

Background Paper

Strengthening the Creative Industries in the Philippines: The Case of the Film Industry

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Strengthening the Creative Industries in the Philippines: the case of the Film Industry

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Abstract

The creative industries have recently caught the attention of the media and are highlighted as a means of supporting the country's quest of recovering from the economic woes brought about by COVID-19. The creative industries are means of achieving the development goals of the administration as outlined in the Philippine Development Plan 2016-2022, particularly in advancing creative excellence (PDP goal of Promoting Cultural Values). Based on UNCTAD's description of the creative economy, the film industry is among the subsectors under the Audiovisuals field, together with TV and Radio. Unfortunately, for the Philippines, the film industry has been floundering in terms of the export of creative products. This paper presents the state of the film industry based on available data from the PSA and other pertinent data-gathering agencies related to the film industry, as well as insights from key informant interviews. It then identifies the strengths and weaknesses of the sector together with the opportunities and threats that it faces. Policy recommendations are presented in the conclusion.

Keywords: Creative Industry, Film Industry, Cinema, Movies

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Executive Summary

The creative economy is comprised of several sectors, including arts and crafts, books, films, paintings, festivals, songs, designs, digital animation, and video games. These sectors can generate income through exports of goods and services and intellectual property rights and create new jobs requiring higher occupational skills, particularly for micro, small and medium-sized enterprises. Based on UNCTAD's description of the creative economy, the film industry is among the subsectors under the Audiovisuals field, together with TV and Radio.

Based on the Philippine Standard Industrial Classification (PSIC), the activities comprising film production are classified under four subgroups. PSIC class code 5911 includes the production of theatrical and non-theatrical motion pictures whether on film, videotape, DVD, or other media. PSIC class code 5912 includes post-production activities, while PSIC class code 5913 includes distributing the film, videotapes, DVDs, and similar productions to motion picture theatres, television networks and stations, and exhibitors. Class code 5914 includes motion picture or videotape projection in cinemas, open air, or other projection facilities.

Data from the Annual Survey of Philippine Business and Industry (ASPBI) from 2012 to 2018 indicates a slowly growing industry, as evidenced by a slightly increasing number of firms in almost all sectors related to the Film industry. Some subgroups also manifest a highly concentrated market structure.

Employment declined slowly in 2014 and 2016 but rose to more than 5,900 in 2018 due to the rapid growth of employment in the Motion Picture, Video, and Television (MPVT) Programme Production Activities sector (PSIC 5911). Data does not include, however, the self-employed and freelancers who are the driving force of the industry.

Employment in the movie production industry faces a number of issues, such as the lack of formal organization among workers, other industries (such as advertising) taking advantage of the low rates paid by the producers and attracting highly skilled workers like cinematographers

and creative writers, and the need to enhance the knowledge transfer to the current film production workers and directors.

Data from the ASPBI shows that all the industries related to the Film industry are growing in terms of output, with some subsectors growing more strongly than others. While the MPVT Programme Production Activities (PSIC 5911) and MPVT Post-production Activities (PSIC 5912) have decreasing real expenses, the MPVT Distribution Activities and Motion Picture Projection Activities (PSIC 5914) have increased expenses from 2012 to 2018.

Total income is growing for all the industries related to Film production, but the degree of income growth varies significantly. MPVT Distribution Activities grew the fastest from 2012 to 2018, with a compound annual growth rate of about 14.7 percent annually. Meanwhile, the slowest growth would be MPVT Programme Production Activities which only grew slightly (0.45 percent) in the same period.

A positive income growth rate is a good sign that the industry is doing well, as it can obtain income from its main activities. However, it is worrisome that the sector that is most related to movie production only has a 0.45 percent growth rate. There is a need to improve the sources of revenue or to reduce the costs to improve the income of the establishments in this industry.

Total boxoffice receipts of movies released in the country(as compiled by Box Office Mojo)show an increase from \$150 Million in 2012 to about \$160 Million in 2014, followed by a sharp decline to \$80 Million in 2016. A slight recovery was seen in 2018 when total receipts went up to about \$120 Million. The number of releases reflects the same pattern.

Three insights can be gleaned from these figures. First, there has been a significant decline in box office receipts and in the number of releases even before the pandemic. Next, there is a significantly lower share of local films in total box office receipts. Finally, the pandemic has devastated the movie industry, as shown by the extremely low total box office receipts and the small number of movies released during this period.

Domestic demand for film services is a function of income. The share of recreational expenditure on cultural services tends to be larger in higher-income deciles than in lower-income deciles. However, there seems to be a shift in the expenditure pattern of Filipinos for films after 2015.

The data shows that the lower-income decile tends to have higher expenditures on cultural services. One explanation for this is the relatively inexpensive cost and numerous options of recreation available through the internet, which allows the higher-income group to reduce their recreational expense.

Value chain analysis shows the limited linkages of the film industry with the agriculture and manufacturing sectors, given that the demand for outputs and supply of inputs in the film industry are mainly from the services sector. It is worth highlighting that the services sector is a major employer of professional services, which may indicate support for entrepreneurs and freelancers.

The COVID-19 pandemic has constrained the movie production process resulting in enclosing the entire process in a production “bubble”. These constraints have resulted in scheduling problems for many freelancers who are now forced to commit to being present in the production “bubble,” limiting the number of engagements that they can do.

The COVID-19 pandemic and digitization of the film industry have resulted in the expansion of the online sales segment of movie distribution. While revenue and users significantly dropped in 2020 and 2021, digital sales of cinema tickets showed marked improvement in 2022 (projected), with estimates showing the number of users and total revenue returning to pre-pandemic levels. Furthermore, there is also a positive trend sustained even until 2026.

There seems to be little R&D in the sector, as observed in its almost negligible share in R&D expenditure. Other indicators of innovation would be the expansion of the market to international markets. PSIC class codes 5911 and 5912 have consistently had direct exports since 2012. For PSIC class code 5912, the international market is as important as the domestic market since the average share of direct exports to total income has been above 50 percent since 2014. While official statistics on R&D show a dismal performance of the sector, there is some anecdotal evidence of innovation and R&D activities conducted in some of the film industry’s support sectors, particularly the rental of film production equipment.

Pursuant to RA 9167, the Film Development Council of the Philippines (FDCP) was instituted as the national agency under the Office of the President responsible for film policies and programs

to ensure the economic, cultural, and educational development of the Philippine film industry. The FDCP is mandated to establish and undertake programs and activities that promote the growth and development of the local film industry, encourage the production of quality films, and conduct film-related events that enhance the skills of Filipino creative talents. Recognizing the key role of the Department of Trade and Industry (DTI) in coordinating government activities related to the film industry, oversight of the FDCP was placed under the DTI.

