognised Film and Media Sector. 	Western Cape Film and Media Sector Study Report
Deliverable 5	<ul style="list-style-type: none"> ▪ Western Cape Film and Media Sector Study Report 	

1.5 Terminology and Abbreviations

Animation Production Company	APC
Animation South Africa	ASA
Association for Transformation in Film and Television	ATFT
Brand South Africa	BSA
British Film Commission	BFC
British Film Institute	BFI
Broad Based Black Economic Empowerment	BBBEE
California Film Commission	CFC
Cape Town Film Permit Office	CTFPO
Cape Town Film Studio	CTFS
Canadian Audio-Visual Certification Office	CAVCO
Canadian Film or Video Production Tax Credit	CPTC
Children’s Television Production Company	CTPC
City of Cape Town	COCT
Commercial Producers Association	CPA
Documentary Filmmakers Association	DFA
Department of Arts and Culture	DAC
Department of Home Affairs	DHA
Department of Trade and Investments	dti
Durban Film Office	DFO
European Economic Area	EEA
Full Time Equivalent	FTE
Film and Publication Board	FPB
Film or Video Production Services Tax Credit	PSTC
Film Production Company	FPC
Foreign Direct Investment	FDI
Gross Domestic Product	GDP
Gross Geographic Product	GGP

Full Time Equivalent	FTE
Gauteng Film Commission	GFC
Greater Toronto Area	GTA
Gross Value Added	GVA
Independent Producers Association	IPO
Interactive Entertainment South Africa	IESA
Industrial Development Corporation	IDC
Johannesburg Film Office	JFO
KwaZulu-Natal Film Commission	KZNFC
Make Games South Africa	MGSA
Motion Pictures Association	MPA
National Association of Modelling Agencies	NAMA
National Film and Video Foundation	NFVF
National Lotteries Commission South Africa	NLCSA
Ontario Computer Animation and Special Effects Tax Credit	OCASEE
Ontario Film and Television Tax Credit	OFTTC
Ontario Interactive Digital Media Tax Credit	OIDMTC
Ontario Media Development Corporation	OMDC
Ontario Production Services Tax Credit	OPSTC
Public Benefit Organisation	PBO
Qualifying South African Post-Production Expenditure	QSAPPE
Qualifying South African Production Expenditure	QSAPE
Sector Education and Training Authority	SETA
Skills Investment Fund	SIF
South African Broadcasting Corporation	SABC
South African Association of Stills Producers	SAASP
South African Guild of Editors	SAGE
Social Accounting Matrix	SAM
South African Qualifications Authority	SAQA

South African Society of Cinematography	SASC
South African Tourism	SAT
Television Production Company	TPC
The Emerging Black Filmmakers Transformation Fund	EMBFTF
Toronto Film, Television and Digital Media Office	TFTDMO
United Kingdom	UK
United States of America	USA
Video Games Development Company	VGDC
Wesgro, the Official Tourism, Trade & Investment Promotion Agency for Cape Town and the Western Cape	Wesgro
Western Cape Provincial Government	WCPG
Western Cape Department of Transport and Public Works	WCDTPW
Western Cape Department of Economic Development and Tourism	WCDEDAT
Writers Guild of South Africa	WGSA

Section 2: The Cape Town and Western Cape Film and Media Sector

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- 01. Introduction
 - 02. Cape Town and Western Cape Film and Media Sector**
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2.1 Introduction

In this section we provide an overview of the film and media activity within Cape Town and the Western Cape. The overall film and media value chain has been provided as well as key players within the value chain.

In addition, a brief explanation of the South African Film and Media Sector is incorporated to provide context to the existing industry in Cape Town and the Western Cape.

2.2 South African Film and Media Sector

Over the years, the South African Film and Media Sector has grown and flourished into a vibrant, dynamic and internationally competitive industry. The industry provides quality content, creative workmanship and is known internationally as a highly professional servicing region.

With the favourable Rand exchange rate, the country has excelled as a cost effective and high quality film and media destination, attracting a large number of foreign productions to its shores. The current exchange rate makes the destination up to 40% cheaper to shoot in when compared with Europe and the United States of America, and 20% cheaper than Australia (*Ibis, 2015*).

In accordance with statistical data published by the NFVF, the Film and Media Sector contributed approximately R5.4 billion to the total South

African Gross Domestic Product (“GDP”) in 2016/17, making the industry an important contributor to the South African economy (*NFVF, 2017*).

The Western Cape and Gauteng are the main draw cards for Foreign Direct Investment (“FDI”).

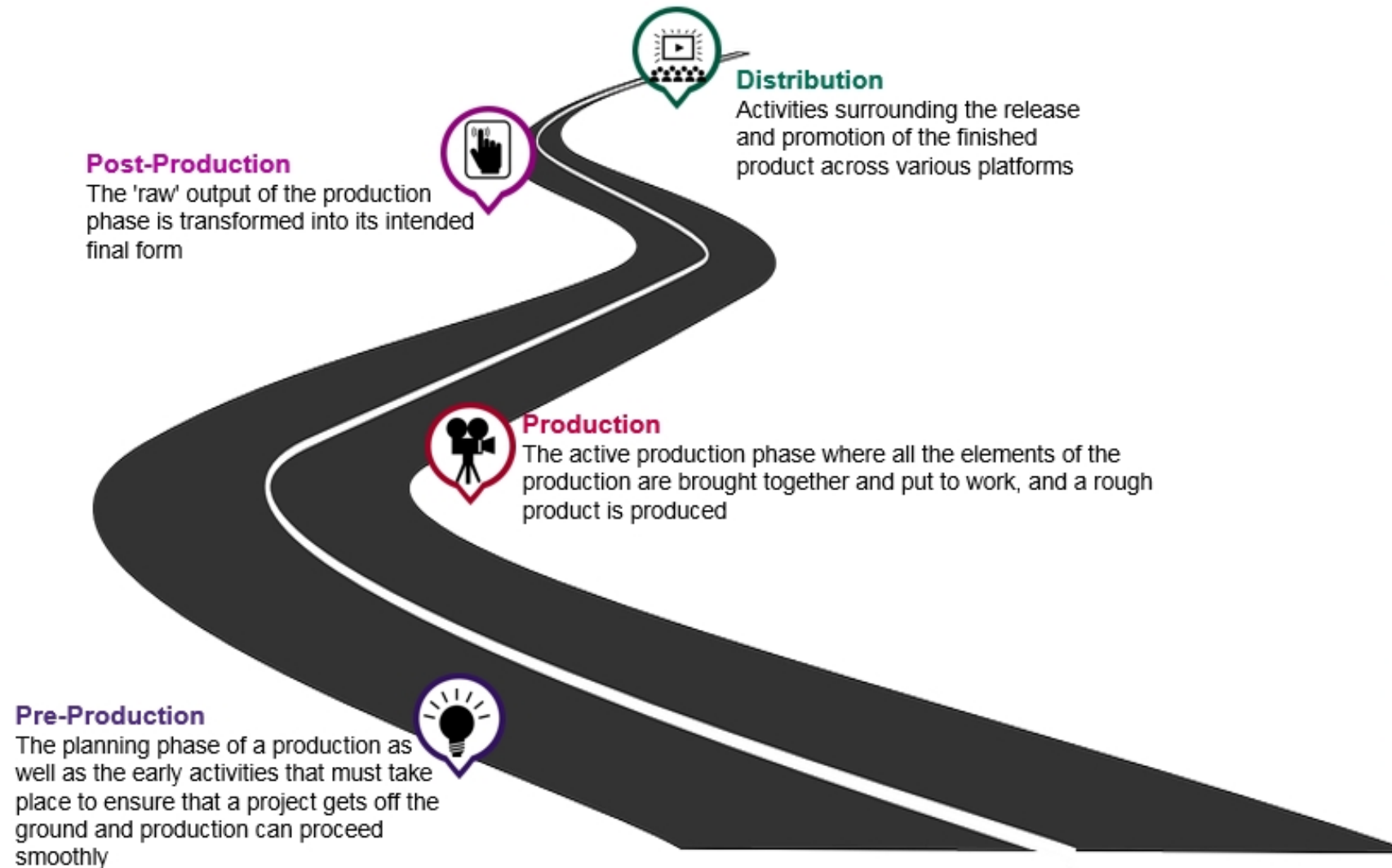
There are three main film and media hubs or destinations popular with both international and local productions in South Africa. These hubs are the Western Cape, followed by Gauteng and KwaZulu-Natal. During 2013, more than 50% of the film projects in South Africa were centralised around Gauteng and the Western Cape (*NFVF, 2013. South African Film Industry Baseline Study Report*).

2.3 Film and Media Sector Value Chain

The Film and Media Sector value chain details the connected series of activities and companies, which combine to create and deliver a production to the end-user or customer.

There are four components that make up the film and media value chain, as seen in **Figure 2.1**. Each component has been detailed in the following table (see **Table 2.1**), including the activities that form part of each component. There is a slightly different process in the animation space which has more production spend the “pre-production and post-production” areas.

Figure 2.1: The Film and Media Sector Value Chain



Pre-production refers to the planning phase of the production, and includes the following elements:

- Concept development and screenplay.
- Rights acquisition.
- Financing.
- Legal / auditing / insurance.
- Location scouting.
- Talent packaging (finding the cast and crew).
- Planning and scheduling the shoot.

Production refers to the active filming phase. More specialised crew will be recruited at this stage. The following activities form part of the production phase:

- Creating the studio environment.
- Acquiring and activating the necessary equipment for the camera, lighting and sound teams.
- Coordinating the work of costume designers, make-up artists, camera, lighting and sound experts.
- Directing the actors.
- Managing the location and studio facilities.
- Organising transfers, accommodation and catering.
- Managing the finances.
- Liaising with local authorities.

Post-production is the where the shot film material is edited. The production sound effects are designed, recorded and edited. The following activities form part of the post-production component:

- Editing.
- Video/digital post-production.
- Visual effects.
- Sound post-production.
- Film laboratory and studio facilities.

Distribution refers to activities surrounding the release and promotion of the finished product across multiple platforms. Internet and mobile platforms have become increasing popular channels of distribution. The key activities involved in this phase include the following:

- Theatrical distributions and exhibitions.
- DVD, CD, VOD, TV and online distribution.
- Publicity and marketing.

Annexure E contains a high level indication of the companies that are active in the Film and Media Sector.

Table 2.1: Overview of Film and Media Sector Components

	Film Industry (Long Form Film)	Television Industry	Commercials Industry	Stills Industry	New Media Industry
Pre-production	Generally, for foreign long form pre-production activities do not occur within the film destination therefore there are no dedicated film pre-production companies in the Western Cape or Cape Town market. However organisations working with foreign production companies may assist with pre-production elements if necessary. For independent South African productions this is a major piece of the work.	The South African television industry is well developed with numerous local productions being produced regularly. Pre-production activities occur within the destination. There is also a growing Foreign TV service industry and local facilitation companies are playing an increasing responsible role in this regard.	A strong local commercial industry exists within the Western Cape and Cape Town market, with production companies involving themselves in pre-production activities.	The Stills industry has a strong local content element with pre-production activities done in-house.	The Cape Town and Western Cape new media industry services many international projects with limited pre-production occurring in the region. Pre-production activities occur in the destination when producing local content. However, pre-production on international projects does not occur within the destination.
Production	The Western Cape and Cape Town industry is heavily geared towards the production phase as the industry consists of predominately service related companies that assist foreign production	Johannesburg is seen as the hub of television production with major Broadcasters located in the City. The Cape Town market is less conducive to local television production, with more large scale	Cape Town is a highly popular destination for commercial productions, both local and international content. The industry is strong and robust within great demand from Advertising	The Western Cape and Cape Town attract a large number of Stills shoots due to the vast number of locations (both private and public) on offer. Stills productions are geared more towards local shoots	The Western Cape and Cape Town has become the technology hub, it is home to the largest Animation Studio on the continent: Triggerfish Animations. The studio is involved in international

	Film Industry (Long Form Film)	Television Industry	Commercials Industry	Stills Industry	New Media Industry
	companies, but there is growing independent features work.	international television series facilitated in the region.	agencies to work in the destination.	but the weakened Rand has attracted more international clients to the City.	productions as well as local productions. In addition more than half of the Gaming companies registered with IESA are located in the City.
Post-production	Post-production requires advanced and modern technology. Currently there are a select number of post-production service providers in the Western Cape and Cape Town. As there is a separate post-production incentive for qualifying spend, some of the larger post-production houses are using this to their advantage in attracting more work into their post-production departments. Some have even upgraded security (against piracy) to be able to get onto the MPA database of service providers.	Post-production activity is considered expensive for television productions. The post-production industry in the Western Cape and Cape Town does not regularly service local television productions. Post-production on foreign television productions is more common, often due to the separate post-production incentive for qualifying spend.	Cape Town has a high volume of commercial activity which has led to an increase of post-production companies present within the City. Despite an increase in international work, the post-production industry gets little exposure on an international commercials level therefore the majority of work is for local commercial productions.	Post-production and editing activities are generally done by the same Stills producer/production company	All post-production activity is done in the region and generally by the same company producing the work.

	Film Industry (Long Form Film)	Television Industry	Commercials Industry	Stills Industry	New Media Industry
Distribution	<p>Distribution is through large scale cinema screening. Cinemas are located in more affluent areas of the City and screen foreign productions over local content. There is also distribution of film on pay per view (digital distribution, DSTV, SVOD, and the interrupters – e.g. NETFLIX which has opened up to Africa).</p>	<p>There are numerous Broadcasters that screen local and international television content. The increase of local television channels provides a platform for local content distribution and can be accessed by a wider spectrum of viewers.</p>	<p>Distribution is mainly through local Broadcasters such as SABC and DSTV.</p> <p>Commercials in Cape Town are usually shot for foreign television and then these eventually end up on-line leaving a long trail of creative production that lives on line to attract more work to the local producers and the region.</p>	<p>Distribution of Stills has grown with the use of online channels and social media making it more accessible to the public. Local magazines and billboards remain a prominent channel of distribution.</p>	<p>Distribution of New Media content varies according to the category and quality of work. Animation productions are either distributed via local broadcasters (i.e. television animation) or cinemas (i.e. film animation). As the Gaming industry produces mainly international content the distribution is done on an international scale. Serious games, gamification and edutainment are starting to gain traction for local and international use. The recent R1 Million prize offered from WCDEDAT and the Western Cape Funding Fair illustrates the ecosystem.</p>

Figure 2.2: Comprehensive Film and Media Value Chain (inclusion of additional services)

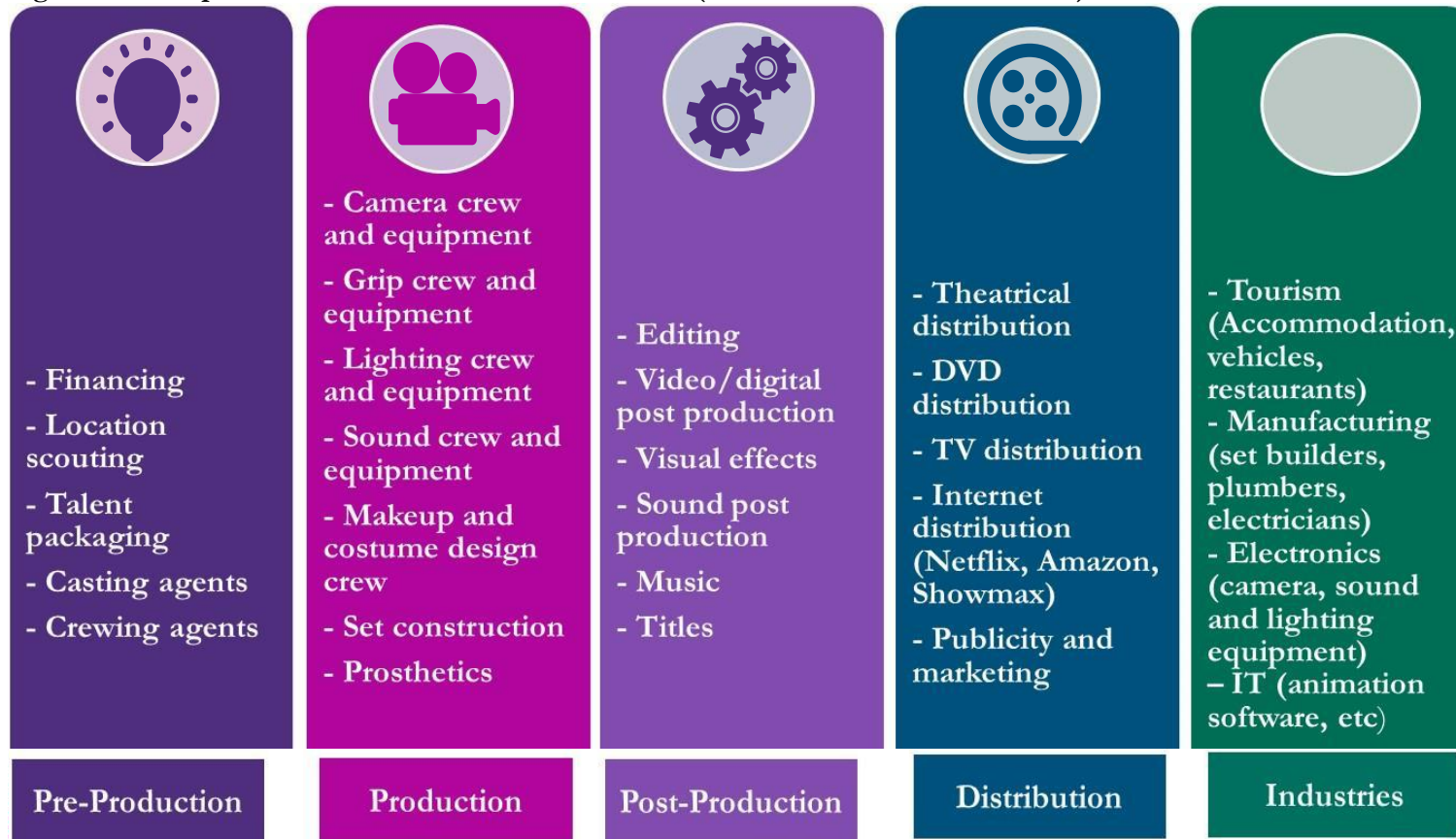


Figure 2.2 incorporates the additional services that form part of the film and media value chain thereby providing a more comprehensive overview of the value chain. Production has the largest number of additional services involved and touches a wide array of industries such as the tourism industry (through the use of accommodation establishments, the hiring of vehicles, as well as restaurants and entertainment providers), manufacturing (through the use of set builders and set designers, electricians and plumbers), electronics industry (through the use of camera, sound and lighting equipment) and information technology (software). Note that digital manufacturing (animation and games) are not mapped well in this product value chain as they do not shoot in the real world.

2.4 Cape Town and the Western Cape

The Western Cape and in particular Cape Town is an internationally competitive film and media destination, with a growing number of international film makers making use of the destination’s locations, facilities and services. The Province and City have a variety of world-class locations, studios, facilitation companies and specialised crew. There are approximately 5 000 identified City of Cape Town locations (*Wesgro, 2016*) and countless privately owned locations available to the Film and Media Sector. There are also over 9 000 erf’s that the Provincial Government can release (following the permit limitations) for temporary film-making activities. These locations vary from city centre locations to mountainous and nature based locations, therefore providing flexibility for filmmakers wishing to shoot a multitude of locations in one destination. A number of architectural styles also exist. The Cape Town International Convention Centre (CTICC) the Cape Town Stadium, and Cape Town Civic Centre are all popular locations. The V&A Waterfront has its own permit office. Cape Nature and SANParks locations are also in close proximity.

Cape Town Film Permit Office

The Cape Town Film Permit Office (“**CTFPO**”) is responsible for issuing permits to shoot in public spaces. Between January 2015 and December 2015, a total of 11 578 location were booked with 7 358 location permits issued during the period. The difference between bookings received and location permits issued relates to the practise of location scouts to book all potential locations so that the Director can choose the final number of locations upon arrival in the City. **Table 2.2** provides a breakdown of the permits by production type during the 2015 period.

Table 2.2: Total Bookings and Permits by Production Type during 2015

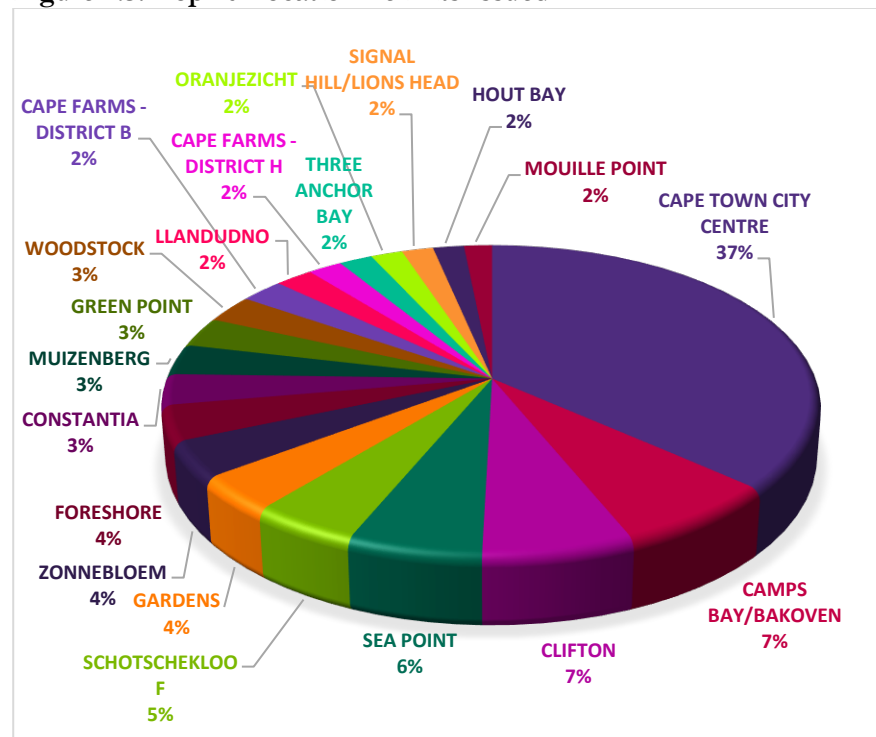
Production Type	Total Bookings	Total Permits Issued
Commercial	4 560	2 057
Documentary	153	119
Feature Film	431	270
Micro Shoot	3 362	2 729
Music Video	39	18
Other	68	41
Short Film	50	33
Photography	2 162	1 581
Student Projects	307	212
TV Films and Productions	59	43
TV Pilots	7	6
TV Series	347	232
Total	11 578	7 358

Source: CTFPO, 2016

The largest contributor of permits were issued for Micro Shoots, followed closely by Commercial Productions then Stills Photography. Feature film and TV series productions tend to make use of studio facilities such as those supplied by Cape Town Film Studios (“**CTFS**”).

Figure 2.3 indicates the top 20 location used between the period 1 July 2015 and 30 June 2016. The City Centre continues to be the most popular location with 37% of permit locations issued for this area. This was followed by Camps Bay/Bakoven and Clifton both representing 7%.

Figure 2.3: Top 20 Location Permits Issued



Source: The Callsheet, 2017

Cape Town Film Studio

The CTFS has been called the catalyst for the change in perception of the South African film industry, and in particular the Cape Town film industry. The CTFS is the first film industry public-private partnership in South Africa (Wesgro, 2015) and is the first custom built high-tech film infrastructure in South Africa. Wesgro has a 10% shareholding in the company which was an important investment to unlock the development.

The City also invested in infrastructure so as to drive the project to completion. This significant investment by government demonstrated government’s level of confidence in the industry to be a driver of economic growth both to the Province and South Africa. This in turn, gained the confidence of the international industry which has led to numerous high profile international productions being shot at the studio. In the past five years, the CTFS has hosted more than 20 productions (refer to **Table 2.3**), creating approximately 70 000 annualised Full Time Equivalent (“FTE”) jobs (CTFS, 2016).

The studio has resulted in a total Qualifying South African Production Expenditure (“QSAPE”) of R3 billion with an estimated total GDP contribution of R10 billion when multipliers are included. Overall economic impacts are increased when utilising studio-based film as there is an increase in the length of time spent in the destination which results in additional spending on accommodation, travel and retail and production costs.

Table 2.3: CTFS Host Productions

Production	South African Production	Foreign Production Company	Year
Dredd	Kalahari Pictures	DNA Films, IM Global	2012
Chronicle	Film Afrika	20 th Century Fox	2012
Safehouse	Moonlighting Films	Universal Pictures, Intrepid Pictures	2012
The Borrowers	Moonlighting Films	Working Title Television	2011
Labyrinth	Film Afrika	Tandem Communications, Scott Free Productions	2012

Production	South African Production	Foreign Production Company	Year
Great British Story	Film Afrika	Nutopia	2012
History of the World	Film Afrika	BBC	2012
Flight of the	Moonlighting	Nutopia	2012
Long Walk to Freedom	Film Afrika	Videovision	2013
How We Invented the World	Moonlighting Films	Nutopia	2012
The Perfect Wave	The Fabulous Boomtown Boys		2013
Mary and Martha	Moonlighting Films	Working Title Television, NBC Universal Television	2013
House Party	Film Afrika	Warner Brothers	2013
Fury Road	Moonlighting Films	Warner Brothers	2015
North Men	Two Oceans Productions	Elite Film Productions	2014
Black Sails Season 1 – 4	Film Afrika	Starz	2013 - 2015
Momentum	Thaba Media	Azari Media	2015
Eye in the Sky	Moonlighting Films	Raindog Films, eOne Productions	2016

Source: Cape Town Film Studio, 2016

It was noted that due to limited capacity, approximately 32 major productions have been turned away since October 2013 (CTFS, 2016). The studio sits with ample available land around the current facilities therefore expansion plans are currently being discussed to increase capacity.

2.5 Industry Categories

There are several industry categories in the Film and Media Sector that form part of this study. Each has been elaborated on below and where possible statistical data and economic contributions have been included.

2.5.1 Commercial Productions

This segment of the industry refers to short productions, generally between 10 and 60 seconds in duration, that are designed to advertise and promote a product or service. Commercials are mainly distributed via television.

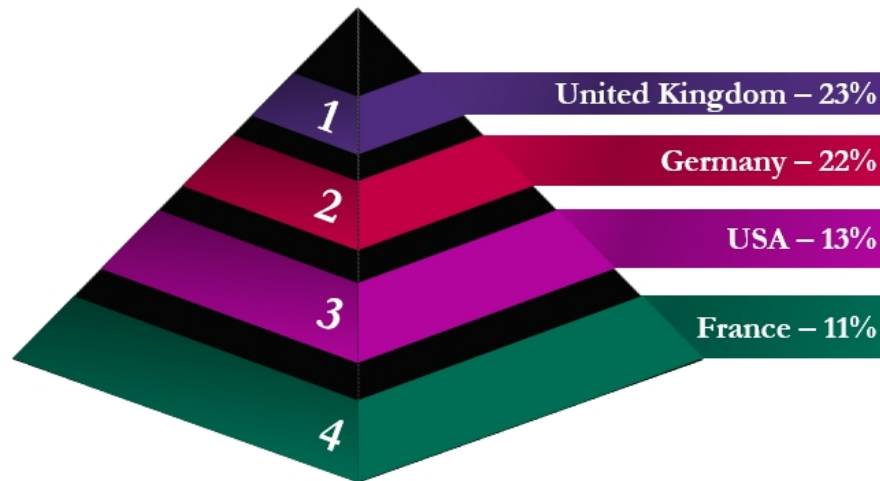
The Commercial Producers Association South Africa (“CPA”) is a member based association of commercial producers in South Africa. At present there are approximately 70 active members that form part of the CPA. On an annual basis an industry survey is conducted to measure developments in the commercial production sector and describe the commercial production industry in South Africa. These surveys are used to track income in the industry and to determine the size of commercial production in the Film and Media Sector.

In accordance with the latest survey report released in July 2016, a total of 667 commercials were produced throughout the country at an approximate cost of R1,57 billion in 2015. Approximately 62% (or 412) of commercials produced during the period were filmed in the Western Cape, followed by Gauteng with 29% (or 197) (CPA Industry Survey 2016). When analysed to determine the origin of these commercial, just under half the total

commercial filmed during this period (47%) were local commercials produced by South African agencies with a South African Director. This was followed by serviced commercials produced by foreign production companies with the assistance of a South Africa service company (42%). The remaining 11% were commercials originated from foreign agencies that were produced and directed by South African based companies.

Foreign commercials mostly originated from the United Kingdom (23%), Germany (22%), the USA (13%) and France (11%) (See **Figure 2.4**).

Figure 2.4: Country of Origin for Foreign Commercials



Source: CPA Industry Survey, 2016

2.5.2 Stills Production

South Africa has become one of the most popular and dynamic Stills production destinations. Stills production encompasses a broad range of services offered to international photographers and advertising agencies when they conduct photographic shoots on location. The South African Association of Still Producers (“SAASP”) provides a central voice for Stills producers in the country, and plays a coordinating and rallying role for the sector, mainly in areas such as rates and permits, location and service

The Association is member based and during the past an annual member survey was conducted to determine the size and economic contribution its members represented. The latest survey was conducted in 2013/2014. In accordance with the latest available data, the Stills sector contributed R860 million to South Africa’s GDP during 2013/14 (*Stills Industry Survey, 2013/2014*). The Stills sector hosted approximately 4 015 international guests during the period.

As an example of the sector, in November 2014 CPA, SAASP and NAMA engaged with the Department of Home Affairs and received a deviation to the updated Visa legislation of July 2014. The deviation is running as a pilot and the rules are explained on the Film Industry Visa Assistance (“FIVA”) website. Companies that register with FIVA and comply with the all FIVA’s requirements or that are members in good standing of the three founding associations, can get short-term visa assistance. With the cooperation of the Department of Home Affairs this process has issued over 14 000 letters to date.

In addition, the industry understands it must give back and have designed the Film Industry Fund, a Public Benefit Organisation (“**PBO**”) supported by industry which gives libraries, computers, jungle gyms and other support to communities depending on the needs identified by community leaders.

2.5.3 Long Form Production

A production is classified as long form when it meets the relevant length requirements. Productions tend to be 60 minutes or longer in length. This form of production refers to a range of filmed production outputs, such as, feature films, made-for-television movies and direct-to DVD sales.

The Independent Producers Association is the membership based association for independent film producers in South Africa. It is recognised by the dti for outward mission support under the Sector Specific Assistance scheme (SAAS) to help IPO members get to market.

Production companies in the Western Cape and Cape Town are well geared towards Servicing and Facilitating international and foreign productions.

Key industry facilitation players in the Cape Town and Western Cape film production industry include (listed alphabetically):

- Film Afrika.
- Kalahari Film and Media.
- Moonlighting.
- Out of Africa.
- Two Oceans Productions.

Some of the key facilitation production companies who are also involved in their own independent production are:

- Do Productions.
- Light and Dark Films.
- Spier Productions.

There are some smaller companies, who are developing their ability to produce and facilitate feature films, namely:

- Gambit Film Productions.
- Mercurial Pictures.

2.5.4 Television Production

These productions are generally shorter than long form productions and are geared towards viewing on smaller screens. Television productions include documentaries, game shows, reality television and corporate videos.

The South African television industry is the largest television market on the continent (*PwC, 2015*), with an overall value reaching R32.4 billion in 2014. This includes revenue from license fees, pay-tv, subscription fees and advertising. The South African Broadcast Corporation (“**SABC**”) remains the most popular broadcaster in South Africa with audience loyalty remaining strong. 2016 was a challenging year for the local television industry with restructuring that occurred in the SABC negatively impacting those operating within the television industry.

The local television industry in the Western Cape and Cape Town is not as prominent as in other regions of South Africa, such as Johannesburg, with a noticeable lack of local television produced in the City.

The Community based free to air channel, Cape Town TV struggled to reach viewership targets during its first few years, however a relaunch and airing on DSTV in 2012 has increased viewership to a profitable level. Cape Town TV provides opportunities for volunteers and interns to air their content and encourages development within the local television industry in Cape Town.

In addition, SABC and eTV have studios in the City, producing locally based television shows in Cape Town and the Western Cape.

MNET/KYKNET has opened a studio base for its Western Cape-based television serial drama called *Suidooster*. Its popularity resulted in the three times a week format growing to four shows a week and offers FTE employment to 68 people.

With regards to the international television industry present in Cape Town, the City has attracted large scale international television productions such as *Black Sails* and *Outlanders* with local production companies facilitating and servicing these productions. Both BBC Worldwide and the Discovery Channel are active within the region, producing content in collaboration with local production companies and service companies.

2.5.5 New Media Production

New media commonly refers to content available on demand through the internet and accessible on any digital device. These are new contemporary platforms for creating and delivering material and include websites, podcasts, video games (“gaming”), social media and animation. For the purpose of this study, the focus has been placed on the gaming and animation sectors.

Gaming Industry

Interactive Entertainment South Africa (“**IESA**”) is a non-profit company mandated to lobby, develop policy and aid in the growth of the local gaming, serious gaming, simulations, board-games, augmented reality and virtual reality industries in South Africa. On an annual basis the organisation conducts an industry survey to gather valuable statistical data to determine growth trends and revenue sources utilised in the industry. The latest data represents responses for the 2015 period. The respondents to the survey indicated that there are 31 active gaming studios in the country of which 57% (or 17) were located in Cape Town, followed by 21% (or 6) studios in Johannesburg. The industry has grown significantly in recent years, generating approximately R100 million in turnover in 2015 (*IESA, 2016*) up from R53,9 million in 2014.







Currently (2017) there is little transformation in the sector as 90% of gaming studios indicated they were white owned. According to respondent data, the gaming industry represented a total of 225 jobs during the period of which 176 were full time jobs and 79 part time jobs. There has been a positive trend in the number of permanent employment which showed an increase of 16% from 2014 figures.

Animation Industry

Animation South Africa (ASA) is a member based association that was restructured in 2015 to achieve more linkage to the dti’s trade support. dti members can therefore be supported going into market under the Sector Specific Assistance Scheme. ASA is also the founder of the Cape Town International Animation Festival. The South African animation industry has experienced significant development over the past few years, however the industry has remained relatively small.

The local animation industry has experienced substantial growth due partially to the growth achieved in the live film and commercial market (*Department of Arts and Culture, 2016*). Animation studios in the Western Cape are the largest producers of animation on the African continent (*Wesgro, 2016/2017*). Currently no statistical data is gathered on this industry, however the Department of Arts and Culture commissioned a study in 2016 into the Animation Industry in South Africa with the aim of creating a strategy for the industry going forward.

Key industry players in the Cape Town and Western Cape animation industry include (listed alphabetically):

-  Black Ginger.
-  Sea Monster.
-  Shy the Sun.
-  Sunrise Animation Studios.
-  Triggerfish Animation Studio.
-  Zeropoint Studios.

2.6 City of Cape Town and the Film and Media Sector

The City of Cape Town (“**the City**” or “**COCT**”) is actively involved with the Film and Media Sector operating within the City’s parameters and forms part of the City of Cape Town’s Economic Development and Tourism Departments mandate. The City recognises the valuable contribution of filming to the economic and cultural environment of Cape Town and therefore aims to facilitate a sustainable, film-friendly environment in all interactions with the industry. In doing so, the main focus with regards to the Film and Media Sector is the regulation and policy guidelines around film and media activity within the City of Cape Town. In 2004, the City

published the City of Cape Town Film Policy and Protocol (“**film policy**”). The film policy governs film related activity in Cape Town and aims to ensure film-friendly regulatory practices are followed and that the impact of film is positive on the community as a whole.

In addition to the regulations and policy creation the City is responsible for all public location film permits and is continuously involved in the interaction with other government departments to ensure the permitting process is streamlined and efficient. Regular stakeholder engagements are conducted with industry members to remain up to date with their needs and detail efforts underway from a governmental and regulatory aspect.

2.7 Wesgro and the Film and Media Sector

The Cape Town and Western Cape Film and Media Promotion Unit is a division of Wesgro, and has been mandated to provide marketing and promotional activities for the Film and Media Sector located in the Province. As mentioned previously, Wesgro invested in the development of the CTFS and currently owns a 10% share in the studio, therefore reinforcing the agency’s support of the Film and Media Sector. Wesgro FMP is currently rolling out its membership in the African Film Commissions network.

The unit offers the following services:

- Assists local and international film companies looking to do production in the Western Cape.
- Assists local and international film companies looking to find distribution and co-production parties.
- Host business to business sessions, exporter development programmes and masterclasses.
- Offers policy and regulatory guidance.

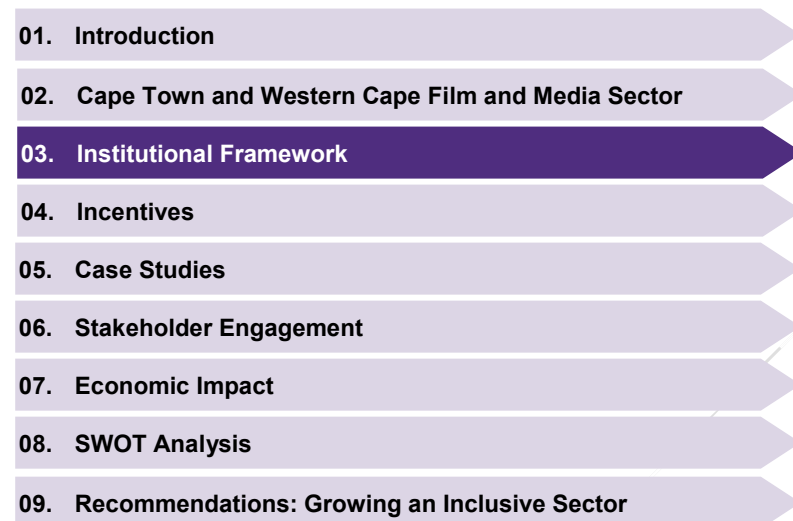
- Communicates and lobbies with regional and national regulatory and professional bodies.
- Project mentoring.
- Investment advice. and
- Marketing

The unit does not provide funding or development programmes, but acts as a liaison with other departments and agencies that provide such a service. It provides assistance to film festivals hosted in the Province such as The Cape Town Animation Film Festival, the Encounters International Documentary Film Festival and Wavescape. The Wesgro Film and Media Promotions unit publishes the “Cape Town and Western Cape Creative Locations” booklet which highlights all available filming locations through the City and Province and points to the regulatory agencies involved.

In addition, the unit provides training and awareness to Municipalities throughout the Western Cape and aims to educate government departments on the importance of film in their regions, as well as mentoring support for companies and industry associations.

The unit has aligned their strategy with that of the dti’s Industrial Policy Action Plan (“**IPAP**”) which outlines the government’s overall policy and plans to address challenges of economic and industrial growth, inequality and unemployment in South Africa.

Section 3: Institutional Framework

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3.1 Introduction

This section provides a review of relevant policies and legislation that impact on the Film and Media Sector. The analysis focuses on the most important policies and legislation specific to the Film and Media Sector. This section also provides a list of policies and legislation that is not specific to the Film and Media Sector but which are applicable to the Film and Media Sector such as the Employment Equity Act. References to legislation also includes any amendments to the legislation.

3.2 Policies and Legislation specific to the Film and Media Sector

Name	Overview and key points	Relevance / implications to this study
National Film and Video Foundation Act 73 of 1997	<ul style="list-style-type: none"> The Act established the National Film and Video Foundation (NFVF) and prescribes its function which are: <ul style="list-style-type: none"> To develop and promote the film and video industry. To provide and encourage the provision of, opportunities for persons, especially from disadvantaged communities, to get involved in the film and video industry. To encourage the development and distribution of local film and video products. To support the nurturing and development of and access to the film and video industry. and In respect of the film and video industry, to address historical imbalances in the infrastructure and distribution of skills and resources. 	<ul style="list-style-type: none"> The Act established the NFVF to develop and promote the film and video industry. Funding is available from the NFVF for pre-production, production and distribution. Market access funding. And training bursaries. A number of new initiatives have been developed specifically to target PDI, women, and people with disabilities. Skills, funding, transformation, research, audience development, marketing and brand development of the SAFI. They are also mandated to be the competent authority, on official treaty co-production projects.
Films and Publications Act 65 of 1996	<ul style="list-style-type: none"> The Act provides for the classification of films and publications and established the Film and Publication Board. 	<ul style="list-style-type: none"> Classification of films and publications must be compliant to the Act. Calls have been made to align the classification of films and publications with the main markets within which the films and publications are distributed.
Copyright Act 98 of 1978	<ul style="list-style-type: none"> The Act governs the copyright of original works and the remedies of infringements of copyright. 	<ul style="list-style-type: none"> The creation of original works can be protected by copyright. This Act is currently under review.

Name	Overview and key points	Relevance / implications to this study
Independent Broadcasting Authority Act 153 of 1993 Independent Communications Authority of South Africa Act 2000 Broadcasting Amendment Act 2002	<ul style="list-style-type: none"> The Act regulates broadcasting activities and established the Independent Broadcasting Authority, now the Independent Communications Authority of South Africa (ICASA). The Broadcasting Complaints Commission of South Africa (BCCSA) was established by the National Association of Broadcasters and is recognised according to the Act. The Act provided for the establishment of regional television services to broadcast in all official languages. ICASA regulates local content quotas and digital distribution infrastructure design. 	<ul style="list-style-type: none"> Broadcasting activities is to be undertaken in accordance with the Act and complaints can be directed to BCCSA. Local content quotas require local content productions for broadcasters.
Income Tax Act 58 of 1962	<ul style="list-style-type: none"> Section 12O of the Income Tax Act provides for an incentive in the form of a tax allowance to stimulate film production. The incentive eliminates all income tax on film profits for a ten-year period from the time the production becomes marketable. It applies to local productions and co-productions with overseas companies, of feature films, documentaries and animations that have been approved by the National Film and Video Foundation. In order to qualify for the tax allowance, the production must meet the following criteria: <ul style="list-style-type: none"> Income must be derived from a film. The film must be approved as a local film or co-production. Income must be allocable to the initial investors. Income must be derived from exploitation of rights. Income must fall within a 10 year period. 	<ul style="list-style-type: none"> The income tax allowance can be utilised to stimulate film production.
City of Cape Town Film Policy 2004 and City of Cape Town Municipal Planning By-law 2015	<ul style="list-style-type: none"> Published in Provincial Gazette: Western Cape no 7414 on 29 June 2015, amended by City of Cape Town: Municipal Planning Amendment By-law 2016 on 1 July 2016 and amended by City of Cape Town: Municipal Planning Second Amendment By-law 2016 on 18 November 2016. The by-law regulates filming activities on private and public property. 	<ul style="list-style-type: none"> Filming activities in Cape Town should adhere to the by-law regulations. By-law have been seen to be commercialising neighbourhoods.

