Potential for Rapid Development of the Screen Sectors in South Africa

Experience globally, including in many developing countries, demonstrates clearly that the wider creative industries deliver on the key objectives of significant foreign direct investment (FDI) and the creation of diverse employment by establishing and improving economies, creating sustainable jobs and exposing local stories, culture, talent and geography to wider audiences. This occurs in particular when there is tight and well managed synergy and partnership between local creators, foreign and local investors and Government.

In most cases, it is the screen sectors (film, television, games, advertising, online video, broadcasting etc.) that contribute the major share – but other sectors including music, publishing and the closely associated digital and technology sectors are also extremely important.

South Africa has an important and immediate opportunity for greater participation in this valuable economy.

The Screen Sector Opportunity

Since 2015, there has been an unprecedented level of growth in the film and TV production sector. The entry of new players to the content production market – including Amazon, Netflix², YouTube (i.e. Google) and Apple² – has driven a rapid expansion of expenditures, with major producers expected to have spent more than US$81 billion (ZAR 1,230 billion) in the US and internationally in 2019, a figure which is set to expand in future years.³ This growth is greater than the capacity of existing more established markets and locations to capture and satisfy it, offering an unmatched opportunity for existing or new jurisdictions (e.g. South Africa) to capture international production spending, and the economic and jobs benefits which accompany it.

Production spend is expected to reach $100 billion (ZAR 1,519 billion) by 2021, with this rapid pace of expansion continuing over the next five years. If this happens as projected, global production spending of $135 billion (ZAR 2,050 billion) or greater are feasible by 2024.⁴

It is not just the film and TV sub-sectors that contribute to the rapid growth trends. VFX and animation – which fall within the film and TV statistics – make up an appreciable and growing component of the screen industries, with one estimate placing the total value of those sub-sectors at US$158 billion (ZAR 2,400 billion) in 2018⁵. If those numbers grow at current levels for the wider production industry, global production spends of up to US$300 billion (ZAR 4,520 billion) for animation and VFX are possible in the next five years.

Underlying and driving their significant economic impact, there are some major factors that make the screen sectors unique both among other creative industry sectors and also when compared to other key industries (e.g. manufacturing, energy etc.). These factors are critical in presenting the opportunity that is presented for South Africa – and therefore it seems important to devote some space here to an overview of the key ones.

A. Firstly, the variety of jobs offered via direct and indirect opportunities is unparalleled elsewhere. Screen sector productions often hire hundreds (even, for larger ones initiated by international producers, often

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² https://www.thewrap.com/apples-original-content-budget-balloons-to-6-billion-report/
³ Industry Study (2019)
⁴ Gray Global Advisors analysis, October 2019.
⁵ https://www.researchandmarkets.com/reports/4228188/global-animation-vfx-and-games-industry; including US domestic spend, which the US$81 billion figure does not
thousands) of people – all of whom get paid for each day that they work, regardless of the ultimate success of the work that is actually produced and distributed. In more detail:

- In addition to the performers and artists who are involved (including the often hundreds or thousands of on-screen extras), productions require – in direct roles - people from the entire spectrum of business, commerce and manufacturing. The long list of names and positions in the credits scrolling at the end of a film screening includes, for example, carpenters, construction workers and scaffolding specialists, commercial and production accountants, hair and make-up experts, artisans who can make shoes and costumes, makers of prosthetics and masks, on set drivers, project managers, musicians and sound equipment operators, clerical workers, plumbers etc. etc.

- Many jobs do not (initially) require prior training or formal qualifications. Instead they require people who are energetic and willing to work hard, they offer training “on the job” and the business thrives on bringing in young people who develop over years into experts in their respective fields of work within a production. It is important to note also that, where jobs are “transferrable” from outside the screen sectors, people who do have prior training or experience will find that their skillsets are enhanced – facilitating their ability to move “in and out” as convenient or necessary for them.

- Furthermore, amongst the many opportunities for work presented, many of the skillsets needed for a major internationally-funded screen or TV series or film production are exactly the same as those needed to make a smaller film or a series of 5 minute videos for distribution online, a video game, a screen advertisement – or even an animated and interactive manual for an appliance such as a refrigerator. So, even though each screen production is a discrete project, in places where there is already a robust screen industry it is significant that individual contributors move frequently between local and international productions – and increasingly to and from other areas of the sector - to the point that, in many jurisdictions, they are employed on a much more than “full time” basis across each year.