Under Executive Order 674, the Philippine Film Export Service Office (PFESO) was created to promote the country as a viable and effective location site and post-production service provider in the Indo-Pacific region. In 2019, the FDCP and the Film Philippines Office (FPO) introduced two financial incentive programs to entice foreign productions to partner with local filmmakers and either shoot their project or perform post-production work in the country – the Film Location Incentive Program (FLIP) and International Co-Production Fund (ICOF).

The following summarizes the Strengths, Weaknesses, Opportunities and Threats of the industry.



To support the film production industry further, the government needs to adopt two basic strategies. The first is to ensure a business environment that enables stakeholders to accumulate the know-how and skills necessary to engage in movie production with minor risk. And second is for government to ensure that resources (i.e., factors of production, including physical infrastructure) remain productive.

The policies that can be used to address the challenges of this sector, as identified by the weaknesses and threats in the SWOT analysis, should be guided by those principles of accumulation of capabilities, know-how, and skills and increasing productivity of resources. These would include the Freelance Protection Act (Senate Bill 1810), The Eddie Garcia Law (HB 7762), enhancing the coverage of Senate Bill 682 or the Film Industry Incentives Act, and establishing the National Film Archive.

There needs to be a consistent source of funds that the FDCP can use to incentivize the production of good-quality movies. The government should also maximize the potential of the Philippines as a post-production hub for movies and enhance the National Registry of workers related to film production.

KIIs conducted for this study highlighted the unavailability of distribution channels, especially for small, independent movie producers. While large movie producers can utilize digital streaming platforms, small independent movie producers use other platforms to present and distribute their films. This would include working with schools, foundations, and NGOs. This finding also implies that incentives for movie distribution needs are different for large movie producers and small independent producers.

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1. Introduction

The creative industries have recently been discussed in news articles and are highlighted as a means of supporting the country's quest of recovering from the economic woes brought about by COVID-19. This is because the creative industries leverage creativity, technology, culture, and innovation in fostering inclusive and sustained economic growth and development. And Filipinos have been known to have an unlimited supply of creativity.

The creative economy is comprised of several sectors, including arts and crafts, books, films, paintings, festivals, songs, designs, digital animation, and video games. These sectors can generate income through exports of goods and services and intellectual property rights and create new jobs requiring higher occupational skills, particularly for micro, small, and medium-sized enterprises. With the advancement in technology, especially the digital revolution, education and innovation, and creative and knowledge-based industries have emerged as among the dynamic sectors of the global economy.

At the global and regional level, the creative economy, deeply rooted in culture and heritage, is perceived to make significant contributions to the achievement of inclusive growth and development. The United Nations General Assembly in 2010 adopted a resolution on culture and development recognizing the important contribution of products rooted in culture in sustainable growth and development. Building on the 2010 resolution, the UN General Assembly further adopted the action plan "Transforming our world: The 2030 Agenda for Sustainable Development." In the 2030 Agenda for Sustainable Development, the UN General Assembly deeply expressed appreciation for cultural diversity and culture: to wit, "We acknowledge the natural and cultural diversity of the world and recognize that all cultures and civilizations can contribute to, and are crucial enablers of, sustainable development (UN paragraph 36).

¹ The Author is grateful to the CIG staff for the excellent research assistance.

This is further enshrined in the targets outlined for the sustainable development goals. Target 4.7 ensures that by 2030, “all learners acquire the knowledge and skills needed to promote sustainable development, including [an] appreciation of cultural diversity and of culture’s contribution to sustainable development”. Target 8.3 aims to “[p]romote development-oriented policies that support productive activities, ..., creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises.” Target 12b looks at developing and implementing monitoring tools to ensure “sustainable tourism that creates jobs and promotes local culture and products”.

For the Philippines, the creative industries are means of achieving the development goals of the administration as outlined in the Philippine Development Plan 2016-2022, particularly in advancing creative excellence (PDP goal of Promoting Cultural Values). One of the strategies identified to achieve this goal, boosting the development of Filipino creativity as a tool for cohesion and impetus for a culture-based industry and creative economy, highlights the creative economy’s role in maximizing the benefits of Filipino creativity and values. Similarly, the PDP aims to empower Filipino creativity by encouraging the production of creative works, investing in the human development of creatives, and supporting the distribution of creative products and industries (NEDA, 2017).

Support for the creative industries is also important in encouraging more entrepreneurs, as many creatives can provide services as individual consultants, which they can do as self-employed individuals. There are also a number of opportunities available in the international markets which can be exploited through digital technology.

The earliest attribution of the creative sector can be traced back to 1948 when Adorno and Horkheimer coined the term cultural industries, which pertain to entities that create, reproduce, and distribute work related to culture (Section for the Diversity of Cultural Expressions, n.d.; United Nations Development Programme [UNDP], 2013). These are industries involved in the production and consumption of value offerings with either symbolic or expressive elements (UNDP, 2013) related to heritage and tradition (Culture Partnership Australia, n.d.).

The term creative industries, on the other hand, was formally defined by United Kingdom’s Department for Culture, Media, and Sports (DCMS) in 1998 as “industries which have their

origin in individual creativity, skill, and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property” (BOP Consulting, 2010; DCMS, 2001; Villar, 2010). In short, businesses rooted in creativity as their core are considered creative industries (Parrish, n.d.). While cultural industries are heritage and tradition-related, creative industries further widen the scope into covering applications of arts and creative disciplines, which include innovation (Culture Partnership Australia, n.d.).

Creative industries encompass, but are not limited to, the following fields: advertising, architecture, arts and crafts, design, fashion, film, video, photography, music, performing arts, publishing, research and development, software, computer games, electronic publishing, and TV and radio (United Nations Conference on Trade and Development [UNCTAD], n.d.).

The creative economy, according to Howkins, pertains to economic systems where value is based on originality and creativity (Howkins as cited by Culture Partnership Australia, n.d.). Howkins used this nomenclature to cluster entities, industries, and activities that use creativity as the main input, instead of the traditional land, labor, and capital (Howkins, 2001).

Furthermore, according to the UNCTAD, creative economy, among its many definitions, is the “sum of all the parts of the creative industries, including trade, labor, and production.” This means that the term creative economy denotes not only the scope of physical art and cultural products but also the intangible aspects of the transactions among these products (Howkins, 2001; UNDP, 2013).

With these definitions, UNCTAD contextualized the analogy that creative industries are the components and the lifeblood of the creative economy (UNCTAD, n.d.). Operationalizing these terms, products, and services of arts and culture considered cultural industries further expands creative industries to cover the wide array of products and services rooted in creativity and innovation. The system by which the products, services, and industries interact with each other is the creative economy.

According to House Bill No. 10107, the Philippine creative industries generated around P661 billion or 7.34 percent of the GDP in 2014 despite having limited government support. The film

industry is among the subindustries in the audiovisual industries. It includes industries that produce cultural, artistic, and innovative goods, products, and services where such goods, products, and services originate in individual creativity, skill and talent that have the potential for wealth through the generation of and exploitation of intellectual property.