3.3 Policies and Legislation non-specific but applicable to the Film and Media Sector

Acts and Regulations	Overview and key points	Relevance / implications to this study
Traffic and parking	<ul style="list-style-type: none"> The laws and regulations govern traffic flow and parking arrangements to certain times and level of usage. 	<ul style="list-style-type: none"> Permits are to be obtained.
Environmental, Heritage and Conservation	<ul style="list-style-type: none"> The laws and regulations govern the extent that environmentally sensitive or heritage areas could be utilised by the Film and Media Sector. 	<ul style="list-style-type: none"> Authorisation is to be obtained to utilise environmentally sensitive or heritage locations.
Safety and Security	<ul style="list-style-type: none"> The laws and regulations govern the various aspects of safety and security. 	<ul style="list-style-type: none"> Safety and security regulations are to be adhered to.
Performing Animals	<ul style="list-style-type: none"> The laws and regulations govern the utilisation of animals in the Film and Media Sector. 	<ul style="list-style-type: none"> The relevant regulations is to be adhered to including permits to move animals between provinces and having animal trainers on set.
Labour and basic conditions of employment	<ul style="list-style-type: none"> The laws and regulations govern the basic conditions of employment. 	<ul style="list-style-type: none"> Small productions could find the labour requirements onerous There are many people working on a freelance basis in the Film and Media Sector which may not be protected by Labour legislation.
Civil Aviation	<ul style="list-style-type: none"> The laws and regulations govern the utilisation of planes, helicopters, drones, etc. 	<ul style="list-style-type: none"> The utilisation of drones has recently been regulated.
BBBEE and employment equity	<ul style="list-style-type: none"> The laws and regulations govern the empowerment of the Film and Media Sector. 	<ul style="list-style-type: none"> The Film and Media Sector needs to be transformed at all levels.
Immigration and Visa	<ul style="list-style-type: none"> The laws and regulations govern the import of people with specific skills by the Film and Media Sector. 	<ul style="list-style-type: none"> The Film and Media Sector has experienced problems in obtaining visas for foreign personnel with specific skills needed in South Africa. Hence the FIVA (Film Industry Visa Assistance) pilot deviation of 2014 with Department of Home Affairs.
Insurance & Indemnity	<ul style="list-style-type: none"> The laws and regulations govern the insurance and indemnity. 	<ul style="list-style-type: none"> The insurance and indemnity regulations are to be adhered to.
Food and Catering	<ul style="list-style-type: none"> The laws and regulations govern the supply of food and catering. 	<ul style="list-style-type: none"> Food security regulations are to be adhered to. Catering on locations are usually outsourced to service providers with the required authorisations and permissions.
Noise Restrictions	<ul style="list-style-type: none"> The laws and regulations govern the noise levels. 	<ul style="list-style-type: none"> Noise level regulations are to be adhered to.
Skills Development	<ul style="list-style-type: none"> The laws and regulations govern skills development. 	<ul style="list-style-type: none"> Learnerships and Internships does not always fit the predefined definitions for the Film and Media Sector.
Signage	<ul style="list-style-type: none"> The laws and regulations govern signage. 	<ul style="list-style-type: none"> Signage to a film location are to adhere to the regulations.

Acts and Regulations	Overview and key points	Relevance / implications to this study
Pyrotechnics & Explosions	<ul style="list-style-type: none"> The laws and regulations govern the use of explosives. 	<ul style="list-style-type: none"> The use of explosives in the Film and Media Sector is usually undertaken by specialist companies with the required experience and authorisations.

3.4 Co-production Treaties

South Africa, through the Department of Arts and Culture has signed a number of co-production treaties. A co-production treaty refers to two or more entities from different countries that collaborate in order to make a film, television show or other audio-visual production. The definition of the co-production differs between treaties but in general it includes audio-visual co-productions such as films (live action and animation), documentaries and television shows. Commercials and Stills are usually not specified.

The objective of the treaties are to ensure that any recognised co-production between the two signatory countries is regarded as a national production in each of the signatory countries. The treaty then entitles the entities in question to film-related incentives or other forms of official assistance offered in any of the signatory countries.

The co-production must be officially recognised (in writing) as a qualifying co-production by the relevant authority, which, for South Africa, is the National Film and Video Foundation (NFVF). The treaties usually specify the minimum and maximum contribution by any one country to the co-production as well as the procedure to be followed to be approved as an official co-production.

At the time of writing this report (June 2017), South Africa has signed co-production treaties with:

- Canada (1997).
- Italy (2003).
- Germany (2004).
- The United Kingdom (2007, updated to include Television in 2014).
- France (2010).
- Australia (2010).
- New Zealand (2011).
- Ireland (2012). and
- The Netherlands (2015).

Section 4: Incentives

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4.1. Introduction

In this section we analyse the current film and television incentives present in the South African Film and Media Sector. Incentives are available on a National Government level and provided through the Department of Trade and Industry (“**dti**”).

Film and television incentives provided through the dti include:

- The Foreign Film and Television Production and Post-Production Incentive.
- The South African Film and Television Production and Co-Production Incentive. and
- The Emerging Black Filmmakers Transformation Fund (“**EBFTF**”)

In addition to the above dti incentives, film and media projects can qualify for a SARS Tax Incentive and additional funding is provided through the Industrial Development Corporation (“**IDC**”).

4.2 dti Incentives Background

The Department of Trade and Industry introduced the Film and Television Production Rebate Programme in 2004 with the aim of attracting large budget foreign films to facilitate foreign capital inflow and skills transfer.

Although a success, the incentive was revised in 2008 to include support for the production of local film and television programmes through the “South African Film and Television Production and Co-Production” programme. The two sub-programmes were again revised in 2012 to include post-production activities for the “Foreign Film and Television Production” and “Post-Production Incentive.”

According to the South African Foreign Film and Television Production and Post-Production Incentive and South African Film and Television Co-Production Incentive Programme guidelines (issued in March 2015 by the dti), the following eligible formats for the incentive include:

- Feature films.
- Tele-movies.
- Television drama series.
- Documentaries.
- Animation.
- Digital content. and
- Video gaming.

The following formats are not eligible for incentive:

- Reality TV.
- Discussion programme.
- Current affairs.
- News.
- Advertising programme or commercial.
- Panel programme.
- Variety programme or a programme of a like nature.
- Public events, including sports events.
- Soapies.
- A training or “how to” programme.
- Mobile phone video gaming.
- Other (including “pilots” and any film deemed X-Rated).

In accordance with information provided by the dti a total of 97 productions were approved during the 2015/16 financial year worth R600 million.

During the 2015/16 and current 2016/17 financial year, a total of 189 productions have been approved for the Film and Television incentives, of which:

- 🎬 48 were for foreign film and television productions (valued at R948 million).
- 🎬 84 were for South African productions and co-productions (valued at R254 million). and
- 🎬 57 were for emerging black film maker productions (valued at R127 million).

Overall the approved productions during the 2015/16 and current 2016/17 period amounted to a total production value of R1,3 billion.

The majority of the companies at the helm of the approved projects are based in Gauteng and the Western Cape. During the 2015/16 period, 35 of the 72 approved projects were based in the Western Cape, with 16 being local productions and 19 being foreign productions.

4.3 The Foreign Film and Television Production and Post-Production Incentive (dti)

4.3.1 Overview of the Incentive

The Foreign Film and Television Production and Post-Production Incentive aims to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities locally.

The incentive is available to foreign-owned qualifying productions and South African qualifying post-production work as follows:

- For shooting on location in South Africa, the Qualifying South African Production Expenditure (“**QSAPE**”) should be R12 million and above.
- The Qualifying South African Post-Production Expenditure (“**QSAPPE**”) should be R1.5 million and above.

Eligible applicants will be granted 20% of the QSAPE and up to 5% of QSAPPE. A cap of R50 million applies with regards to the total sum granted through this incentive.

4.3.2 Benefits of the Incentive

The foreign film and television production and post-production incentive is calculated as follows:

- Shooting on location in South Africa, the incentive will be calculated as 20% of QSAPE. A cap of R50 million will be applicable.
- Shooting on location and conducting post-production in South Africa, an additional 2.5% of QSAPPE will be added to the QSAPE.
- An additional incentive of 2.5% QSAPPE added to QSAPE (cumulative 25%) is available to applicants conducting post-production activities in South Africa with a QSAPPE of R3 million and above.
- For foreign post-production with a QSAPPE of R1.5 million, the incentive is calculated at 17.5% of QSAPPE.
- For foreign post-production with a QSAPPE of R3 million and above, the incentive is calculated at 20% of QSAPPE.

4.3.3 Eligibility Criteria

- An applicant must be a Special Purpose Corporate Vehicle (“**SPCV**”) incorporated in the Republic of South Africa solely for the purpose of the production and/or post-production of a film or television project.
- The applicant must be the entity responsible for all activities involved in the production and/or post-production in South Africa and must have access to full financial information for the whole production and/or post-production worldwide.
- Only one entity per production and/or post-production for film, animation, television drama or documentary series can be eligible for the incentive.
- The entity must comply with the Broad Based Black Economic Empowerment (“**BBBEE**”) requirements.

Eligibility requirements for the shooting schedule for productions with a QSAPE of R12 million to R99 million:

- At least 50% of the principal photography schedule must be filmed in South Africa. and
- A minimum of four weeks of the principal photography must be filmed in South Africa.

Eligibility requirements for post-productions with QSAPPE of R1.5 million and more:

- A minimum of two weeks post-production must be carried out in South Africa, and

- If 100% of the post-production is conducted in South Africa, the requirement for a minimum two weeks will be waived.

4.3.4 Qualifying Production and Post-Production Expenditure

Qualifying South African Production Expenditure includes:

- All production costs incurred by the applicant on Intellectual Property and goods owned, or facilities and services provided by South African companies.
- Goods and services may be provided outside of South Africa as long as the shooting schedule requirements are met.
- All expenditure in South Africa for international services that remains in South Africa will qualify as QSAPE.
- Only production costs discharged through the bank account of the SPCV will qualify as QSAPE.
- Sector Education and Training Authority (“**SETA**”) funding.

Qualifying South African Post-Production Expenditure includes:

- All post-production costs incurred by the applicant on goods owned or facilities and services provided by South African companies.
- Only post-production costs discharged through the bank account of the SPCV will qualify as QSAPPE.
- SETA funding.

4.4 The South African Film and Television Production and Co-Production Incentives (dti)

4.4.1 Overview of Incentive

The South African Film and Television Production Incentive aims to assist local film producers in the production of local content with the objective of contributing towards employment opportunities in South Africa. The incentive provides financial assistance to local productions in the form of a rebate of up to 35% of the QSAPE and no cap will apply for this rebate.

This incentive is available to qualifying South African productions and official treaty co-productions with total production budgets of R2.5 million and above.

4.4.2 Benefits of the Incentive

The rebate is calculated as 35% of the first R6 million of QSAPE and 25% of the QSAPE on amounts above R6 million.

4.4.3 Eligibility Criteria

- An applicant must be a SPCV incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project. The SPCV and parent company must have a majority of South African shareholders, of whom at least one must play an active role in the production and be credited in that role.
- The applicant must be the entity responsible for all activities involved in the production and/or post-production in South Africa and must have access to full financial information for the entire production.
- Only one film production, television drama or documentary series per entity is eligible for the incentive.
- The entity must be BBBEE compliant.

- At least 50% of the principal photography schedule must be filmed in South Africa. and
- A minimum of two weeks of the principal photography must be filmed in South Africa.

4.4.4 Eligible Productions

Productions eligible for the South African Film and Television Production incentive can either be a Qualifying South African Production or an official Treaty Co-Production.

A qualifying South African production means a film in respect of which:

- At least 75% of the total budget of the film is defined at QSAPE.
- The majority of Intellectual Property is owned by South African citizens.
- The director is a South African citizen.
- The top writers and producer credits include South African citizens.
- The majority of the five highest-paid performers are South African citizens. and
- The majority of the firm's Heads of Department and key personnel are South African citizens.

A qualifying co-production must meet the following conditions:

- A production must be approved by the Minister of Arts and Culture as an official treaty co-production, and
- The applicant must submit a copy of the advance ruling at application stage for provisional certificate and a copy of the film ruling when submitting the application for the final payment of the incentives.

4.4.5 Qualifying Expenditure

The total production budget/production expenditure must be a minimum of R2.5 million or R500 000 for documentaries. The applicant must have at least 25% of the total budget for the production fully committed at the application stage.

4.5 South African Emerging Black Filmmakers Incentive (dti)

4.5.1 Overview of the Incentive

The South African Black Filmmakers incentive is available to South African local Black-owned qualifying productions with a total production budget of R1 million and above.

The objective of South African Black Filmmakers incentive is to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

4.5.2 Benefits of the Incentive

The incentive provides financial assistance to a qualifying applicant in the form of a rebate of up to 50% for the first R6 million of QSAPE and 25% thereafter. No cap is applicable for this rebate.

4.5.3 Eligible Criteria

- An applicant must be a registered SPCV incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project. The holding/service company must have at least 65% South African black shareholders and the SPCV must have at least 75% South African black shareholders, of which the majority must play an active role in the production.

- An applicant must be the entity responsible for all the activities in the making of the production and must have access to full financial information for the whole production.
- Only one film production, television drama or documentary series per entity per application is eligible for the incentive.
- The entity must be BBBEE compliant.
- At least 80% of the principal photography schedule must be filmed in South Africa.
- A minimum of two weeks of principal photography must be filmed in South Africa.

4.5.4 Eligible Applicants

To qualify for funding, an emerging black filmmaker must meet the following requirements:

- Employ a black producer or director who is credited for the role in the production.
- At least 65% of the holding/service company must be owned by a black person or persons of South African nationality.
- At least 75% of the SPCV must be owned by a black person or persons of South African nationality who play an active role in the production.
- Have been in existence, operational and involved in the Film and Media Sector for at least six months.

4.5.5 Qualifying Productions

- The total production budget/production expenditure must be a minimum of R1 million, with the exception of documentaries.
- The total production budget/production expenditure must be a minimum of R500 000 for documentaries.
- The applicant must have secured at least 10% of the total budget for production fully committed at application stage.

4.5.6 Qualifying Expenditure

- QSAPE will include all the production costs spent by the applicant on intellectual property and goods owned, or facilities and services provided by South African companies.
- Only production costs discharged through the bank account of the SPCV will qualify as QSAPE.
- All expenditure in South Africa for international services will qualify as QSAPE.
- SETA funding.
- Loan funding from an national, provincial and local government and its entities.

4.6 SARS Tax Incentive

Section 120 of the Income Tax Act provides for a 100% tax exemption in respect of all receipts and accruals arising from the use of/rights to use a film.

In order to qualify for the tax allowance, the production must meet the following criteria:

- Income must be derived from a film.
- The film must be approved as a local film or co-production.
- Income must be allocable to the initial investors.
- Income must be derived from exploitation of rights.
- Income must fall within a 10 year period.

4.7 Funding for the Film and Media Sector

Funding for the South Africa Film and Media Sector could be obtained from the following sources:

- Private individuals and institutions provides funding for films. The funding could be on the basis of equity investment or in the form of a loan.
- The IDC's Media and Motion Pictures Strategic Business Unit offers funding for film, broadcasting and post-production projects. Assistance is usually in the form of loan financing, and up to 49% of the production budget is payable to the applicant. The applicant however must have secured 50% of the budget prior to the application.
- The NFVF provides funding for four broad categories including, education and training, development funding, production funding and marketing and distribution. Funding is in the form of a grant, investment or loan depending on the type of application and project.
- The Department of Arts and Culture earmarks around R20 million annually for Film and Media Sector projects and provides training grants as well as assisting with production, marketing and distribution costs.

- The SABC funds the local Film and Media Sector through the commissioning of productions. The commissioning is focused on four formats namely, drama/TV series, reality/magazine shows, talk/documentaries and feature film. The SABC's approach to commissioning of productions include 100% financing, joint ventures and acquisitions.
- The National Lottery Commission promotes the preservation and development of arts, culture and heritage in order to empower communities and enable artists to showcase their work internationally. Funding is in the form of a grant based on set qualifying criteria.
- Funding is provided on a provincial level. In the Eastern Cape the Eastern Cape Provincial Arts and Culture Council provides grant funding and through the Eastern Cape Development Corporation's Film Incubator. In KwaZulu-Natal the KwaZulu-Natal Film Fund provides development funding, productions funding, marketing and distribution funding and funding to attend film markets and festivals.
- The dti incentives are up for review approximately every three years and subject to available finance.

4.8 Relevance to the Study

The Film and Media Sector's views of the incentives are discussed in the section to follow but the following points are worth noting:

- Official co-production under the signed treaties qualify as a South African production. Co-production treaties with countries from which South Africa wish to attract co-productions needs to be signed.
- The incentives exclude reality TV shows, discussion programmes, current affairs programmes, commercials and other forms of advertising.
- The application process can be complex and onerous for smaller companies who do not have dedicated resources to commit to the application process.

Section 5: Case Studies

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01. Introduction
 02. Cape Town and Western Cape Film and Media Sector
 03. Institutional Framework
 04. Incentives
 - 05. Case Studies**
 06. Stakeholder Engagement
 07. Economic Impact
 08. SWOT Analysis
 09. Recommendations: Growing an Inclusive Sector

5.1 Introduction

In this section we investigate three international film destinations in order to determine how the Western Cape and Cape Town compares as a film and production destination on both an international and local production level. The following international benchmarks were agreed upon with the client:

- London, United Kingdom.
- Los Angeles, United States of America. and
- Toronto, Canada.

5.2 Overview of International Benchmarking

In this section the three international film destinations were analysed to determine the level of financial support and incentives granted in each destination.

The current business model for feature films and scripted television production relies heavily on tax incentives to reduce production costs. Therefore, the availability of tax credits has become a key factor when it comes to where projects are filmed. Due to this, the benchmarking research and analysis hones in on the structure of tax incentives/credit provided by the international film destinations.

Firstly, we unpack the structuring of Film Commissions versus Film Offices in each destination to gain an understanding of international best practice when developing such organisations.

Table 5.1 provides a summary comparison of the three international case studies.

Table 5.1: Summary Comparison of International Benchmarking

	Presence of Film Commission	Agencies developing Film and Media Sector	Film and Media Incentives	Presence of development programmes
<p>London, UK</p>	<ul style="list-style-type: none"> Commission is on a National level. The British Film Commission is the national agency mandated to maximise, support and facilitate the production of international feature films and television in the UK. Film and media incentives are provided through the Commission. 	<ul style="list-style-type: none"> The British Film Institute: promotes and stimulates filmmaking and television in the UK. Makes use of National Lottery fund. British Film Commission: national agency mandated to maximise, support and facilitate the production of international feature films and television in the UK. Film incentives run through the BFC. Film London: promotes and develops London as a global film and media hub and acts as the film office for London. Agency is funded by the Mayor of London and the National Lottery through the BFI. They also fund Games London which is a programme to support, grow and promote the games and interactive entertainment sector in the UK capital. The programme is funded by the Mayor of London’s LEAP – the Local Enterprise Partnership for London and delivered by Film London, the capital’s strategic agency for film and 	<ul style="list-style-type: none"> 5 creative industry tax relief programmes through the BFI: <ul style="list-style-type: none"> – Film tax relief. – High end television tax relief. – Animation tax relief. – Children television tax relief. and – Gaming tax relief. Each tax relief incentive enables a production company with an eligible project to claim 25% of qualifying expenditure back. All tax reliefs are capped at 80% of the total production budget. 	<p>The BFI Film Fund Support:</p> <ul style="list-style-type: none"> Production and Development Funding – the BFI provides support for the production, development and completion of feature films which fairly reflect people from diverse background. Distribution and Exhibition funding – the BFI provides support and funding to drive export opportunities for British films selected by major international festivals. <p>Film London Training and Support programmes include:</p> <ul style="list-style-type: none"> Build Your Audience – a programme aimed at assisting filmmakers to generate a distribution strategy that will take their project from pitching to platform. The programme offers practical ways to find the correct audience for your film and includes support in areas such as Script Writing. Market Place Live – this is a training event that highlights how to create a successful release. Industry experts sit on a panel and are challenged with hypothetical projects which they must take from conception to completion.

	Presence of Film Commission	Agencies developing Film and Media Sector	Film and Media Incentives	Presence of development programmes
		media, and UK games industry trade body The Association for UK Interactive Entertainment (Ukie).		<ul style="list-style-type: none"> • Audience development – this programme offers a range of training opportunities to help film exhibitors reach new audiences. • Film London funds <ul style="list-style-type: none"> – Short Films: London Calling. – Feature Films: Microwave. – Artists' Films: a commission process with FLAMIN Productions. – Support for community distribution screenings. – Games.
Los Angeles, USA	<ul style="list-style-type: none"> • Commission is on a State level, there is no National (“American”) film commission. • The California Film Commission acts as the economic development stimulator for the Film and Media Sector in California. 	<ul style="list-style-type: none"> • The California Film Commission: one stop shop for film and television in California. CFC is part of the California Trade and Commerce Agency. • Los Angeles Film Office: the official film office for the greater LA region, location permitting through this office. 	<ul style="list-style-type: none"> • California Film Commission administers the state’s film and television incentive: • The Tax Credit Programme called Programme 2.0. 	<ul style="list-style-type: none"> • Applicants applying for Programme 2.0 must provide one of the following development training programmes: <ul style="list-style-type: none"> – Paid internships. – Classroom workshops. – Studio employment and professional skills tours. – Faculty externships.
Toronto, Canada	<ul style="list-style-type: none"> • Film commission on a Provincial level. • The Ontario Film Commission is a division of the Ontario Media Development Corporation. 	<ul style="list-style-type: none"> • The Ontario Media Development Corporation: agency of the Minister of Tourism, Culture and Sport. Provides innovative programmes, services and funding. 	<ul style="list-style-type: none"> • Both Provincial and Federal government operate incentive programmes. • Provincial incentives: <ul style="list-style-type: none"> – The Ontario Film and Television Tax Credit is a refundable tax credit available to eligible Ontario based 	<ul style="list-style-type: none"> • The OMDC has created a range of programmes and resources to provide financial, strategic and research support for the film and television industry. • Research grants are also available to incorporate not-for-profit industry organisations

	Presence of Film Commission	Agencies developing Film and Media Sector	Film and Media Incentives	Presence of development programmes
	<ul style="list-style-type: none"> • Toronto Film and Television office is a member of the Association of Film Commissioners International. 	<ul style="list-style-type: none"> • The Ontario Film Commission: a division of the OMDC markets Ontario to the international production industry. • Toronto Film and Television office promotes the city as a location filming destination. 	<p>Canadian corporations of 35% of qualified Ontario labour expenditures for eligible film and television productions.</p> <ul style="list-style-type: none"> – The Ontario Production Services Tax Credit is a refundable tax credit to eligible Ontario based Canadian and foreign controlled corporations of 21.5% of qualified Ontario production expenditure for eligible film and television productions. – The Ontario Computer Animation and Special Effects Tax Credit is a refundable tax credit to Ontario based Canadian and foreign controlled corporations of 18% of qualifying Ontario labour expenditures for digital animation and digital visual effects created in Ontario for film and television productions. – The Ontario Interactive Digital Media Tax Credit is a refundable tax credit to Ontario based Canadian and foreign controlled corporations of 40% of eligible Ontario labour expenditure and eligible marketing and distribution expenses with respect to interactive digital media products. 	<p>undertaking research initiatives that support or complement the mandate of the OMDC.</p> <ul style="list-style-type: none"> – Film Fund – the Film Fund is intended to increase the level of domestic feature film production in Ontario. It provides support to Ontario producers for feature film projects in the final stages of development and production financing. – Marketing and Distribution Initiative – this fund is intended to assist producers of OMDC Film Fund supported projects to make a meaningful contribution to the domestic marketing and distribution of their projects leading up to and during their release. – Export Fund (film and television) – the export fund provides eligible Ontario producers with funding to pursue strategic export development activities that support company growth and produce measurable business development results. – Industry Development Programmes – these programmes take the form of collaborative events, initiatives and activities between the OMDC and private sector film and television organisations.

	Presence of Film Commission	Agencies developing Film and Media Sector	Film and Media Incentives	Presence of development programmes
			<ul style="list-style-type: none"> • Federal incentives: <ul style="list-style-type: none"> – Canadian film or video production tax credit. – Film or video production services tax credit. 	

5.3 London, United Kingdom

According to the British Film Institute (“**BFI**”) the United Kingdom (“**UK**”) is the third largest film market in the world, after the United States of America (“**USA**”) and China, generating revenues in excess of £4.1 billion during 2015 (*BFI, 2017*). The film and video production industry in the UK employs approximately 47 000 individuals with 65% of the workforce based in London and the South East.

London is considered the film and video hub of the UK with approximately 75% of the UK film and video industry based in the city. On average there are 35 separate crew shooting on the streets of London every day. It is estimated that the industry is responsible for generating 10% of overseas tourism revenues attributing to approximately £2.1 billion of visitor spend.

The following agencies and government departments are active in the development and preservation of the Film and Media Sector in London:

5.3.1 Film and Media Agencies

British Film Institute (BFI)

The BFI is a film and charitable organisation established by the Royal Charter, which promotes and stimulates filmmaking and television in the UK. The Institute maintains the world’s largest film archive, called the BFI National Archive, which contains more than 800 000 film and media productions.

On a national level the BFI uses National Lottery funds to develop and support original UK filmmakers and films. The BFI is a film and charitable organisation which promotes and preserves filmmaking and television in the United Kingdom.

British Film Commission

The British Film Commission (“**BFC**” or “**Commission**”) is the national agency mandated to maximise, support and facilitate the production of international feature films and television in the UK (England, Northern Ireland, Scotland and Wales). The Commission aims to strengthen and promote the UK’s production infrastructure and ensure film friendly policies are in place. The Commission works in partnership with key film industry bodies and is funded through the Department of Culture, Media and Sport through the British Film Institute and UK Trade and Investment. It is the national division of Film London, which will be detailed in the following sub-section.

London Film Office

The London Film Office sustains, promotes and develops London as a global film and media production hub. It is the film and media agency on a local level and supports the development of the city’s new and emerging filmmakers. The agency is funded by the Mayor of London and the National Lottery through the BFI. In addition, they receive support from Arts Council England, Creative Skillset and the National Lottery Fund. Film London also manages the BFC through a public/private partnership which is funded by the Department of Culture, Media and Sport through the BFI and the UK Trade and Investment Department.

5.3.2 Film and Media Incentives

Since 2007 the UK Film Tax Relief has encouraged productions into the country and has successfully attracted large scale productions through a revised incentives and tax relief programmes. In 2015 the film tax relief was broadened to include tax based incentives for Children Television.

The UK offers the following five Creative Industries Tax Reliefs:

- Film Tax Relief.
- High End Television Tax Relief.
- Animation Tax Relief.
- Children Television Tax Relief. and
- Gaming Tax Relief.

Each tax relief incentive enables a production company with an eligible project to claim 25% of qualifying expenditure back. All tax reliefs are capped at 80% of the total production budget.

Specific reliefs per category have been elaborated on in the following sections.

Production companies can access the tax relief if their project:

- Qualifies as British: either by passing the relevant BFI Cultural Test (see **Annexure A**) or by qualifying as an official co-production.
- Reaches a minimum UK core expenditure of 10% - 25% (dependent on the tax relief you are claiming). and
- To access the high-end television, children’s and animation reliefs, the project must be intended for broadcast whilst film projects must be intended for theatrical release.

The UK has 11 bi-lateral co-production treaties and is a signatory to the European Convention on Cinematographic co-production. The following co-production treaties are with:

- Australia.
- Canada.

- China.
- France.
- India.
- Israel.
- Jamaica.
- New Zealand.
- Occupied Palestinian Territories.
- South Africa. and
- South Africa TV.

Film Tax Relief

As of April 2015, a Film Production Company (“**FPC**”) can claim tax relief of up to 25% of qualifying expenditure for film projects that qualify as British.

To qualify for film tax relief, projects must:

- Have a minimum 10% of core expenditure spent in the UK.
- Be intended for theatrical release.
- Have one FPC registered with Companies House. and
- The FPC must be responsible for all the filmmaking activity from pre-production through to completion.

High End Television Tax Relief

A Television Production Company (“**TPC**”) can claim tax relief of up to 25% of qualifying expenditure for scripted television projects that qualify as British.

To qualify for high-end television tax relief, projects must:

- Have a minimum of 10% of core expenditure spent in the UK.
- Be intended for broadcast (includes internet broadcast).
- Be a drama, documentary or drama/comedy.
- Have a minimum core expenditure of £1 million per slot time hour.
- Have one TPC registered with the Companies House.
- The TPC must be responsible for all the television production making activity from pre-production through to completion. and
- Be commissioned for a slot length greater than 30 minutes.

Animation Programme Tax Relief

An Animation Production Company (“**APC**”) can claim a tax relief of up to 25% of qualifying expenditure for qualifying animation programmes.

The project must be an animated programmes, although it may be mixed content. To qualify as an animation programmes at least 51% of the core expenditure on the complete programme must be on animation production expenditure.

Animation programme tax relief has no minimum expenditure requirement.

To qualify for animation programme tax relief, projects must:

- Minimum of 10% of core expenditure spent in the UK.
- Be intended for broadcast (including internet broadcast).
- Have one APC registered with Companies House.
- The APC must be responsible for all the animation programme making activity from pre-production through to completion.

Children Television Tax Relief

A Children’s Television Production Company (“**CTPC**”) can claim a tax relief of 25% of qualifying expenditure for qualifying children’s programmes.

Similar to that of Animation productions, children’s programme tax relief has no minimum expenditure requirements.

To qualify for children’s programme tax relief, projects must:

- Be at least 51% live action (animation programmes for children qualify under the Animation Programme tax relief).
- Have a minimum 10% of core expenditure spent in the UK (previously 25%).
- Be intended for broadcast (including internet broadcast).
- Have one CTPC registered with Companies House.
- The CTPC must be responsible for all the television programme making activity from pre-production through to completion.
- The programme must not be an excluded programme.

Gaming Tax Relief

A Video Games Development Company (“**VGDC**”) can claim tax relief of up to 25% of qualifying expenditure for video game projects that qualify as British.

Video Games tax relief has no minimum expenditure requirement.

To qualify for tax relief, projects must:

- Have a minimum 25% of core expenditure spent in the European Economic Area (“**EEA**”).
- Be intended for supply to the general public.
- Not have the primary purpose of advertising or gambling.
- Have one VGDC registered with Companies House.
- The VGDC must be responsible for all the video game production activity from development through to completion.

On a city level, Film London, utilises donor sponsorships and funds provided by the BFI to fund and develop the local Film and Media Sector in London. It manages the British Film Commission through a public private partnership.

The following funding schemes are available through Film London:

- Short Films: London Calling, and
- Feature Films: Microwave.

Through Games London support is provided to Games developers to connect with new investors and business partners through a two day Games Finance Market as well as inbound and outbound trade missions.

There is also support of £3 000 for community screening distribution through the Community Screen Scheme. The scheme aims to reach new and underserved audiences in London, to encourage cinemas and

community groups to work together and to enable more diverse films for more diverse audiences playing regularly in cinemas.

Short Film Scheme – London Calling

This annual short film scheme is aimed at the emerging filmmaker and provides a comprehensive package of production funding, training and expert mentoring. London Calling and London Calling Plus are schemes awarded through an application process. London Calling has 15 awards of approximately £4 000 for emerging London filmmakers, and London Calling Plus has five awards of up to £15 000 for BAME (Black, Asian and minority ethnic) filmmakers with significant storytelling experience.

Feature Films: Microwave

The Microwave scheme aims to provide development and mentoring as well as production finance and distribution support to the final commissioned films. Twelve teams/projects are shortlisted for the scheme and through a rigorous training and development programme, two features are commissioned and receive additional development as well as production funding of £100 000. Selected features are then tasked to match-raise £50 000.

The Film London Microwave is funded by the BFI and BBC Films through the National Lottery’s Skills Investment Fund (“**SIF**”).

5.3.3 Support and Development

The BFI uses National Lottery funds to develop and support original UK filmmakers and films, and to increase the audiences these productions are able to reach through the BFI Film Fund.

The BFI Film Fund Support:

- Production and Development Funding – the BFI provides support for the production, development and completion of feature films which fairly reflect people from diverse background.
- Distribution and Exhibition funding – the BFI provides support and funding to drive export opportunities for British films selected by major international festivals.

On a local level, support and training is provided through the London Film office. Training and support programmes are centred on Audience Development.

The London Film office Training and Support programmes include:

- Build Your Audience – a programme aimed at assisting filmmakers to generate a distribution strategy that will take their project from pitching to platform. The programme offers practical ways to find the correct audience for your film and includes support in areas such as Script Writing.
- Market Place Live – this is a training event that highlights how to create a successful release. Industry experts sit on a panel and are challenged with hypothetical projects which they must take from conception to completion.
- Audience development – this programme offers a range of training opportunities to help film exhibitors reach new audiences.

5.4 Los Angeles, USA

Los Angeles has long been regarded as the Entertainment Capital of the World due to decades of activity in motion picture, sound and television

production. There are approximately 13 000 film and television establishments located in the market, generating over \$20 billion in payroll. The entertainment industry employed nearly 165 000 wage and salary workers in Los Angeles during 2015 (*LA Times*, 2016).

Despite the vast presence of the industry within in the local economy, the industry has encountered numerous challenges in the form of “runaway” productions (both domestically and internationally) whereby a production that was intended for initial filming/shooting in the USA is actually filmed in another country, as well as piracy and other forms of intellectual property theft.

5.4.1 Film and Media Agencies

California Film Commission

The California Film Commission (“CFC” or “Commission”) forms part of the California Trade and Commerce Agency and acts as an economic development stimulator for the State of California. The role of the CFC is to enhance the States position as the location of choice for film and media production. The Commission is seen as a one-stop office for filmmakers operating within the State.

Los Angeles Film Office

Film LA is the official film office for the greater Los Angeles region. The core service of the film office is to provide centralised coordination of multi-jurisdiction on-location filming permits in the region. An important element of film permit is community engagement, Film LA constantly facilitates community workshops in popular locations to ensure the on-location shooting is done with the community in mind.

5.4.2 Film and Media Incentives

The California Film Commission administers the state’s Film and Television Tax Credit Programme 2.0 (“**Programme 2.0**”). Programme 2.0 came into effect in the beginning of 2015, building on from the Film and Television Tax Credit Programme 1.0 (which was launched in 2009) previously used to govern film and television incentives in California.

Figure 5.1: Summary of Film and Television Incentives in California

	Program 1.0	Program 2.0
Funding	\$100M per Fiscal Year	\$330M per Fiscal Year (\$230M in Year 1)
Funding Categories	10% Reserved for Independent Productions 90% Unspecified	40% – TV Series, Pilots, MOWs 35% – Non-independent Films 20% – Relocating TV Series 5% – Independent Films
Eligibility	Non-indie and Indie films (budget caps apply), Movies of the Week, Mini-series, Relocating TV Series, and 1-hr TV Series (produced for basic cable)	Expands eligibility to include Feature Films without budget limit, 1-hr TV Series (for any distribution outlet) and TV Pilots.
Budget Caps	\$75M production budget cap (for non-indie films) or \$10M qualified expenditure budget cap (for independent films)	No budget caps, but tax credit eligibility applies only to each project’s first \$100M in qualified spending (for non-independent films) or first \$10M (for independent films).
Application Selection	Lottery	“Jobs Ratio” Ranking within Specific Categories
Allocation Periods	Once per fiscal year	Multiple allocation periods throughout year
Tax Credit Allocation	Indies – 25% Non-Indies – 20%	Indies and Relocating TV – 25% Non-Indies – 20% (base) Additional 5% “Uplift” for filming outside the 30-Mile Zone, visual effects and music scoring/recording expenditures

Source: California Film Commission, Annual Report 2016

The programme was enacted as part of targeted economic stimulus package aimed at increasing film and television production spending, jobs and tax revenue in California. **Figure 5.1** below provides a brief summary of the development from Programme 1.0 to the current Programme 2.0.

Programme 2.0 Tax Credit Overview

To apply for Programme 2.0, a film or television project must be one of the following:

- A “**feature film**” with a minimum production budget of \$1 million. Tax credits apply to the first \$100 000, there is no cap on the total budget amount.
- A “**Movie of the Week**” or “**Miniseries**” with a minimum production budget of \$500 000.
- A new “**Television Series**” licensed for any distribution outlet with a minimum episode budget of \$1 million and with a running time longer than forty minutes. “**Pilots**” are also qualified and must have a minimum budget of \$1 million. Pilots and series may be produced for distribution in any media outlet. Reality television series production are not considered motion pictures and are not eligible for the programme.
- A “**Television Series that relocates to California**” that filmed its most recent season outside of California. There is a minimum budget requirement of \$1 million per episode. The series must be produced for distribution in any media outlet.

Qualifying for the Tax Credit

A “**Qualified Motion Picture**” must be an Independent Film, Feature Film, and Movie of the Week, Miniseries, Pilot or TV Series **and** must meet one of the following conditions:

- 75% of total principal photography days must occur wholly in California.
OR
- 75% of the production budget must be incurred and used for goods, services and/or wages within California.

The following types of productions are not considered “Qualified Motion Pictures” and are not eligible for the tax credit:

- Commercials.
- Music videos.
- News programmes, current events or public affairs programmes.
- Talk shows, game shows, “Strip Shows”.
- Sporting events.
- Half hour (airtime) episodic TV shows (unless it qualifies under the conditions for a "Television Series that Relocated to California").
- Animated productions.
- Awards shows.
- Productions that solicit funds.
- “Reality Programmes,” unscripted programmes.
- Student films.
- Industrial films.
- Clip-based programming where more than 50% of content is comprised of licensed footage.
- Documentaries, informational programming.
- Variety programmes.
- Daytime dramas.
- Any production for which records are required to be maintained with respect to any performer in such production under Section 2257 of Title

18 of the United States Code (reporting of books, films, etc. with respect to sexually explicit conduct).

The qualifying criteria also includes a jobs ratio ranking process which is statutorily mandated in order to identify those projects which create the most jobs and increase economic activity in the state. An online jobs ratio calculator is provided to assist applicants.

Allowable Tax Credit for Qualified Motion Picture:

- 1 20% Non-transferable tax credit (non-independent productions):
 - a Feature Films: \$1 million minimum budget, credit allocation applies only to the first \$100 million in qualified expenditures.
 - b Movies of the week or Miniseries: \$500 000 minimum budget.
 - c New Television Series: \$1 million minimum budget per episode (at least 40 minutes per episode, scripted only).
 - d Pilots: \$1 million minimum budget (at least 40 minutes).

- 2 5% Credit Uplift (Non-independent productions):
 - a Filming outside the Los Angeles 30-mile zone.
 - b Music scoring and music track recording expenditures.
 - c Visual effects expenditure.
 - d The maximum credit a production can earn is 25%.

- 3 25% Transferable Tax Credit (Independent Productions, maximum credit is 25% and uplifts do not apply):
 - a Independent productions: \$1 million minimum budget, credits apply only to the first \$10 million of qualified expenditure (only independent projects may sell their tax credits).

- 4 25% Non-transferable Tax Credit (Non-independent relocation TV series): \$1 million minimum budget, tax credits are non-transferable and additional seasons are eligible for 20%.

5.4.3 Training and Support

As part of the Programme 2.0 film and television incentive, the “Career Readiness” requirement details that applicants that are awarded this incentive must participate in career-based learning and training programmes that have been approved by the California Film Commission.

To satisfy the Career Readiness requirement, applicants must choose one of the following methods of participation:

- Paid Internship – provide students enrolled in an accredited high school or community college three paid internship positions for a minimum of 75 hours each.
- Classroom Workshop – provide students enrolled in an accredited high school or community college a minimum of eight hours of classroom workshops or demonstrations conducted by entertainment industry professionals.
- Studio Employment and Professional Skills Tours – provide students enrolled in an accredited high school or community college a minimum of eight hours of studio employment and professional skills tours, which may include set visits and/or tours of set construction, wardrobe department, art department, or editorial department.
- Faculty Externship – provide a minimum of eight hours of continuing education for faculty and/or other educators to observe set operations, post-production, and other specialised departments.

- Financial Contribution – make a financial contribution to a specific local educational agency or higher education institution specialising in arts, media and entertainment career orientated programmes.

5.5 Toronto, Canada

During 2014/2015 the Film and Media Sector contributed approximately \$9 billion to the Canadian GDP (*ACTRA, 2014*). The industry employs over 140 000 people. Toronto, Ontario is considered part of “Hollywood North”, a creative and growing hub for film productions. Toronto is the third largest screen-based production centre in North America (behind Los Angeles and New York).

The city’s film and television industry directly employed more than 25 000 people during 2015, with internationally recognised talents in areas such as animation and special effects. The city has a strong domestic/local content production with investments in major domestic productions exceeding \$600 million annually.

The Toronto Film, Television and Digital Media Office (“**TFTDMO**”) provides economic development and support to the local production community, and promotes Toronto as a major production centre. The office has actively supported the development of initiatives that have become standards for the industry, including progressive location management practices and a computerised location filming permit system with on-line application capabilities.

5.5.1 Film and Media Agencies

Ontario Media Development Corporation

The Ontario Media Development Corporation (“OMDC”), an agency of the Ministry of Tourism, Culture and Sport, supports the Province’s creative economy by providing innovative programmes, service and funding for the film and media industries.

The Ontario Film Commission division of the OMDC markets Ontario to the international film and media production industry and provides location scouting and facilitation services.

Toronto Film and Television Office

The Toronto Film and Television office is a member of the Association of Film Commissioners International and promotes Toronto as a location filming destination. The office acts as a liaison between the film, television and commercial production industry and the relevant municipal, provincial and federal government agencies. The office/unit sits within the City of Toronto’s Film Department. All location based permitting is done through the film office. In addition, the film office provides relevant information on film in the city, guidance on how to plan a shoot in Toronto and new on current productions in the city and other industry news.

The Toronto Film, Television and Digital Media Board (Film Board)

The Film Board provides advice to the Mayor and City Council on ways to strengthen and grow the film, television and digital media industries to ensure the viability of the sector. Members appointed sit as individuals and not as representative of any organisation. The Film Board meet quarterly and consist of Council Members and Industry Experts/Stakeholders. It is

noted that the current set up of the Film Board has a majority industry based membership.