B. The nature of the direct supply chain – and the accompanying “spillover” effect that supports and surrounds screen sector projects is quite unique:

- Around each production is a complex supply chain – which, in itself, presents a wide variety of opportunities for (especially) SMEs and individual contributors. This is not just important for supplying specialist equipment such as cameras – but also for a raft of other things including catering services, food supplies, construction equipment, earth-moving equipment and services, transportation, security and facilities services as well as for location-specific items such as textiles, furniture, traditional items borrowed or created for general props etc.

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6 This would seem to be a key advantage in South Africa in helping to address the levels of youth unemployment that are so troubling – and it presents an opportunity to accelerate immediately the transformation processes via recruitment of local people who live close to existing and/or new studio and location facilities.

7 For example an experienced carpenter who is used to building houses can, with specialized “on set” training, quickly become competent in building structures that will be “blown up” or used for a temporary set – and so find work even when there are no available residential construction projects. Similarly someone with some accounting background can quickly be trained in production accounting (which is a specialist area and is currently, in fact, a shortage category internationally).

8 A March 2019 US article notes that, in the US “……of the 93,000 businesses that make up the industry, the vast majority (87%) are small businesses (fewer than 10 people)”.

9 Items sourced for Black Panther movie
Individual production projects often involve major construction with all that entails—and that is even more the case when a new studio complex is developed\(^{10}\), especially when it includes significant components such as a backlot or (as in Cape Town) major water tanks.

Beyond each individual production itself and its direct supply chain sits a wide spectrum of potential “spillover” impact to local communities and economies. People employed on productions will have money to spend with local vendors and on local services—and they are more likely to begin to travel and to seek other project opportunities that were not so accessible to them before they began that work. Then, beyond that closer impact, there is in time wider impact in tourism and hospitality (several examples are included below)—and, as new studios are deployed, they can lead to the need for additional housing, roads, commerce and school infrastructure e.g. for the people who move to take up what they are confident will be sustainable opportunities within the sector.

Finally it must be noted that some individual productions will result in much greater impact to national and local economies—through increases in jobs and activity around tourism and hospitality. Of course, this cannot always be ordained—but, when it happens, it is obviously a good thing\(^{11}\)—and some additional examples are included below. Beyond that, larger theme parks have become an important component of major studios’ portfolios—and they are often located in or close to places where there is already a compelling reason for people to visit (Paris, Los Angeles, Florida, Tokyo etc.). South Africa would seem to be just such a place.

The synergy between local and international producers is also a critical factor. International producers don’t just look for great crews and locations, they look also for artisans, writers and musicians and (increasingly) for local stories, music and producers—and they offer, in return, the experience, mentoring and tutoring skills of people who have worked internationally alongside the proven physical and supply chain foundation to support local as well as international productions.

When the international industry is present, there is of course natural development of community among people working in or around projects—and:

- In addition to the greater availability of already qualified crews and line leads, local producers find it easier to hire and use equipment (often made available at advantageous rates in the “down time” around or via preferential contracts associated with larger productions)—and they find opportunities to collaborate with and learn from people who come from other parts of the country or the world—and so not just to produce great work but to have greater opportunity for it to be distributed outside the local market.

- Opportunities are created also for local service producers and their companies (as opposed to creative producers) who have been struggling to gain experience on larger productions. In the

\(^{10}\) Currently South Africa’s only major studio is in Cape Town. Assuming the desired rapid development of the sectors, it will be important to build another one—but the location and design needs careful planning including, in order to maximise the impact of the investment, a well designed financing and return-focused model for development and utilization. Note that GGA is aware of—and ready to discuss and assess—a number of potentially interesting infrastructure initiatives in various parts of South Africa. However again a careful business plan is key to determining and delivering successfully and safely the best option/s.

\(^{11}\) 2017 article about Harry Potter Tour, Leavesden
current environment, large project opportunities are few and far between for and/or because no international studio is going to contract a small, to that point unknown, service company for e.g. a US$20 million or US$50 million project when the principals cannot come with proof that they have, for example, worked on something larger than a US $1 - 5million project. When the screen sectors are thriving with the support of international projects, opportunities are created organically for local producers to, for example, gain needed experience by heading up an individual production line - or by taking a portion of a large project, sharing the risk and receiving mentoring from a lead service production company. These types of programmes can be encouraged by the structuring of production incentives12 to include “carrot” clauses intended to increase or to formalise such collaboration and/or to drive geographic diversification.