While the film industry is among the subsectors identified by UNCTAD in their description of the creative economy, it also falls under the Audiovisuals domain of the creative industry as per House Bill No. 10107, together with TV and radio, among others². Unfortunately for the Philippines, the film industry has been floundering in terms of the export of creative products. UNCTAD data for the Philippines' creative industries trade show that the Philippine trade of films from 2008 to 2015 has been dismal. Film export has an average annual growth rate of -29.74 percent, while imports have a growth rate of -19.78 percent. This implies that there is a need to study the sector to identify how the government can address the negative growth rates.

The rest of the paper is organized as follows: Chapter 2 presents the state of the film industry by discussing the scope and structure of the industry, indicators of performance, demand and supply factors, and challenges faced by the industry. The indicators are drawn from the establishments surveys collected by the Philippine Statistics Authority (PSA). Chapter 3 discusses government programs supporting the industry, while Chapter 4 identifies the strengths, weaknesses, opportunities, and threats (SWOT) to the sector. Finally, recommendations based on the SWOT analysis are provided in Chapter 5.

2. State of the Film industry

a. Scope and Structure of the Film³ Industry

The Philippine Standard Industrial Classification (PSIC) classifies activities under film production into four subgroups (Table 1). PSIC class code 5911 includes the production of

² A more comprehensive scope is provided in Senate Bill No. 2455 which includes recorded and live audio and audiovisual content that are distributed via broadcast media such as television, radio, cable, satellite broadcasts, digital streaming platforms, or exhibited in cinema theaters, including films, television content, animated film productions, vlogs, and other content that utilize motion graphics, two-dimensional, and three-dimensional design technology and animatronics, recorded music, music scores, compositions ready for recording, podcasts, and entertaining audio or audiovisual material or content developed for educational purposes or edutainment content.

³ Film, also called motion picture or movie, is related to a series of still photographs on film, projected in rapid succession onto a screen by means of light. Because of the optical phenomenon known as persistence of vision, this gives the illusion of actual, smooth, and continuous movement (Britannica <https://www.britannica.com/art/motion-picture>). Thus, for the purposes of this study, film, movie and motion picture will be used interchangeably.

theatrical and non-theatrical motion pictures, whether on film, videotape, DVD, or other media, including digital distribution for direct projection in theatres or broadcasting on television. Also, in this classification are supporting activities such as film editing, cutting, and dubbing, distribution of motion pictures or other film productions (i.e., videotapes and DVDs) to other industries, and their projection. Buying and selling motion pictures or any other film production distribution rights and production of motion pictures, videos, television programs, or television commercials also fall under this class code (PSIC, 2012).

For the Philippines, PSIC class code 5911 would include movie producers, which covers independent producers, established/mainstream producers, directors who produce their own films, alternative genre producers, and cooperative producers. Established movie producers in the country would include the now-defunct Seiko films, Regal Films, Star Cinema, Viva Films, and GMA films⁴. Regal Films and Viva Films are considered mainstream studios, while Star Cinema and GMA Films are film production companies for TV networks.

Aside from these formal film production companies, private entities or individuals can also become movie producers. In the Philippines, there are grant-giving institutions that support the independent film production of private entities or individuals. CINEMALAYA provides competitive financial grants to independent filmmakers. Cinema One Originals is a private company (ABS-CBN) investing in the production of independent⁵ films. Cinemabuhay, the production company of PLDT, is another example of a private company interested in funding and producing movies.

PSIC Class code 5912 includes post-production activities such as “editing, film/tape transfers, titling, subtitling, credits closed captioning, computer-produced graphics, animation, and special effects, activities of motion pictures, film laboratories, and activities of special laboratories for animated films, developing and processing motion picture film, activities of motion picture film, and reproduction of motion picture film for theatrical distribution.” (PSIC, 2012)

⁴ A more detailed discussion of the individual film producers will be made when annual reports of these companies have been obtained.

⁵ See Lim (2019) for a discussion on the definition of independent film and mainstream films. For the purpose of this study, independent film refers to the production outside of the studio’s (e.g., the big 4 studios during the 1960s) framework.

PSIC class code 5913 includes “distributing film, video tapes, DVDs and similar productions to motion picture theatres, television networks and stations, and exhibitors. This class also includes acquiring film, videotape, and DVD distribution rights.” (PSIC, 2012)

There are various modes of film distribution. The established major producers can distribute a movie themselves, which is the case when the film producer also has a subsidiary film distribution company. Another type of distribution is a plain distribution, where the distributor charges a fixed commission from producers and does not make any advance payment. On the other hand, commission distribution is when the distributor advances payment to the producer. This amount and a fixed rate are taken from the sales (commission) of the movie.

Another distribution mode is the minimum guaranteed system, where the distributor pays a non-refundable fixed amount to producers during production. Finally, the outright lease is the mode of distribution wherein the distributor pays a certain amount for specific territories in return for proceeds from those territories.

Table 1. Film Production Industries in the PSIC⁶

Class Description	Class Code
<i>Film Production Industries</i>	
Motion Picture, Video and Television (MPVT) Programme Production Activities	5911
Motion Picture, Video and Television Programme Post-production Activities	5912
Motion Picture, Video and Television Programme Distribution Activities	5913
Motion Picture Projection Activities	5914

Source: PSIC

Lim (2019) describes the role of PSIC class code 5913 as intermediaries involved in constructing value and market for the film. This sector takes part in marketing the film and, to some extent, shaping audience perception and beliefs. Distributors also have the expertise to determine which films will become a blockbuster. One example of a distributor is Solar Pictures (See Appendix 12).

⁶ While the renting of movie equipment is directly related to the film production industry, it is not included in the discussion here as there are no PSIC codes specifically related to renting out movie equipment for film production.

Class code 5914 includes motion picture or videotape projection in cinemas, in the open air, or in other projection facilities. Some exhibition practices include: (1) Theater owner runs the theater and rents prints for either a certain amount or percentage for a given period; (2) Theater owners can rent out exhibition time to a third party (distributor) on a contract basis; (3) Temporary or touring theaters which rent old prints for a fixed hire basis for a specific period from the distributor.

The current and most common mode of film exhibition in the country is through cinemas based inside malls. Lim (2019) discusses the evolution of film distribution and exhibition in the Philippines. In the 1950s, most movies are shown in standalone movie theaters, and the theater associations such as the Greater Manila Theater Association [GMTA] and the Metro Manila Theater Association [MMTA] dominated the exhibition of the movies. Movies are screened in standalone theatres in Metro Manila, then in second-rate theaters, and finally, after some weeks running in Metro Manila, the film is shown in the provinces. This practice began to change when the first malls with multiplexes were constructed in Manila.