The Film Boards provides:

- Industry knowledge of the screen-based industries (film, television, commercials, interactive).
- Has direct access/links to key industry stakeholders.
- Has awareness of research, trends and projects changes in the industry.
- Understands industry issues and risks for Toronto-based companies and work force.
- Is familiar with all by-laws, legislation and regulations governing the screen based industries.
- Provides connection to national organisations and agencies tasked with policy and regulatory development.
- Have experience with business management, labour relations and strategic planning as well as successful marketing and promotional skills.

5.5.2 Incentives

Both Provincial and Federal government operate incentive programmes for film and television production expenses in Canada, making the country one of the few film destinations that provides incentives on a provincial/state level. Eligible expenses include labour, equipment purchase or rental, visual effects, computer animation and Canadian content.

The Ontario Media Development Corporation administers several film and television tax credits including:

- The Ontario Film and Television Tax Credit (“OFTTC”) is a 35% refundable credit on Ontario labour for film and television productions

by Ontario-based Canadian controlled companies for productions shot in Ontario as well as treaty co-productions. OFFTC also has a 10% regional bonus. The Federal government offers an additional 25% credit on labour expenditure for domestic and treaty co-productions.

- The Ontario Production Services Tax Credit (“**OPSTC**”) is a 25% refundable tax credit on Ontario production expenditures (both labour and non-labour costs and including all post-production) for film and television productions produced by foreign or Canadian-controlled corporations. The Federal government also offer an additional tax credit of 16% for eligible labour on service productions.
- The Ontario Computer Animation and Special Effects Tax Credit (“**OCASE**”) is a refundable tax credit on eligible Ontario labour expenditure for eligible computer animation and special effects activities. The OCASE tax credit may be claimed by eligible expenditure in addition to the OFTTC or the OPSTC.
- The Ontario Interactive Digital Media Tax Credit (“**OIDMTC**”) is a 40% refundable credit for eligible Ontario labour expenditure and eligible marketing and distribution expenses claimed by a qualifying corporation with respect to interactive digital media products.

The Ontario Film and Television Tax Credits (“OFTTC”)

The OFTTC is refundable tax credit based upon eligible Ontario labour expenditure incurred by a qualifying production company with respect to an eligible Ontario production.

Overview of the Tax Credit

The OFTTC is calculated as 35% of the eligible Ontario labour expenditure incurred by a qualifying production company and eligible Ontario

production. For first time producers, an enhanced credit rate of 40% on the first \$240 000 (Cdn) of qualifying labour expenditure is available.

Productions that are shot in Ontario, entirely outside of the Greater Toronto Area (“**GTA**”), or that have at least five location days in Ontario of which at least 85% of these location days are outside the GTA, receive a 10% bonus on all Ontario labour expenditures incurred for the production.

Qualifying for the Tax Credit and Eligible Productions and Expenditure

A qualifying production company is a Canadian corporation which is Canadian-controlled, has a permanent establishment in Ontario, and files an Ontario corporate tax return. In addition, the individual producer of the production must have been an Ontario resident for tax purposes at the end of both the two calendar years prior to commencement of principal photography.

An eligible Ontario production is a production which:

- Has six Canadian content points (unless it is an official treaty co-production).
- Is predominately shot and posted in Ontario.
- Spends at least 70% of its total final costs on Ontario expenditure.
- If for television, is suitable for a minimum 30-minute time slot (except children’s programming).
- Has an agreement with an Ontario based distributor or a Canadian broadcaster to be shown in Ontario within two years of completion.
- Is not in an excluded genre such as news/current affairs, talk shows, game shows, sports shows, award shows, fundraising shows and reality television.

Eligible Ontario labour expenditures consist of:

- Salaries and wages paid to Ontario residents.
- Remuneration paid to:
 - Corporations that are personal service companies subject to tax in Ontario for the services of an Ontario resident.
 - Sole proprietors or freelancers subject to tax in Ontario.
 - Partnerships for the services of a partner such to tax in Ontario, and
 - Taxable Canadian corporations with a permanent establishment in Ontario for the service of the employee(s) who are Ontario residents. and
- Reimbursement by a wholly-owned production company to its parent company for labour expenditure, as above, that were paid by the parent company on behalf of the production company.

Ontario Production Service Tax Credit (“OPSTC”)

The OPSTC is a refundable tax credit to eligible Ontario-based Canadian and foreign-controlled corporations of 21.5% of qualified Ontario production expenditure for eligible film and television productions.

Overview of the Tax Credit

The OPSTC is calculated as 21.5% of all eligible qualifying production expenditure incurred in Ontario. A qualifying corporation’s Ontario labour expenditures, including Ontario labour paid under an eligible service contract, must be at least 25% of the qualifying production expenditure claimed for taxation.

Qualifying for the Tax Credit and Eligible Productions and Expenditure

A qualifying corporation is a Canadian or foreign-owned corporation which carries on a film or video production, or production services business, at a permanent establishment in Ontario, files an Ontario corporate tax return and owns the copyright in the eligible production, or contracts directly with the copyright owner to provide production services to an eligible production.

An eligible production is a production that:

- Exceed a minimum production cost and must not be in an excluded genre. In addition, a production that receives an OFTTC is not eligible for an OPSTC.
- The production cost must exceed \$1 million (Cdn.), except in the case of a series consisting of two or more episodes, or a pilot for such a series. In the case of a series or pilot, the cost for each episode which has a running time of less than 30 minutes must exceed \$100,000 (Cdn.) and the cost for episodes with a longer running time must exceed \$200,000 (Cdn.).
- The production must not be in an excluded genre such as news, current events or public affairs programming, a programme that includes weather or market reports, talk shows, productions in the nature of a game, questionnaire or contest, a sports event or activity, a gala presentation or awards show, a production that solicits funds, reality television, pornography, advertising, or a production produced primarily for industrial, corporate or institutional purposes, nor must it be a production for which public financial support would be contrary to public policy.

Eligible production expenditure include:

- Expenditure incurred in Ontario and includes eligible wages, eligible service contracts and eligible tangible property expenditures, such as equipment, studio rentals and computer software.
- Expenditures paid to companies and partnerships which have a permanent establishment in Ontario and to Ontario-based individuals (individuals resident in Ontario).
- Expenditures must also be reasonable in the circumstances, directly attributable to the production, and incurred for the stages of production after the final script stage to the end of post-production.
- Expenditures must be incurred in the taxation year, and paid for services provided in Ontario.

Ontario Computer Animation and Special Effects Tax Credit (“OCASE”)

The OCASE tax credit is a refundable tax credit based on eligible Ontario labour expenditure incurred by a qualifying corporation in respect of eligible computer animation and special effects activities. The OCASE may be claimed on eligible expenditure in addition to the OFTTC and OPSTC.

Overview of the Tax Credit

The OCASE tax credit is calculated as 18% of the eligible Ontario labour expenditures incurred by a qualifying corporation with respect to eligible computer animation and special effects activities. There is no cap on eligible Ontario labour expenditures.

Eligible computer animation and special effects activities are those carried out in Ontario directly in support of the production of eligible animation or visual effects for use in eligible productions.

Eligible animation or visual effects means animation or visual effects created using digital technologies but does not include:

- Audio effects.
- In-camera effects.
- Credit rolls.
- Subtitles.
- animation or visual effects all or substantially all of which are created by editing activities. or
- animation or visual effects for use in promotional material for the eligible production.

Eligible computer animation and special effects activities include designing, modelling, rendering, lighting, painting, animating and compositing but do not include activities that are scientific research and experimental development.

Qualifying for the Tax Credit and Eligible Productions and Expenditure

Eligible productions are productions created for commercial exploitation, which are not in an excluded genre, or for which financial support would be contrary to public policy. The production must also have received an OFTTC or OPSTC certificate to be eligible for the OCASE tax credit.

Qualifying labour expenditures are:

- Salaries and wages directly attributable to eligible activities carried on by the qualifying corporation, that are paid to Ontario residents.

- Freelancers who are individuals, partnerships, or arm’s-length incorporated individuals (such as corporations).

The labour expenditures must be incurred in the taxation year for which they are being claimed.

The following two federal tax credit programmes are co-administered by Heritage Canada’s Canadian Audio-Visual Certification Office (“CAVCO”) and the Canadian Revenue Agency:

- Canadian Film or Video Production Tax Credit (“CPTC”) – to be eligible for the CPTC the applicant must be a Canadian-owned, taxable corporation that is primarily in the business of Canadian film and video production.
- Film or Video Production Services Tax Credit (“PSTC”) – to be eligible for the PSTC the applicant can be either a foreign-owned corporation or a Canadian-owned corporation that is primarily in the business of film or video production services.

Canadian Film or Video Production Tax Credit (“CPTC”)

The primary objective of the CPTC is to encourage Canadian programming and to stimulate the development of an active domestic independent production sector. The CPTC programme gives a tax credit to qualified corporations producing Canadian film or video productions. This incentive is only available to Canadian-controlled companies.

The CPTC programme gives a refundable tax credit of 25% of qualified labour expenditure by a qualified corporation for the production of a

Canadian film or video production. The qualified labour expenditures cannot be more than 60% of production cost. The CPTC cannot be claimed in conjunction with the Film or Video Production Services Tax Credit Programme.

Film or Video Production Services Tax Credit Programme

Under the PSTC the Federal government provides incentives to stimulate job growth by encouraging Canadians as well as foreign-based film producers to employ the services of Canadians.

This refundable tax credit is provided to an eligible production corporation at the rate of 16% of its qualified Canadian labour expenditure in respect of an accredited production for services rendered in Canada by Canadian residents.

5.5.4 Support and Development

The OMDC has developed a range of programmes and resources to provide financial, strategic and research support to the regions cultural entrepreneurs with a focus on the film and television production industry. These programmes and support have provided opportunities for filmmakers to create new products, and for film and television producers to develop existing markets, access new markets and grow their businesses. In addition, research grants are available to not-for-profit industry organisations undertaking research initiatives that support the mandate of the OMDC.

The following support and development programmes are available through the OMDC:

- Film Fund – the Film Fund is intended to increase the level of domestic feature film production in Ontario. It provides support to Ontario

producers for feature film projects in the final stages of development and production financing.

- Marketing and Distribution Initiative – this fund is intended to assist producers of OMDC Film Fund supported projects to make a meaningful contribution to the domestic marketing and distribution of their projects leading up to and during their release.
- Export Fund (film and television) – the export fund provides eligible Ontario producers with funding to pursue strategic export development activities that support company growth and produce measurable business development results.
- Industry Development Programmes – these programmes take the form of collaborative events, initiatives and activities between the OMDC and private sector film and television organisations.
- Research Grants.

5.6 South African Case Studies

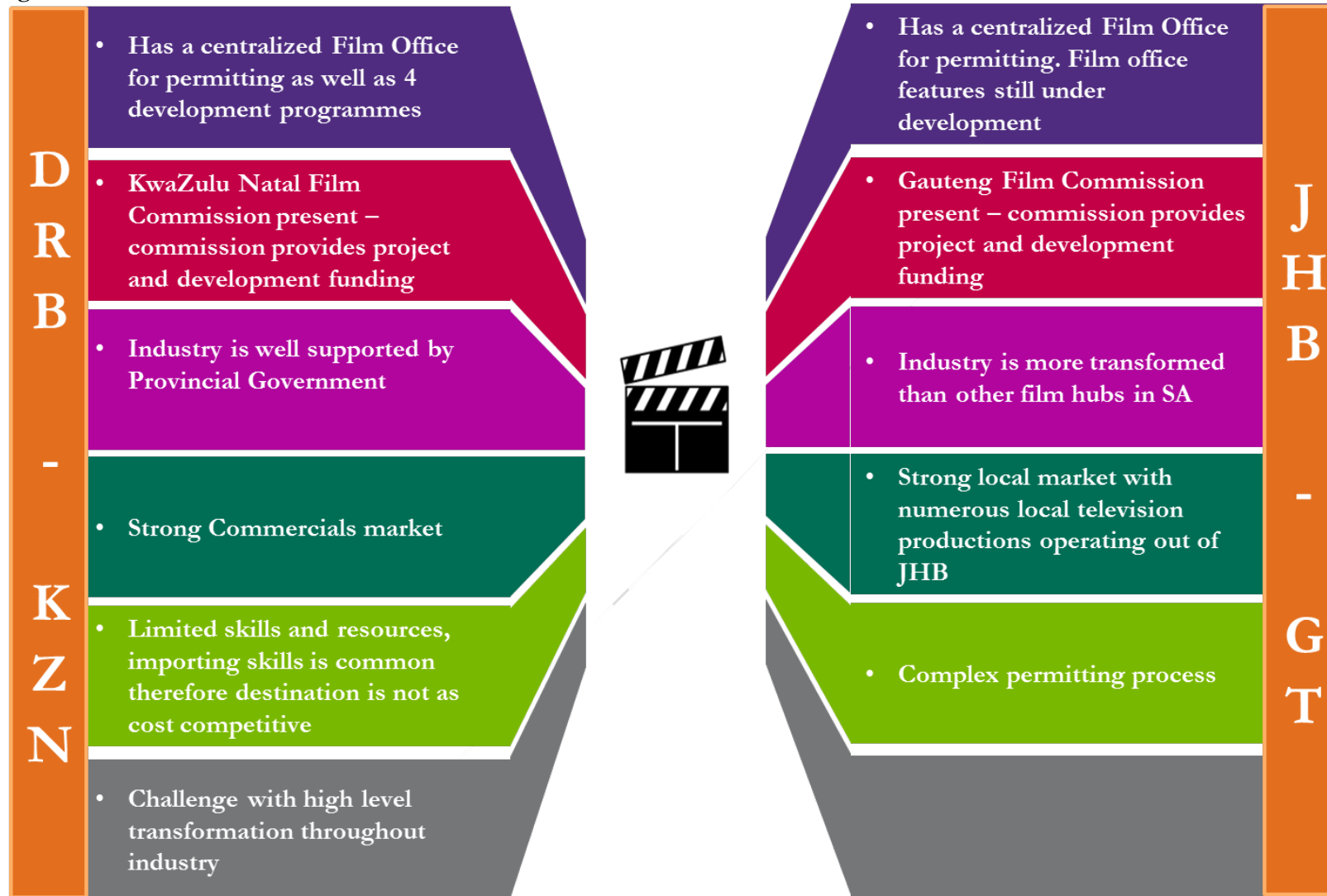
In addition to the three international benchmarks, two local destinations were briefly analysed to gain an understanding into the local Film and Media Sector present in these destinations and the level of competition these destinations pose to Cape Town and the Western Cape. The following South African cities were analysed:

- Durban, KwaZulu-Natal. and
- Johannesburg, Gauteng.

The main objective of this analysis to gain an understanding of the Film and Media Sector present in each destination, how these markets have developed and what incentives/funding mechanisms are in place in each

market. An overview of these two film and media destinations has been provided in **Figure 5.2**

Figure 5.2: Overview of South African Film and Media Benchmark Destinations



5.6.1 Durban Film and Media Sector

The Durban film market is dominated by services work with very few production houses head-quartered in the city. Approximately 60% of film and production activity is service work generated from Cape Town with the remaining 40% generated from the Johannesburg market. Due to the lack of a dedicated Film Studio, the market in Durban is predominately location based shoots with Television Commercials being the most common.

Durban has an active Film Office (established in 2003) and is currently drafting the Memorandum of Understanding to govern the relationship with the KwaZulu-Natal Film Commission (“**KZNFC**”). The film office is the Film and Media Sector development arm of the eThekweni Municipality, established to oversee the development of the Film and Media Sector on a local and international level, as well as responsible for marketing the city as a desired film destination. The Durban Film Office is funded by the Durban Economic Development Portfolio Department, and as such facilitates a set of development programmes to encourage the development of local filmmakers and production of local content. The Film Office does not fund projects outside of the metro – this function is currently served by the KZNFC, which is funded through Provincial Government, the Department of Economic Development, Tourism and Environmental Affairs.

Transformation remains one of the key challenges and barrier to growth within the local film market. Through the Development Programmes, Durban Film and Media Sector has seen transformation in the lower and entry level into the Film and Media Sector. There has been little to no transformation seen in the higher levels on the industry such as Head of Departments (“**HODs**”) and producers.

5.6.1.1 Durban Film Office

The film office is the main port of call for all filming and production activity in the city. All permitting is done through the Durban film office, this process will be elaborated on as this is an area of differentiation between filming destinations in South Africa. The ease of the permitting process attracts productions to a location and is seen as a competitive advantage.

In accordance with information provided by the Durban Film Office, the office permitted approximately 2000 film and media permits during 2015.

Film Permitting and Procedures

- All production companies applying for permission to film on locations owned and managed by the eThekweni Municipality must register with the Durban film office and submit all relevant documentation.
- Applications should be submitted at least seven days prior to the proposed shoot date.
- All applications are completed online through the Durban film office website.
- Production companies are only required to submit a single application for a shoot. Applicants must tick the necessary Municipal Departments they require permits from and the Durban film office will file the application at each Department.
- If required a meeting will be set up between the applicant and necessary Department heads if application requires additional explanation or detailed planning.
- Environmental Impact Assessment are required for environmentally sensitive locations.

Training and Development

The Durban film office has several Development Programmes in place to help Durban filmmakers develop skills as creative independent content producers and industry professionals. During 2016/17 the Durban Film Office supported 140 productions through their development programmes, which related in the employment of 2 624 crew employees. This is an increase of 11% from 126 productions in the previous financial year (2015/16).

The following programmes are available:

- Development Fund Programme.
- Micro Budget Film Programme.
- Durban FilmMart Finance Forum and Co-production Market Programme. and
- Festivals and Market Support Programme.

Durban Film Office Development Fund

The fund aims to support intermediate and experienced producers based in Durban who need to develop feature fiction or documentary projects for the local and/or international market. The programme will provide grant funding for two Durban film projects per annum, to a maximum of R250 000 per project towards the development of the project. The project must have a minimum total production budget of R2.5 million.

The Durban Film Office Micro Budget Film Programme

The programme aims to support local emerging filmmakers and encourage the production of content in order to stimulate the local Film and Media Sector. The programme seeks to develop a local model and brand of low

budget film-making that is cost-effective, practical and commercially viable. The “emerging” filmmaker is defined as having acquired some experience producing a work which has earned industry or public attention.

The programme offers R150 000 for production of a feature length film.

The Durban FilmMart (“DFM”)

The DFM is a co-production initiative between the Durban Film Office and the Durban International Film Festival. .

The Durban International Film Festival takes place annually and aims to bring visibility to African film projects, facilitate collaboration and interaction between Africa and international filmmakers, and introduce new film projects to potential investors and partners. Each year the DFM presents an official selection of African fiction and documentary projects in development with the opportunity to present to a panel of potential co-producers and film funds.

5.6.1.2 KwaZulu-Natal Film Commission

The KZNFC derived its mandate from the KZN Film Act No.3 of 2010, which established the Commission and set out its objectives. The following objectives were outlined:

- To promote and market the Province as a global destination for film production.
- To develop, promote and market, locally and internationally, the film industry in the Province.
- To facilitate investment in the film industry in the Province.

- To provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province.
- To address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province.
- To contribute to an enabling environment for job creation in the film industry in the Province.

From the above mentioned objective, programmes were developed to ensure the implementation of the mandate. There are three programmes the film commission offers. The first programme centres on skills development and includes an Internship Programme for film school graduates. In addition, this programme has a Woman and Youth incubation programme, aimed at encouraging women entrants into the industry. The youth incubation programme provides an entry mechanism for young filmmakers entering the industry. A third element of the skills development programme is a Bursary Programme for students to study film.

The second development programme is the Small Medium and Micro Enterprises (“**SMME**”) development programme. This programme is seen as an incubator for emerging film companies, providing support and guidance.

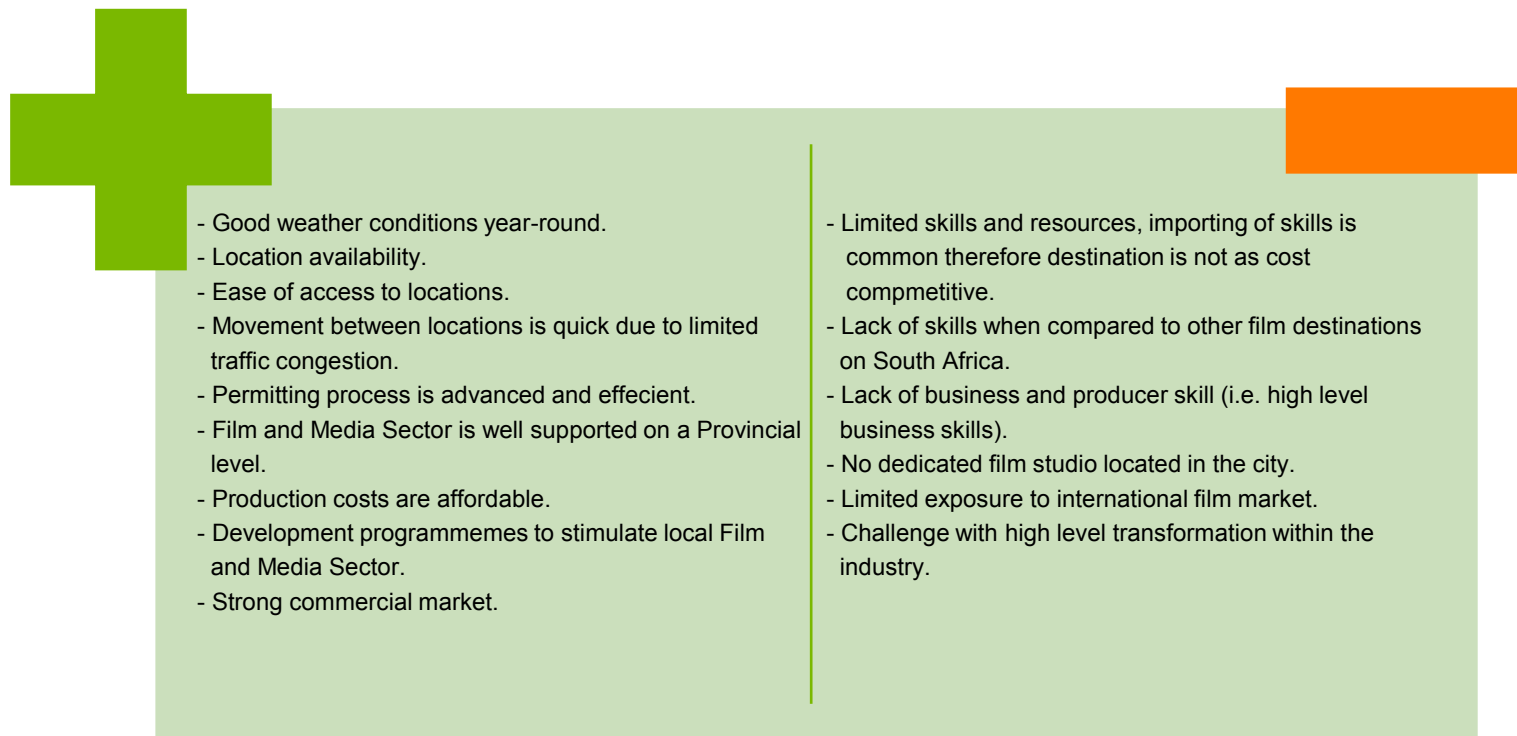
Lastly, the commission will organise familiarisation tours to bring international film producers and companies to the Province. The aim is to allow these companies an opportunity to visit the Province’s locations and facilities and to promote the Province as a location for film.

KZNFC Film Fund

The KwaZulu-Natal Film Fund was created to stimulate the growth of the film industry in the Province. The fund has R16 million available and targets KZN based companies and companies producing films in KZN. During the 2015/2016 year a total of 29 projects were funded through the Film Fund, totally R4 380 000. Projects applying for funding must be KZN stories.

The KZNFC provides film related funding in four broad categories:

- Development Funding – to qualify for development funding, 50% of the total development budget must be spent in KZN. The maximum script writing / development fund is R200 000, and is dependent on the type of production.
- Production Funding – to qualify for production funding, 70% of the total production budget must be spent in KZN. The maximum production funding is R1 200 000, and is dependent on the type of production.
- Marketing and Distribution – maximum funding is R120 000.
- Markets and Festivals – maximum funding is R25 000. This form of funding is reserved for KZN residents and is offered to KZN filmmakers that have been invited to a festival/market, a filmmaker that has a KZN film screening at a festival or who will be pitching a KZN produced project at a festival. In addition, it is also offered to KZN filmmakers that will be attending training workshops at a festival.

Figure 5.3: Strengths and Weaknesses Present in the Durban Film and Media Sector

5.6.2 Johannesburg Film and Media Sector

The Johannesburg Film and Media Sector boasts a strong local film market producing predominately local content mainly for television series and movies. For years Johannesburg was known as the local film and creative hub of South Africa with large scale production companies such as the South African Broadcasting Corporation (“SABC”) headquartered in the city. However, over the last ten years the environment of film in South Africa has changed with Cape Town gaining popularity with international production companies, in turn slowing down production activities and interest in Johannesburg.

With that in mind the Johannesburg Film Office was established to compliment the Gauteng Film Commission to promote, develop and coordinate the film and television production industry in Johannesburg.

In 2015 the Gauteng Film Commission conducted an economic impact study of the Gauteng Film and Television Industry. Through this study it was revealed that the Gauteng Film and Television industry’s economic contribution is estimated at R2.5 billion to the GDP of the Province, employing more than 20 000 workers per annum.

The climate of transformation in the Johannesburg Film and Media Sector is similar to that found elsewhere in South Africa. The lower level and entry positions are transformed with little to no transformation in the middle tier and higher level positions. The Johannesburg industry has the potential to transform at a quicker rate than other South African film industries due to the high demand for local content within its television market, encouraging local filmmakers and producers.

5.6.2.1 Johannesburg Film Office

The film office partners with government agencies to promote Johannesburg as a viable local and international partner for film and media projects. The full spectrum of services of this office are under development, however it is envisaged that the unit will assist with locations permitting, provide access to incentives, and co-ordinate training and development programmes.

5.6.2.2 Gauteng Film Commission

The Gauteng Film Commission (“GFC”) is the central point for all film and television activity in the Province. The Commission is an agency of the Gauteng Provincial Government, and is a member of the Association of Film Commissioners International. During the 2015/16 financial year the GFC received R25 million in Government Grants from the Department of Sports, Art, Culture and Recreation.

The Commission develops, promotes and co-ordinates the film and television production industry in the Province, acting as a centralised hub for the industry.

In accordance with information provided by the GFC, the GFC facilitated the approval of 187 film and media permits for filming in public locations during the 2015 financial year. The target for the period was 165 location permits to be issued. This indicates and reinforces that the majority of production activity within the Province occurs within a studio.

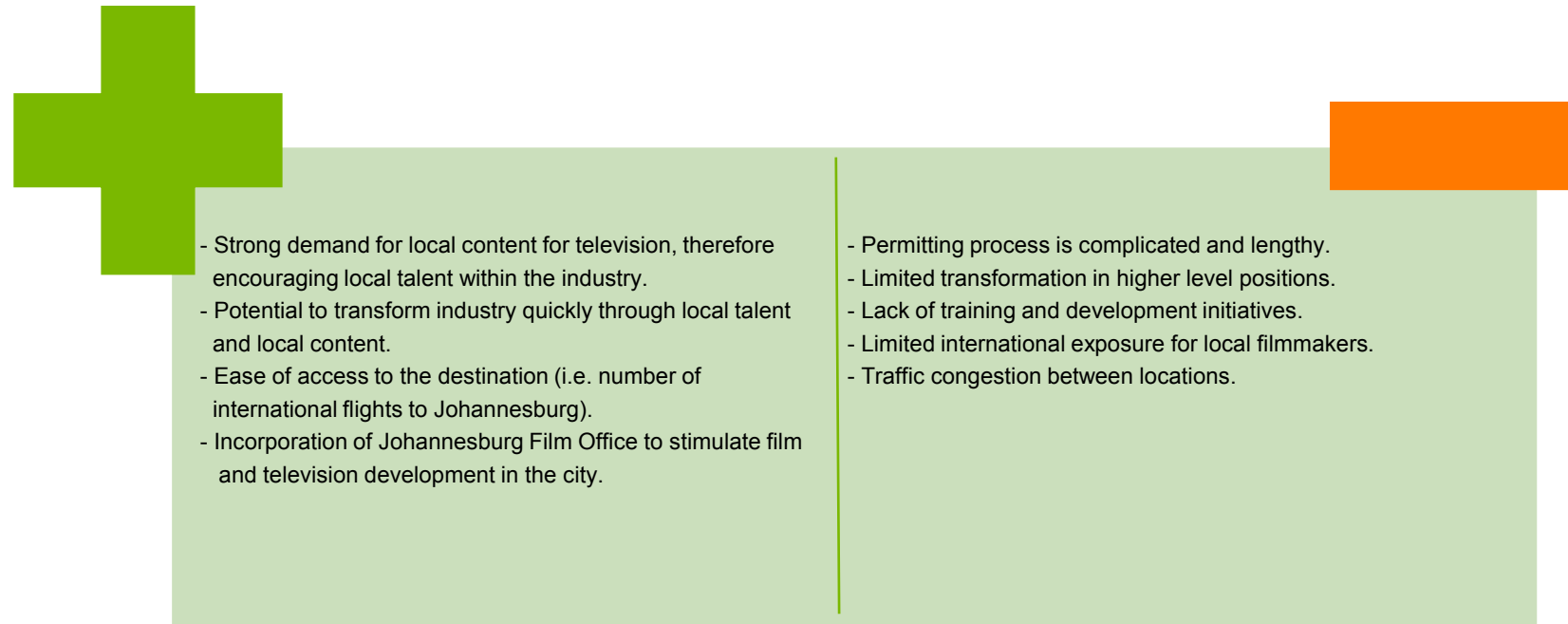
Film Permitting and Procedures

- The Gauteng Film Commission does not issue permits or have a dedicated permit unit.
- Film permitting is coordinated through the Gauteng Film Commission website, it is envisaged that this function will potentially move to the Johannesburg Film Office in the future.
- Permits are issued by the relevant city, provincial or national departments, agencies and authorities.
- Applicants are required to apply for permits at least 14 working days before filming is due to commence.

Training and Development

Currently neither the Gauteng Film Commission nor the Johannesburg Film Office offer training and development programmes. However, as the film office develops it is intended that development programmes will be established.

Currently the only training available is through the SETA programmes, it is noted that the Johannesburg film office are willing to facilitate these training programmes and streamline the application process when registering with the SETA.

Figure 5.4: Strengths and Weaknesses Present in the Johannesburg Film and Media Sector

5.7 Relevance to the Study

5.7.1 International Case Studies

The following salient points were noted during the international benchmark analysis:

London Benchmarking Analysis

- At a national level the British Film Commission is mandated to support and facilitate international productions. The Commission is a national agency and all national film and television incentives are run through this office.
- Incentives provided are in the form of a tax relief rather than a government subsidy or rebate.
- There are five creative industry tax relief programmes available in the UK and incorporate mandatory training and skills development components.
- On a city level, the London Film office promotes and develops London as an international film and television hub. There are several training and support programmes run through the LFO with a focus on Audience development and script writing. These programmes aim to develop local filmmakers and script writer.
- The LFO is funded by the Mayor of London's office and the National Lottery.

Los Angeles Benchmarking Analysis

- There are no national Film Commissions in the USA, all Commissions are on a State Level therefore there is a California Film Commission mandated to stimulate and development the film and television industry in the State of California.

- The CFC is part of the California Trade and Commerce Agency and funded accordingly.
- The Commission administers the state's film and television incentive.
- Unlike the other international case study destinations, there is only one incentive programme available to the film and television industry.
- The incentives have a specific jobs ratio criteria in order to identify those projects which create the most jobs and increase economic activity in the state.
- Apart from training programmes associated with the qualification of the tax incentive, there are no government driven training and support programmes available to the film and media industry operating in Los Angeles.

Toronto Benchmarking Analysis

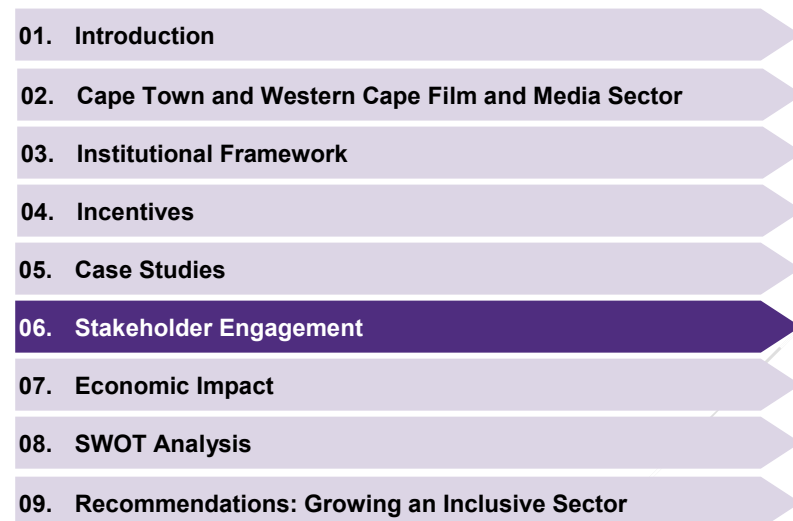
- In a similar fashion to California, the Film Commission is based at a Provincial level and is known as the Ontario Film Commission.
- The Film Commission is a division of the Ontario Media Development Corporation which is an agency of the Minister of Tourism, Culture and Sport.
- On a city level, the Toronto Film and Television Office is a member of the Association of Film Commissioners International and has two qualified Film Commissioners in the office.
- Unique to the Toronto case study, there are both Provincial and Federal (national) government tax incentive programmes available to the film and media industry.
- The incentives are in the form of a tax credit and not a subsidy or rebate.
- Additional incentives are provided for utilising locations outside of Toronto Ontario.

5.7.2 South African Case Studies

The following salient points were noted during the analysis of other South African film destinations:

- Cape Town is considered the film and creative hub when compared to Film and Media Sector and development in Durban and Johannesburg.
- Durban and Johannesburg do not have the same exposure to the international filmmakers and producers as is present with the Cape Town Film and Media Sector.
- Both Durban and Johannesburg have provincial Film Commissions to support the Cities endeavours.
- Training and development of emerging filmmakers is well supported in the Durban Film and Media Sector with development programmes provided and financed through the Durban film office.

Section 6: Stakeholder Engagement

- 
- 01. Introduction
 - 02. Cape Town and Western Cape Film and Media Sector
 - 03. Institutional Framework
 - 04. Incentives
 - 05. Case Studies
 - 06. Stakeholder Engagement**
 - 07. Economic Impact
 - 08. SWOT Analysis
 - 09. Recommendations: Growing an Inclusive Sector

6.1 Introduction

Stakeholder engagement is an integral part of any research project as it provides a more in-depth and relevant look into the industry as those interviewed are actively involved in the Film and Media Sector on a day-to-day basis.

***Note:** The views and opinions expressed in this section are those of the participants and have been included without alterations. The input provided will be utilised to develop the SWOT Analysis and Recommendations to follow.*

For the purpose of this study, three forms of stakeholder engagement were undertaken:

- **Personal interviews** with stakeholders active in the Cape Town and Western Cape Film and Media Sector. The main purpose of the interviews where to gain an in-depth understanding of the industry and to identify its strengths, weaknesses, opportunities, treats and barriers and opportunities for growth. A total of 51 personal interviews have been conducted for this study.
- Five **industry workshops** to have in-depth discussions regarding challenges and opportunities relevant to the following categories:
 - Production companies.
 - Services.
 - Commercials and Still Producers.
 - Post-production and Animation. and
 - Training and skills development.
- An **online questionnaire** with the main purpose to offer a broad base of stakeholders to provide input to this study. Respondents were asked, amongst others, to rate the impact certain growth opportunities and

constraints had on their organisations ability to operate in the Cape Town and Western Cape Film and Media Sector. Open ended questions regarding proposed solutions to address barriers to growth were also included. A total of 128 responses were received.

Respondents have been grouped together and information provided represents an aggregate. All information refers to the 2015 calendar year.

The information gathered regarding turnover and expenditure in order to quantify the economic impact of the industry has not been analysed in this section. The data will be shown in aggregate in the section detailing the economic impact of the industry (see **Section 7**).

The detailed questionnaire and discussion guide utilised during these engagements is provided in **Annexure B**. The list of stakeholders interviewed during the Situational Phase has been provided in **Annexure C**.

6.2 Overview of Employment and Transformation

This section details the overall size of organisations in the Film and Media Sector, employment demographics and levels of transformation present throughout the film and media value chain.

6.2.1 Average Number of Employees

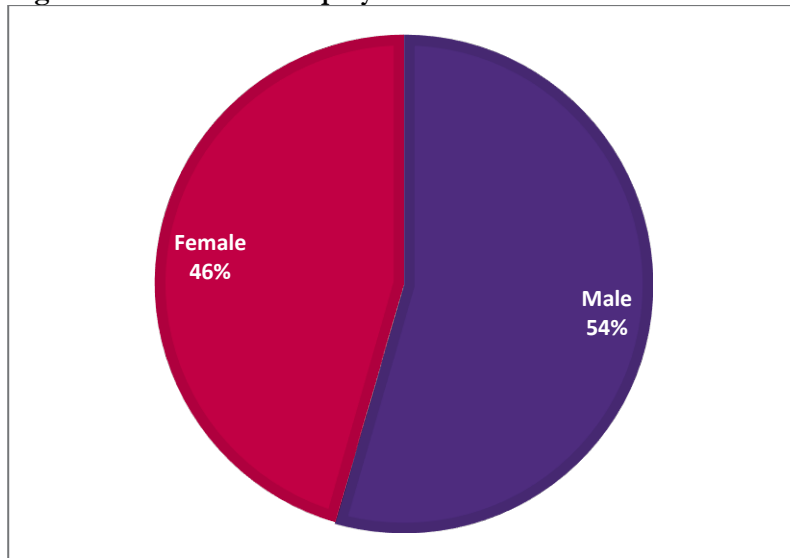
Depending on the type of organisation the levels of permanent employees versus temporary staff can vary drastically. Organisations that are project based such as Animation companies and Production companies have changing numbers of temporary staff to meet the resource requirements for a particular project.

On average the organisations interviewed employ between 26 – 50 permanent employees with temporary staff number ranging between 51 – 75 employees.

6.2.2 Employee Demographics

The organisations interviewed were male dominated (54% male employees) with the respondents indicating they have a higher percentage of male staff than female staff (see **Figure 6.1**). It was noted that some jobs in the Film and Media Sector are largely physical in nature therefore males tend to be favoured over females for certain positions. This is evident in set design and manufacturing, as well as production work.

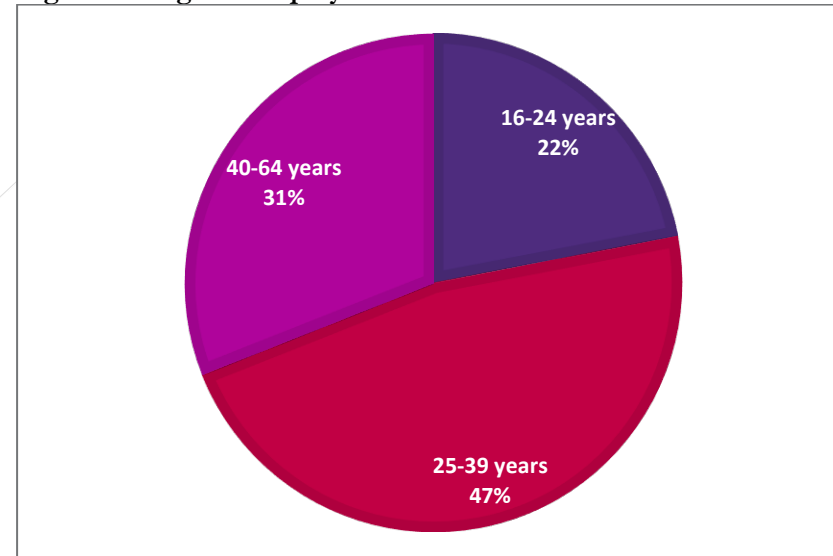
Figure 6.1: Gender of Employees



Source: Stakeholders, 2017

Age categories vary depending on skill level and position within the organisation. Staff that are at lower levels or entry levels are aged between 16 – 24 years which represented 22% of respondent employee data (see **Figure 6.2**), whilst those positions that require high levels of skill and decision making tend to be aged between 40 – 64 years of age (31% of respondent employee data). However, the majority (47%) of staff within the industry are aged between 25 – 39 years and are considered skilled staff members.

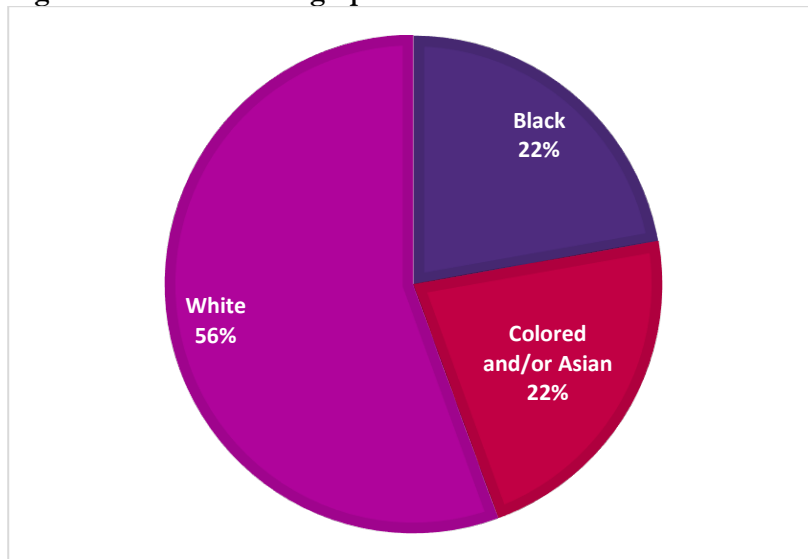
Figure 6.2: Age of Employees



Source: Stakeholders, 2017

With regards to racial demographics (see **Figure 6.3**), the organisations interviewed is made up of 55% white employees, followed by black (22%) and coloured/Asian employees (22%). Growth is needed in the black and coloured ethnic groups to bring the industry to a more balanced status.