- There is greater potential for transformation – both organically, simply because of the numbers of local people who are needed for projects and also when more formal mechanisms are put in place to encourage it (including a specific proposal by members of the Motion Picture Association which is summarised in Footnote 12 below)12.

**Outlining the Opportunity for South Africa**

**Capturing just a small part of global growth in production would transform the screen industry in South Africa.**

Given the growth trends, were just 0.3% of the additional global spend on film, TV, animation, VFX, games and advertising to be spent in the country, it would increase over time - reaching some ZAR 18 billion in 2024, 2.7x the total spend across these sectors in the most recent years for which data are available. If that share was 0.5%, by 2024 the annual FDI number for South Africa would be almost ZAR 30 billion – 4.5x current spend levels13.

Over the last several years, many international and local producers have enjoyed sending productions to be made in South Africa. So, clearly given the numbers summarised above, there is great potential for that activity to increase significantly immediately and over the next few years – taking advantage of existing and potential new studio infrastructure, the high quality of South Africa’s production skills base, the creative and artistic talent and the amazing geography - and, in turn, creating thousands of new jobs and contributing major increases in FDI to national, provincial and local economies. Experience in many other territories has proved that this potential can best be

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12 As in Alberta, Canada, which incents the use of local service production companies and first nation crew members. Also as members of the Motion Picture Association proposed for South Africa – with the studios committing that their commissioned projects would require formal relationships between truly black-owned and less experienced service producers and the more experienced companies who have delivered almost all of the international projects to date, with the objective of developing a strong slate of local service producers to take on future international projects. The proposal included also provisions to accelerate the transformation of crews and suppliers – including ensuring transformation in crew lead, management and executive roles as well as in “entry level” positions.

13 Gray Global Advisors’ analysis – December 2019 – and of course, higher volume would yield even more significant results.
delivered safely and effectively where there is strong partnership between industry, investors and Government and when there is recognition of the key regulatory, financial and cultural factors that drive the screen sectors\textsuperscript{14,15}.

Accordingly, a primary objective of this document is to propose discussions aimed at establishing such a partnership in South Africa - with the goal of initiating significant projects immediately to “jump start” development of the industry and to lay a visible, vibrant base for a well-managed and monitored screen industry programme to evolve over the next several years.

**South Africa Is Poised for this Valuable Opportunity – and Industry is Excited to Join the Discussion**

Experience globally demonstrates that key deliverables – across South Africa - would be major increases in FDI via production expenditure into services and supply chains, physical and digital infrastructure, transformation and internationally consistent workforce development programmes; many thousands of new and sustainable jobs; a strong foundation of equipment, services; crews and distribution options for local producers - and a significant boost to “brand South Africa” in tourism and hospitality. All of the ingredients are there already in South Africa – and can be assembled easily via partnership with industry in a manner that is informed by best practice.

For example:

- **Case Study 1 – US State of New Mexico:** In June 2019, the office of the Governor of New Mexico\textsuperscript{16} announced a major commitment made by NBCUniversal (a Motion Picture Association member company) “to redevelop an empty free-span warehouse in Albuquerque into a state-of-the-art television and film studio with two sound stages, offices and a mill” – and that “Over the next ten years, NBCUniversal will produce television and film projects at the Albuquerque facility, with the aim of reaching $500 million in direct production spending.”... with “more than 330 full-time jobs year-round\textsuperscript{17} at its New Mexico hub, generating an economic impact of $1.1 billion over 10 years. The total number of jobs, direct and indirect, should exceed 800, according to an economic analysis by the state.”