“The rise of the malls and multiplexes has eventually led to the collapse of standalone theatres and crippled GMTA and MMTA” (Lim, 2019, p. 115). Big malls, such as those built by Robinsons, Ayala, and Araneta, in various locations have multiplex as a central component. This further strengthened the exhibition of movies through multiplexes. Thus, PSIC 5914 would most likely include these exhibitors.

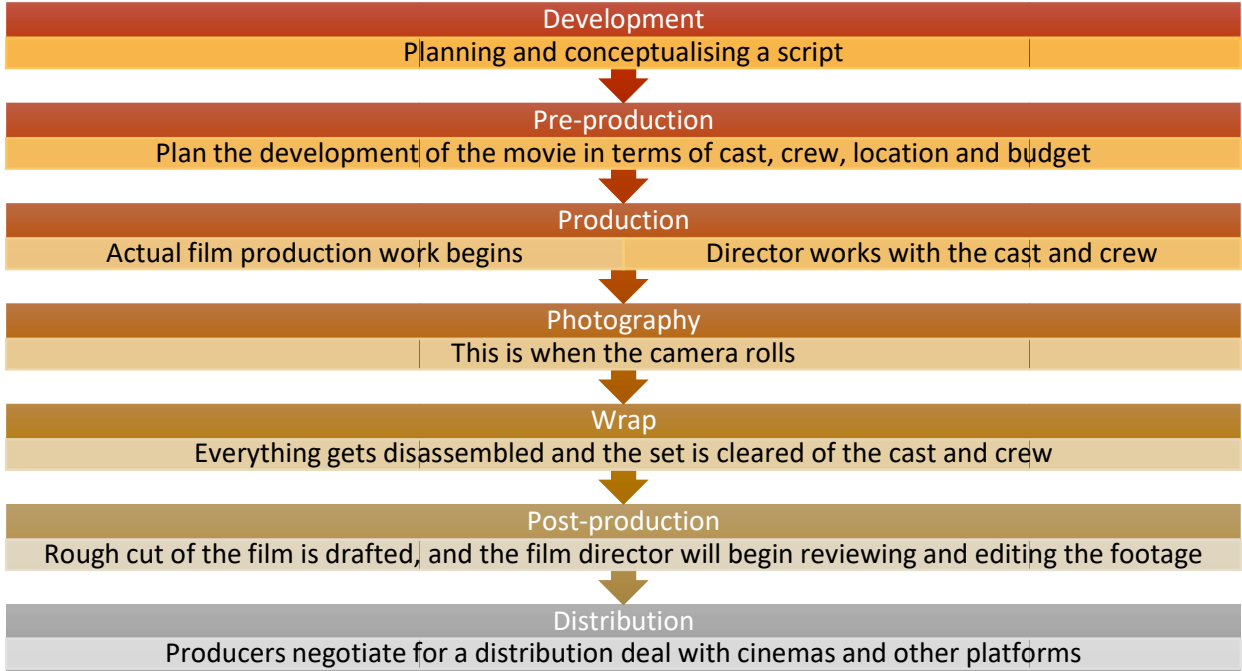
Lim (2019) also documents that in the 1990s, exhibitors engaged with consultants or companies, such as the (now defunct) Theater Consultant, Inc., which offered booking services and managed the theater operations of SM Cinemas.

Supporting the operations of smaller exhibitors in the provinces are booking service agencies which serve as an intermediary between the exhibitors and the producers/distributors. These agencies negotiate with producers and distributors on behalf of the cinemas it manages. Booking service agencies absorb and troubleshoot all the problems, including disagreements that the smaller exhibitors might have with producers or distributors. The booking agency also supports the provincial exhibitors who cannot travel to Manila to attend the central booking committee meeting held every week (Lim, 2019; Appendix 12).

Aside from the Development stage, the PSIC class codes, in some way, mimic the stages of film production (Figure 1). A movie typically begins with a concept and the development of a script. Based on interviews with scriptwriters, the inspiration for a movie may come from many things but there is a need to have these developed and written into a viable screenplay that will be marketed to production companies, producers, or other funders. Data for this segment of film production is not readily available.

The next step in film production is covered in the MPVT Programme Production Activities (PSIC 5911), as this sector includes pre-production activities, photography, and even distribution activities. PSIC class code 5912 includes post-production activities, while PSIC class codes 5913 and 5914 cover distribution activities. Activities of movie theaters then fall under PSIC class code 5914. Thus, an assessment of the Film industry should focus on these classes as these classes cover most of the activities in film production.

Figure 1. Stages of Film Production



Sources: Virtual Academy. 7 Stages of film making. <https://www.virtualacademy.com/the-7-stages-of-film-making-development-pre-production-production-photography-wrap-post-production-distribution/>

Figure 1 follows a similar structure in other locations (See Appendix 15). The EU report also mentions that the value chain remains fairly similar in other countries. Consistent with the value stages of film production in this study, the main aspects such as production (PSIC 5911), post-production (PSIC 5912), distribution (PSIC 5913), and exhibition (PSIC 5914) are covered.

The support functions such as preservation/archiving, education and training, and management and regulation are exogenous to the value chain but are clearly crucial factors that can affect the production process. To the extent possible and data allowing, these aspects will also be discussed in the pertinent chapters of the paper.

The discussion in this paper is based on available data from the PSA and other pertinent data-gathering agencies related to the Film industry. In this regard, the discussion will mostly cover the state of the Film industry after 2010. For a more detailed discussion of the Film industry before 2010, see Vertido (1988) and Garcia (2001).