Figure 6.3: Racial Demographics



Source: Stakeholders, 2017

6.2.3 Education and Training

All respondents indicated they provide in-house training and development for new and current employees. This allows organisations to tailor courses around their specific needs within the value-chain. When probed as to the importance of formal academic qualifications, the majority of respondents indicated that the nature of the industry does not focus on the level of

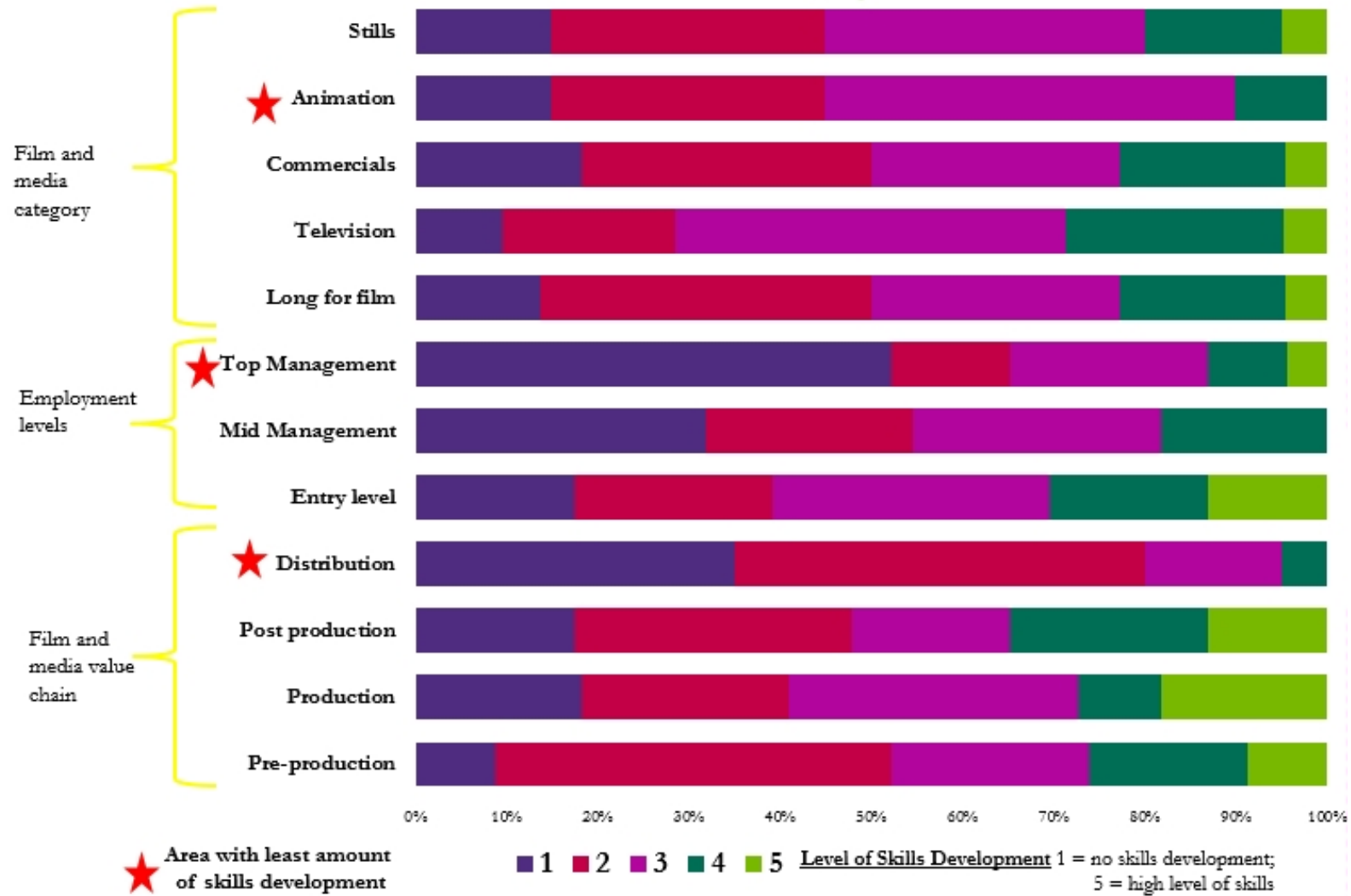
academic qualification an employee may have but rather their ability to learn on the job. But, formal academic qualifications have not been discarded and indicate to the organisation that an employee has the ability and knowledge to learn about the Film and Media Sector.

It was noted that South Africa's political history is linked to education opportunities available to different ethnic groups. Therefore, disadvantaged ethnic groups that previously did not have access to secondary and/or tertiary education have recently started to enter the industry. Through mentorships and support these entrants have the ability to move into higher ranked positions, bridging the transformation gap.

There are limited formal and practical training providers in the Film and Media Sector which has been identified as an area that requires more support and development from government departments.

Through the use of the online survey stakeholders were asked to rate the level of skills development present in the film and media value chain, at major employment levels and within each category of the industry (see **Figure 6.4**). Animation was ranked as the category with little to no skills development present, which is aligned to feedback received by animation - producers (see **Section 6.7**). Overall, there is a lack of skills development at top management level within the industry with stakeholders detailing a lack of business skills/management knowledge which allows individuals to take the next step in their careers and to potentially open their own companies. Distribution was rated the area within the value chain with the lowest level of skills development present.

Figure 6.4: Rating of the Level of Skills Development Present in the Film and Media Sector



6.2.4 Transformation

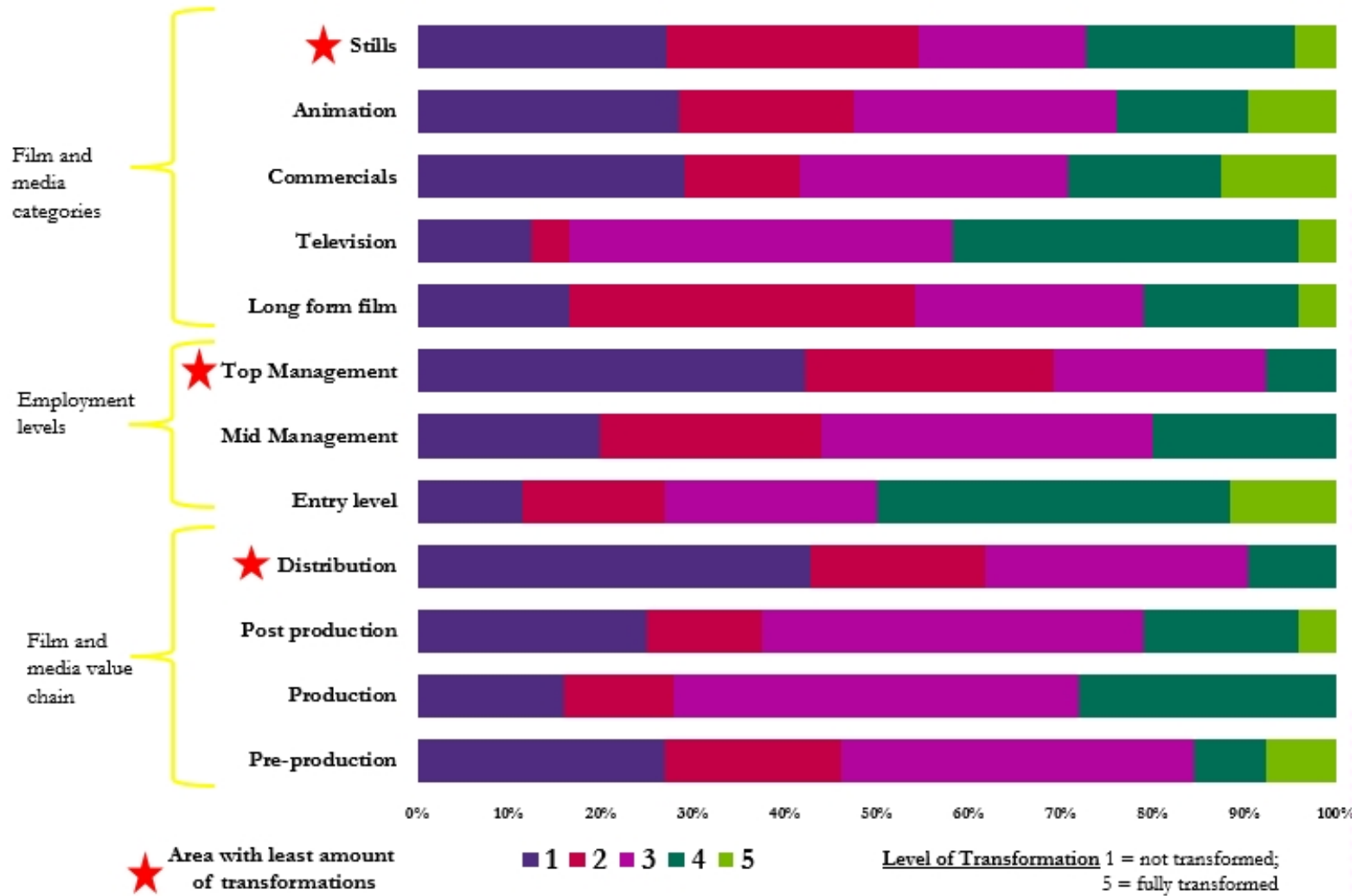
All respondents indicated that they do not believe the Film and Media Sector in Cape Town to be transformed. However, over the years organisations have noted transformation occurring in their lower level employees and temporary staff members. The main reason is these positions have low barriers to entry and skill levels required are low.

The Film and Media Sector is not seen as a stable and prosperous sector for students to join, therefore previously disadvantaged students may opt for careers in other industries for example Engineering and Accountancy.

Through the use of the online survey stakeholders were asked to rate the level of transformation present in the film and media value chain, at major employment levels and within each category of the industry (see **Figure 6.5**).

There is little to no transformation present at Top Management levels within the Film and Media Sector, with Stills being ranked the least transformed film and media category. Distribution was ranked the least transformed area of the value chain. This is linked to access to cinemas and screening of local content in the region.

Figure 6.5: Rating of the Level of Transformation Present in the Film and Media Sector



6.3 Permitting Process in Cape Town

Respondents that require permits through the Cape Town Film Office indicated that on average a production requires between 40 and 60 permits but this varies depending on the production and number of public locations utilised.

It was noted that the permitting process has improved through the use of the online portal which has made the procedure more efficient.

Respondents indicated they believe the Cape Town film permit office is under staffed as demand for film permits continues to rise as popularity for the destination grows. One respondent stated they would be willing to pay an additional permitting fee to aid in upscaling the staff in the permitting office.

6.4 Focus on Film Production Companies

Table 6.1 provides feedback on growth opportunities, development needs, transformation and skills development relevant to Production Companies mainly operating in the film industry.

Table 6.1: Production Company Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> The region has a highly diverse landscape with the ability to replicate a multitude of foreign destinations at a lower cost. Ease of access to unlock these locations. In addition, more collaboration between permitting officials and the film industry to ensure permitting bottlenecks are addressed and rectified in a timeous manner.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> Expansion of film infrastructure to meet the growing demand from foreign production companies for additional stage facilities (of various sizes). CTFS is strategically located and accessible from Cape Town city centre. It was noted that the available land at the CTFS would be sufficient for additional stage facilities to meet the needs of film and television production companies. Respondents indicated the need for post-production services and skills in the Cape Town and Western Cape market is a growth opportunity for the industry. Talented film industry with ability to take South African stories to the international market. Level of skills in the industry is to international standards, therefore opportunity to produce local content of an international standard and quality. Concentration of filming and production activity is within the City, therefore opportunity to incentivise and stimulate production activity in outlying areas outside the economic hub.
Constraints and Development Needs	<ul style="list-style-type: none"> Film industry is a service industry with limited attention to the creative input and skills needed to create internationally recognised local content.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> Lack of Film Commission promoting and supporting the region as film and media destination. Internationally Film Commissions are the first point of call for foreign production companies wishing to do business in a destination. Regulations and permits around the importing of Left Hand Drive vehicles have become onerous with SARS Customs regularly rejecting the import of these vehicles.
Transformation	<ul style="list-style-type: none"> Overall production companies are not transformed. Transformation is present at lower skills levels/entry level but there is little to no transformation at higher skills levels within these organisations. Foreign production companies are not willing to work with companies or individuals that they are unfamiliar with, therefore transformation at higher skills levels such as Head of Departments or Director level is a challenge.
Skills Development	<ul style="list-style-type: none"> The following skills gaps were highlighted by respondents: <ul style="list-style-type: none"> Creative skills such as script writing. Artist skills for set creation/building.

Source: Stakeholder, 2017

6.5 Focus on Additional Services

Table 6.2 provides feedback on growth opportunities, development needs, transformation and skills development relevant to companies and organisation servicing the Film and Media Sector such as car rental agencies, talent agencies, accommodation providers, equipment companies etc.

Table 6.2: Service Companies Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> Ease of access to drone filming as the use of drones has revolutionised film footage. Drones are predominately used in Commercial productions as well as Documentary films. Nature based locations require specialised vehicles as terrains are treacherous, therefore demand for the development of more specialised and purpose build filming vehicles with 4x4 capabilities. Highly skilled and hardworking technicians demonstrating the industry’s ability to provide world class services to foreign production companies. The Film and Media Sector is high profile and influential. The Sector has the ability to promote the City and Province on an international platform which in turn will attract more international business to the Province.

Topic	Stakeholder Feedback
Constraints and Development Needs	<ul style="list-style-type: none"> • Regulations and insurance around Drone Filming is onerous. • Vehicle regulations in nature reserves are challenging and there is a need for off the road parking for large vehicles. • Film and Media Sector and tourism industry have similar peak/busy seasons creating challenges to balance accommodation and rental needs during these month. • With regards to Talent Agencies, respondents indicated a Minimum Daily Fee Structure and Usage rates for talent (i.e. extras, characters, model etc.) would make the industry more attractive to potential extras as currently they do not believe the fee structure is adequate considering the demanding hours and seasonality of the industry. • Child permitting process is very onerous and time consuming as documentation must be physically submitted by an Agency representative at the Department of Labour. Processing of documentation is adequate, however the manual submission of documentation requires development as agencies spend numerous hours and agency resources on applications. • Overall, respondents indicated that as service related organisations they are not adequately

Topic	Stakeholder Feedback
	<p>represented on an international level and there is limited marketing promoting their services to international production companies.</p>
Transformation	<ul style="list-style-type: none"> • Overall the Film and Media Sector is not transformed with predominately male white-owned companies. • Organisations providing additional services to the industry are transforming as historically disadvantaged individuals (“HDIs”) who started at lower levels have progressed to higher skills levels.
Skills Development	<ul style="list-style-type: none"> • The services industry promotes on the job training. • The skills required are not academic in nature and therefore staff tend to start at lower/entry levels and through personal development work their way to higher and more skilled levels within organisations. • Respondents representing Talent Agencies indicated financial and business training of Production Coordinators is needed.

Source: Stakeholders, 2017

6.6 Focus on Commercial Production Companies

Table 6.3 provides feedback on growth opportunities, development needs, transformation and skills development relevant to Commercial and Still Producers.

Table 6.3: Commercials and Stills Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> • Cape Town is a highly competitive destination for international commercials and photoshoots. • The local commercial industry is active within the Province and local content is of an international standard and quality. • Time zone and ease of travel from Europe makes it a popular destination for European producers. • High demand for dedicated Commercial studios as currently industry is turning away projects as studio capacity in the City is inadequate and dominated by long form productions. Dedicated Commercial studios will increase both foreign and local commercial productions in the City. • Collaboration between industry and nature reserves regarding permitting, access for vehicles and environmental regulations to promote beneficial relationship for both parties and unlock access to popular locations.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> • Seasonal staff to assist government departments such as Traffic Department during high demand periods.
Constraints and Development Needs	<ul style="list-style-type: none"> • Resource capacity and availability of the following City of Cape Town departments: <ul style="list-style-type: none"> – Permit officers to handle the growing demand for City location permits. – Traffic officers that are needed at shoots. • No collaboration between CTFPO and Events Department, therefore during event days all production permits for the City are blocked. • Lack of Film Commission/Association that represents entire value chain of the industry. • Commercial Productions only have access to Cape Town City centre locations during the weekend therefore high demand for locations over the weekend. • Difficulties when working with Nature Reserves which create barriers to numerous nature locations that are in high demand (i.e. Table Mountain). • Onerous Visa regulations and Work Permits that are negatively impacting the industry’s ability to sufficiently service demand from the international market – ease of doing business in South Africa is being tarnished. • Lack of studio capacity to meet demand in the industry.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> Commercials and Stills are not able to benefit from incentive programmes. Import challenges with Left Hand Drive Vehicles have negatively impacted on the number of foreign vehicle commercials produced in the City. It was noted that Cape Town was highly regarded as a key destination for foreign vehicle commercials and the current challenges with importing Left Hand Drive Vehicles as made the destination less attractive.
Transformation	<ul style="list-style-type: none"> Transformation remains a challenges for the Commercials and Still industry as individuals entering the industry appear expectant and are less inclined to start from lower employment levels. Organisations within the industry need to be cognisant and supportive of the needs and constraints entry level staff face such as transportation challenges, which in turn will encourage HDI to enter the industry.
Skills Development	<ul style="list-style-type: none"> Respondents did not indicate specific skills gaps or development needs in the Commercial and Stills industry. Industry has skilled technical crews, however the supply of these crews cannot sustain the

Topic	Stakeholder Feedback
	demand need from the industry, therefore need for additional crew resources in the industry.

Source: Stakeholders, 2017

6.6 Focus on Post-production

Table 6.4 provides feedback on growth opportunities, development needs, transformation and skills development relevant to organisations in Post-production

Table 6.4: Post-production Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> Despite the size of the post-production industry in Cape Town, the industry is strong and has been noted as one of the areas of growth within the Film and Media Sector. The dti post-production rebate should allow for projects filmed in other locations outside of South African to qualify for the rebate as this would stimulate growth and employment within the industry through an increase in project quantities.
Constraints and Development Needs	<ul style="list-style-type: none"> Post-production is heavily reliant on broadband connectivity and a constant power supply. Electricity usage by these companies can be hard to manage during quieter periods where cash flow is not as consistent.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> • Lack of project consistency therefore challenging to employ staff on full time basis. • Post-production needs to remain up to date with the latest technologies which can be financially straining. • Upskilling staff within post-production takes approximately 1 – 1.5 years of in-house training.
Transformation	<ul style="list-style-type: none"> • As with other areas of the Sector, the post-production industry is not a transformed sector. • There is limited interest in these sectors by talented black computer technicians as the industry cannot compete with other IT related sectors due to inconsistent workflows and limited salary opportunities present within the Film and Media Sector.
Skills Development	<ul style="list-style-type: none"> • The following skills gaps were highlighted by respondents: <ul style="list-style-type: none"> – Script writing skills. – Editing skills. – Business skills to convert technicians and artists into business owners. • There is limited support from the MICT SETA despite the high levels on in-house training provided by this industry.

Source: Stakeholders, 2017

6.7 Focus on Animation Production

Table 6.5 provides feedback on growth opportunities, development needs, transformation and skills development relevant to organisations in the Animation Industry.

Table 6.5: Animation Industry Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> • The Western Cape have internationally recognised animation studios able to produce high profile productions demonstrating the ability of the sector to compete internationally. • There has been an increase in demand for local content within the Animation industry as the local market wants to consume their own culture and stories. The increase in demand for local content is allowing younger, less experienced animators the opportunity to produce short local content productions of high quality.
Constraints and Development Needs	<ul style="list-style-type: none"> • The Animation industry is heavily reliant on broadband connectivity and a constant power supply. • Lack of project consistency throughout the industry therefore challenging to employ staff on full time basis. • Retention of highly skilled technicians as they are poached by competing and more attractive industries within the IT sector.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> Development needed around exchange control in IP transfer.
Transformation	<ul style="list-style-type: none"> As with other areas of the industry, animation is not a transformed sector. There is limited interest in these sectors by talents black computer technicians as the industry cannot compete with other IT related sectors due to inconsistent workflows and limited salary opportunities when compared to other areas of IT.
Skills Development	<ul style="list-style-type: none"> The following skills gaps were highlighted by respondents: <ul style="list-style-type: none"> Creative and artistic. Editing skills. Business skills to convert technicians and artists into business owners.

Source: Stakeholders, 2017

6.8 Focus on Training Providers

Table 6.6 provides feedback on growth opportunities, development needs, transformation and skills development relevant to organisations that provide skills training for the industry.

Table 6.6: Training and Skills Development Feedback

Topic	Stakeholder Feedback
Areas for Growth in the Film and Media Value Chain	<ul style="list-style-type: none"> There are numerous training providers that are helping to bridge the gap between academic environment and the Film and Media Sector. Industry is driven by passionate individuals working to create a more sustainable industry. Opportunity to stimulate cross-border training and skills transfer between foreign production companies working in the Cape Town industry.
Constraints and Development Needs	<ul style="list-style-type: none"> Academic training and qualifications do not prepare students adequately for reality of working in the industry. There have been challenges in balancing the need to poses an academic qualification and/or on the job training and experience. Complying and qualifying for MICT SETA is complex and industry stakeholders therefore do not see the benefits of these programmes.
Transformation	<ul style="list-style-type: none"> Respondents indicated the industry as a whole has seen little transformation, however stakeholders are aware of the need for transformation and the role they play is as enablers for inclusive growth within the industry. Despite this, implementing transformation remains a challenge, predominately

Topic	Stakeholder Feedback
	<p>transformation at higher levels within organisations.</p> <ul style="list-style-type: none"> • There is a need to encourage more black participation at levels such as Production Managers and HODs. • Government tends to fund and support industries where they can see transformation and job creation occurring, currently the Film and Media Sector does not appear to be growing inclusively which negatively impacts on the industry's image.
Skills Development	<ul style="list-style-type: none"> • The following skills gaps were highlighted by respondents: <ul style="list-style-type: none"> – Cinematography. – English language skills. – Creative and writing skills. – Set etiquette (development in this area of training but should be a pre-requisite for those entering the industry). – Mentorships and effective mentorship programmes to stimulate transformation and skills transfer at medium to higher levels with organisations.

Source: Stakeholders, 2017

6.9 Focus on Foreign Production Studios

Table 6.7 provides feedback on growth opportunities, development needs, transformation and skills development relevant to foreign production studios and companies making use of Cape Town as a film destination.

Table 6.7: Foreign Production Studios Feedback

Topic	Stakeholder Feedback
How does Cape Town compare on an International Scale as a Film Destination and Creative Hub	<ul style="list-style-type: none"> • Cape Town is considered an established film destination, faring well when compared to other international film destinations. • International production companies noted the level of service provided in destination, the quality of local crew, availability of purpose built infrastructure as reasoning for the city's potential to grow into a film hub destination similar to that Vancouver or Toronto.
Do You Believe the Cape Town/Western Cape Film and Media Sector to be Attractive to Foreign Film Investors and Producers	<ul style="list-style-type: none"> • All respondents indicated they do believe the destination to be attractive. • Cape Town offers a one stop for executing motion pictures and television and is currently one of the most competitive locations on an international scale. • The only area that may negatively impact the destinations attractiveness is the lack of a stable film incentive programme as the dti film incentives are not seen as consistent.

Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> • Respondents believe that the catalyst for increased foreign investment is through the improvement of the dti incentive scheme.
Do You Believe the Film and Media Sector is Transformed and what can be done to develop the film and media industry	<ul style="list-style-type: none"> • Respondents stated that transformation takes time and believe the industry is taking definitive steps to diversify the production workforce. • International production companies conducting business in the Province support transformation and try to ensure a certain number of trainee staff are employed during production. • Workforce development is critical to develop the industry, the use of trainees in all departments should be a requirement when shooting in the region. • Other ways to develop the industry include: <ul style="list-style-type: none"> – Encouraging to film outside of the city and spread the economic benefit of the industry throughout the Province, and – Training and educating communities on the merit of the industry.
Barriers to Growth in the film and media industry and developments and improvements needed	<ul style="list-style-type: none"> • The following barriers to growth were highlighted by respondents: <ul style="list-style-type: none"> – Struggle with international work visas. – Lack of comprehensive understanding of the industry’s needs by government agencies. – Inability to import Left Hand drive vehicles. – Insufficient production infrastructure.

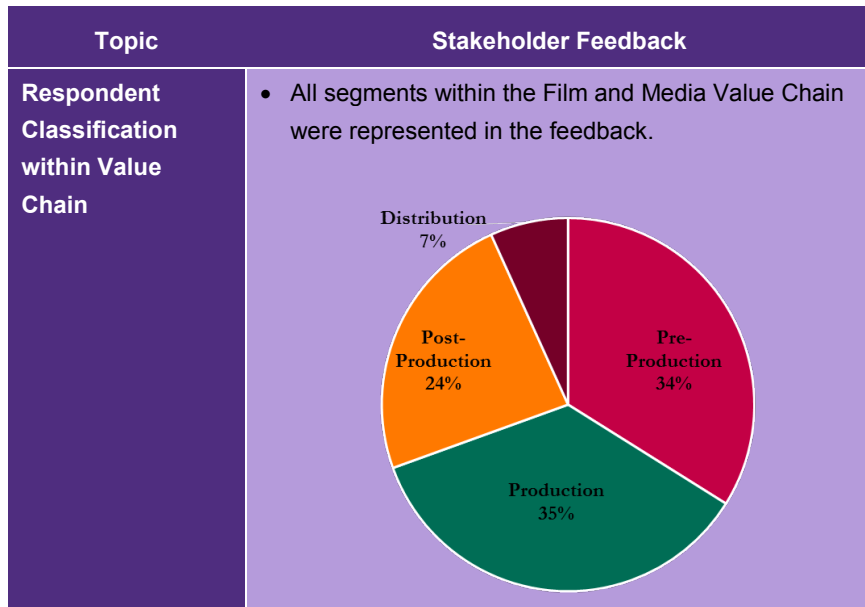
Topic	Stakeholder Feedback
	<ul style="list-style-type: none"> • The following areas of improvement were highlighted by respondents: <ul style="list-style-type: none"> – Access to government buildings/land for conversion into production infrastructure and studio facilities. – Control or regulate accommodation cost inflations within the City.
What interventions would you like the City of Cape Town to undertake in order to develop the industry	<ul style="list-style-type: none"> • The following interventions were highlighted by respondents: <ul style="list-style-type: none"> – Shortened permit process time. – Access to government buildings/land for production infrastructure. – Introduction of dedicated film liaison between productions and all relevant government agencies that handle location permits and services for film and media industry. – Education and training of local government officers on the value of the industry.
What are the most important issues to be addressed	<ul style="list-style-type: none"> • The following issues were highlighted as the most important to address: <ul style="list-style-type: none"> – Expanding studio and production infrastructure. – Efficient process for filming permits. – Stable dti incentive schemes. – Control accommodation cost inflation. and – Make the local industry more competitive.

6.10 Online Survey Feedback

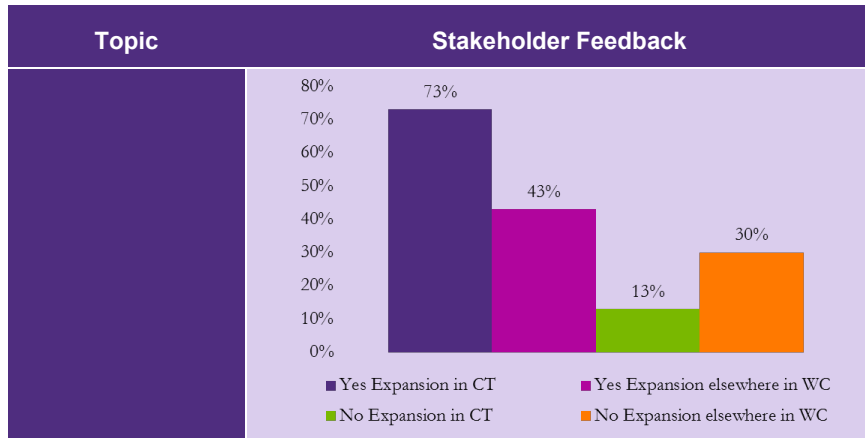
The third method of stakeholder engagement was in the form of an online survey summarising the overall constraints and strengths of the Cape Town and Western Cape Film and Media Sector.

It was noted that results from the online survey were aligned to the overall trends and opinions stated in previous stakeholder engagement.

Table 6.8 provides feedback on the current constraints and strengths of the Cape Town and Western Cape Film and Media Sector, as well as respondents options on current levels of Transformation and Skills Development.



Topic	Stakeholder Feedback
Usage of Wesgro Film and Media Unit services, and additional services they would like Wesgro to offer	<ul style="list-style-type: none"> 76% of respondents indicated they do not currently make use of the services provided by the Wesgro Film and Media Unit. Additional Services mentioned include: <ul style="list-style-type: none"> Assistance/guidance with HDI entering the industry. The appointment of a Film Commissioner. Assistance with development funding. Facilitating Networking Session to provide updates on industry trends. and Connecting with new clients and international marketing assistance.
View on the development of the Film and Media Sector	<ul style="list-style-type: none"> 73% of respondents stated they were positive about the future of the Film and Media Sector in Cape Town and the Western Cape.
Expansion of business operations in the medium to long term	<ul style="list-style-type: none"> The majority (73%) of respondents plan to expand their operations within Cape Town, whilst 43% plan to expand operations elsewhere in the Western Cape.



Source: Stakeholders, 2017

6.10.1 Rating of Constraints and Competitive Advantages

Throughout the stakeholder engagement phase of the project, respondents were probed to identify constraints that have an impact on the attractiveness of the Western Cape and Cape Town as a film and media destination. Once identified, respondents were then asked to rate these impacts (see **Figure 6.6**). The following constraints have the highest average impact on the attractiveness of the region:



As with the constraints identified in **Section 6.10.1**, respondents were probed to identify competitive advantages that increase the attractiveness of the Western Cape and Cape Town as a film and media destination.

Figure 6.7 highlights the importance of the identified competitive advantages, with the following rated on average as the most important advantages:

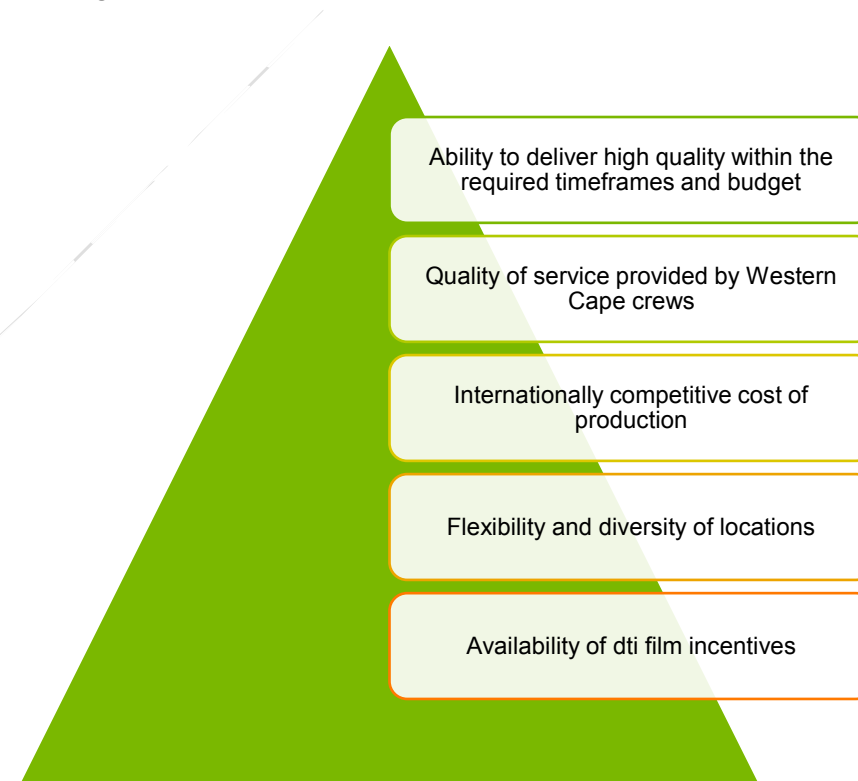


Figure 6.6: Impact of Constraints on the Attractiveness of the Western Cape as a Film and Media Destination

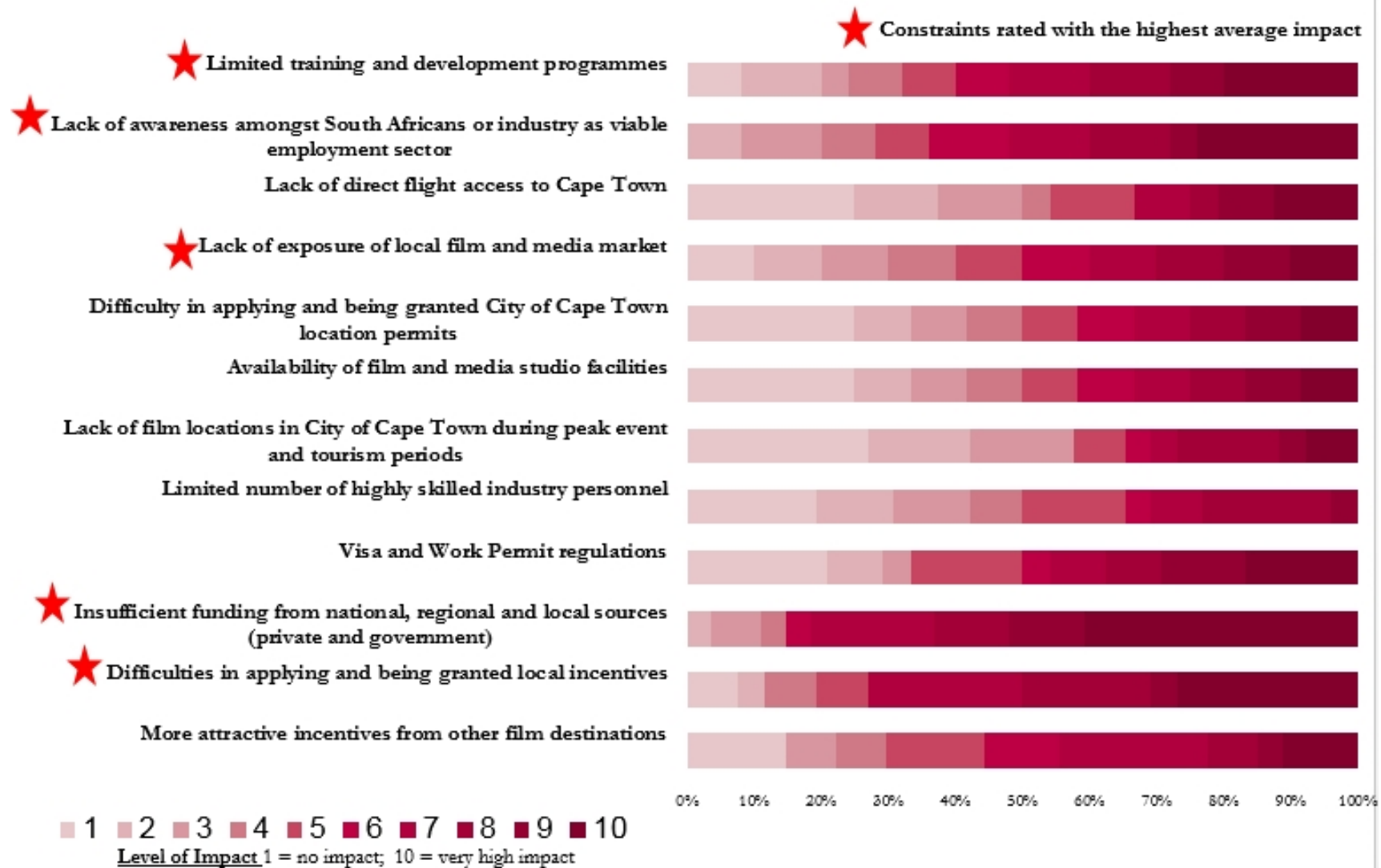
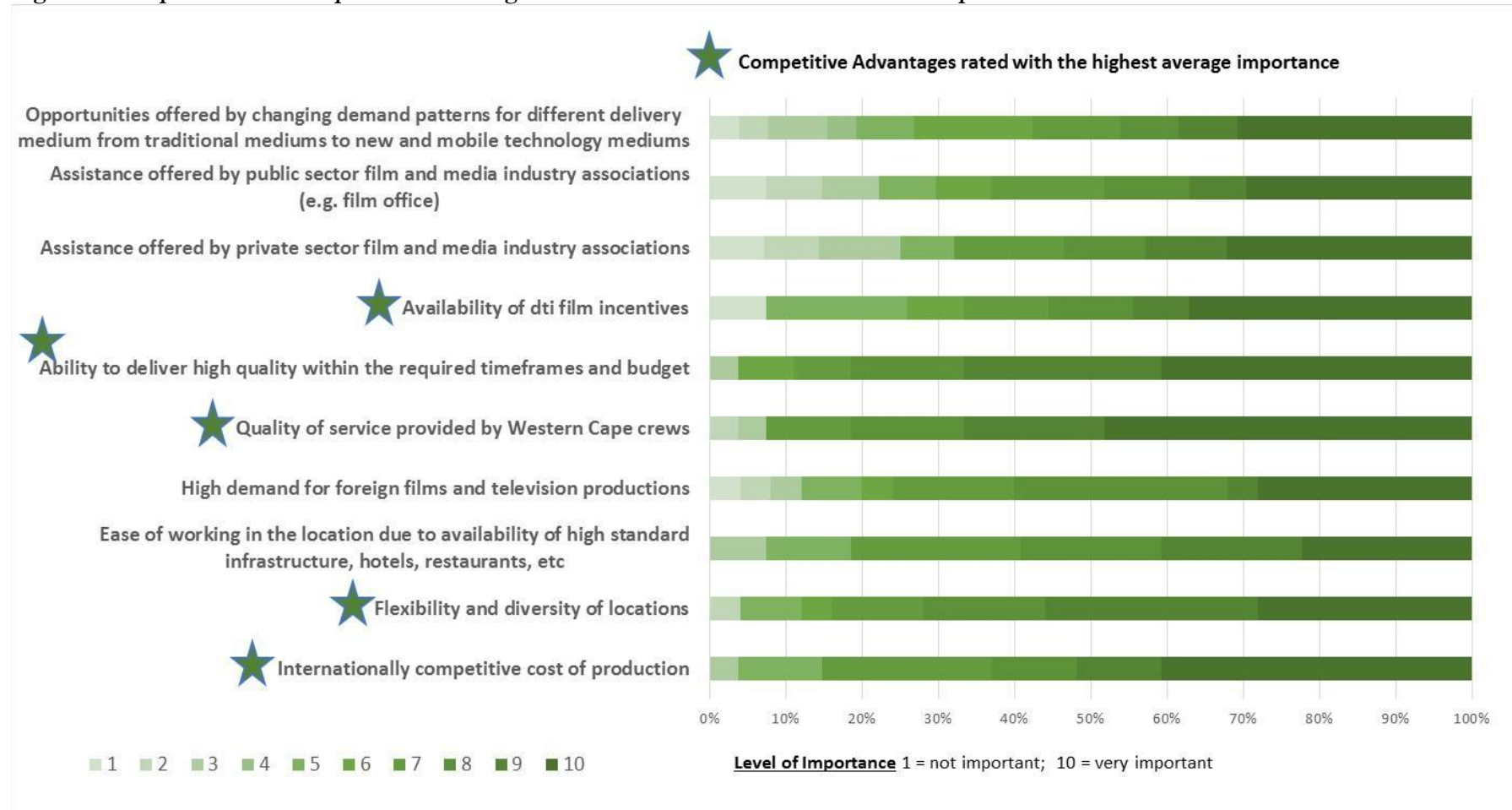


Figure 6.7: Importance of Competitive Advantages on the Attractiveness of the Western Cape as a Film and Media Destination



6.11 Relevance to Study

Stakeholders provided numerous views and opinions regarding the growth potential and constraints of the Film and Media Sector operating in the Western Cape and Cape Town. Below we have highlighted common issues across the Sector that are of relevance to the study:

- The Film and Media Sector is currently not transformed despite the willingness of industry role players to create a more inclusive environment.
- Encouragement and support is needed both from the private sector as well as public sector to understand the needs and constraints faced by HDI entering the industry. Once these constraints are acknowledged, more can be done to support these individuals and grow their careers accordingly.
- There is a lack of creative and artistic skill sets in the industry, which in turn has negatively impacted on the quality of local content produced by the industry.
- There is an opportunity for Cape Town to grow and develop the post-production and animation sectors. These sub sectors are both highly technical and require large scale infrastructure investment, the Province has the ability to become the technical hub of the continent.

The information gathered during the Stakeholder engagement has been used to develop the SWOT Analysis and Recommendations to follow.

Section 7: Economic Impact

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01. Introduction
 02. Cape Town and Western Cape Film and Media Sector
 03. Institutional Framework
 04. Incentives
 05. Case Studies
 06. Stakeholder Engagement
 - 07. Economic Impact**
 08. SWOT Analysis
 09. Recommendations: Growing an Inclusive Sector

7.1 Introduction

This section outlines the approach used to estimate the economic contribution of the Western Cape Film and Media industry. It starts by explaining the meaning of macroeconomic analysis and the necessary methodological approach. It will be shown that one of the key inputs into the macroeconomic analysis is industry turnover and the composition of expenditure.

The convention here is to disaggregate the Film and Media industry into commercials, film production (documentaries, feature films, television productions and short films), Stills production, gaming and animation.

7.2 Macroeconomic Modelling

The size of a national or regional economy is measured in terms of the total of all economic activities taking place within the area concerned, both in the public and private sectors. The name given to the measure of the size of the economy is Gross Domestic Product (GDP) for the country as a whole or Gross Geographic Product (GGP) for a province or other sub division of the nation.

While there are several macroeconomic effects, the two most important are contribution to gross domestic product (GDP) and creation of jobs. The importance of job creation is obvious. Increases in GDP are synonymous with increases in peoples' economic standards of living. Increased GDP – i.e. increased production – is experienced in the form of more jobs, higher wages and reduced economic hardship. It is clearly an important measure.

There is a move on the part of the Western Cape Government towards the reporting of the direct gross value added (GVA). This measures the first

round value of expenditure. This is the direct contribution of an industry and excludes indirect and induced impacts.

The actual task of calculating the macroeconomic impact of the proposed project demands a detailed and multifaceted approach not least because of the so-called multiplier effects. It is well recognised that the simple act of spending – constructing movie sets, for example - leads to other economic effects. Demand for steel and cement can lead to increased production in those industries. Increased demand for steel and cement, in turn, leads to increased demand for mining output which uses wood, water, electricity and so on. These are the so-called multiplier effects. While this process unfolds, each industry employs people and pays wages. Employees, in turn, spend their wages and cause further multiplier effects through the economy. Measuring this is complicated by the fact that different industries demand different types of skills. This leads to different wage structures across the various industries. People earning different wages have different expenditure profiles. Thus, the change in overall expenditure profiles is dependent on industries affected.