- **Case Study 2 – United Kingdom:** A 2018 British Film Institute (BFI) Report (which considers both production activity and the impact of Government-mandated production incentives) indicates that, in 2016, UK£632 million (US$826 million) in tax relief generated some UK£3.16 billion (US$4.13 billion) in direct production spend across the screen industries, including film, high-end TV, video games, TV, animation and children’s TV programmes, up 17 percent from 2015 – with the lion’s share of that generated by spend on film and high end TV production. The data reveal also that production activity across the same sectors generated 48,330 direct and indirect new full time jobs (where indirect jobs are e.g. in the hospitality and tourism sectors that surround the production sector itself) – and that those jobs were created within and support both the local UK film and

\textsuperscript{14} The proven “Recipe for Success” depends on having solid foundation from which to build – including: (i) Robust financial and regulatory frameworks that are internationally consistent and supportive (to local and international artists, creators and innovators and the business of the wider industry) – including production and tax incentives that encourage both international and local projects, robust copyright and intellectual property legislation that is compliant with international treaties and best practice; also a pragmatic approach for negotiation and agreement on remuneration models and other terms – while maintaining firm principles around contractual freedom and other business models,(ii) Strong local industry – telling its own stories; making its traditional and innovated works with joy and confidence and delivering a high quality skilled workforce to serve the needs of international customers as well as those of local producers;(iii) Government that engages, understands the vision and potential and is prepared to partner with industry to deliver it.

\textsuperscript{15} Also other sectors in which Intellectual Property (IP) is foundational to creativity and distribution

\textsuperscript{16} NBCUniversal commitment in US State of New Mexico

\textsuperscript{17} Not including jobs associated with the construction project
TV sector as well as the international productions. That is not trivial – and we know already that the 2017 numbers will be even more impressive\(^{18}\).

Other BFI data released on January 30th\(^{20}\) - and related specifically to production spend - states that total spend on film and high-end TV production in the UK for 2019 was more than £3.616 million, a 16% increase from the £3.122 million spend in 2018 and the highest UK production spend figure ever reported. 71 films were inward investment projects (12 more than in 2018) with a total spend of £1,742 million and accounting for 89% of the total film production spend – and there were 74 inward investment and high-end TV co-productions in 2019 with a total spend of £1,294 million, representing 78% of the total high-end spend and 51% higher than in 2018.

- **Case Study 3 – Barcelona, Spain\(^{20}\):** “A 2011 Bollywood film Zindagi Na Milegi Dobara, had a marked effect on Indian tourism to Spain. One month after the film’s release, visa applications to Spain reportedly doubled, with 65% growth in Indian tourism to Spain in the year of release – from 75,000 visitors in 2010 to more than 115,000 in 2011. This effect is underlined by individual Barcelona locations.”

- **Case Study 4 - Australia:** According to a recent report\(^{21}\), “In Australia, the cultural and audience value of the Screen production industry has been estimated at over $12 billion (A$18 billion), with an annual contribution to gross domestic product (GDP) estimated at $2 billion (A$3 billion) as well as over 25,000 in full time equivalent jobs (FTEs).\(^{22}\) Studies in 2018 examined the economic activity of film and TV Offset-supported production in Australia and estimate the screen industry contributes more than $2 billion (A$6.4 billion) to the Australian economy, supporting more than 94,000 FTEs.\(^{23}\)”

Similar stories may be told about smaller countries (e.g. Croatia\(^{24}\), Iceland\(^{25}\), Morocco\(^{26}\), Ireland\(^{27}\)), in individual US States (e.g. Georgia\(^{28}\) – where the screen economy has grown from US$250 million to US$9.5 billion in 10 years) and in other larger countries e.g. Canada and Italy\(^{29}\). However, given the projections outlined in the section above, it is already the case that there is increasingly more work in the film, TV and other screen-based sectors than can be accommodated currently by the already established “Tier 1” destinations\(^{30}\) - and that there is great potential for South Africa to build on its already sound (but currently limited) base and to capture a useful (maybe even significant) portion of it.

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\(^{18}\) The seemingly unstoppable trajectory in the UK is the clear result of an approximately 13-year old, well designed production tax incentive programme and what is regarded by most (including the World Intellectual Property Organization as well as rights holders) as the “gold standard” for Copyright and IP law – since both are really synergistic components in driving success.


\(^{20}\) Industry Study (2015)

\(^{21}\) Industry Study (2019)

\(^{22}\) Screen Producers Australia’s submission on proposed Free Trade Agreement between Australia and the EU

\(^{23}\) Ibid


\(^{25}\) Game of Thrones Tourism

\(^{26}\) Morocco’s many faces in film


\(^{28}\) https://news.uga.edu/hollywood-south-film-industry/

\(^{29}\) https://www.roughguides.com/gallery/40-film-locations-around-the-world/

\(^{30}\) Recent Guardian article expressing concerns about lack of available studio and stage facilities – and mitigation efforts