b. Performance of the Industry

Number of firms

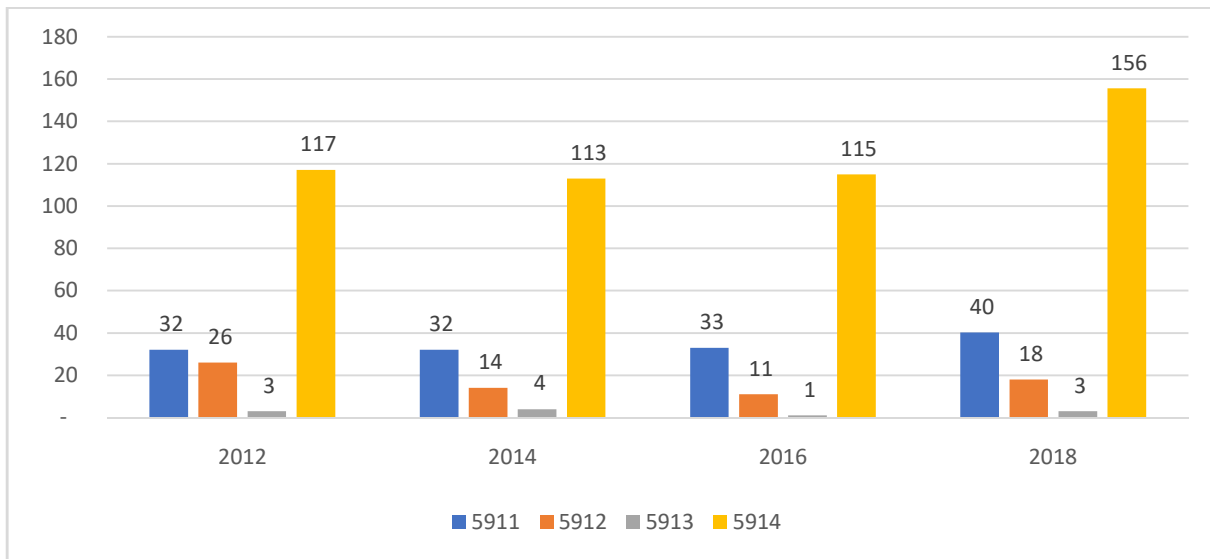
Data from CPBI (2012), ASPBI (2014, 2016) and CPBI (2018)⁷ indicate a slowly growing industry in terms of the number of firms. This is evidenced by a slightly increasing trend in the number of firms in almost all industries related to film.

In 2018, MPVT Post-production (PSIC 5912) firms have recovered in number (18 in 2018) but is still less than the 2012 figure of 26 firms. Another thing worth noting is the relatively few MPVT distribution firms. In 2016, there is only one MPVT distribution firm indicating a monopolistic environment. In 2018, firms have entered the industry, but the number is still too few at only 3 firms in the MPVT distribution industry (Figure 2).

In contrast, the number of firms engaged in Motion Picture Projection Activities (PSIC 5914) has been the largest and has continued to grow since 2012. There were 117 firms engaged in Motion Picture Projection in 2012, and this number has significantly grown to 156 in 2018 (Figure 2).

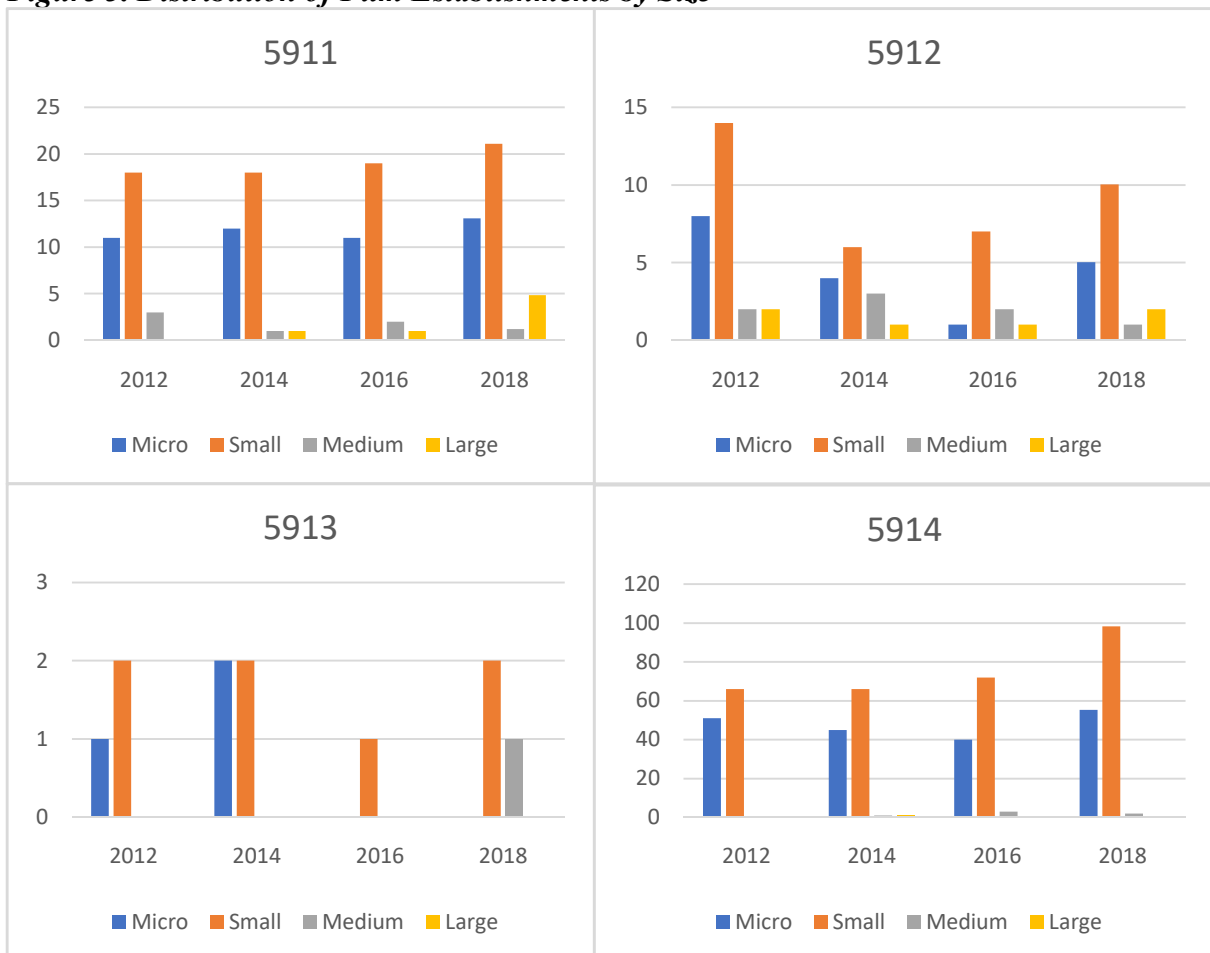
⁷ See Appendix 1 for a discussion on the technical differences of the ASPBI and CPBI. As the ASPBI and CPBI cover only the formal establishments, freelancers and self-employed may not be included in the analysis of the industry.