The multiplier effects are measured through input output analysis. Input output analysis demands that all expenditure in and around the various sectors of the film and media industry be identified and estimated. This expenditure, in turn, needs to be linked to the codes in the Social Accounting Matrices (SAMs) for South Africa, the Western Cape and Cape Town (Conningarth, 2017). Salaries and wages are part of the expenditure. So the distribution of salary based expenditure is also included.

The reported estimates include these interrelated economic forces. The multiplied effects for South Africa and the Western Cape are based on national and provincial SAMs provided by the Western Cape Government

Department of Economic Development and Tourism (DEDAT). A Cape Town SAM was provided by the City. Relevant macroeconomic multipliers were extracted from these SAMs for the analysis.

Four steps are required to measure the overall economic impact of the film and media industry:

- First, to establish the turnover for each provincial and City sub-sectors.
- Second, identify major items of expenditure in each subsector.
- Each of these items is then allocated to the appropriate SAM code, at a national, provincial and City level.
- Finally, all the SAM coded items are brought together. The total multiplier effect is calculated as the aggregated spending on goods and services, as well as spending by workers multiplied through the industry multipliers.

Therefore, the macroeconomic estimates that are made relate directly to the turnover of the industry. Included in the macroeconomic calculations are all the backward economic linkages from this expenditure and the forward economic linkages that occur when people spend their salaries.

7.3 Industry Turnover and Expenditure

As outlined above, the macroeconomic estimates are based on industry turnover and the major items of expenditure in each subsector.

This section describes how industry turnover and the expenditure composition was estimated. This is done separately for commercials, film production, Stills production, gaming and animation.

The terms of reference were for 2015 calendar year estimates.

In certain instances, some broad assumptions were made. These were verified by industry experts and adjusted where necessary. The result is that the overall results are considered robust and give a good indication of both the turnover and economic contribution of the film industry. However exact decimal pointing would be misleading because of this approach. The consequence is that the results are rounded appropriately.

7.3.1 Commercials

Provincial turnover of the commercials industry was estimated from the Commercial Producers Association (CPA) 2016 industry survey (Equispectives, Commercial Producers Industry Survey 2015, 2016).

The survey information needed two adjustments. First, the CPA survey was for the 2016 financial year (May 2015 to April 2016) not the 2015 calendar year. Second, only national turnover was given.

The adjustment financial year to calendar year was done by adjusting the turnover in the ratio of the number of film permits issued by the Cape Town Film Permit Office (CTFPO) (2017) during the 2016 financial year (May 2015 to April 2016) to those issued in the 2015 calendar year. The CTFPO issued 2 105 permits in the 2016 financial year and 2 057 in 2015. As a result, the turnover for the 2016 financial year was scaled down in the ratio of 2 057/2 105. The assumption is, of course, that there is a direct relationship between permits issued and spending on commercials.

The CPA report had only national industry and subsector turnover. The same report did give the provincial distribution of days spent producing commercials (shoot days). This was used to estimate the provincial turnover

from national turnover. Again, the assumption is that there is a direct relationship between shoot days and turnover ².

In total 62% of all national shoot days were in the Western Cape. This means that commercials worth R970m were made in the province in the 2016 financial year. The calendar year adjustment makes this R950m.

The proportion produced in the City is based on the online survey conducted for this project for the relative number of firms resident in Cape Town. For commercials, 92% of Western Cape firms are located in Cape Town and business was worth R870m. The survey covered a wide spectrum of the industry and is, for general use, a good sample. As always, the sample becomes less reliable when subsectors are examined. This was the case for the economic analysis of industry subsectors. The approach to addressing this weakness is explained below.

Commercials are disaggregated into three types. Local commercials are from South African agencies and produced by South African director based production companies. Service commercials start with foreign agencies that are produced by foreign production companies with the assistance of South African service companies. International commercials start with foreign agencies that are produced and directed by South African director based companies. There was not information to allow for a disaggregation across these subsectors. These values were pro-rated between the three subsectors of local, service and international productions using the national distribution.

The typical expenditure distribution for a commercial is given in **Table 7.1**. There are two big items. The first is crew remuneration – between 22% and 27% of total cost –the single largest item. The second is company overheads that vary between 16.5% and 22%. For other items in:

- Local commercials, post production expenses are third (11.1%), followed by equipment hire (9.6%), set construction and art department expenses (9.5%) and other costs (7.7%).
- Service commercials, equipment hire is third (14.4%), followed by set construction and art department expenses (13.3%) and talent fees (12.8%).
- International commercials, ‘other expenses’ are third (14.1%), followed by equipment hire (12.7%) and set construction and art department expenses (11.0%).

Direct imports need a little discussion. These, arguably, are not important for the CPA study. They are critical for the economic analysis. Direct imports result in money leaking out of the country which does not have local economic benefits. An earlier report for the CPA (Equispectives, 2013, p. 13) found that 3.9% of the cost of sales was spent outside South Africa.

² Recent research undertaken by Urban-Econ for the NFVF on Long Form productions found a close relationship between the provincial location of production firms and the location of the film shoots (Urban-Econ, 2017, pp. 18, 19).

Table 7.1: Expenditure profile: Commercials

Expense Item	Commercial Type			SAM Codes
	Local	Service	International	
Crew Remuneration	26.6%	22.2%	22.7%	Emp
Equipment Hire	9.6%	14.4%	12.7%	51
Post Production	11.1%	0.3%	3.6%	63
Locations	3.9%	5.7%	4.7%	62
Talent Fees	0.0%	12.8%	3.2%	Emp
Studio Rental	0.3%	0.4%	0.0%	62
Data Capture & Management	0.3%	0.3%	0.2%	63
Insurance	1.9%	1.1%	1.3%	62
Catering	3.4%	3.7%	3.7%	59
Set Construction and Art Dept	9.5%	13.3%	11.0%	57
Vehicle Hire	4.0%	4.7%	5.8%	60
Other	7.7%	4.5%	14.1%	Ave
Total	78.3%	83.5%	83.0%	
Overheads	21.7%	16.5%	17.0%	63

Source: *Equispectives (2016)*

7.3.2. Film Production

The turnover of provincial film production is based on the project online survey. These results were vetted, adjusted and added to by industry experts. This is reported and elaborated on in the section on the film subsector.

In addition, it was possible to cross check the aggregated turnover to information supplied by the dti (dti, 2017) and in the NFVF report on national film production (Urban-Econ, 2017). This is also reported below.

7.3.2.1 Estimates Based on the Project Survey

The approach to estimating turnover of documentaries, feature films, television productions and short films is presented here. Animation is in a subsequent section.

The starting point was the number of permits issued by the CTFPO for the different types of productions. The survey and questions to experts was used to establish:

- The number of permits needed for each production type.
- The number of productions that did not need permits.
- The average cost of each production type.
- The proportion made in Cape Town.

The results of the online survey undertaken for this study were sent to industry experts of each segment of film production (features, documentaries, television and short films) for vetting due to the low response to some of the questions. The experts were selected because of their industry expertise and not necessarily their business profile. The following response rates were achieved from the online survey:

- Feature films and documentaries: 6 firms responded to the question on the number of permits and 5 firms provided information for the average production budget. It was discovered that the responses were more for documentaries than for feature films in subsequent discussion with the industry experts.
- Television productions: 7 firms responded to the question on to the number of permits and production average budget.
- No responses were given specifically for short films. The analysis relied on guidance from the industry experts.

Documentaries

- On average three permits were needed for each permitted documentary³.
 - The CTFPO issued 119 permits for documentaries in 2015. This gives 40 permitted documentaries in 2015.
 - These had an average value of R3.2m.
- On average, there were two non-permit documentaries produced in the Western Cape for each permitted documentary (meaning they were produced on private property).
 - This gives 80 non-permitted documentaries.
 - These had an average cost of R2.5m.
- A total of 120 documentaries were made in 2015 worth R300m.
- 90% of firms producing documentaries in the Western Cape are based in Cape Town. The value of documentaries made in the City was R270m.

Feature Films

- On average, 25 permits were needed for each permitted feature film.
 - The CTFPO issued 270 permits for feature films in 2015. This gives 11 permitted feature films in 2015.
 - Industry experts suggested the cost of a feature film 'is more than R50m'. A value of R75m was assumed as indicative of more than R50m.
- Industry opinion was that it was rare to have feature films that did not need a permit. As a result, it was assumed that all feature films needed permits.
- The total cost of the 11 feature films produced in 2015 was about R800m.

- 90% of provincial firms producing feature films are based in Cape Town. This gives a R720m value for feature films made in the City.

Television Productions

- On average, 18.3 permits were needed for each permitted television production.
 - The CTFPO issued 447 permits for television productions in 2015. This gives 24 permitted television productions in 2015.
 - These had an average cost of R23m.
- On average, 1.3 non-permit television productions made for each permitted production.
 - There were 32 non-permit TV productions.
 - These had an average cost of R23m.
- This is a total of 56 productions worth R1.3bn⁴.
- 85% of firms producing television productions in the province are in the City. Based on this R1.1bn was spent on TV productions in Cape Town.

Short Films

- On average, one permit was needed for each permitted short film and each had a total production cost of R1m.
 - The CTFPO issued 52 short films permits.
 - The total (rounded) value of these productions was R50m.
- The experts felt that one non-permit short film was made for each permitted short film. This means that 52 non-permit short films were made. These also cost about R1m each. This gives a total value of R50m.

³ The online survey did not make a distinction between documentaries and feature films. For the sake of brevity documentaries that did not need permits are called 'non-permit documentaries'. Those that did are called 'permitted documentaries'.

⁴ The experts gave an estimate of 50 TV productions in that year

- In total short films produced in the province in 2015 had a value of R100m.
- The distribution of the production between the province and City is not known. Documentaries and feature films were used as a proxy. The estimated value of short films produced in the City was R90m.

Film Total

The total value of provincial film production (documentaries, features films, TV productions and short films) is approximately R2.5bn. Those made in Cape Town were worth R2.18bn.

7.3.2.2 Comparison to External Information

As mentioned in the introduction to this section, the opportunity arose to compare the estimate of provincial film production to an estimate based on two external data sources. These sources are information supplied by the dti (dti, 2017) and that contained in the NFVF report on national film production (Urban-Econ, 2017).

This data was used to make two comparisons to the above estimate. The first was to use the dti database to estimate the provincial distribution of dti funding. These were then applied to the NFVF estimate for South African film. The second was to estimate the extent of film productions based on the portion funded by the dti and as reported in their database. These are explained below.

For the first comparison, the NFVF report gave the value of national film production, including animation. The dti database gives the distribution of dti funding by province. The two were used to give the estimated value of film production, including animation, in each province. Of course, this does rest on the critical assumption that there is alignment between dti funded productions and those that do not receive dti funding.

- The NFVF reports that R4.35bn was spent nationally on film production (including animation) in 2014/15 and R4.24bn in 2015/16 (Urban-Econ, 2017, pp. 41, 43). This averages R4.29bn for the 2015 calendar year. Animation was included in the total and cannot be disaggregated.
- In both these financial years, 64% of the total dti film funding went to productions in the Western Cape⁵.
- It follows that the value of provincial film production, including animation, was R2.7bn for the 2015 calendar year.
- Expenditure on animation in the Western Cape is estimated at R100m.
- Removing the value of animation gives R2.6bn.

The second comparison is based on estimating the full budget of the films listed in the dti database by determining the proportion that qualified for funding. There are some limitations. These include that the precise proportion of the budget that is funded is not always known, not all films qualify for dti funding and that there is a limit on the funded amount. The following steps were followed:

⁵ This 64% differs from the 23.8% of firms based in the Western Cape as reported in the NFVF report (Urban-Econ, 2017, p. 19). The 64% calculated from the dti database relates to the amount funded by the dti whereas the 23.8% relates to the location of film production firms and where filming operations take place.

- According to the dti guidelines on film incentives⁶, between 20% and 25% of the South African budget of foreign productions could qualify for funding. The final proportion is dependent on the extent of South African involvement in the production and post-production process. There is a limit of R50m on the funding amount. An average proportion of 22.5% of the budget was assumed to qualify for funding. This means that for foreign films the actual budget of the movie is approximately 4.5 times that of the incentivised amount⁷. The budget used was that portion spent in South Africa and not the full budget of the film production. Funding for foreign films produced in the Western Cape amounted to R391m in 2014/15 and R399m in 2015/16.
- For South African productions, 35% of the first R6m of the budget can be funded and then 25% of the amount above R6m. The incentive is only applicable to qualifying South African productions with a total production budget of R2.5m or more. Funding for South African productions in the Western Cape amounted to R52m in 2014/15 and R28m in 2015/16.
- For Emerging Black Filmmaker (EBFM) productions, 50% of the first R6m can be funded and then 25% of the amount above R6m. The incentive is only applicable to EBFM productions with a total production budget of R1.0m or more. Funding for EBFM productions in the Western Cape amounted to R3m in each of 2014/15 and 2015/16.
- Applying the above funding proportions to the approved funding amounts contained in the dti database returns an estimate of R1.9bn for the Western Cape film production industry in 2015. This should be seen as a minimum estimate of the film production industry in the Western Cape because not all film productions qualify for the incentive and because of the limit on the extent of funding.
- If it is assumed that 80% of the foreign production budget was captured in the estimate and 90% of the South African and EBFM productions, then the Western Cape film production turnover would increase from R1.9bn to R2.3bn. The lower proportion of foreign production budget is based on the limit of funding for these film production types. In 2015/16 four of the eighteen foreign productions in the Western Cape exceeded the R50m limit.

The two comparison means and the online survey approach give results which are only marginally different, varying between R2.3bn and R2.6bn. The estimate of R2.5bn determined from the online survey and vetted by industry experts is therefore used with confidence in the results that follow.

7.3.2.3. Expenditure Profile

The expenditure profile in the production of films from the online survey is reported in **Table 7.2**. The expenditure profile for long form (documentaries and feature films) was based on the response by three firms and five firms for television .

⁶ http://www.thedti.gov.za/financial_assistance/financial_incentive.jsp?id=7&

⁷ Although the range of 20% to 25% is quite narrow, the implications on the final film production budget can be quite large. The film production budget would vary between four and five times the extent of the funding.

Table 7.2: Expenditure profile: Film Productions

		SAM Codes	Long Form	Tele- vision	
Film Making	Pre-Production	Storyboarding	63	7.2%	0.1%
		Script development	Remun.	4.1%	4.7%
		Directors	Remun.	5.3%	5.8%
		Producers	Remun.	5.0%	7.9%
		Casting/character development	Remun.	1.3%	0.9%
		Set design	57	1.5%	0.0%
		Scheduling	63	9.3%	3.1%
		Production design	63	1.8%	0.0%
		Other (specify)	Average	3.0%	1.8%
		Pre-Production as % of Total Costs		38.6%	24.3%
	Production	Facilities and equipment hire	51	2.7%	6.3%
		Crew	Remun.	6.7%	20.7%
		Cast	Remun.	4.0%	6.0%
		Artwork/special effects	63	1.8%	3.1%
		Other (specify)	Average	2.7%	1.6%
	Production as % of Total Costs		17.9%	37.7%	
	Post-Production	Testing	63	0.9%	3.1%
		Editing fee	63	4.0%	13.8%
		Visual CGI effects	63	1.1%	0.4%
		Sound and music production	63	4.9%	0.1%
Processing/equipment		51	1.1%	0.8%	
Other (specify)		Average	0.3%	0.2%	
Post Production as % of Total Costs			12.1%	18.4%	
Other	Legal	63	0.4%	0.0%	
	Market Research	63	0.3%	1.6%	
	Marketing	63	10.4%	3.1%	
	Insurance	62	1.0%	0.5%	
	Other (specify)	Average	8.1%	3.2%	
	Other Production as % of Film Making		20.3%	8.5%	
Film Making as % of Total Costs			88.9%	88.9%	
Head Office	Rent	62	0.4%	1.3%	
	Supplies	58	0.4%	0.5%	
	Travel	60	0.9%	0.9%	
	Utilities	55	0.0%	0.3%	
	Salaries & Wages	Remun.	7.2%	6.8%	
	Meals and entertainment	59	0.3%	0.6%	
	Legal & Finance Fees	62	0.1%	0.2%	
	Marketing Fees	63	1.1%	0.0%	
	Taxes	Tax	0.6%	0.6%	
	Head Office Costs as % of Total Costs		11.1%	11.1%	

The major film making expense items for documentaries and feature films (shown as long form in the table) are:

- Marketing expenses 10.4%.
- Scheduling 9.3%.
- Storyboarding 7.2%.
- Crew remuneration 6.7%.
- Directors and Producers at 5.3% and 5.0% respectively.
- Non-production costs are 11.1% of total turnover. Employee remuneration, at 7.2%, is the largest head office cost component.

Pre-production costs make up 39% of total costs. This is followed by other costs at 20%, production costs (18%) and post production (12%). The surveyed production firms did not import any services or equipment directly⁸. This reinforces the findings of the CPA Survey (Equispectives, Commercial Producers Industry Survey 2013, 2013, p. 13).

The major production expense items for television productions are:

- Crew remuneration 20.7%.
- The editing fee 13.8%.
- Producers 7.9%.
- Facilities and equipment hire 6.3%.
- Cast 6.0%.

Production costs are 38% of total costs and pre-production 24%. Post production is 18% of total costs, while other (supporting) costs are less than

⁸ This excludes indirect imports which are part of the multiplier analysis and results.

10%. Non-production costs (company operating costs or head office costs) are assumed to be the same as for long form, at 11.1% of total turnover.

The SAM codes are also given in the table. The code “Remun.” means remuneration. This is distributed into the model based on relevant income and expenditure profiles.

7.3.3 Stills Production

The estimated turnover of the Stills production is based on the 2013/14 estimate from the South African Association of Stills Producers industry survey (SAASP, 2014). This needed the same changes used for commercials.

The financial year to calendar year change was done by adjusting turnover with the ratio of the permits issued by the CTFPO in the 2014 financial year (July 2013 to June 2014) to the calendar year 2015. In 2014 1 620 permits were issued compared to 1 581 during 2015. Turnover for 2014 in the ratio of 1 581/1 620. Again, the assumption is that there is a direct relationship between the number of permits and spending.

The SAASP report did not give provincial turnover proportions. This had to be assumed based on the proportion of two other film subsectors. For commercials, the CPA reported that 62% of shoot days were done in the Western Cape (Section 3.2.1). The 2015 national gaming industry survey (IESA, 2016) found that 62% of all gaming firms are based in the Western Cape (Section 3.2.4). These percentages were used as the assumption for the proportion of national Stills industry operating in the Western Cape. This is similar to the 64% found for film production.

This gives an estimated 2015 province turnover of R298m. 92% of the Western Cape business is in Cape Town and is worth R261m.

Table 7.3: Expenditure Profile: Stills Production

Category	Number	Rate	Value (SA)	%	SAM Codes	2015 Western Cape (Rm)	2015 Cape Town (Rm)
Hotel nights	36 135	1 200	43 362 000	10%	59	28.4	24.9
Inbound Return Flights	4 015	5 000	20 075 000	4%	60	13.2	11.5
Restaurant Meals	72 270	200	14 454 000	3%	59	9.5	8.3
Permanent Staff	146	720 000	105 120 000	23%	Remun.	69.0	60.3
Freelance Staff	121	180 000	21 780 000	5%	Remun.	14.3	12.5
Models	199	600 000	119 400 000	26%	Remun.	78.3	68.5
Other expenses			58 974 730	13%	63	38.7	33.9
Company profit			58 974 730	13%	Average	38.7	33.9
Tax			12 736 556	3%	Tax	8.4	7.3
Total Turnover			454 877 016	100%		298.4	261.1

The expenditure profile for the Stills industry was developed using some national economic contributions reported in the industry survey (SAASP, 2014, pp. 6, 7). These were about the number of bed nights generated, restaurant meals, etc. These reported contributions were used to generate a more detailed expenditure profile and are reported in **Table 7.3** for South Africa. To do this, assumptions were made about the average cost of hotels, restaurant meals, air travel and model remuneration. It is further assumed that the provincial expenditure distribution is no different to the national distribution.

7.3.4 Gaming

The 2015 national gaming industry survey (IESA, 2016) reported national turnover of R100m. The same survey also found that 62% of all gaming firms are in the Western Cape and 59% in Cape Town. The 2015 turnover of the Provincial gaming industry is R62m and the City R59m.

No expenditure profile was available for gaming. Animation was used as proxy.

7.3.5 Animation

According to the Animation South Africa (ASA) database there are thirty animation firms in South Africa of which eighteen (60%) are in the Western Cape and all of these are in Cape Town.

There was a very low response to the online survey – only two firms responded. Their responses were used in the industry expenditure profile as reported in **Table 7.4**. Animation industry role-players gave the following guidance:

- There are three large animation firms in Cape Town each with a turnover of between R25m and R28m.
- There are fifteen smaller firms each with a R2.5m annual turnover.
- This means that the Cape Town animation industry has an annual turnover of R100m.

The two biggest expense items for animation are script development and crew. Editing is the third largest item. Facilities and equipment hire is also a major expense.

Table 7.4: Expenditure Pattern of Animation

		%	SAM Codes	
Film Making	Pre-Production	Storyboarding	0% 63	
		Script development	27% Remun.	
		Directors	0% Remun.	
		Producers	0% Remun.	
		Casting/character development	0% Remun.	
		Set design	0% 57	
		Scheduling	0% 63	
		Production design	0% 63	
	Pre-Production as % of Total Costs		27%	
	Production	Facilities and equipment hire	8% 51	
		Crew	22% Remun.	
		Cast	0% Remun.	
		Artwork/special effects	0% 63	
		Production fee	3% 63	
		Production as % of Total Costs		33%
	Post-Production	Testing	2% 63	
		Editing fee	19% 63	
		Visual CGI effects	0% 63	
		Sound and music production	0% 63	
Processing/equipment		0% 51		
Post-Production as % of Total Costs		21%		
Other	Legal	0% 63		
	Market Research	0% 63		
	Marketing	2% 63		
	Insurance	2% 62		
	Consulting	2% 63		
	Other Production as % of Total Costs		7%	
Film Making as % of Total Costs		88%		
Head Office	Rent	3% 62		
	Supplies	2% 58		
	Travel	2% 60		
	Utilities	1% 55		
	Salaries & wages	2% Remun.		
	Meals and entertainment	0% 59		
	Legal & finance fees	0% 62		
	Marketing Fees	0% 63		
	Taxes	1% Tax		
	Head Office as % of Total Costs		12%	

7.4 Direct Employment

The approach to estimating direct employment is described here:

7.4.1 Film Production

Employment estimates for film production are based on data provided in the NFVF report (Urban-Econ, 2017, pp. 43, 44). In 2015 national turnover was R4.2bn and there were 8 373 jobs. This means that R1m of turnover generates 1.95 full time equivalent (FTE) direct jobs.

This multiplier was checked against a more general multiplier calculated from film and industry declarations collected by Wesgro. These industry declarations show job multipliers of 2.09⁹.

Direct jobs are annual full time equivalent (FTE) jobs. Temporary jobs are converted FTE jobs using a dti approach that work hours are converted into 7.5-hour days, 5 day weeks and 52 weeks in a year.

The industry declarations for short films found that only 18 FTE jobs were generated from R500m turnover. This is an employment multiplier of 0.04. This is substantially lower than other film and media declarations and the employment multiplier indicated in the NFVF report. Consequently the 1.95 NFVF multiplier for other forms of film production was also used for short films.

7.4.2 Commercials

The 2015 CPA industry survey did not report on employment. The 1.95 NFVF multiplier was used as a proxy.

7.4.3 Stills Production

The FTE national jobs reported in (SAASP, 2014, p. 6) were adjusted to 2015 numbers using the process described in section 7.2.2.3. In 2015 there were 282 FTE provincial jobs in Stills production of which 88% (246) are in the City. SAASP reports that about one third are permanent, a quarter freelance and 43% are models (SAASP, 2014, p. 6).

7.4.4 Gaming

In 2015, twenty-nine South African studios sustained 176 full time and 79 contract jobs. It was assumed that two contract jobs are one FTE. This gives 216 FTE jobs nationally.

In the same year:

- There were eighteen studios in the Western Cape (IESA, 2016, p. 10). A direct ratio gives 134 FTE provincial jobs.
- Seventeen of the provincial firms are in Cape Town. A direct ratio gives 126 FTE jobs in the City.

This is a job multiplier of 2.16. Gaming industry declarations to Wesgro¹⁰ in 2016, by comparison, have a job multiplier of 2.09.

⁹ Wesgro e-mail dated 17 May 2017

7.4.5 Animation

The two animation firms that responded to the online survey had, on average, 20 full time and 30 temporary employees. It was assumed that two temps make one FTE. This gives a total of 35 jobs. This total was used to extrapolate total City employment of 140 FTE¹¹. This gives a multiplier of 1.40. These animation results must be used with caution because of the very small sample size.

7.5 Data Sources

The following important data sources were used in the analysis. This is a summary of the data sources described in the previous section:

- The dti database of funding to the film production industry (dti, 2017) was used to estimate the proportion of film production turnover in the Western Cape.
- The National Film and Video Foundation (NFVF) report on film production of the South Africa Film Industry (SAFI) in the country (Urban-Econ, 2017) was the source for the value of national film production¹²
- The Commercial Producers Association (CPA) 2016 industry survey (Equispectives, Commercial Producers Industry Survey 2015, 2016) was the source for the value of provincial commercials industry.
- The South African Association of Stills Producers industry survey (SAASP, 2014) was used provincial turnover.
- The 2015 national gaming industry survey (IESA, 2016) was used for provincial and Cape Town (City) turnover.
- Permits issued by the Cape Town Film Permit Office (CTFPO).

- Western Cape and Cape Town Social Accounting Matrices (SAMs), developed by Conningarth and provided by the City of Cape Town for use on this project on 2017/07/24.
- An online survey conducted as part of this project. There were 124 responses.
- Wesgro Film and Media unit client declarations.

7.6 Results

This section reports the overall turnover of the film and media industry in the Western Cape and Cape Town. It then gives the macroeconomic contribution, the production multiplier and a value chain analysis.

7.6.1 Industry Turnover

Figure 7.1 illustrates the film and media industry turnover of the Western Cape and **Figure 7.2** of Cape Town. The Western Cape film and media industry includes that of Cape Town.

¹¹ Provincial and City employment are the same because all provincial animation firms are in Cape Town.

¹² Note that this is a more narrow definition of the value chain as the NFVF has to use the DAC film definition.

Figure 7.1: Western Cape Film and Media Industry

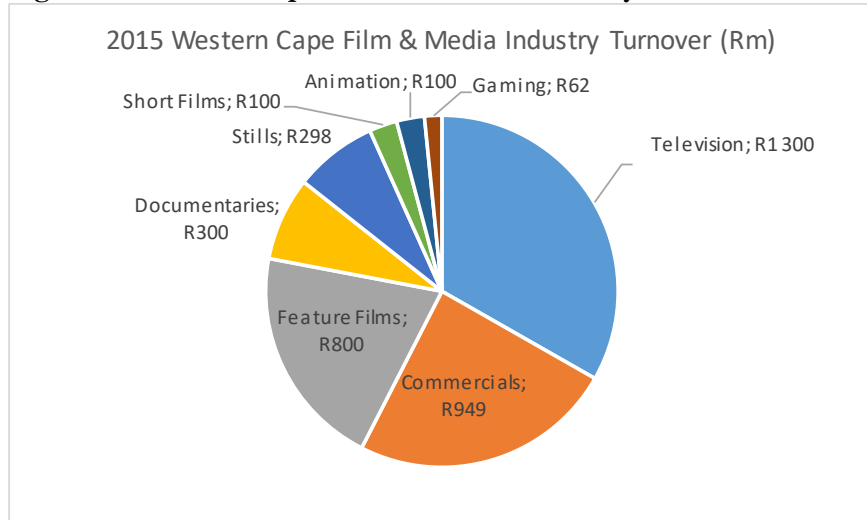
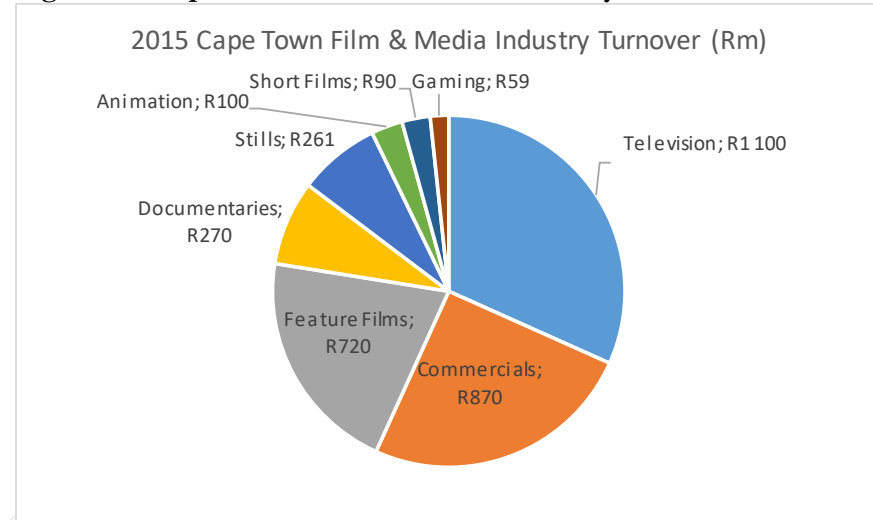
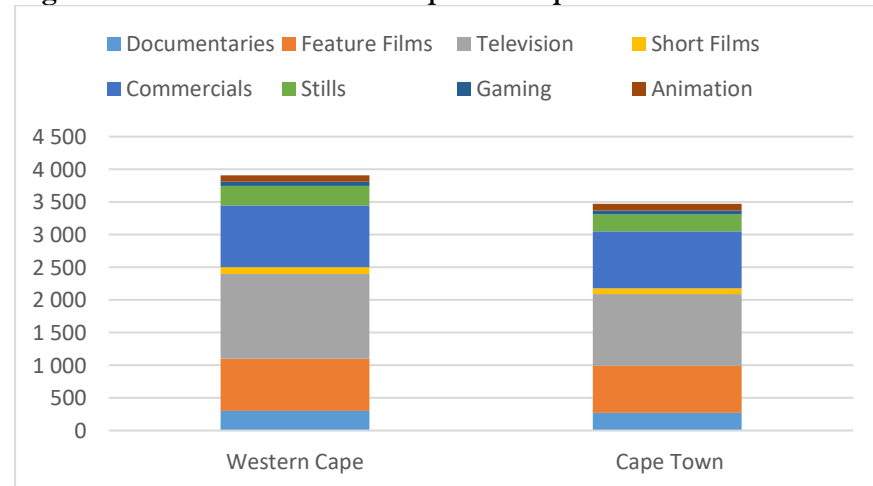


Figure 7.2: Cape Town Film and Media Industry



In 2015 total turnover of the provincial film and media industry was R3.9bn. Television productions make the largest contribution accounting for a third of the total provincial turnover. Commercials (a quarter) are next followed by feature films (a fifth). Documentaries contribute 8%, Stills production 8%, animation 3%, short films 3% and gaming 2%.

Figure 7.3: Turnover: Western Cape and Cape Town



Total production worth R3.5bn was made in the City (out of R3.9bn for the Western Cape). The subsector distribution is little different to that in the province. These are illustrated in **Figure 7.3**.

7.6.2 Macroeconomic Results

The macroeconomic contribution to the economies of the Western Cape and Cape Town are grouped as contribution to:

- Direct GVA, GDP and GGP (for the province and the city).
- Direct, indirect and total jobs.
- Taxes and direct net foreign exchange.

7.6.2.1 Western Cape

The 2015 macroeconomic contribution of the provincial film and media industry is presented in **Table 7.5**.

Table 7.5: Macroeconomic Contribution: Provincial Film and Media Industry

Western Cape Film Industry										
2015 Calendar Year	Total Turnover (Rm)	Direct GVA (Rm)	Total GDP (Rm)	Total WC GGP (Rm)	Direct Jobs (WC)	Indirect WC Jobs	Total WC Jobs	Total SA Jobs	Taxes (Rm)	Net Foreign Exchange (Rm)
Film Production	2 500	1 030	2 805	2 295	4 890	3 950	8 840	10 520	371	304
Documentaries	300	130	320	253	590	470	1 060	1 270	46	23
Feature Films	800	347	853	675	1 560	1 260	2 820	3 400	122	60
Television	1 300	514	1 516	1 269	2 540	2 070	4 610	5 430	189	206
Short Films	100	40	117	98	200	150	350	420	15	16
Commercials	949	338	988	791	1 940	1 400	3 340	3 990	131	565
Local	292	109	298	234	520	420	940	1 150	40	-11
Service	555	191	589	480	1 240	840	2 080	2 440	76	487
International	102	38	101	77	180	140	320	400	14	90
Stills	298	122	439	376	280	540	820	1 020	42	30
Gaming	62	23	69	59	130	110	240	280	8	47
Animation	100	37	110	95	140	180	320	420	14	35
Total	3 910	1 551	4 410	3 616	7 380	6 180	13 560	16 230	565	980

The provincial film and media industry had a total turnover of R3.9bn in 2015. This contributed:

- R1.6bn to direct GVA and R4.4bn to total South African GDP.
- R3.6bn to Western Cape GGP. Documentaries contributed R253m, feature films R675m, television R1.3bn, short films R98m, commercials R791m, Stills R376m, gaming R59m and animation R95m.
- 7 380 direct and 6 180 indirect provincial jobs. This is a total of 13 560 jobs, of which:
 - Television created the most jobs, at 4 610.
 - Commercials created 3 340 jobs. This is made up of 2 080 from service, 940 from local and 320 from international commercials.
 - Feature films created a total of 2 820 jobs.
 - Documentaries created 1 060 jobs.
 - Stills created 820 jobs.
 - Short films created 350 jobs.
 - Animation created 320 jobs.
 - Gaming created 240 jobs.
- R565m in taxes.
- R980m in net direct foreign exchange. Commercials generated the most foreign exchange.

7.6.2.2 Cape Town

The 2015 macroeconomic contribution of the Cape Town film and media industry is presented in **Table 7.6**.

Table 7.6: Macroeconomic Indicators of the Cape Town Film and Media Industry

Cape Town Film Industry										
2015 Calendar Year	Total Turnover (Rm)	Direct GVA (Rm)	Total GDP (Rm)	Total CT GGP (Rm)	Direct Jobs (CT)	Indirect CT Jobs	Total CT Jobs	Total SA Jobs	Taxes (Rm)	Net Foreign Exchange (Rm)
Film Production	2 180	900	2 443	1 638	4 260	1 840	6 100	9 180	323	263
Documentaries	270	117	288	188	530	230	760	1 150	41	20
Feature Films	720	312	768	500	1 400	630	2 030	3 060	110	54
Television	1 100	435	1 282	878	2 150	910	3 060	4 590	160	174
Short Films	90	36	105	72	180	70	250	380	13	14
Commercials	870	310	905	584	1 770	660	2 430	3 660	120	518
Local	267	100	273	176	470	210	680	1 050	37	-11
Service	509	175	540	350	1 140	380	1 520	2 240	70	446
International	94	35	93	58	160	70	230	370	13	82
Stills	261	107	384	291	250	290	540	890	37	26
Gaming	59	22	65	44	130	50	180	260	8	44
Animation	100	37	110	76	140	100	240	420	14	35
Total	3 470	1 375	3 907	2 632	6 550	2 940	9 490	14 410	501	886

Industry turnover in the City was R3.5bn in 2015. This contributed:

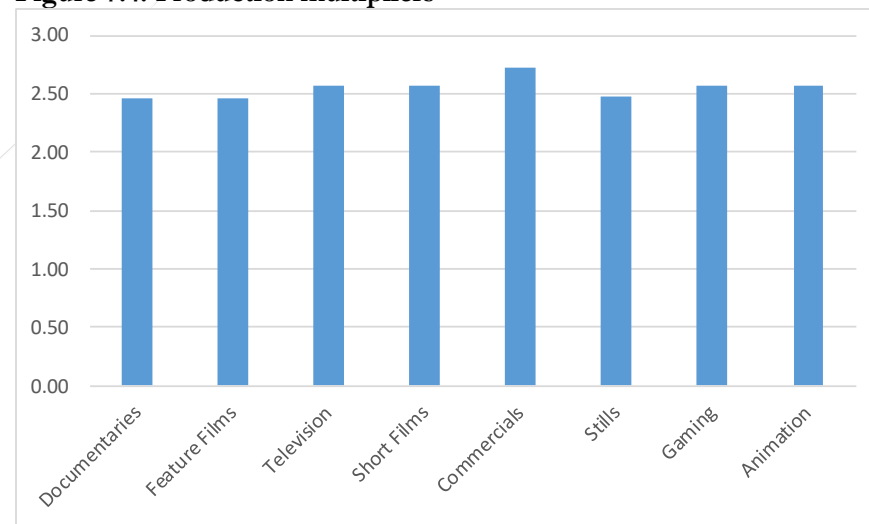
- R1.38bn to direct GVA and R3.91bn to total South African GDP.
- R2.63bn to Cape Town GGP. Documentaries contributed R188m, feature films R500m, television R878m, short films R72m, commercials R584m, Stills production R291m, gaming R44m and animation R76m.
- 6 550 direct and 2 940 indirect city jobs. This is a total of 9 490 jobs, of which:
 - Television created the most jobs, at 3 060.
 - Commercials created 2 430 jobs. This is made up of 1 520 from service, 680 from local and 230 from international commercials.
 - Feature films created 2 030 jobs.
 - Documentaries created a total of 760 jobs.
 - Stills created 540 jobs.
 - Short films created 250 jobs.
 - Animation created 240 jobs.
 - Gaming created 180 jobs.

- R501m in taxes.
- R886m in net foreign exchange.

7.6.3. Production Multiplier

The production multiplier is defined as the increase in total production across the economy as a result of expenditure in the film industry. This increase is due to increased turnover in the supply chain and the induced impact when employees spend their salaries. The production multiplier by format is shown in **Figure 7.4** below.

Figure 7.4: Production multipliers



For the film and media industry the production multipliers vary between 2.46 (for documentaries and feature films) and 2.72 (for commercials), with a weighted average multiplier of 2.56 for the film and media industry as a whole.

7.6.4 Value Chain Analysis

This section reports the value chain distribution of expenditure and employment. The section also lists those sectors and sub-sectors that benefit the most from the film and media industry.

Figure 7.5 illustrates the subsector value chain distribution. The three main components are pre-production, production and post production. Other production expenses like insurance, marketing, legal costs, and overheads (such as office rent, utilities, salaries and wages of non-production personnel, taxes, etc.) are common to all forms.

Production costs form the highest component at between 41% and 72% of production expenses, with pre-production and post production costs forming the remainder, for all forms except for documentaries and feature films. For documentaries and feature films pre-production costs form the highest component, at 56%, with production and post production expenses forming the remainder.

Figure 7.5: Value Chain Expenditure

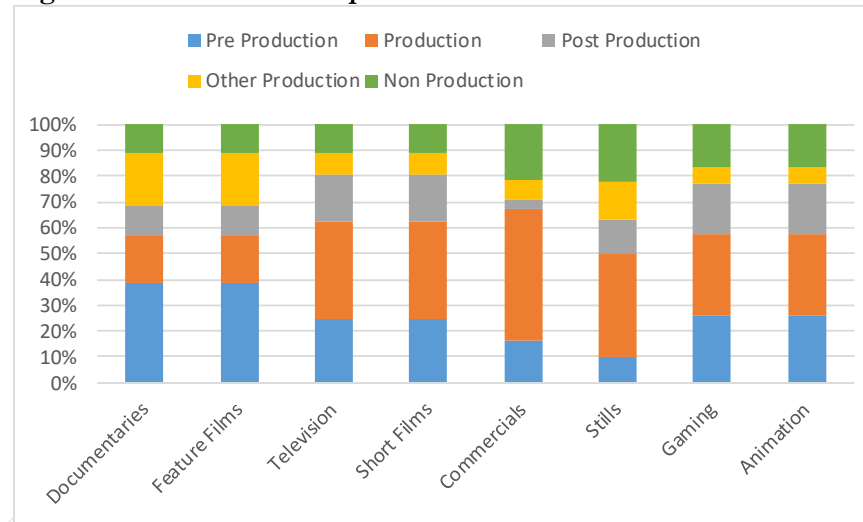


Figure 7.6 illustrates the job distribution across the value chain. This is only for direct jobs. The pattern is like expenditure. Production, except for documentaries and feature films, generally contributes most to employment. Pre-production is more important for jobs in documentaries and feature films.

For all forms in general, pre-production contributes to 27% of jobs, production 35% and post production 13%. ‘Other production expenditure’ contributes 12% and non-production expenditure the final 13%.

Figure 7.6: Employment by Value Chain

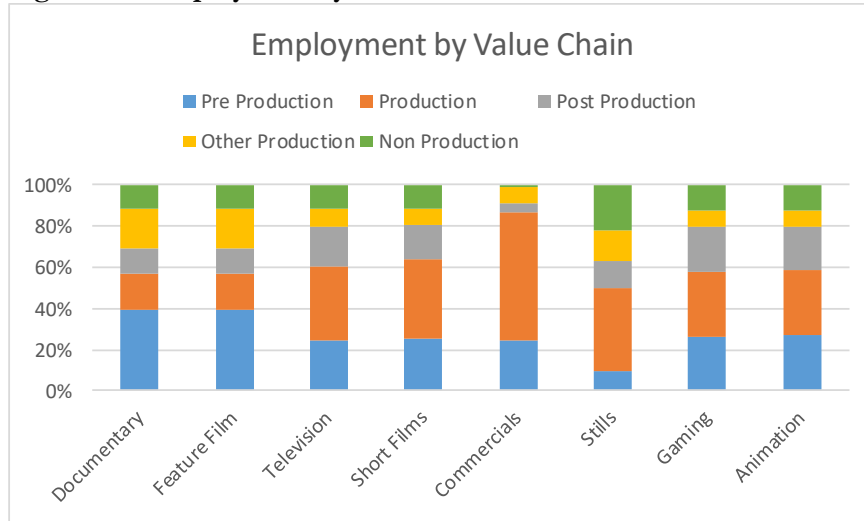


Table 7.7 shows where the different types of expenditure by the industry to their direct suppliers accrue. This includes wages (labour remuneration) and taxes¹³. This is reported for the three largest benefiting sectors for each segment of the film and media industry. The table is colour coded to highlight different expenditure categories / sectors:

- Wages (labour remuneration) are highlighted in green.
- Business services are highlighted in blue.
- Electronic equipment is shaded in red.