Figure 2. Number of Establishments in the Motion Picture, Video and Television Industry



Source: PSA

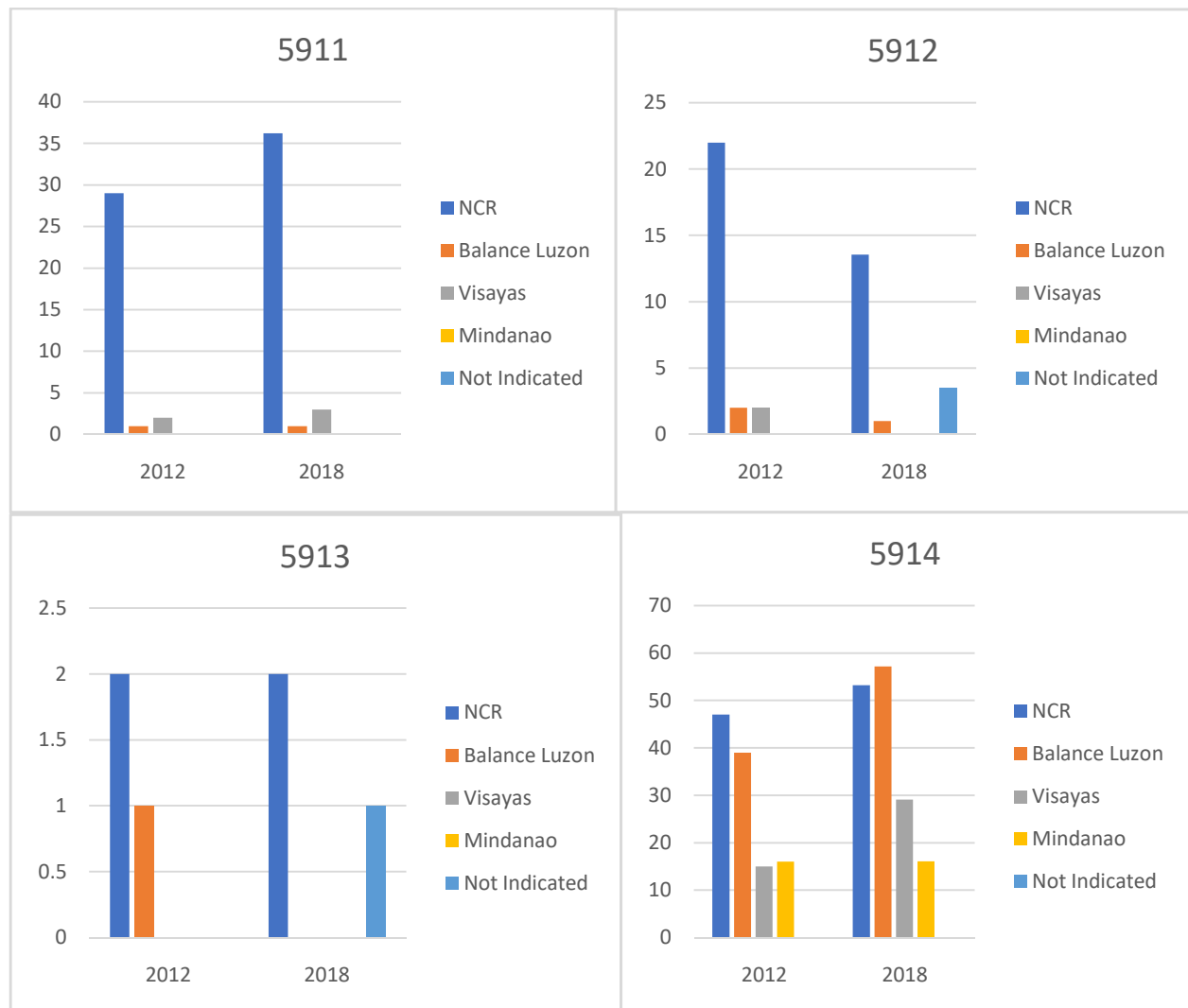
Figure 3. Distribution of Film Establishments by Size



Source: PSA

Based on Figure 3, firms related to the film industry are mostly micro (with 1-9 employees) and small (with 10-99) firms. It is interesting to note that there is an increasing number of small firms in the sectors under PSIC class codes 5911 and 591, while the total number of firms in PSIC 5913 has remained relatively unchanged over time. Also worth noting is that PSIC class codes 5911 and 5912 are the only sectors with large firms participating in the industry.

Figure 4. Distribution of Film Establishments by Major Island Groups



Source: PSA

Looking at the distribution of firms according to region, one can see that NCR is the main area of operation for the majority of the establishments. For certain industries (PSIC 5911 and PSIC 5912), the establishments located outside NCR are quite a few and are also found in major cities outside NCR such as Cebu. Only PSIC 5914 reports a distribution that has a substantial number of establishments participating outside NCR or balance Luzon, but the numbers in Visayas and Mindanao are still far behind their Luzon counterparts (Figure 4).

Related to the number of firms would be indicators of concentration. To describe the degree of competition in the industry, two indicators can be looked at: the Herfindahl-Hirschlifer Index (HHI)⁸ and the Concentration Ratio (CR4)⁹. In their analysis of the manufacturing sector, Medalla et al. (2018) proposed more ‘lenient’ thresholds for the HHI given the much smaller market, and investments in the case of the Philippines are used.

- HHI of below .1500 is considered ‘unconcentrated’
- HHI of between .1500 and .2500, as ‘moderately concentrated’
- HHI of above .2500, as ‘highly concentrated’

In the case of CR4, one could use the threshold of .70 for highly concentrated, between .40 to .70 as moderate, and below .40 as low concentration as done by Aldaba (2008).

MPVT Programme Production Activities (PSIC 5911) industry is borderline moderately concentrated as reflected by HHI scores of 0.15~0.17 and declining CR4 scores from 0.77 to 0.59. As for the case of MVPT Post-production activities (PSIC 5912), the sector is becoming more concentrated despite the increase in establishments in 2018. The HHI in 2018 is at 0.66, which is way above the threshold of 0.25. CR4 shows the same observation, as 95 percent of revenue in the sector is accounted for by the top 4 firms (Table 2).

Another highly concentrated sector is the Movie Distribution sector (PSIC 5913), with an HHI of 0.76 and a concentration ratio of 1. A highly concentrated industry may be detrimental to industry growth as firms would find it difficult to enter the industry and competition may be

⁸ The HHI is computed as the sum of the squared market shares, s_i^2 , of all suppliers in the market (Equation 1). The inverse of this ‘raw’ HHI is interpreted as the ‘effective’ number of competitors. The higher the HHI the higher the concentration ratio and the lower the ‘effective’ number of rival firms.

⁹ The CR is computed as the market share (whether as share in value added or share in sales) of top firms (e. g., the top 4 firms).

limited. Chico (2020) has observed that the producer-distributors and exhibitors “have an undeniably strong control of the market—from when films would be played to whom they would compete with. They have structured themselves so well in order to keep the power within themselves as industry players.” Yapan (2012) and Lim (2019) have also alluded to the oligopolistic behavior of film distributors.

Finally, the Motion Picture Projection Activities sector (PSIC 5914) is classified as unconcentrated if the HHI is considered but is moderately concentrated if we look at CR4.