- ‘General expenditure’ is expenditure that cannot be disaggregated any further and is highlighted in yellow.

Table 7.7: Sectoral Allocation of Value Chain Expenditure by Film and Media Type

	Pre-Production	Production	Post Production	Other Production	Non-Production
Documentaries and Feature Films	Business services	Labour Remuneration	Business services	Business services	Labour Remuneration
	Labour Remuneration	Electronic Equipment	Electronic Equipment	General Expenditure	Business services
	General Expenditure	General Expenditure	General Expenditure	Finance and insurance	Transport and storage
Television and Short Form	Labour Remuneration	Labour Remuneration	Business services	Business services	Labour Remuneration
	Business services	Electronic Equipment	Electronic Equipment	General Expenditure	Finance and insurance
	General Expenditure	Business services	General Expenditure	Finance and insurance	Transport and storage
Commercials	Buildings and Other Construction	Labour Remuneration	Business services	General Expenditure	General Expenditure
	Finance and insurance	Electronic Equipment		Finance and insurance	Business services
		Transport and storage			Labour Remuneration
Stills Production	Labour Remuneration				
	Business services				
	General Expenditure				
Gaming and Animation	Labour Remuneration	Labour Remuneration	Business services	Business services	Finance and insurance
		Electronic Equipment		Finance and insurance	Wholesale and retail trade
		Business services			Transport and storage

In nearly all cases wages and business services benefit the most from film making. These account for 43% and 27% of value chain expenditure respectively. This is followed by general expenditure (10%) and electronic equipment (7%). All other items are individually 3% or less and collectively contribute the remaining 13%.

¹³ Value chain spending by sector could not be determined for Stills production due to the small sample size responding to this question in the online survey.

7.7 Summary of Results

This chapter presented the economic contribution of the Western Cape and Cape Town film and media industry for 2015. To do this the turnover of the industry needed to be estimated and expenditure profiles for each subsector had to be determined. These subsectors include film production (which in turn consists of documentaries, feature films, television productions and short films), commercials (local, international and service), Stills production, gaming and animation.

The turnover of the industry and the expenditure profiles were based on industry surveys undertaken by various bodies representing different subsectors of the industry, research reports (such as the NFVF report on film production in South Africa), an online survey specifically commissioned for this project, the dti database on film production funding, the CTFPO database, industry declarations regarding employment and finally interviews and engagement with industry role-players to vet and adjust data where necessary. Where possible multiple sources were used to check assumptions and triangulate estimates.

It is estimated that the size of the film and media industry in the Western Cape in 2015 was R3.9bn, of which R3.5bn was based in Cape Town. Television productions formed the largest component in the Western Cape, at R1.3bn, followed by commercials (all types collectively) at R949m and feature films at R800m. Documentaries amounted to R300m and Stills production R298m. Short films and animation contributed R100m each and gaming R62m. The subsector distribution in Cape Town was little different to that in the province.

The Western Cape film industry contributed:

- R1.6bn to direct GVA, R4.4bn to total South African GDP and R3.6bn to Western Cape GGP.
- 7 380 direct and 6 180 indirect provincial jobs. This is a total of 13 560 jobs.
- R565m in taxes.
- R980m in net direct foreign exchange. Commercials generated the most foreign exchange.

The Cape Town film and media industry, which forms a subset of the Western Cape industry, contributed:

- R1.38bn to direct GVA, R3.91bn to total South African GDP and R2.63bn to Cape Town GGP.
- 6 550 direct and 2 940 indirect city jobs. This is a total of 9 490 jobs.
- R501m in taxes.
- R886m in net foreign exchange.

The production multiplier is defined as the increase in total production across the economy as a result of expenditure in the film industry. For the film and media industry the production multipliers vary between 2.46 (for documentaries and feature films) and 2.72 (for commercials), with a weighted average multiplier of 2.56 for the film and media industry as a whole.

A value chain analysis was conducted on the industry. Production costs formed the highest component at between 41% and 72% of production expenses, with pre-production and post production costs forming the

remainder, for all forms except for documentaries and feature films. For documentaries and feature films pre-production costs formed the highest component, at 56%, with production and post production expenses forming the remainder. A similar pattern was observed for job creation.

Lastly, an analysis was done to understand which economic sectors (including labour) benefitted most from expenditure by the film and media industry. In nearly all cases wages and business services benefitted most. These accounted for 43% and 27% of value chain expenditure respectively. This was followed by general expenditure (10%) and electronic equipment (7%). All other items were individually 3% or less and collectively contributed the remaining 13%.

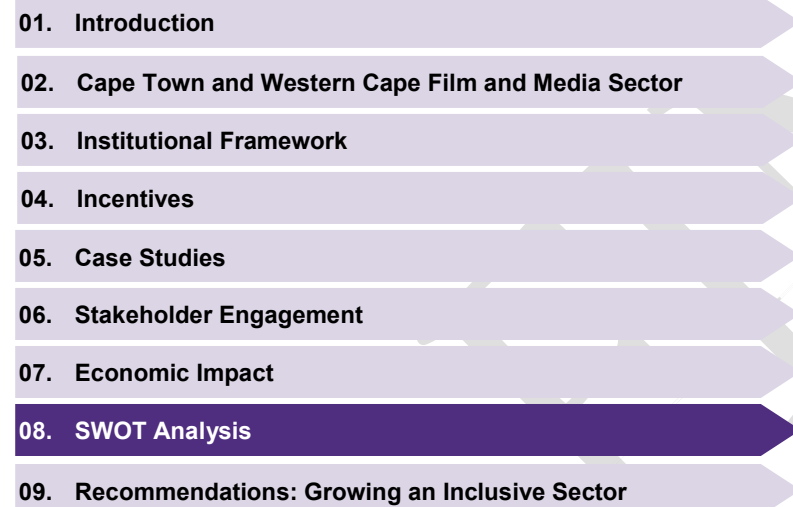
7.8 Recommendations and Guidelines for Future Research

The following recommendations for future research are made:

1. The Cape Town Film Permit Office needs to capture the name of the production and the value of the South African budget. This would provide data to allow for an estimate of the industry size.
2. The Cape Town Film Permit Office needs to request more detail on the type of micro shoot. This would allow a more accurate allocation between film subsectors i.e. documentaries, feature films, commercials, Stills production, etc.
3. Industry bodies should be encouraged to conduct an annual survey. This already done for commercials. Gaming and Stills production do intermittent reports.

4. Further research into expenditure by value chain and specifically focussing on post production. This would provide on-going strategic insight and development of the industry.

Section 8: SWOT Analysis

- 
01. Introduction
 02. Cape Town and Western Cape Film and Media Sector
 03. Institutional Framework
 04. Incentives
 05. Case Studies
 06. Stakeholder Engagement
 07. Economic Impact
 - 08. SWOT Analysis**
 09. Recommendations: Growing an Inclusive Sector

8.1 SWOT Analysis

In this section we highlight the industry's strengths and detail how leveraging these strengths to address the current weaknesses and mitigate threats will stimulate opportunity for inclusive growth within the Film and Media Sector in the Western Cape and Cape Town (see **Figure 8.1**).

The findings in this section have been drawn from stakeholder interviews, focus groups and surveys and key industry information and research gathered through the Situational Analysis phase.

This section forms the basis for the Recommendations (see **Section 9**).

FINAL

Figure 8.1: SWOT Analysis of Film and Media Sector in Cape Town and the Western Cape

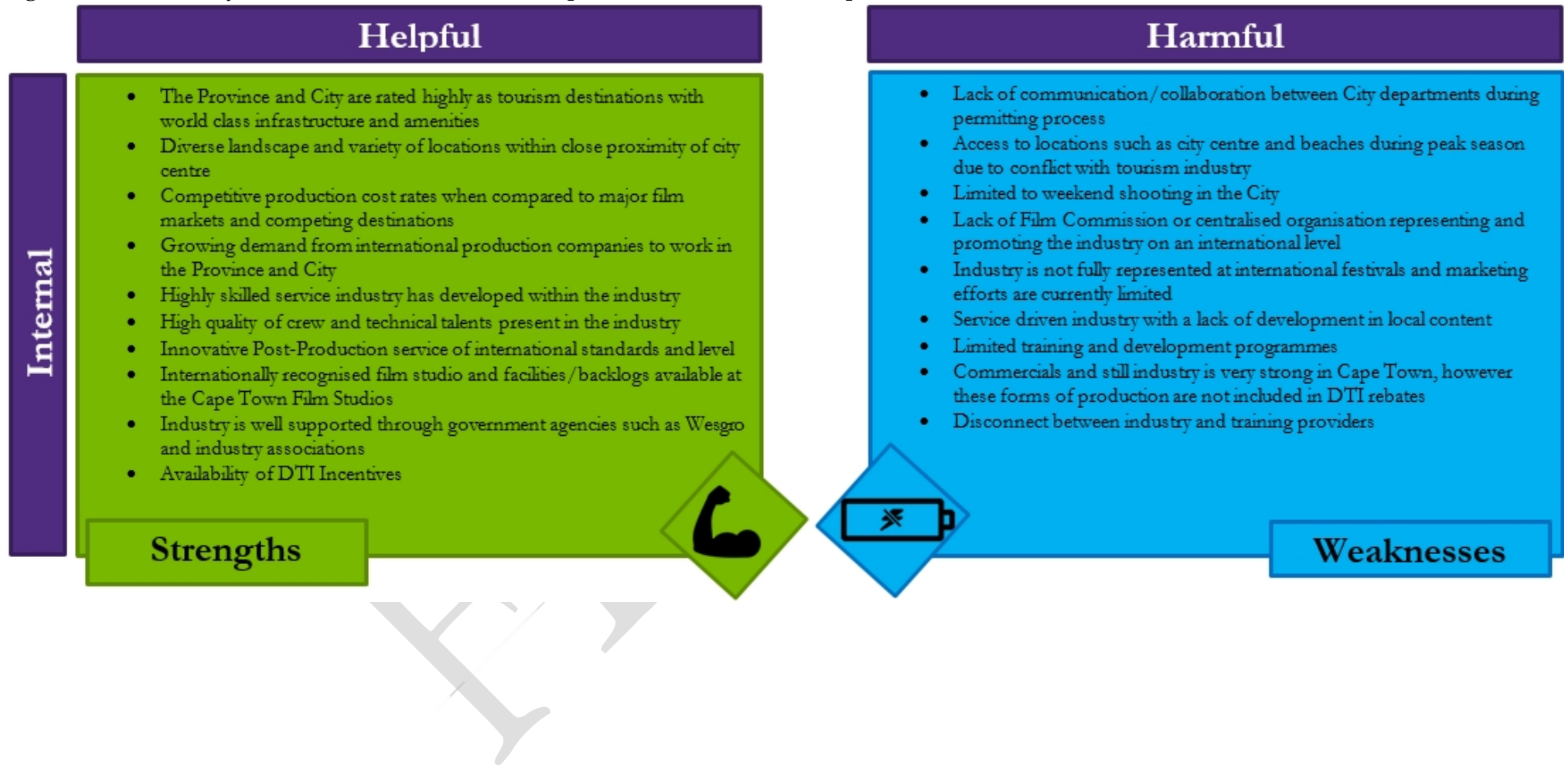
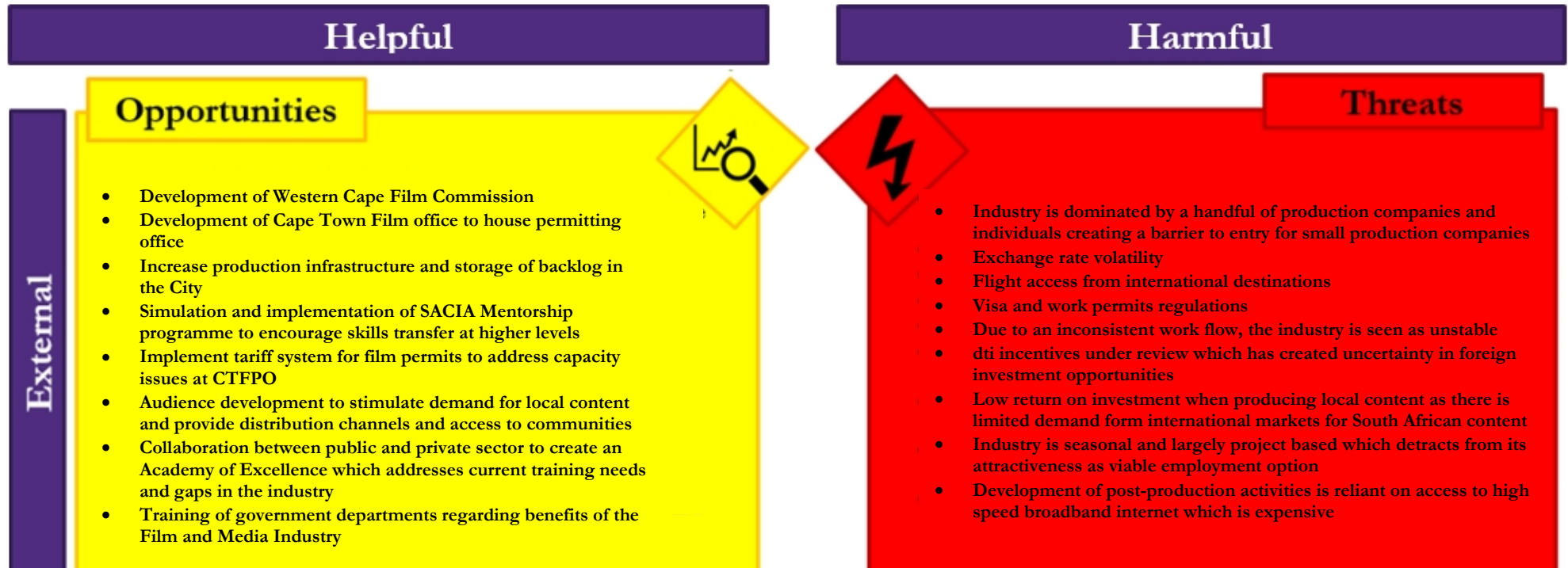


Figure 8.1: SWOT Analysis of Film and Media Sector in Cape Town and the Western Cape (continued)

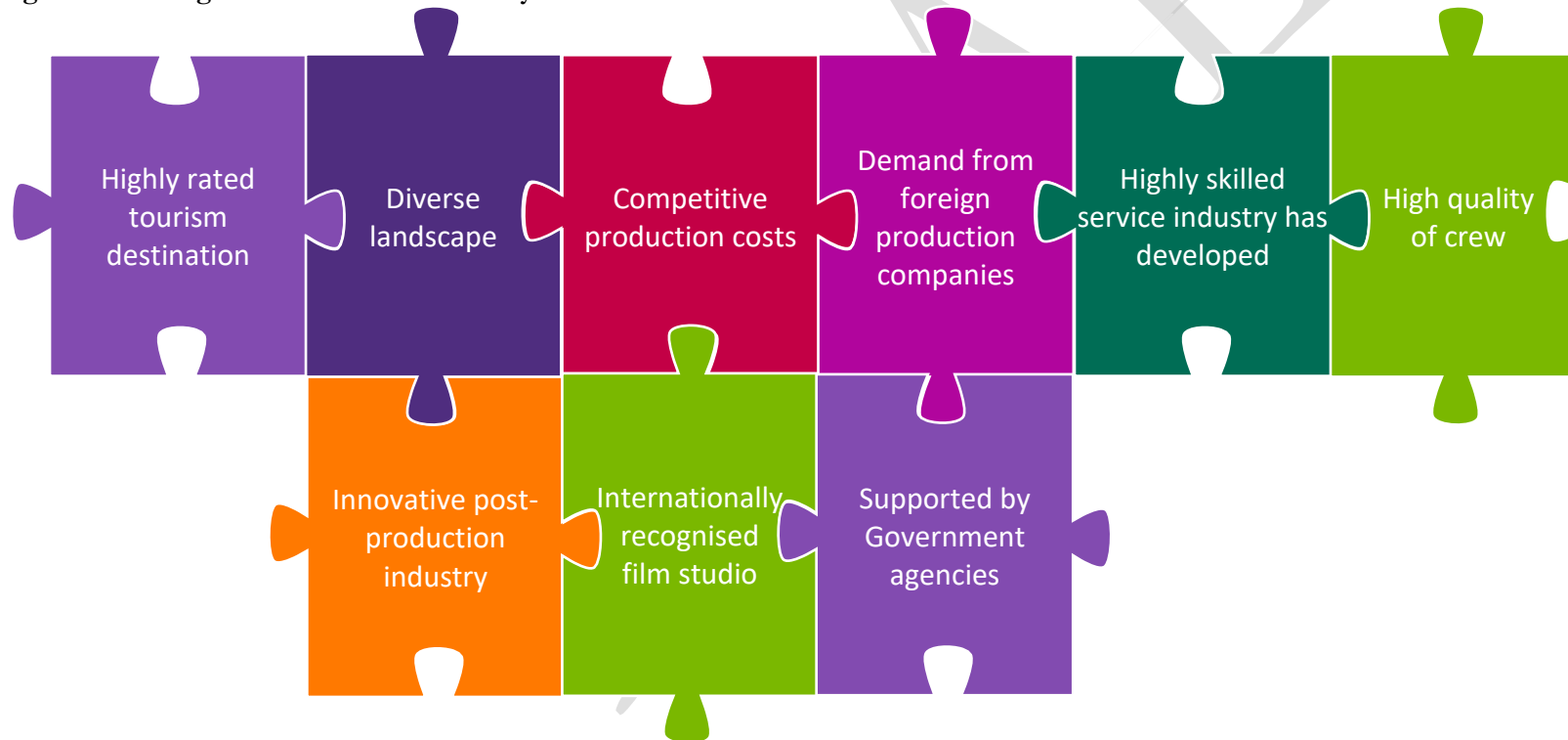


8.3 Strengths of the Cape Town and Western Cape Film and Media Sector

The Film and Media Sector present in the Western Cape and particularly in Cape Town may be small when compared with other competing markets, but the industry has numerous strengths and opportunities available to promote job creation and economic sustainability for the region.

In this section we provide further detail into the growth potential and opportunities present in the Film and Media Sector in the region. The opportunities highlighted in **Figure 8.2** will be form the basis for the Recommendations in **Section 9**.

Figure 8.2: Strengths Present in the Industry

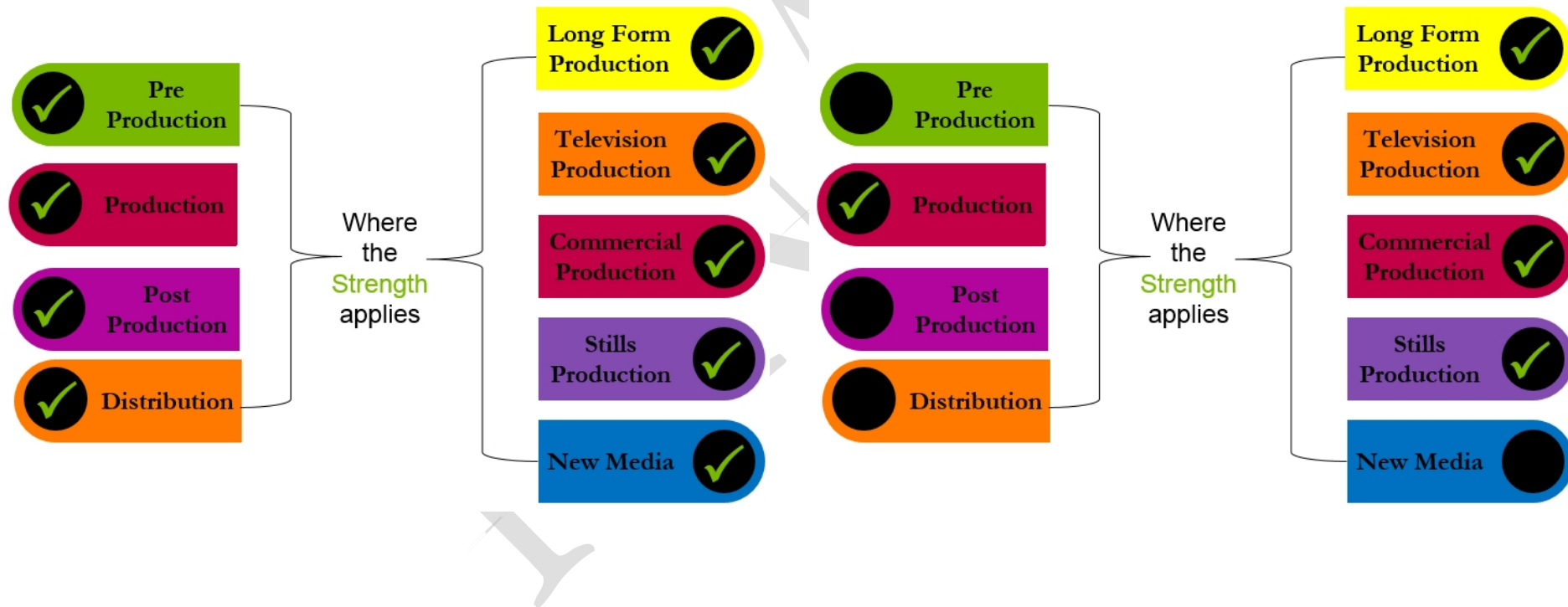


8.3.1 Highly Rated Tourism Destination

Cape Town is an internationally recognised tourist destination. With world class infrastructure and a multitude of high quality accommodation establishments and additional tourism amenities and offerings, the City is able to cater to the diverse needs of the Film and Media Sector. The attractiveness of the City as a tourism destination adds to the competitive advantage when attracting foreign productions to the region.

8.3.2 Diverse Landscape

The natural beauty of the Province and diverse locations provides the opportunity for producers to replicate a variety of destinations all in one region. The ability to replicate several destinations at a time adds a cost benefit to filming within the region. In addition, the proximity of locations such as nature reserves to the City centre makes the destination more attractive.

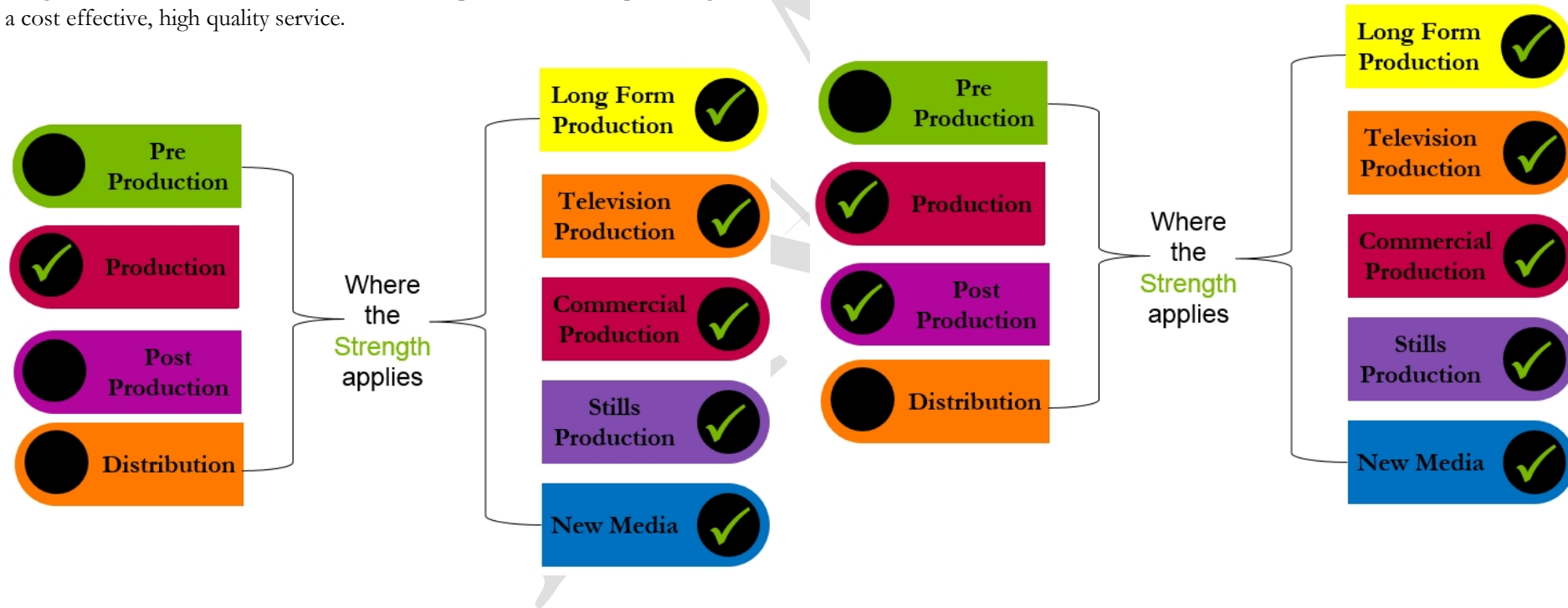


8.3.3 Competitive Production Costs

When benchmarked, Cape Town remains a cost effective destination for foreign productions. When compared with the three international benchmarking destinations, Cape Town is rated first in terms of production costs (*fDI, 2017*). This is due to the positive Rand exchange rate as well as the City’s reputation as a “hard-working and value added” industry. Organisations operating with the Film and Media Sector are conscious of budget allowances and strive to exceed client expectations whilst providing a cost effective, high quality service.

8.3.4 Demand from Foreign Productions

As the Film and Media Sector grows and develops, it attracts a larger number of foreign productions eager to work in the region. Investments such as the CTFS reiterate to foreign organisations that the Film and Media Sector in the Western Cape and Cape Town can compete on an international scale and provide world class services. The studio is now turning away projects as demand for studio space in the City has reached capacity, which indicates a healthy Film and Media Sector.

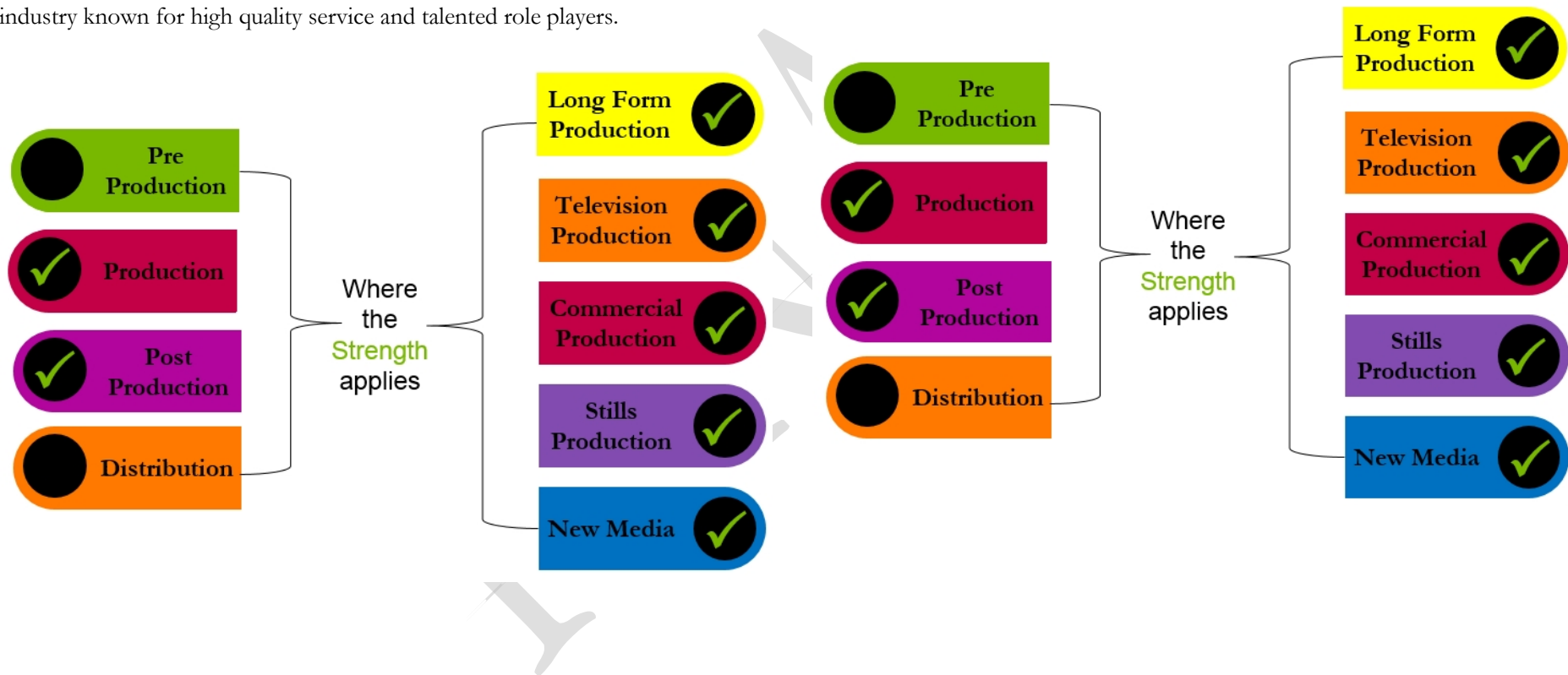


8.3.5 Highly Skilled Service Industry

The Film and Media Sector in the Western Cape and Cape Town is made up of servicing organisations. These organisations facilitate productions in the region in collaboration with foreign production companies and organisations. As the industry has matured and gained exposure on an international level, these skills have been harnessed and refined to create an industry known for high quality service and talented role players.

8.3.6 Quality of Crew and Technical Talent

As the industry developed, so did the need for crewing agencies and technical staff and support. These services are of international standards with Western Cape crews contracted to work in other countries as quality of skills is guaranteed.

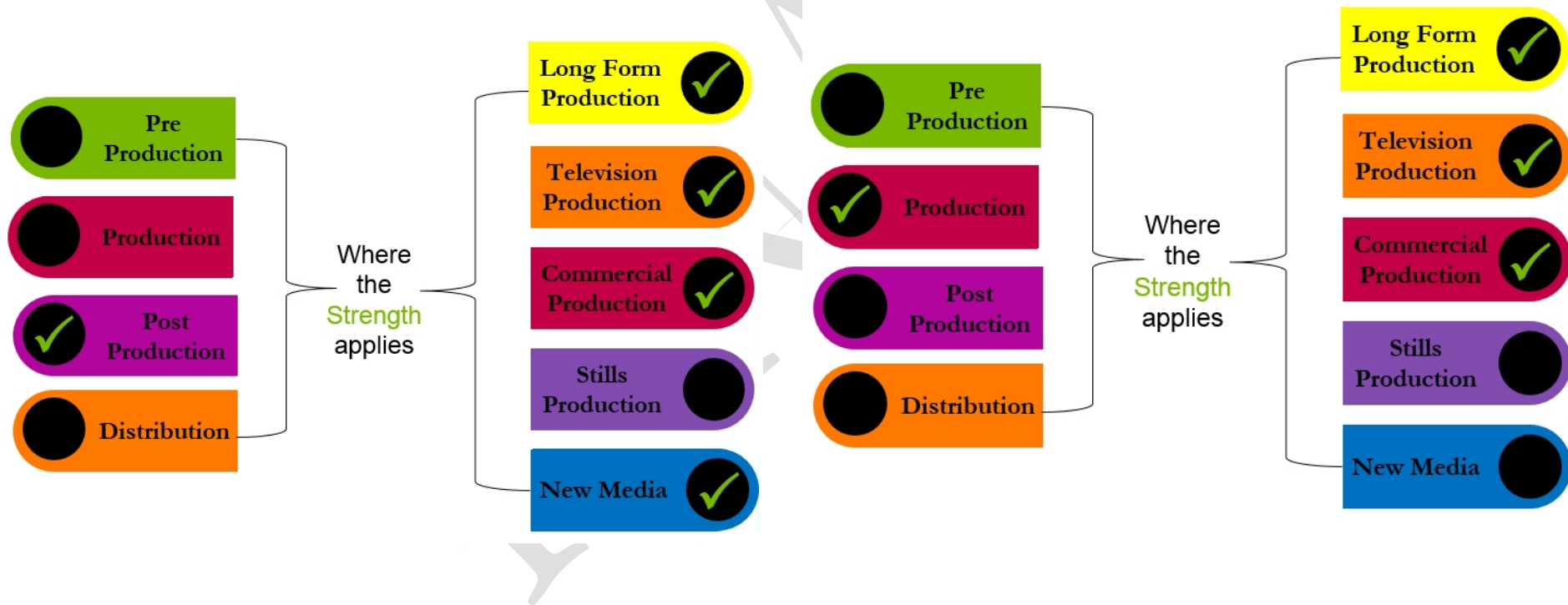


8.3.7 Innovative Post-production Services

One of the leading post-production organisations is based here in Cape Town. Due to limited competition in the areas (as well as elsewhere in South Africa and Africa), exposure to the international market has been high for the post-production sector. The post-production sector is currently small in comparison to other sectors within the film and media value chain, however the services provided are of international quality and this sector has been identified as an area for growth development.

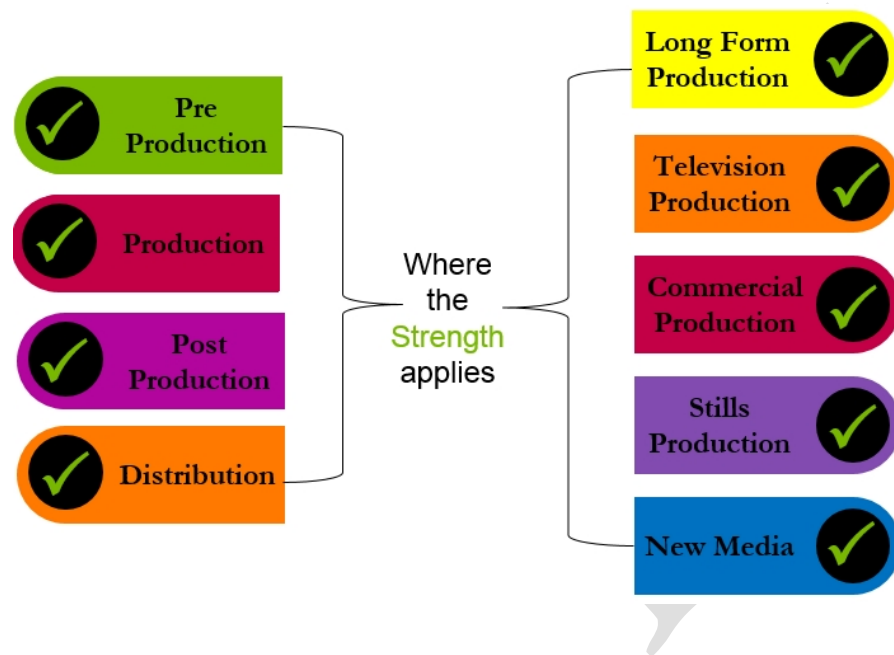
8.3.8 International Film Studio

The CTFS has been a catalyst of growth and development within the Western Cape and Cape Town Film and Media Sector. The studio provides world class facilities and backlots to meet the needs of the international market. The location of the studio is strategic as it provides economic growth to the surrounding areas through job creation and skill development (i.e. making use of local talent and supplies for the manufacturing of sets).



8.3.9 Government Support

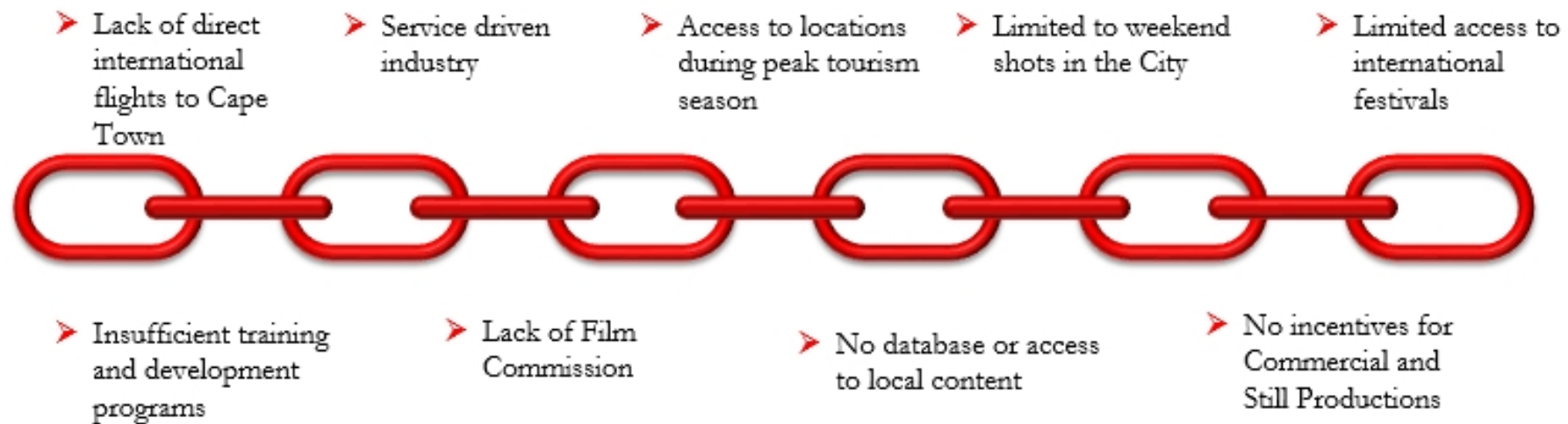
Since the closure of the Cape Film Commission, Wesgro’s Film and Media Promotions division has been a driving force for industry support and market access for foreign productions engaging with the industry. In addition, the CTFPO aids the industry where possible through shorter lead times and constructive relationships with industry players. Government in the Western Cape and City are aware of the positive benefit the industry can have on the economy and are constantly looking for more efficient and effective ways to grow the industry and encourage job creation.



8.4 Constraints in the Cape Town and Western Cape Film and Media Sector

Despite the industries attractiveness and numerous competitive advantages mentioned in the previous section, the Film and Media Sector in Cape Town and the Western Cape faces a number of challenges to its growth prospects. **Figure 8.3** highlights the major constraints currently facing the Film and Media Sector.

Figure 8.3: Constraints for Growth

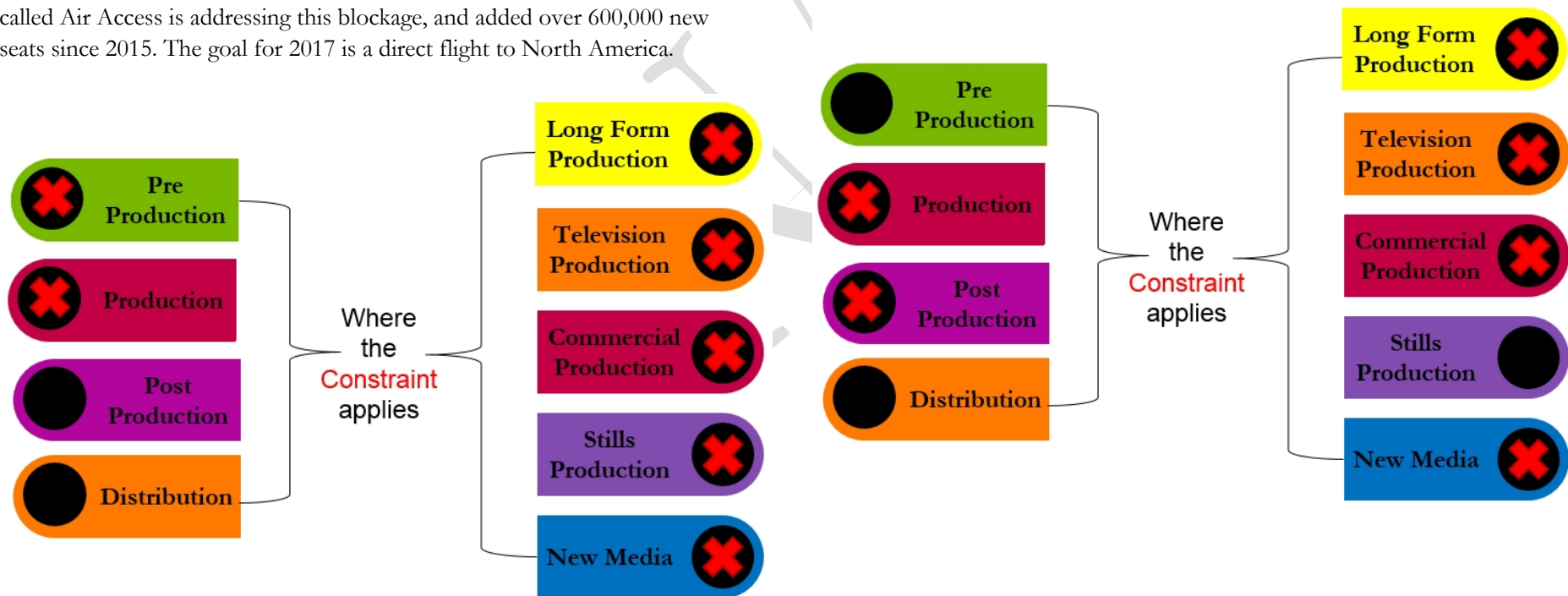


8.4.1 Flight Access to Cape Town

The industry is geared towards servicing international production companies, therefore access to the destination plays a major role in the destinations overall attractiveness. Currently direct access from regions such as the United Kingdom and Europe is sufficient but access from the America’s remains a challenge. The need to fly through Johannesburg or make use of alternative connection hubs before arriving in Cape Town increases production and travel costs and can be considered tedious and time consuming for international productions. Wesgro’s strategic project called Air Access is addressing this blockage, and added over 600,000 new seats since 2015. The goal for 2017 is a direct flight to North America.

8.4.2 Service Driven Industry

Over the years, the Cape Town and Western Cape Film and Media Sector has positioned itself as a service and facilitation industry assisting foreign production companies on productions in the region. The industry has excelled and positioned itself as a competitive servicing destination. However, there has been little attention and focus placed on the creative skills in the industry and therefore limited local content is produced and marketed on an international scale.