Table 2. Indicators of industry concentration

PSIC4	Description	2012	2014	2016	2018
Herfindahl-Hirschlifer index					
	Motion Picture, Video and Television (MPVT)				
5911	Programme Activities	0.16	0.15	0.16	0.17
5912	MPVT Post-production Activities	0.14	0.19	0.20	0.66
5913	MPVT Distribution Activities	0.97	0.97	1.00	0.76
5914	Motion Picture Projection Activities	0.05	0.02	0.02	0.02
4-Firm Concentration Ratio					
	Motion Picture, Video and Television (MPVT)				
5911	Programme Activities	0.77	0.63	0.59	0.59
5912	MPVT Post-production Activities	0.67	0.79	0.73	0.95
5913	MPVT Distribution Activities	1.00	1.00	1.00	1.00
5914	Motion Picture Projection Activities	0.32	0.17	0.21	0.22

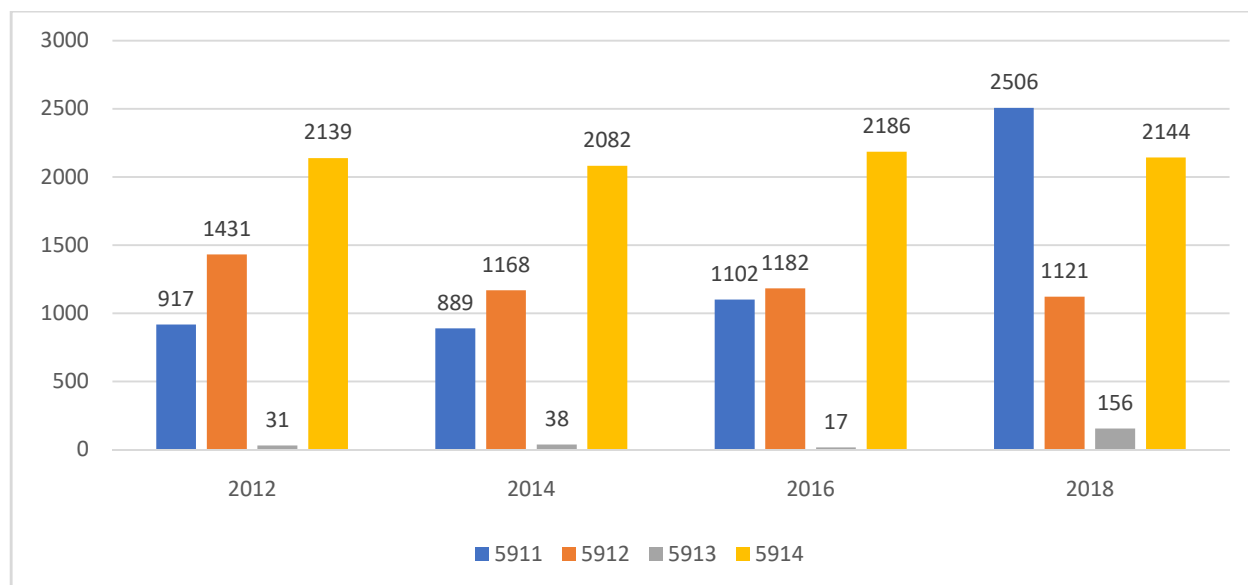
Source: PSA

Employment

The Film industry, in total, provided employment to more than 4,500 people in 2012 (Figure 5). The majority are in the Motion Picture Projection Activities (PSIC 5914) and in MPVT Post-production Activities (PSIC 5912). MPVT Distribution Activities (PSIC 5913) only hired 31 people in 2012. Employment in the sector declined slowly in 2014 and 2016 but went up to more than 5,900 in 2018 due to the rapid growth of employment in the MPVT Programme Production Activities sector (PSIC 5911).

Employment in the MPVT Programme Production Activities sector (PSIC 5911) rose consistently from 2012 to 2018. In 2018, the sector employed 2,506 people reflecting 2.7 times increase from its 2012 employment level. Meanwhile, MPVT Post-production (PSIC 5912) has seen a slightly decreasing trend in terms of employment, with the number of employees dropping to 1,121 in 2018 from 1,431 in 2012. Similar to PSIC 5911, MPVT Distribution Activities (PSIC 5913) has seen rapid growth in employment (although there was a slight decline in 2016). In 2018, MPVT Distribution activities hired 156 employees, a 500% increase from the 2012 level. The Motion Picture Projection Activities (PSIC 5914) sector has remained relatively stable throughout the period despite the slight decline in 2014, which then recovered in 2016 and 2018 (Figure 5).

Figure 5. Employment in the Film industry



Source: PSA

Aside from those formally employed by the establishments in the film industry (i.e., PSIC 591), as reflected in Table 3, there are also the self-employed and freelancers (including those that are in the support services related to the film industry) who were not captured. Respondents in the KII agree that film production in the Philippines is mostly driven by freelancers (See Appendix 3; Appendix 4; Appendix 5). One respondent even observed that around 80-90 percent of workers in the movie production industry are freelancers (Appendix 5).

Data from the Philippine Statistics Authority are not specific enough to identify employees in the Film production sector. Nevertheless, one can get a sense of the size of the industry by looking at the support services and freelancers that find employment through the production of a film. Appendix 2 provides a list of occupations that would be involved in movie production. These would include the technical crew such as producers, directors, and technicians. There would also be non-technical crew which would include riggers, carpenters, and dressmakers. Table 3 presents an indication of the number of people that can be employed by the industry.¹⁰

Table 3. Employed Persons by Occupations Groups related to Film Production, 2016-2020

Occupation Groups	2016	2018	2020
1431-Sports, recreation and cultural centre managers	28	21	11
2166-Graphic and multimedia designers	15	17	23
2654-Film, stage and related directors and producers	1	3	2
2655-Actors	1	0	1
3435-Artistic and cultural associate professional not elsewhere classified	9	11	10
3521-Broadcasting and audio-visual technicians	16	9	9
5241-Fashion and other models	4	0	1
7115-Carpenters and joiners	618	594	507
7215-Riggers and cable splicers	3	3	5
7531-Tailors, dressmakers, furriers and hatters	157	194	140
8132-Photographic products machine operators	4	3	3
Total	854	857	714

Source: Labor Force Surveys, PSA

Table 3 shows that while there is a large employment base that can be utilized by the film production industry, especially in terms of the technical crew, there is a decreasing trend in the number of employed in some of these types of jobs.

Employment in the movie production industry is beset with a number of issues. First, there is a lack of formal organization among workers (Appendix 3). Respondents in the KIIs pointed out

¹⁰ It is important to note that the figures in Table 5 can be taken as an upper bound to the employment size of the industry.

the lack of organization among the technical crew in the Philippines, which may have resulted in a bargaining down of the rates¹¹ for these types of workers (Appendix 3; Appendix 5). Second, other industries (such as advertising) are able to take advantage of the low rates paid by the producers and attract highly skilled workers like cinematographers and creative writers away from the industry. This results in the key technical crew working more on advertising than on film production, although some admit that their passion is still in movie production (Appendix 3; Appendix 5; Appendix 5; Appendix 6¹²). Third, while a number of KII respondents observe an adequate level of skills for the workers in the movie production industry (Appendix 5), there may be a need to enhance the knowledge transfer to the current film production workers and directors by engaging in training and workshops here and abroad (Appendix 5; Appendix 10).