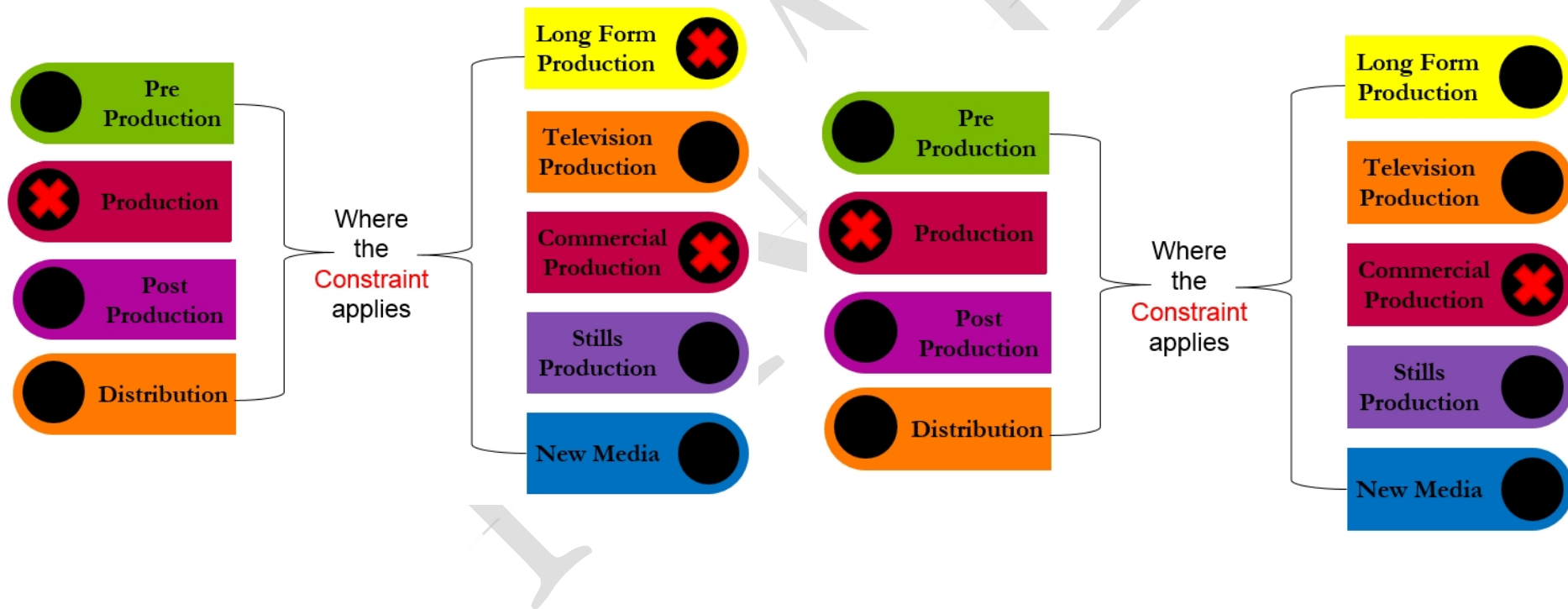


8.4.3 Access to Locations during Peak Tourism Season

Cape Town and the Western Cape are internationally recognised tourism destinations attracting large volumes of foreign and local tourists during peak months. Peak seasons for the tourism industry coincide with those of the Film and Media Sector and friction can occur when there is need to film in popular locations such as the beaches, as the visitor experience cannot be negatively impacted.

8.4.4 Limited to Weekend City Centre Shoots

Commercial producers highlighted the limitation they experience when acquiring location permits to shoot in the city centre as these permits restrict them to weekend shoots only. This limitation has created high demand for city locations during these days with numerous shoots taking place within close proximity to one another. In addition, the high volume of shoots over weekends leads to traffic congestion in the city and can create challenging working environments for producers.

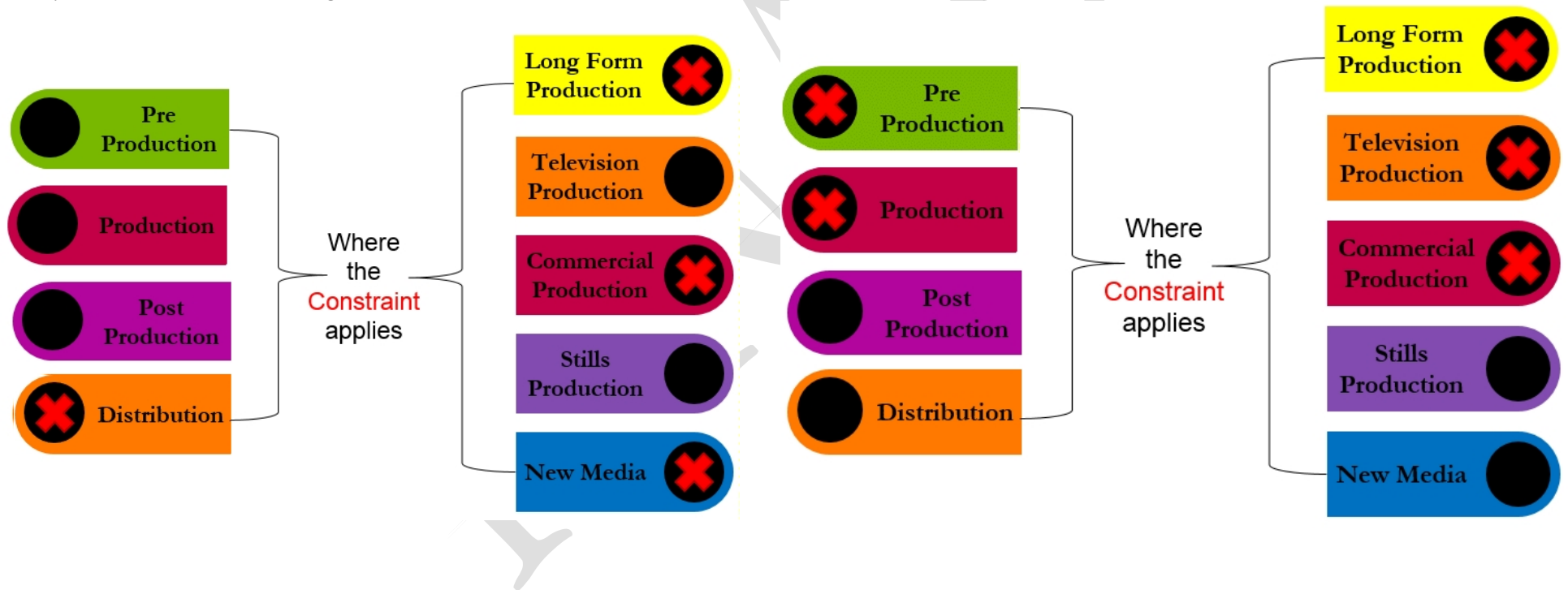


8.4.5 Limited Access to International Festivals

Market access remains a challenge for those entering the industry as they do not have the means to market themselves on an international scale. Collaborative or industry marketing does not appear to be present within the Cape Town and Western Cape Film and Media Sector with individual marketing occurring. Smaller enterprises require assistance to reach international markets and festivals as networking and industry relationships are key drivers of business to the region.

8.4.6 Insufficient Training and Development Programmes

Despite the numerous training facilities and providers, industry players do not find these programmes sufficient to the needs of the industry. It has been highlighted that the current training institutions provide training for entry level employees but there is no training and development for staff at medium management roles or those wishing to further their careers and potential become industry leaders.

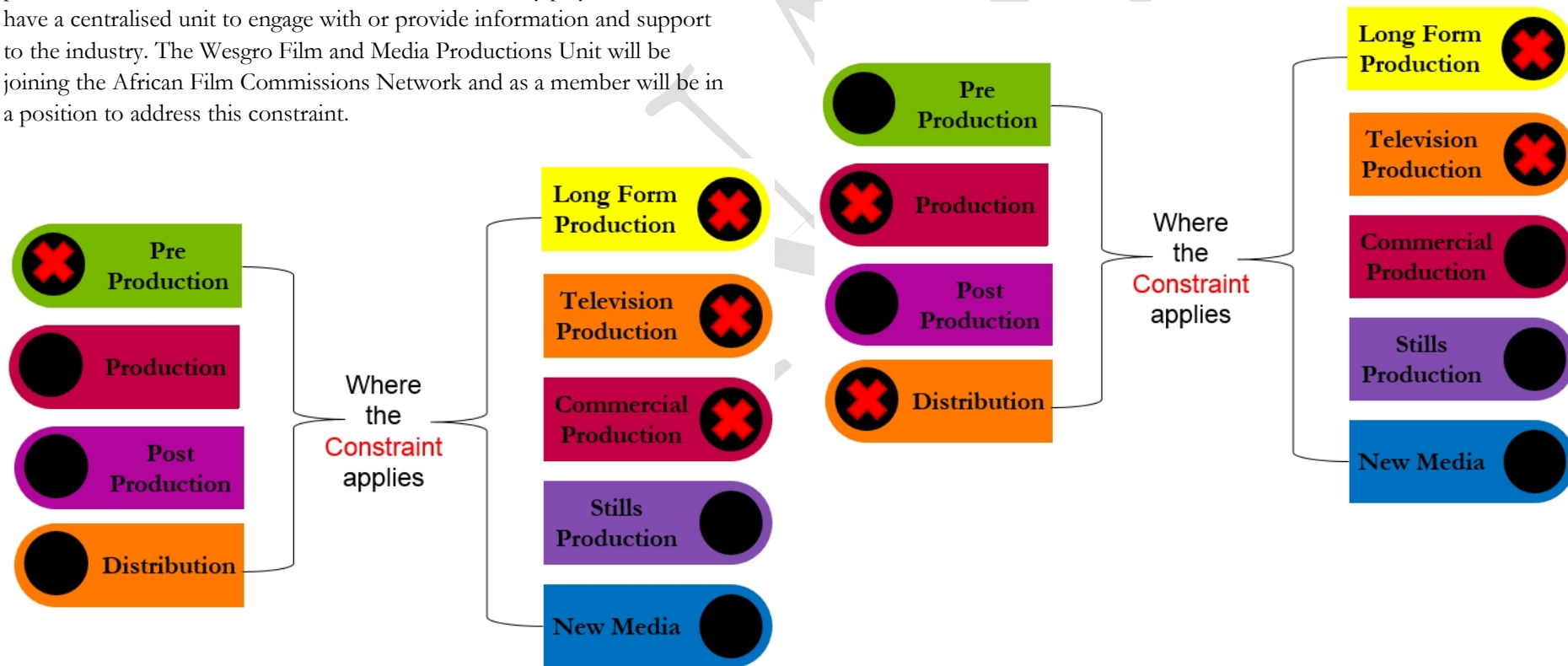


8.4.7 Lack of Film Commission

The role of a Film Commission is to promote film and media production in their respective regions, support industry players and provide assistance to foreign production companies working in the region. Currently Cape Town is the only film destination in South Africa that does not have a Film Commission. These offices are the first point of call for any foreign production company wishing to engage with a destination. The lack of presence of a Film Commission has been felt as industry players do not have a centralised unit to engage with or provide information and support to the industry. The Wesgro Film and Media Productions Unit will be joining the African Film Commissions Network and as a member will be in a position to address this constraint.

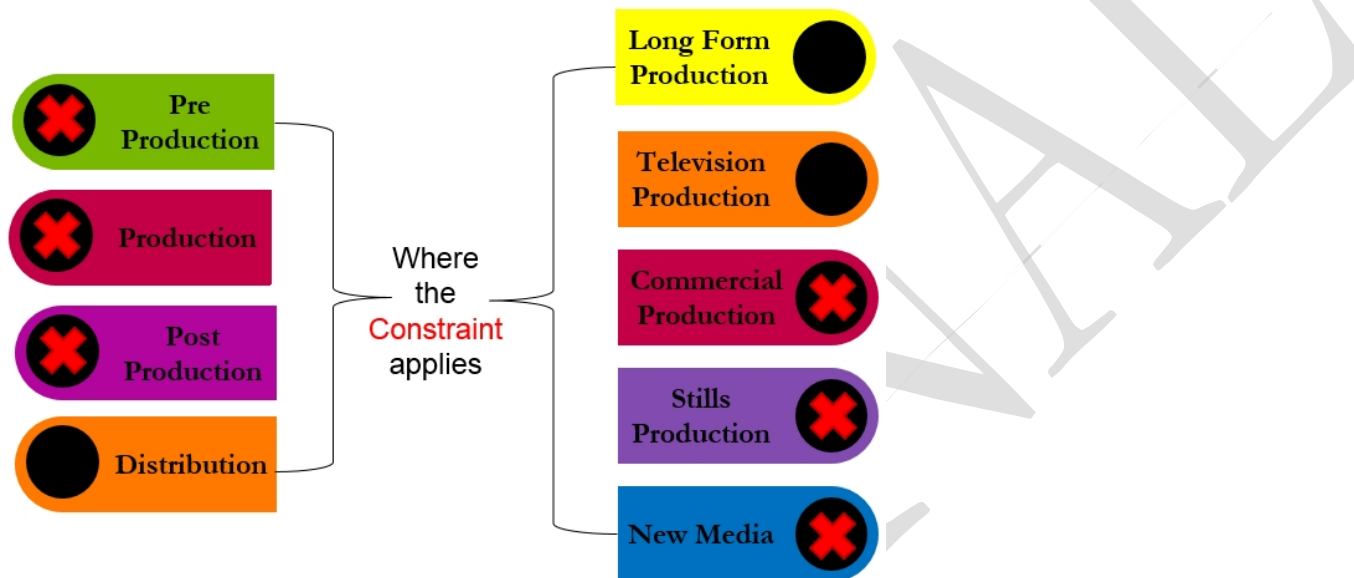
8.4.8 No Access to Local Content

The Film and Media Sector present in the region is dominated by foreign or westernised productions with limited local content being produced. However, there has been an increase in the production of short films and documentaries representing the South African voice. Students and freelance producers are creating content but the market is unable to access these productions as the channels for distribution do not favour local content.



8.4.9 Non Inclusive Incentives

Currently dti incentives and rebates do not include certain sectors of film and media such as Commercials and Stills. These sectors are highly active in the Cape Town and Western Cape industry, yet they appear to be forgotten with limited support coming from government.



8.5 Relevance to Study

Despite the industry's noted strengths there are challenges within the industry that require attention both from government as well as private sector role players. The sustainability of the industry is dependent on the realisation of these strengths and opportunities that can be harnessed to counteract the constraints.

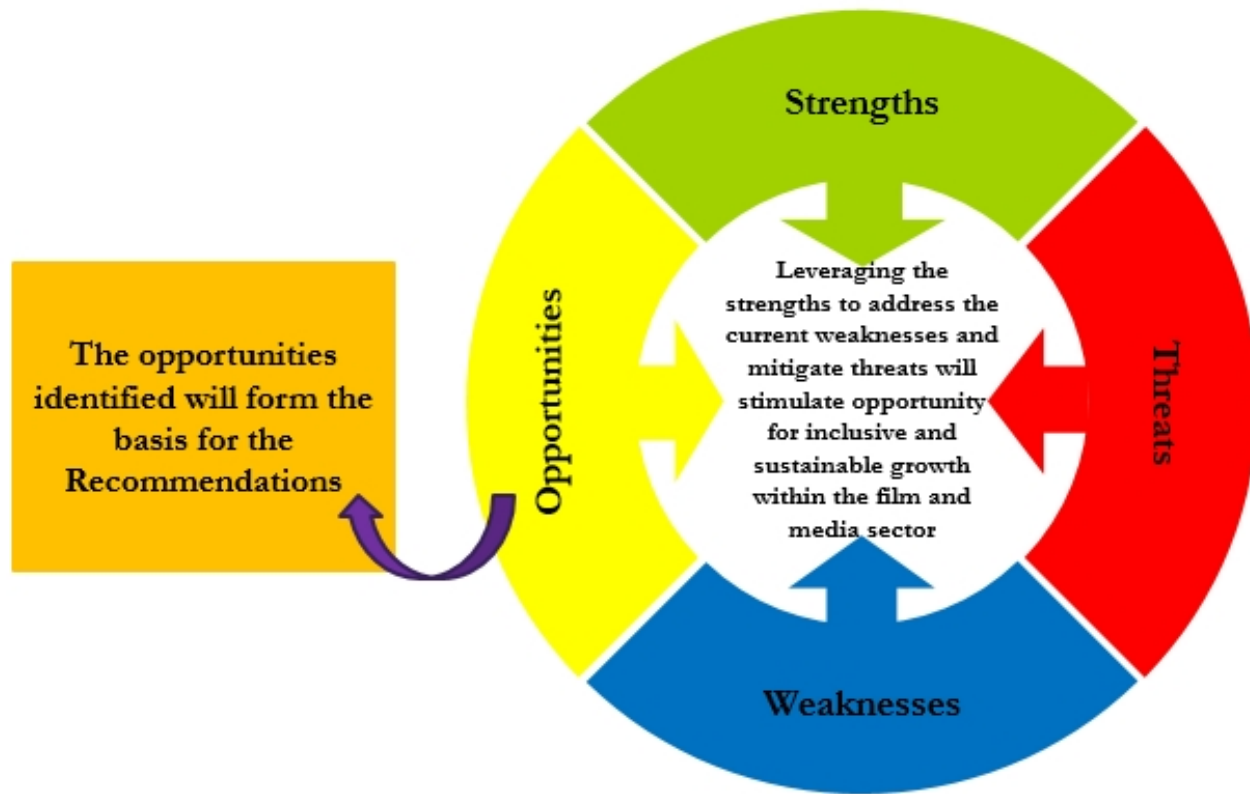
Section 9: Recommendations: Growing an Inclusive Sector

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- 01. Introduction
 - 02. Cape Town and Western Cape Film and Media Sector
 - 03. Institutional Framework
 - 04. Incentives
 - 05. Case Studies
 - 06. Stakeholder Engagement
 - 07. Economic Impact
 - 08. Opportunities and Constraints
 - 09. Recommendations: Growing an Inclusive Sector

9.1 Introduction

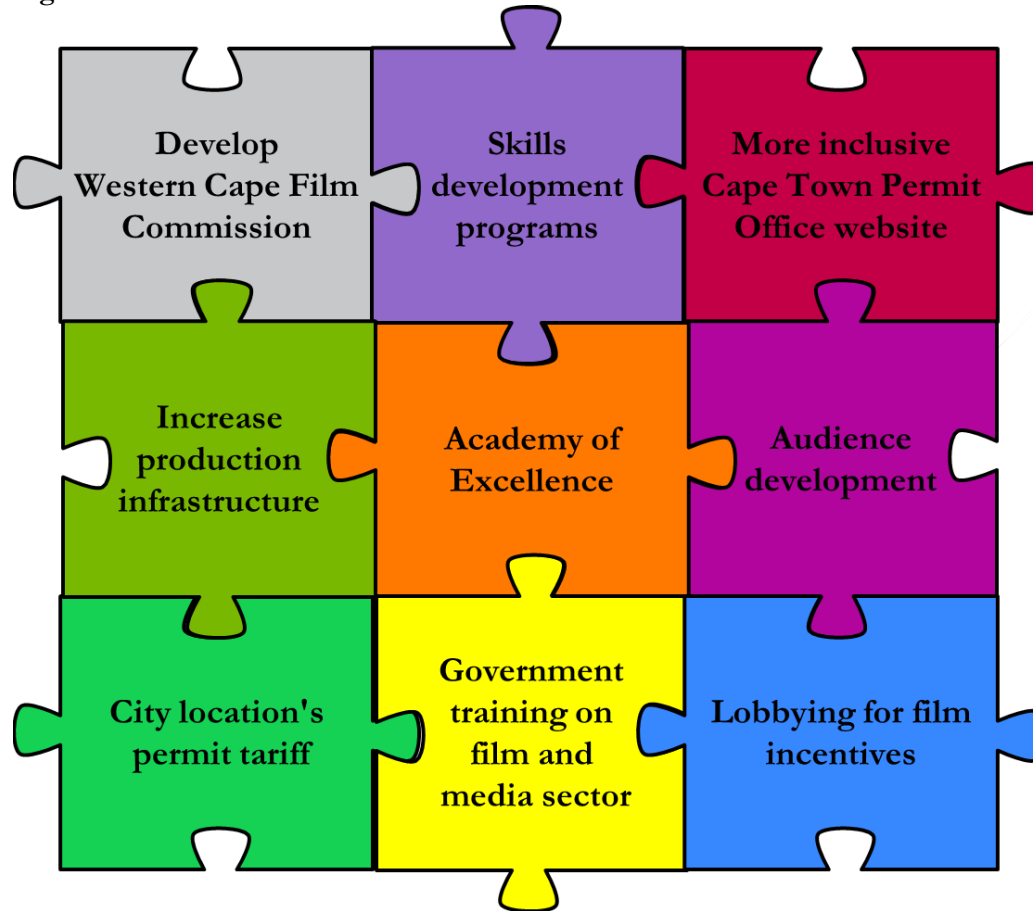
As mentioned in Section 8, the Opportunities identified will form the basis of the recommendations to follow. The image below illustrates the way forward to an inclusive and sustainable Film and Media Sector.

Figure 9.1: Growing an Inclusive and Sustainable Industry



A brainstorming session with the Film and Media Steering Committee was conducted on 17 May 2017 to ensure all recommendations put forward were of a realistic and implementable manner. **Figure 9.2** provides an overview of the Recommendations which will later be ranked according to their greatest impact on the industry.

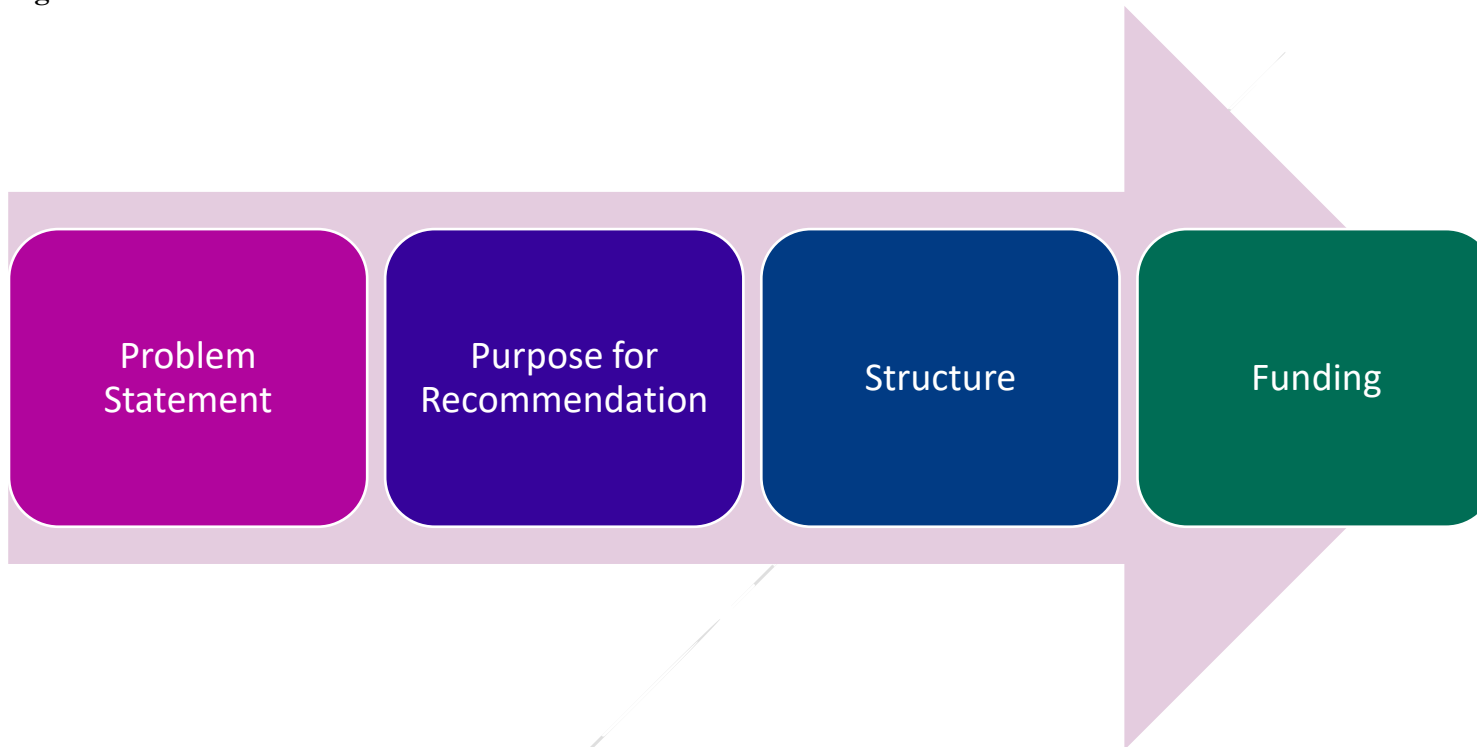
Figure 9.2: Overview of Recommendations



9.2 Recommendations

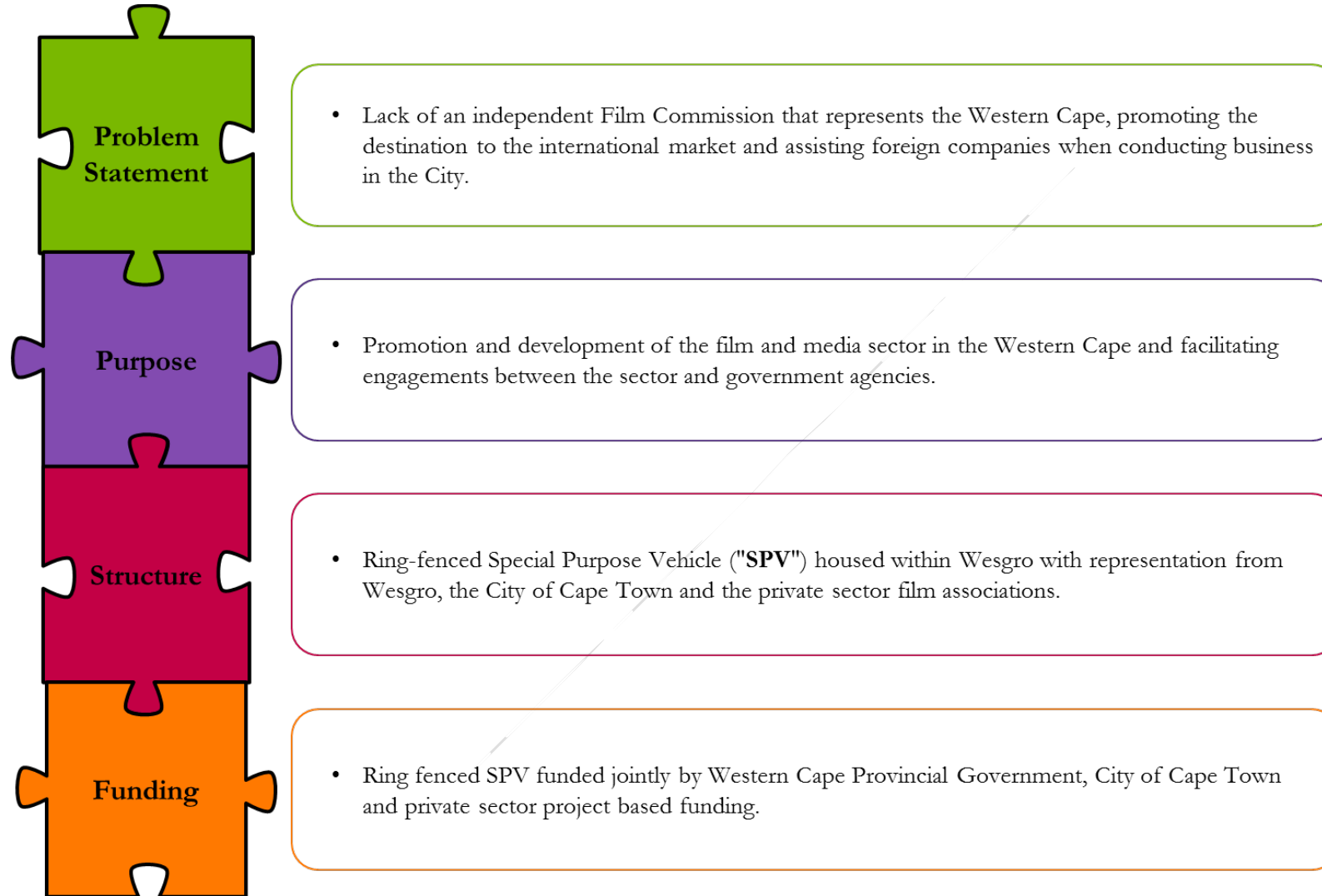
The structure of this section is to provide detail on the above identified Recommendations. For each recommendation identified previously, four areas of discussion have been highlighted (see **Figure 9.3**).

Figure 9.3: Structure of Recommendations



Following the overview of each Recommendation, more detail will then be provided to elaborate on each Recommendation.

9.2.1 Creation of Film Commission



9.2.1.1 Problem Statement

Both international and domestic industry stakeholders indicated that the lack of a dedicated Film Commission office present in Cape Town and the Western Cape Film and Media Sector has been detrimental to the growth of the industry in the region.

Orientation of Problem

The lack of a Film Commission was highlighted by stakeholders throughout the value chain¹⁴ and within all industries¹⁵ within the Film and Media Sector.

9.2.1.2 Purpose

International best practice highlights that a Film Commission is the first point of call for all foreign production companies wishing to conduct business in a certain destination. The Commission is generally a specialised public organisation with the purpose of promoting the region through the development of film and media production. The Commission should have both a marketing as well as a development mandate.

The key activities of the Film Commission should include:

- Marketing and promotion of the film and media industry in the Western Cape through, amongst others:
 - Facilitating attendance at international film festivals.
 - Provision of information on film locations.
 - Provision of information on the film process, including permits required, health and safety aspects, labour law, etc.

- Provision of information on funding mechanisms and incentives.
- Development of the film and media industry in the Western Cape through, amongst others:
 - Facilitating and implementing skills development initiatives.
 - Facilitating and implementing audience development initiatives.
 - Facilitating and implementing a film festival.
 - Facilitating the availability and maintenance of film studio space and backlots.
 - Provision of funding for specific initiatives such as bursaries, local productions, development initiatives, etc. should the Film Commission secure sufficient funding in order to distribute.

9.2.1.3 Structure

When analysing best practice on an international as well as national level it was noted that Film Commissions could be either National, Provincial (or State) and/or City based government bodies. For example, the British Film Commission is a national agency and the Ontario Film Commission and California Film Commission are provincial or state agencies. The California Film Commission co-exists with the Los Angeles Film Commission.

Taking into account what could be learnt from international best practice, the need to develop the Film and Media Sector in the wider Western Cape and given the size of the film and media industry based in Cape Town, it is recommended that the Film Commission be structured as a joint venture between the Western Cape Provincial Government and the City of Cape

¹⁴ The value chain includes pre-production, production, post-production and distribution (See Figure 2.1).

¹⁵ The industries within the Film and Media Sector include the film industry, television, commercial, Stills and animation & gaming (See Table 2.1)

Town. It is envisaged that a ring fenced Special Purpose Vehicle (“SPV”) be established within Wesgro, similar to the Cape Town Air Access Initiative.

A Board of Directors should be established, with representatives from both the private and public sector (i.e. Wesgro and the City of Cape Town). With regards to the private sector representation, ideally a member from each sphere of the Film and Media Sector should be present as to ensure an inclusive presentation of the industry as a whole but this may not be practical given the size and diversity of the film and media industry. It was noted that the previous structure of the Cape Town Film Commission was too geared towards long form production and did not provide adequate marketing and support to the other segments of the Film and Media Sector. Representatives from the various film and media associations could be incorporated as the associations represents a range of interests.

9.2.1.4 Funding

It is recommended that the Western Cape Film Commission be jointly funded through Western Cape Provincial Government and the City of Cape Town. The SPV should be incorporated with the legal structure to allow it to canvas for private sector funding as well as public sector grants to supplement the funding provided by Wesgro and the City of Cape Town.

It should also be possible to source the funding from the Western Cape Provincial Government from different government departments such as Economic Development and Tourism, Cultural Affairs and Sport, Western Cape Education Department and Provincial Treasury in order to fund different initiatives ranging from skills development to marketing and promotion.

9.2.1.5 Impact

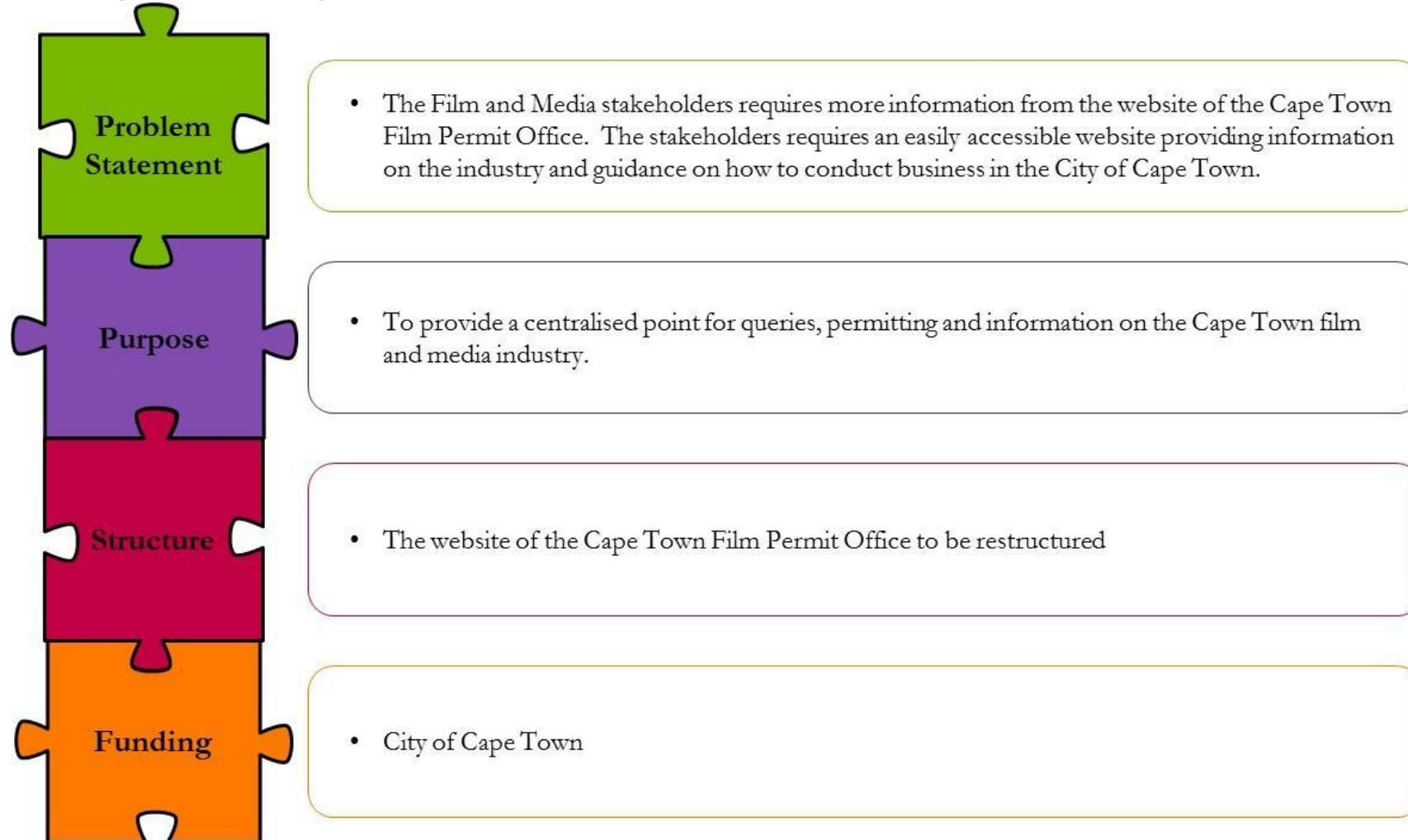
The development of a Film Commission would positively impact the entire film and media value chain given the service nature of the sector and its constant collaboration with international production companies and studios. However, the greatest impact will be experienced during the production phase as these activities occur most in the destination and require liaison with international production companies and studios.

The Commission will have the greatest impact on commercial and long form production companies operating in the destination, as this is the area within the value chain that conducts the majority of the business with foreign production companies and studios.

The creation of a Film Commission would mostly stimulate employment at an entry level as the demand for services increases in response to an expected increase in the number of foreign productions shot in the destination.

The development of the Film Commission would also have an impact on the development of new emerging entrance to the Film and Media Sector given its development mandate.

9.2.2 Expansion of the Cape Town Film Permit Office Website



9.2.2.1 Problem Statement

Cape Town Film Permit Office (“CTFPO”) is currently purely a permitting office but industry stakeholders indicated that they require an informative website to provide additional information on filming in Cape Town which is freely accessible. Currently users of the CTFPO website must firstly register with the City as an active production company in order to access the website for permitting purposes.

Information on the Film and Media Sector in Cape Town is primarily located on the Wesgro Film and Media site, however when searching for this information the Wesgro site is not prominently displayed as one of the main sources of information on the sector in Cape Town. The Wesgro website could therefore be overlooked by foreign production companies looking to obtain information on the destination prior to conducting business in the City.

The expansion of the CTFPO website would create an additional portal to provide information to the Film and Media Sector and increase the exposure and marketing of the sector.

9.2.2.2 Purpose

Although permitting is the main function of the unit, there is a need for the unit to be a portal of information on the Film and Media Sector in Cape Town and provide information on, amongst others:

- Filming in Cape Town.
- Additional services.
- Crewing agencies.
- Tourism links (Cape Town Tourism, etc.).
- News and industry updates. and

- Any development/training programmes available on a City level.

The purpose of the website is not to compete with the Film Commission website (recommended above), but to serve as an additional portal of information and access. It is envisaged that the Film Commission website and the City of Cape Town website would link seamlessly and that the City of Cape Town website would be the depository of information on Cape Town for the Film Commission website.

9.2.2.3 Structure

The current CTFPO website should be updated to contain additional information that is relevant to Film and Media Sector in the City and to seamlessly link to the Film Commission website.

There is a need for additional Search Engine Optimisation (“SEO”) and Ad campaigns to drive users to both the CTFPO website as well as the Film Commission website.

The Film Commission and City of Cape Town websites should link seamlessly and have a similar look and feel.

9.2.3.4 Funding

Updating and re-engineering of CTFPO website to be funded through the City of Cape Town. Additional SEO for the Film Commission unit to be funded through the Film Commission structure.

9.2.3.5 Impact

The updating and re-engineering of the CTFPO will result in additional information on the Film and Media Sector in Cape Town being readily

available to both local and foreign producers considering the city as a film destination which will mainly positively impact both pre-production and production activities within the value chain.

This information will be mainly of value to organisations involved in commercial productions, long form production and television production as they currently make use of the CTFPO and have noted a need for additional services and information to be provided on their website.

The re-design of an information portal for all film and media services in the City will be of use to new entrants into the sector as well as those wishing to enter the sector in future, therefore stimulating job creation at lower employment levels.

9.2.3 Increase Production Infrastructure



9.2.3.1 Problem Statement

Cape Town Film Studio (“CTFS”) remains the most frequented production studio in the region and continues to be in high demand from international productions. This high level of demand has resulted in CTFS turning away some large international productions.

Simultaneously, there is a lack of available studio infrastructure in the region that caters towards smaller productions such as local film productions, television and commercials. High profile international series tend to pre-book the majority of available studio space in the City, making it unavailable for months at a time.

In addition, there is no investment into the storage and maintenance of backlots created by international productions and then left in the destination.

9.2.3.2 Purpose

There is a need to increase production infrastructure both at the CTFS and at other locations available within the City. Despite the need to increase capacity at the CTFS the focus of this recommendation is on the creation/development of affordable production infrastructure which caters to both the emerging local Film and Media Sector and the international television and commercial industry. The expansion of the CTFS should be dictated by market forces and commercial viability.

This production infrastructure forming part of this recommendation would include:

- Studio’s created by large foreign productions.
- Backlots created by large foreign productions.

- Equipment paid for by large foreign productions which is available on a rental basis by small productions.

9.2.3.3 Structure

The City of Cape Town owns various underutilised/empty properties throughout the City. It is envisaged that properties which meet certain requirements/specifications needed for film and media shooting be tabulated with the intention of making these properties available for the Film and Media Sector. It is envisaged that these properties could be utilised by large foreign productions that create either a temporary film studio and/or a backlot. Once the foreign production ends, these facilities could be made available through the City of Cape Town to the film and media industry at either no or a very low cost.

It is envisaged that the Film Commission could act as the booking agent for these spaces and a reasonable location fee/studio fee could be charged in order to pay for the maintenance of the facilities.

This recommendation could also be applicable to underutilised/empty properties owned by the Western Cape Provincial Government. Discussion and negotiations with the Western Cape Department of Public Works will be required in order to incorporate these properties in this initiative.

9.2.3.4 Funding

The “funding” for this recommendation would consist of the “contribution” of City owned property for the utilisation by the film and media industry at no or low rental rates. The City of Cape Town would need to make the decision to forego the market related rent that could be

earned on the buildings as their contribution to the development of the film and media industry.

Additional funding may be required from the City of Cape Town to maintain these facilities if the continued utilisation facilitated by the Film Commission do not generate enough funds for maintenance. The Film Commission could also canvas for private sector funds (both foreign and domestic) in order to maintain the facilities.

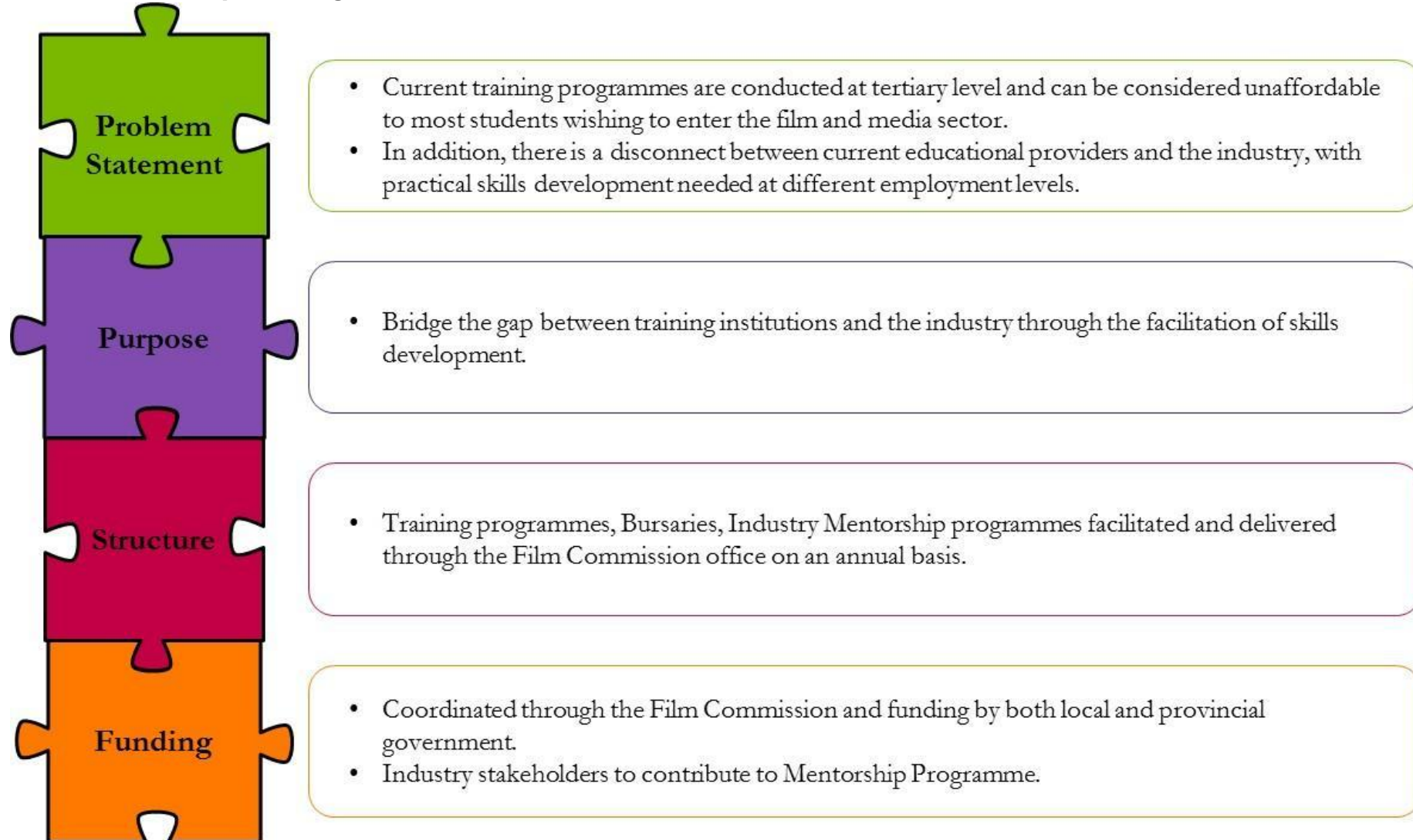
9.2.3.5 Impact

Production infrastructure and studio facilities are predominately utilised during the production phase of the film and media value chain, therefore an increase in available infrastructure and studios is likely to have the greatest impact on production related activities.

The focus of this recommendation is the development of additional production studios and storage of backlots therefore the industries that would benefit the most from the development of such infrastructure would be the commercials industry and television industry. Long form productions will benefit, however the impact will not be as great as additional infrastructure will focus on the development of smaller scale productions that are not in demand by long form productions.

Employees in top management/ownership positions are likely to benefit from these additional studios as there will be adequate affordable infrastructure for new Producers to utilise therefore increasing the number of local Producers in the sector.

9.2.4 Skills Development Programme



9.2.4.1 Problem Statement

Currently training programmes and courses relevant to the Film and Media Sector are mainly conducted at tertiary level through a select number of institutes. However, the institutes are unaffordable to many students wishing to further their education into Film and Media Sector. In addition, industry stakeholders feel that focus is placed on academic learning and there is a disconnect between these institutes and the practical environment of the industry.

9.2.4.2 Purpose

The purpose of the recommendation is to facilitate skills development and bridge the gap between the training institutions product offering and the film and media industry needs.

The focus should be to first facilitate training in the Western Cape through existing programmes before developing new training programmes (which would require additional funding).

9.2.4.3 Structure

As part of its development mandate, the Film Commission should facilitate a dialogue between the training providers and the film and media industry in order to bridge the current gap. The Film Commission should also provide information on current training initiatives and facilitate the inclusion of existing employees and new entrants in the industry originating from the Western Cape.

If funding allow, the Film Commission could develop training that could not be sourced elsewhere and/or offer bursaries to students.

Programmes to offer:

- Skills development
 - Creative Arts skills development such as script writing, content creation, storytelling, cinematography, etc.
 - Link to SEDIBA script writing programmes of the NFVF and provide portal for local screenwriters to access these programmes.
 - Business development programmes to provide Managerial skills.
- Bursary programme
 - Supporting a select number of students enrolled at tertiary institutions to study film and media.
- Mentorship programme
 - Coordinated through Film Commission but led and supported by industry.
 - Industry experts from various segments of the value chain to provide training material and curriculum for one intern per year.

9.2.4.4 Funding

Coordinated through the Film Commission and funding by both local and provincial government. Specific programmes can be created through funding sourced from the private sector. Industry stakeholders should provide input on course material and necessary programmes.

9.2.4.5 Impact

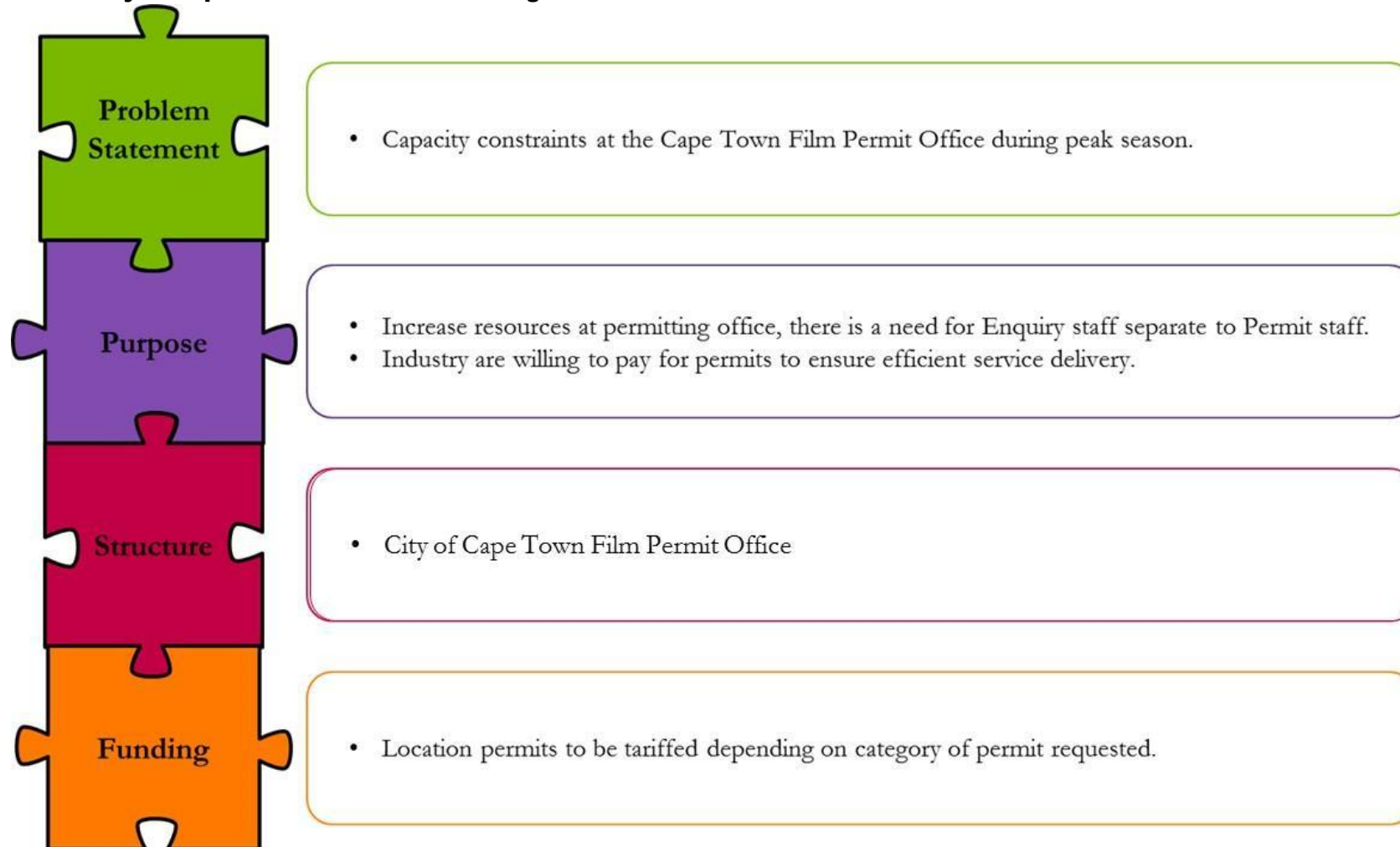
Skills development impacts on all areas of the film and media value chain as skills development is an important contributor to creating and growing a sustainable sector. However, the area to benefit the most is the production phase as the focus will be on creative skills needed to create content and productions, mainly local. It is likely that pre-production and post-

production shall benefit equally through the creation of skills development programmes.

Given the objective to stimulate the creation of local content, long form and television will receive the greatest benefit from the introduction of the aforementioned development programmes as these are the industries where creative skills such as script writing and storytelling are needed.

The focus of the skills development programme is to provide and facilitate skills development at lower levels of employment, to equip entrants into the sector with the relevant skill set to growth their careers. It is therefore envisaged that employees at lower levels shall receive the greatest benefit, however it is likely that all levels or employment will benefit from the introduction of skills development programmes.

9.2.5 City of Cape Town Location Permitting Tariff



9.2.5.1 Problem Statement

The Cape Town Film Permitting Office (“CTFPO”) is currently under resourced and sometimes unable to attend to all film and media information queries and permit related issues in the turnaround time required by the film and media industry. There are currently seven permanent staff and three temporary staff that handle all permitting and queries for the Film and Media Sector. Therefore, due to large volumes of permits and length of permitting process staff are unable to answer all queries and information requests simultaneously. Due to the uncertainty of the industry, permits are needed after working hours or companies need to contact permit staff throughout the day. Given the lack of resources, phone calls may go unanswered.

9.2.5.2 Purpose

The purpose of the recommendation is to capacitate the CTFPO to meet the need of the film and media industry for quick turnaround times in regards to permits and the provision of the permitting services during busy periods and outside normal business hours.

The office handled a similar number of locations permits (approximately 7000 permits during 2015 calendar year) as The Toronto Film, Television and Digital Media Office, however with far less resources (seven permanent staff and three temporary staff equating to 700 permits per person per annum).

9.2.5.3 Structure

Introducing a permit tariff for City of Cape Town locations will provide financial support for the unit to increase resources with the potential to implement two shifts and/or to increase working hours.

Industry stakeholders indicated that they would be willing to pay a reasonable permitting fee, if that fee was directly utilised to improve the capacity of the CTFPO.

9.2.5.4 Funding

Funding to increase the capacity of the CTFPO would be through the introduction of a reasonable permitting fee. This income should, however, be ring-fenced for the improvement of the capacity of the CTFPO. Stakeholders have indicated that they would be willing to pay for permits if the payment contributes directly to the improvement of the CTFPO capacity but would be unwilling to pay the tariff if no direct correlation could be seen with the improvement of the CTFPO capacity. The tariff must be affordable to all members of the Film and Media Sector therefore an individual pricing structure per permit category is required to cater for small and emerging productions.

9.2.5.5 Impact

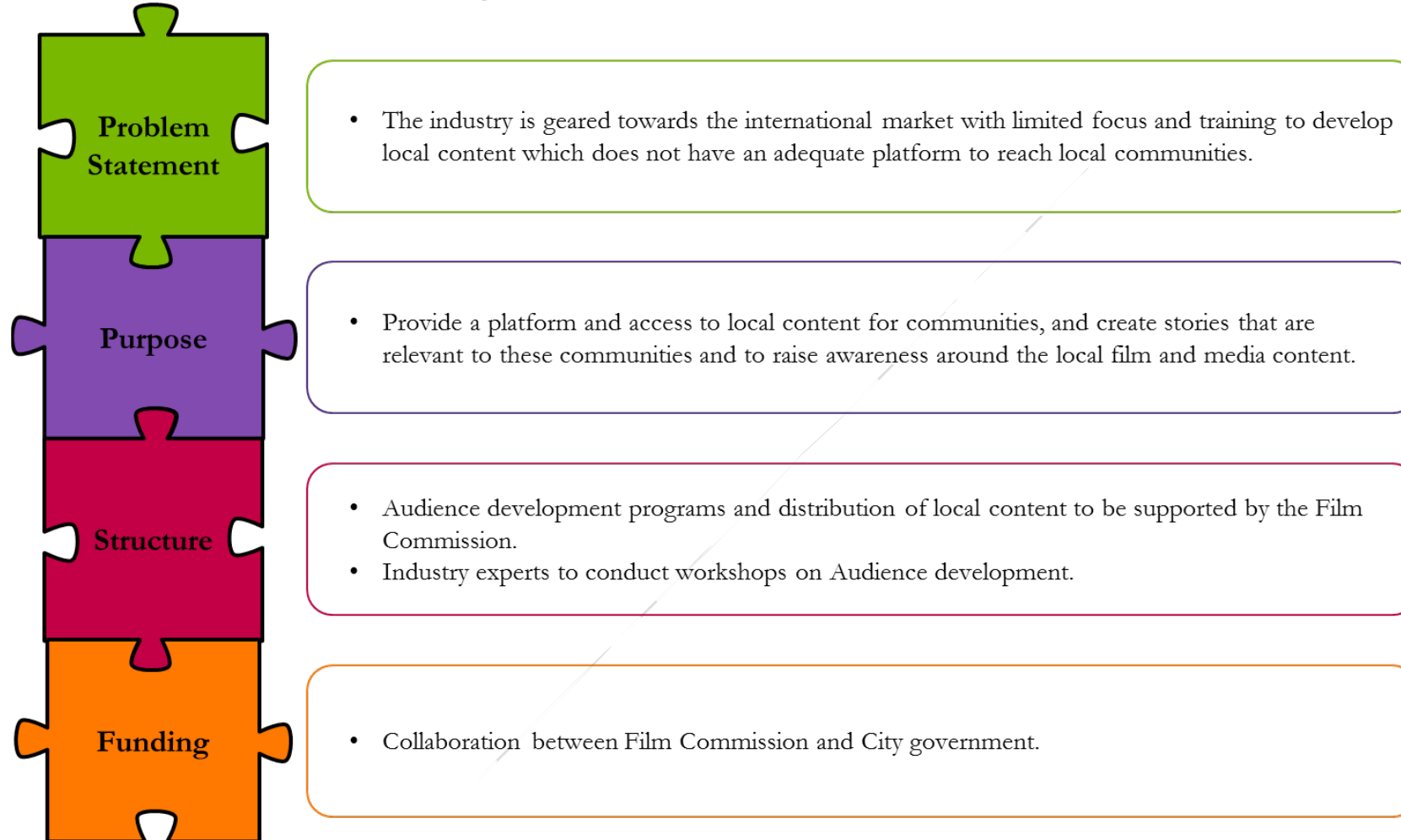
The focus of the recommendation is to increase capacity at the CTFPO therefore activities associated with the production phase of the film and value chain will benefit the greatest as location based shoot occurs in this phase.

All productions that require location permits are likely to benefit through the increase in resource allocation, however commercials and long form productions shall receive the greatest impact as these categories liaise with the CTFPO on a regular basis and require a large number of permits to be processed through the office.

An increased number of permit staff can lead to an increased number of permits issued which results in an increase in the number of location shoots

and productions shot in the City. An increase in productions is likely to stimulate job creation mostly at lower levels as the demand for servicing companies and additional film and media services increases.

9.2.6 Audience and Distribution Development



9.2.6.1 Problem Statement

Due to the servicing nature of the industry, the development of local content has not been prioritised and audiences in South Africa do not have access to local stories.

The majority of the South African population do not have easy access to cinemas. In addition, there is a lack of local content that the majority of South Africa's population relate to, being distributed through cinemas, leading to low audience attendance at cinemas for local productions.

9.2.6.2 Purpose

Audience and distribution development are critical to the stimulation of local content and provide a platform for local screenwriters to showcase their work. They also provide avenues for local communities to access this content.

9.2.6.3 Structure

The development programmes should be run through the Film Commission. Foreign industry experts may be called upon to provide assistance on an ad hoc basis through specialised workshops.

Initiatives to introduce include:

- Local content development programme
 - Practical solutions for local filmmakers challenged by the complexity of finding an audience for their film, be it an international or local audience.
 - Aimed at local filmmakers that require guidance on the best ways to distribute, sell and promote their film or documentary.
- Audience and Distribution development programme.
 - Community screenings and debates on a quarterly basis

- Screening of local short films or documentaries in local communities.
- Creating a platform for local filmmakers to showcase their work to the local market.
- Stimulate discussion around issues that are relevant to the local community.
- Stimulates a culture of creative arts within the local communities and promotes film and media as a potential employment sector.

9.2.6.4 Funding

Funded through the Film Commission as part of its development mandate. Sponsorships of specific events or initiatives could be obtained from the private sector.

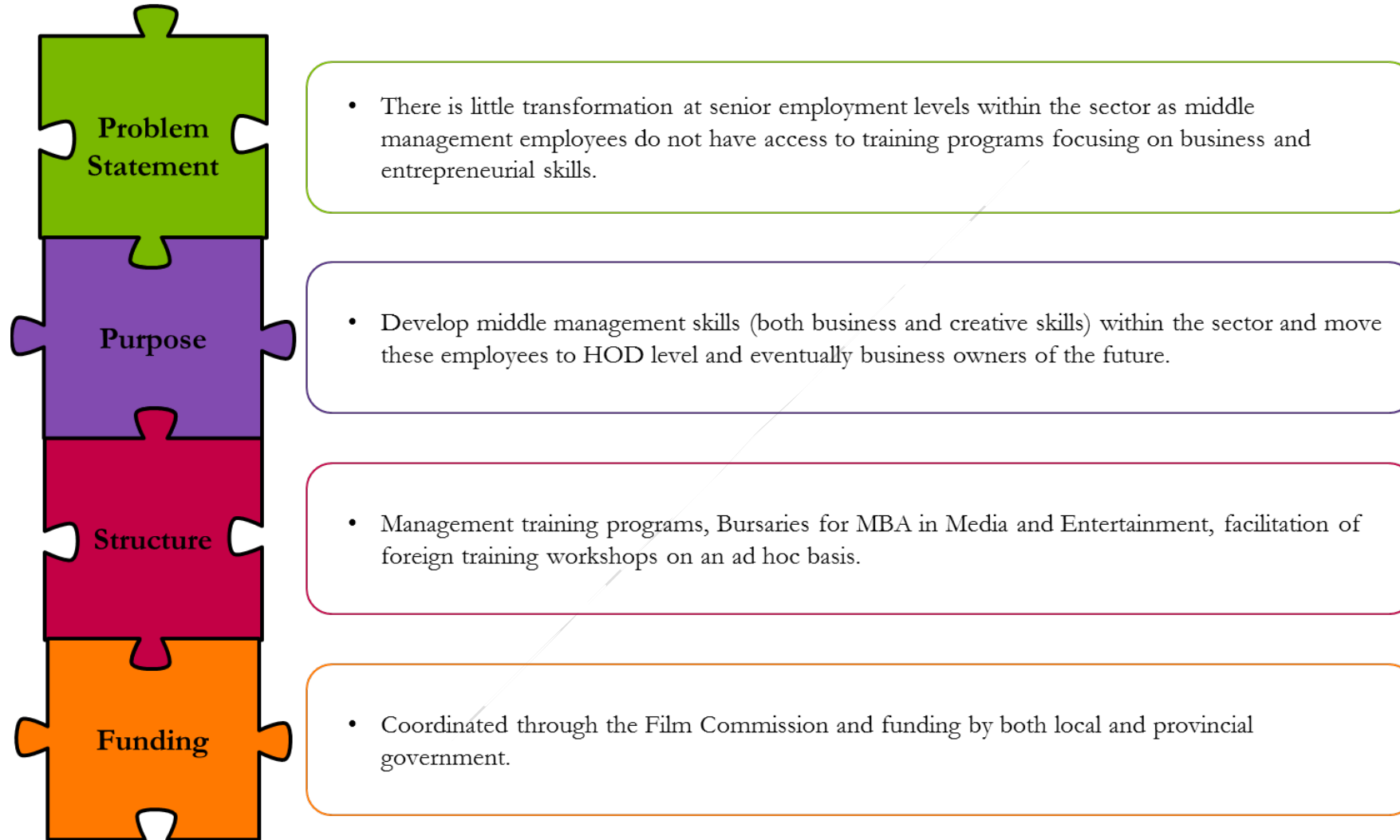
9.2.6.4 Impact

The greatest impact will be experienced in the distribution phase of the film and media value change as the focus of this recommendation is stimulating local content and providing a platform for local communities to access this content which is geared towards the distribution of local content.

The creation of local content is focused predominately around the creation of content for television and film production (both long and short form). It is envisaged that short films and documentaries will be the initial focus of this recommendation, as development in these areas stimulates development and growth within the television and long form industries.

It is likely that all forms of employment shall benefit equally through audience and distribution development.

9.2.7 Centre of Excellence



9.2.7.1 Problem Statement

Transformation at HOD and Senior Management/Ownership level continues to be challenging with a large portion of employees not reaching these levels due to lack of managerial skills and business knowledge. Currently, training programmes offering such skills do not adequately meet the needs of the Creative industry and therefore are not geared towards employees within the Film and Media Sector.

The lack of transformation and business skills is prevalent throughout the sector with production servicing companies noting a distinct lack of such skills at an HOD and ownership level.

9.2.7.2 Purpose

Stimulate development within middle management employees and encourage transformation at higher employment levels within the sector through the facilitation of development programmes geared towards creation of HODs that will translate into future business owners.

The focus should be to first facilitate training in the Western Cape through existing programmes (nationally and internationally) before developing new training programmes (which would require additional funding).

9.2.7.3 Structure

As part of its development mandate, the Film Commission should facilitate dialogue between business and managerial training providers and the Film and Media Sector. The Film Commission should also provide information on current training initiatives and facilitate the inclusion of existing employees in the sector originating from the Western Cape.

Bursaries can be offered to select staff to attend international training programmes, such as an MBA in Media and Entertainment, and other international workshops hosted by industry experts.

Areas of focus should be around:

- Strategy and Management in the Film and Media Sector.
- Accounting and Finance.
- Marketing and Distribution.
- International Film and Media Sector – Structure, Pitfalls, Ways of Doing Business, etc.. and
- Legal and Film Business Contracts.

In addition, workshop can be run with international industry experts shooting on location in the region with the potential to introduce exchange programmes with select international studios or production companies.

9.2.7.4 Funding

Funded through the Film Commission as part of its development mandate.

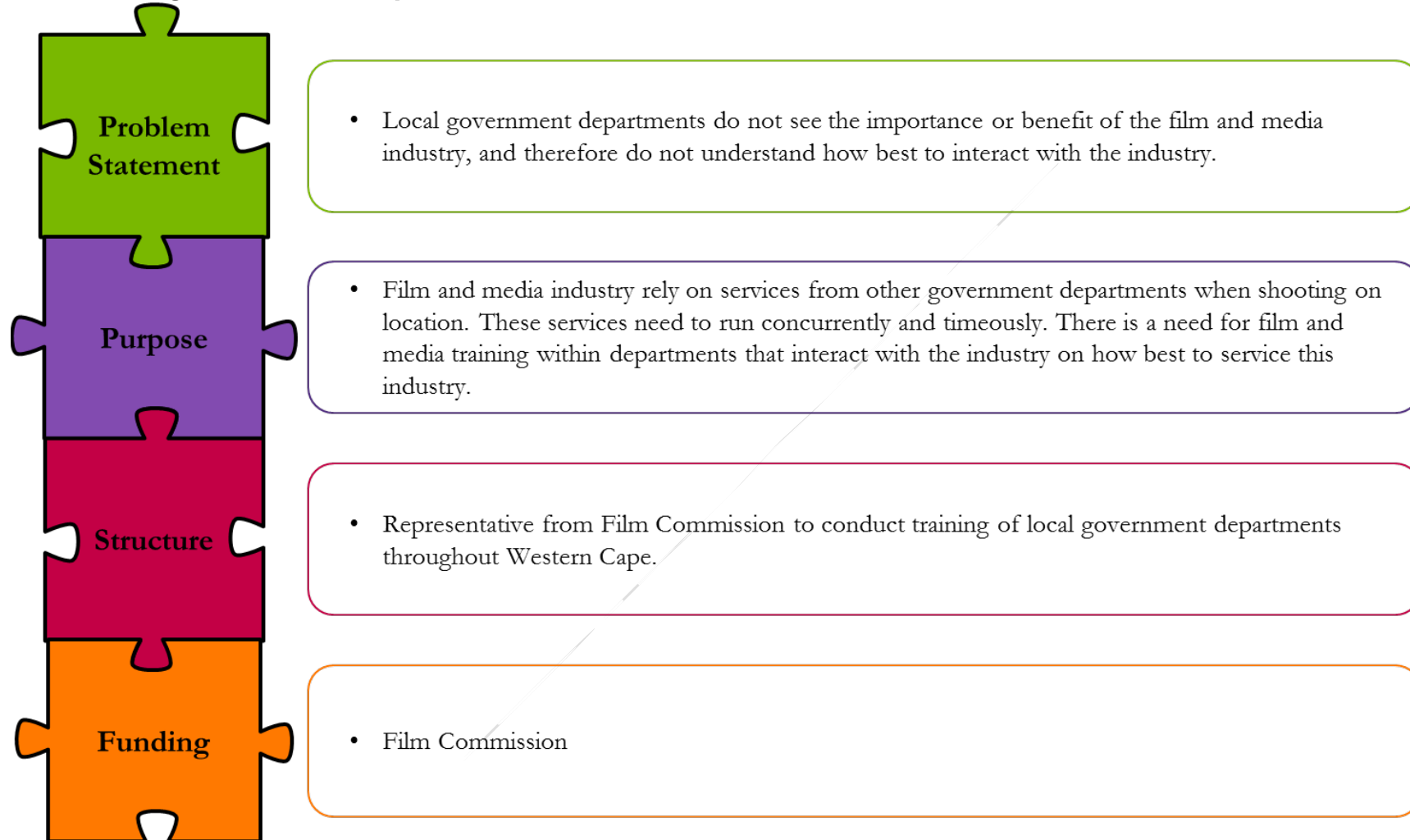
9.2.7.5 Impact

Activities and services incorporated within the production phase of the film and media value chain are expected to receive the greatest impact through the creation of a Centre of Excellence as the focus is on honing the skills sets required to transform HODs and encourage entrepreneurial behaviour within the sector.

All industries within the Film and Media Sector are likely to benefit from a Centre of Excellence.

This recommendation would have the biggest impact on the transformation of the middle and top management.

9.2.8 Training of Government Departments



9.2.8.1 Problem Statement

Local government departments both in the City of Cape Town and other regions within the Western Cape do not understand the importance and specific needs of the Film and Media Sector. These departments provide support services such as traffic management to the sector but have not received adequate awareness training on best practice when interacting with the Film and Media Sector which leads to inconsistency in the provision of these services.

9.2.8.2 Purpose

Providing local government departments with adequate training and understanding of the needs of the Film and Media Sector will improve efficiency and consistency in delivering these services to the industry.

9.2.8.3 Structure

Identify local municipalities and their relevant departments within the Western Cape that interact with the Film and Media Sector and conduct awareness training with local departments such as their Traffic Department, Emergency Services, Police Department and their Local Economic Development departments.

Training should provide an introduction into the Film and Media Sector, the key services the industry requires from municipalities, how best to work with the industry, and the benefit the industry can have on the local economy.

9.2.8.4 Funding

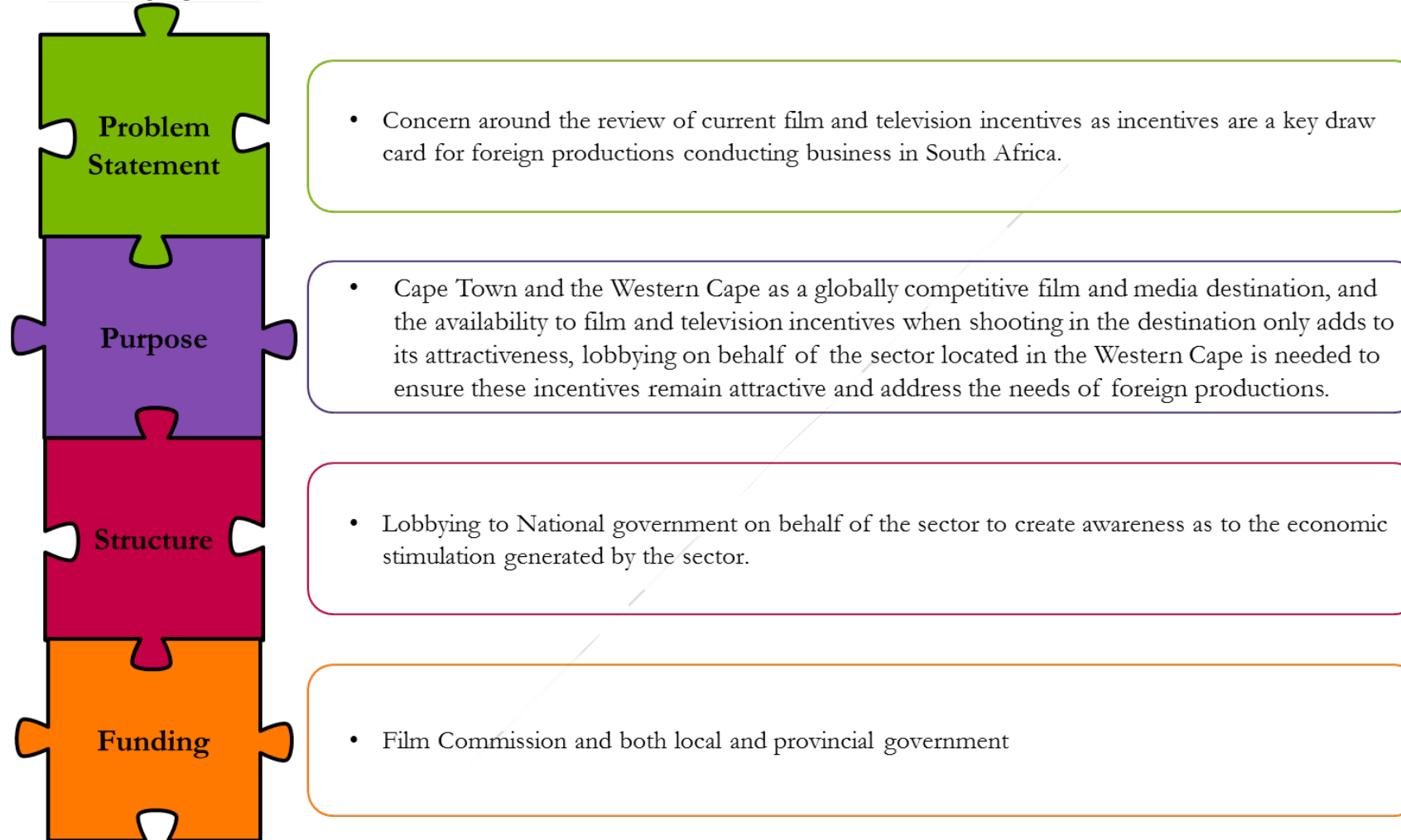
Funded through the Film Commission as part of its development mandate.

9.2.8.5 Impact

Government training and awareness around film and media is likely to create a more efficient environment for all production related activities as these activities rely on the cooperation from numerous government departments when shooting on location in a destination.

Government departments interact with the film and media industry predominately when issuing permits and providing additional services to location shoot, therefore the commercial and long form productions shall benefit the most through such training as it will lead to more effective and timeous interactions with departments.

9.2.9 Lobbying for dti Film and Media Incentives



9.2.9.1 Problem Statement

The current film and television incentives offered through the dti are under review and industry stakeholders have expressed concern as to the continuation of these incentives and their attractiveness when compared to other international film and television incentives.

9.2.9.2 Purpose

Incentives are a key component to film budgets and are vital to the financial safety of a production. Film and television incentives are a method by which governments attract production to their country, thereby boosting the local economy. In order to remain an attractive film destination, South African film and television incentives need to be seen as globally competitive and consistent.

Foreign production companies have stated that Cape Town and the Western Cape are a globally competitive film and media destination, and the availability to film and television incentives when shooting in the destination only adds to its attractiveness. Therefore it is imperative that the current film and television incentives offered through the dti remain competitive and continue to be a draw card for foreign productions.

9.2.9.3 Structure

Given that the Western Cape and Cape Town are seen as the major hub for foreign production activity, the Film Commission, and Provincial and City government are in a position to lobby extensively for the continuation of film and television incentives in South Africa. Industry has verbalised their concerns and several stakeholders have suggested recommendations to restructure the incentives, which government departments can take forward to dti and other national bodies for discussion.

The specific recommendations highlighted through the research were:

- Certainty and clarity of the application criteria and requirements as stakeholders indicated discrepancies with approval criteria based on individual interpretation from dti staff members.
- Incentive can have a tiered structure linked to compliance with transformation and skills development goals stipulated by the dti. Depending on acceptance by dti, incentive to be increased by 5% with requirements for applicants to comply with a certain level of transformation and skills development as part of their project in order to receive full incentive (i.e. of 30% of QSAPE). Where applicants do not comply, the additional 5% will then form part of a dti lead Transformation and Skill Development fund for the Film and Media Sector.
- Tailoring the incentive to the specific industry. For example recognising that animation companies have different requirements than facilitation or servicing companies in regards to equipment and software to be purchased and employee contracting. International incentives provided to the creative industry in the UK are individually structured according to the type of industry serviced by the incentive.

9.2.9.4 Funding

Lobbying activities by the Film Commission and Provincial and City government of dti to be funded through their own respective budgets.

9.2.9.5 Impact

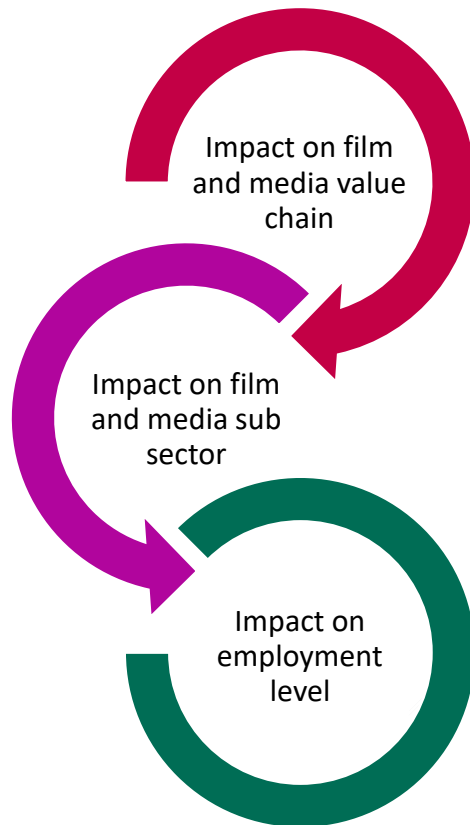
Given the service nature of the industry present in Cape Town and the Western Cape, film and television incentives play a major role in the production phase as production service companies liaise with international production companies and studios to encourage foreign productions within the destination. Pre-production activities can also benefit from increased lobbying and awareness around film and television incentives as the decision to shoot in a specific destination occurs during this phase.

Long form and television productions shall experience the greatest benefit of these incentives as currently these are the main industries utilising dti incentives when conducting business with foreign productions companies.

The continuation of film and incentives in South Africa is likely to stimulate the growth of the sector as interest in the destination continues. There is likely to be an increase in foreign productions shot on location which require the use of local service companies which can stimulate employment. In addition, a healthy and thriving foreign production industry can pave the way for growth within the local Film and Media Sector through the transfer of skills, which in turn stimulates job creation on a local level.

9.3 Rating of Recommendations

Once the Recommendations were identified and explained, they were ranked on a matrix to determine where within the Film and Media value chain each Recommendation would have the greatest impact. The matrix includes the following:



Each recommendation was then ranked on a scale of 1 to 3:

- 1 indicates little to no impact.
- 2 indicates required impact. and
- 3 indicates higher than required impact

The recommendations were then scored according to the overall ranking and ordered in level of importance.

Figure 9.4 provides the impact matrix that was utilised to determine that ranking of the recommendations, which can be found in **Figure 9.5**.

The recommendations that would have the greatest impact if addressed are:

- ✓ Development of a Western Cape Film Commission.
- ✓ Re-engineering/branding of the Cape Town Film Office.
- ✓ Skills development programmes. and
- ✓ Lobbying for dti film and television incentives.

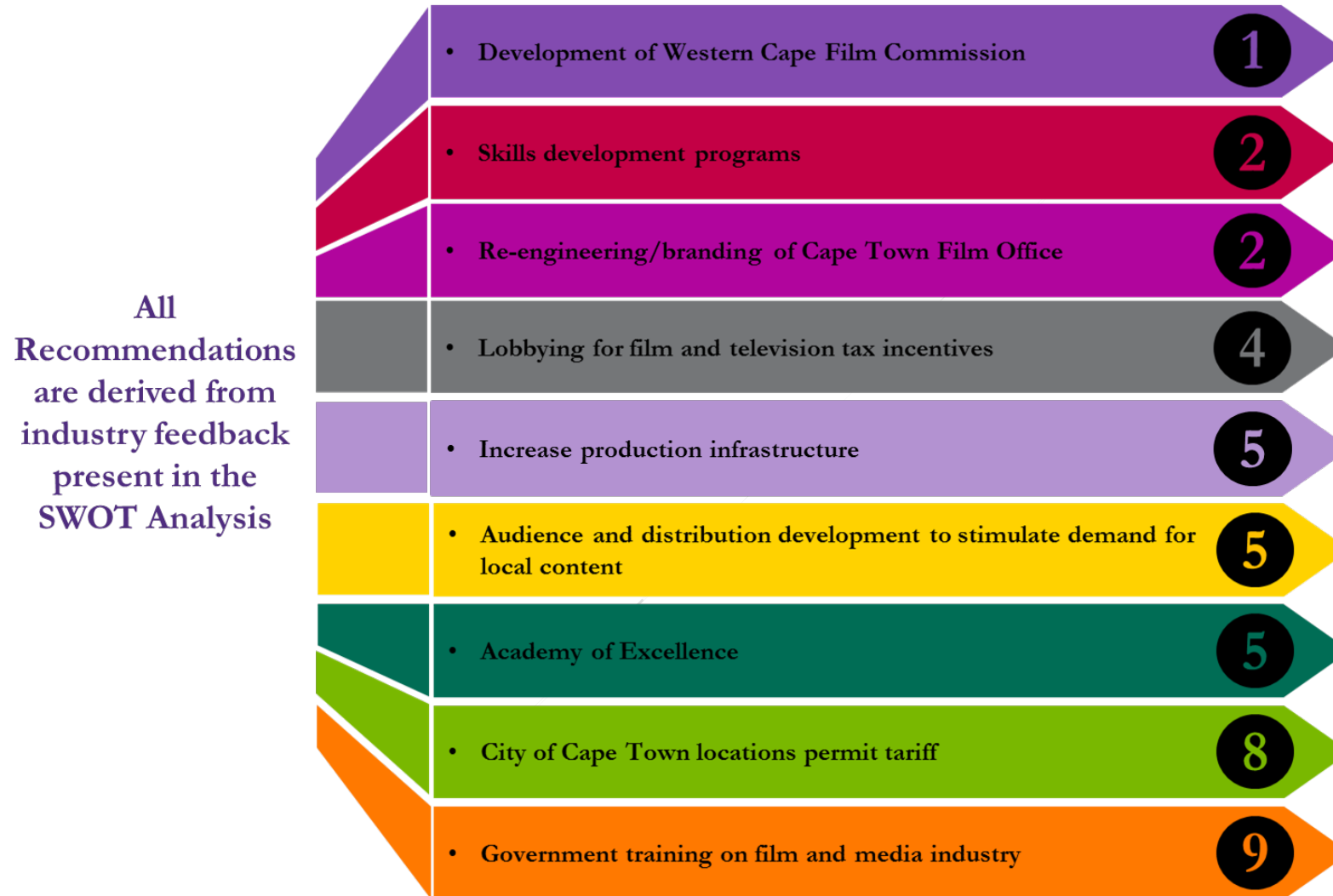
With regards to the value chain, categories within the industry and the different employment levels, the recommendations would have the greatest impact on:

- ✓ Production phase.
- ✓ Long form production. and
- ✓ Entry level employment (where employment creation is most needed).

Figure 9.4: Impact Matrix

	RECOMMENDATIONS										RANKING		
		Development of Western Cape Film Commission	Re-engineering / branding of Cape Town Film Office	Increased production infrastructure	Skills development programs	Public locations permit tariff	Audience and distribution development	Academy of Excellence	Government training on film and media industry	Lobbying for film and television tax incentives	Total score (max 24)	% Score	Rank
FILM & MEDIA VALUE CHAIN	Pre-production	2	2	1	2	1	1	2	1	2	14	52%	2
	Production	3	3	3	3	3	2	3	3	3	26	96%	1
	Post-production	2	1	1	2	1	1	2	1	1	12	44%	3
	Distribution	2	1	1	1	1	3	1	1	1	12	44%	3
FILM & MEDIA CATEGORIES	Commercial production	3	3	3	2	3	1	2	3	2	22	81%	2
	Stills production	1	2	1	1	2	1	1	2	1	12	44%	5
	Long-form production	3	3	2	3	3	3	2	3	3	25	93%	1
	Television production	2	3	3	3	1	3	2	2	3	22	81%	2
	New Media	2	1	1	1	1	2	2	1	2	13	48%	4
EMPLOYMENT LEVEL	Top Management	1	1	3	2	1	2	3	1	1	15	56%	3
	Middle Management	2	2	2	2	2	2	2	1	2	17	63%	2
	Entry Level	3	3	2	3	3	2	1	1	3	21	78%	1
RANKING	Total Score (max 36)	26	25	23	22	22	23	23	20	24			
	% Score	72%	69%	64%	69%	61%	64%	64%	56%	67%			
	Ranks	1	2	5	2	8	5	5	9	4			

Figure 9.5: Ranking of Recommendations



This body of research has been produced by an external service provider for the City of Cape Town in order to inform the administration in its strategic planning and operational matters and does not constitute the official position of the City.

This research was undertaken by GRANT THORNTON SA.

The contents of the research and the associated recommendations are intended as informants to decisions to be made by the City of Cape Town, subject to internal processes and approvals, and are in no way binding.

Research findings and recommendations may be assessed by the City of Cape Town to determine if they are:

- Reliable
- Consistent with the strategic objectives of the organisation
- Suitable for administrative action on a local level
- Relevant and appropriate
- Feasible (affordable within resource constraints)
- Compliant with relevant legislation, regulation and procedure

This assessment informs the manner in which the findings and recommendations of research outputs produced by external service providers are taken forward or implemented by the organisation.

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