Data from the Input-Output table shows that the Professional, Scientific and Technical Activities and Administrative and Support Service Activities sectors are the top suppliers of inputs to the film industry. This is understandable as this sector also includes a number of professionals such as scriptwriters, producers, and actors that may contribute to the development of a film. Unfortunately, there is little data¹³ monitoring the earnings and welfare of these professionals.

It is only through qualitative studies that the concerns and issues of scriptwriters and movie professionals are documented. KII showed that the industry is highly dependent on freelancers, as only the big studios can afford to hire full-time. Because Indie producers are not able to make films often, workers are hired on a per-project basis only. Indie companies only pay enough for a person to last a month. As a result, film workers have various projects running simultaneously. Although day rates are higher, the job is very physical and demanding. Workers are not assured of a daily income. The benefits companies can afford are only insurances related to production that only stay within the filming duration and area of the production. In terms of production design, woodworkers and tailors may also be freelancers.

¹¹ While the respondent in Appendix 4 does observe that the rates paid for the crew in movie production is slightly higher than the minimum wage, it is important to note that this is done in order to compensate for the lack of tenure and the project-based type of work associated with film production.

¹² Examples of industries where film makers can move to are the industries that have marketing, promotion, and public relations segments. For example, in the tourism industry, filmmakers can utilize their videography skills to promote culture. (Appendix 6)

¹³ The FDCP maintains a national registry of active film and television workers, audio-visual companies, audio-visual organizations, and film festivals all over the country but the author has no access to this database.

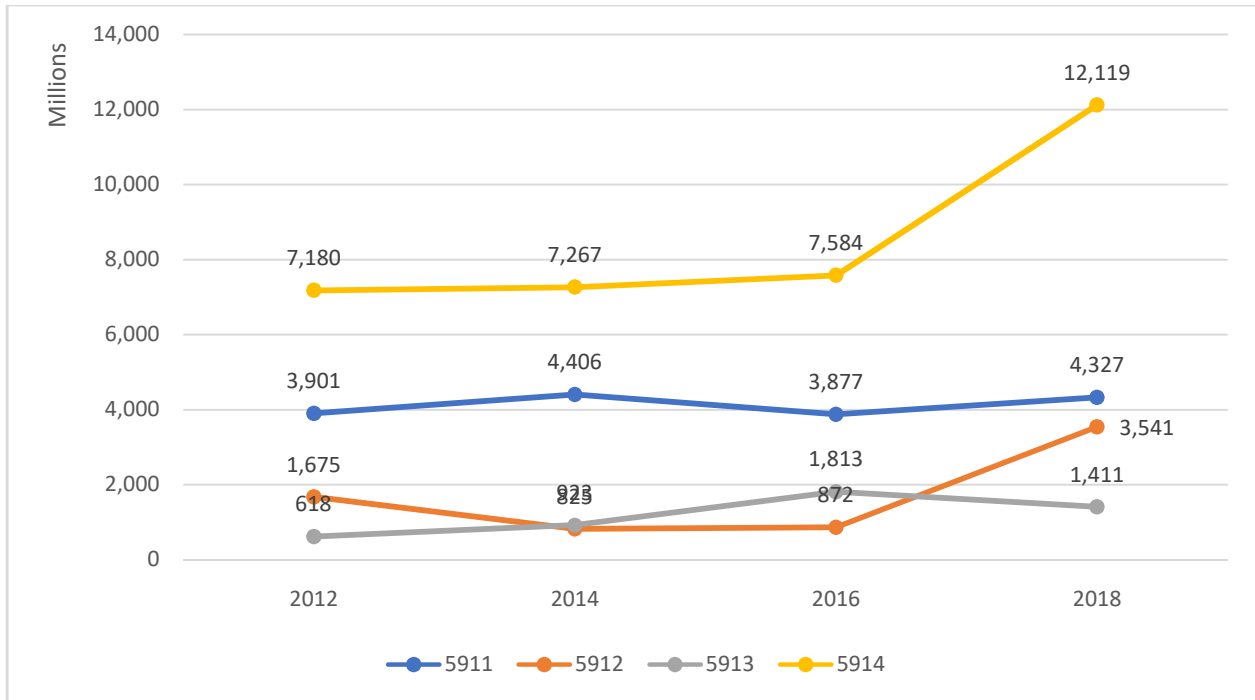
Yapan (2012) documented some issues experienced by scriptwriters in the production of the movie. In getting his script produced into a movie, Yapan had to contend with issues of funding despite getting grants from Cinemalaya and from FDCP. He had to invest \$21,000 of his own money to get the movie produced. Yapan's experience also showed that scriptwriters had to contend with balancing making the film marketable and remaining true to the original artistic vision of the writer. There is a need to utilize various networks of the producer and the scriptwriter. As an independent movie producer, Yapan had to promote his film through advocacy groups and non-governmental institutions. Finally, Yapan mentioned some difficulties met with the government. According to his experience, the government can become a barrier to filmmaking because of the high administrative cost that it can impose. This is specifically related to the excessive cost of getting reviewed: \$186 for MTRCB and \$279 for CEB. The presence of two reviewers also makes getting movie reviews costly for independent movie producers.

Output and labor productivity

Data from the establishment surveys show that all the industries related to the film industry are growing in terms of output, with some subsectors growing more strongly than others (Figure 6). For instance, the MPVT Programme Production Activities (PSIC 5911) grew at an average of 1.74 percent (CAGR) from 2012 to 2018, making it the slowest-growing subsector related to motion picture production. The MPVT Distribution Activities (PSIC 5913) sector grew the most during the same period, posting a CAGR of 14.74 percent, followed closely by MPVT Post-production Activities (PSIC 5912), which grew at 13.28 percent.

Labor productivity (as measured by the total value of output divided by total employment) is decreasing for PSIC 5911 and 5913, while labor productivity for PSIC 5912 grew by 17.99 percent from 2012 to 2018 (Table 4). The Motion Picture Projection (PSIC 5914) sector is also expanding, with labor productivity exhibiting a CAGR of 9.07 percent in the same period. Because the value of output is growing for all industries (Figure 6), it can be surmised that the determinant of labor productivity is the rate at which the firms are increasing their labor inputs. Thus, for PSIC 5911 and PSIC 5913, the rate at which companies are increasing their total employment (i.e., labor inputs) is faster than the growth of their output which explains the negative labor productivity.

Figure 6. Trends in the Value of Output of the Sectors related to Motion Picture industry, (2018=100)



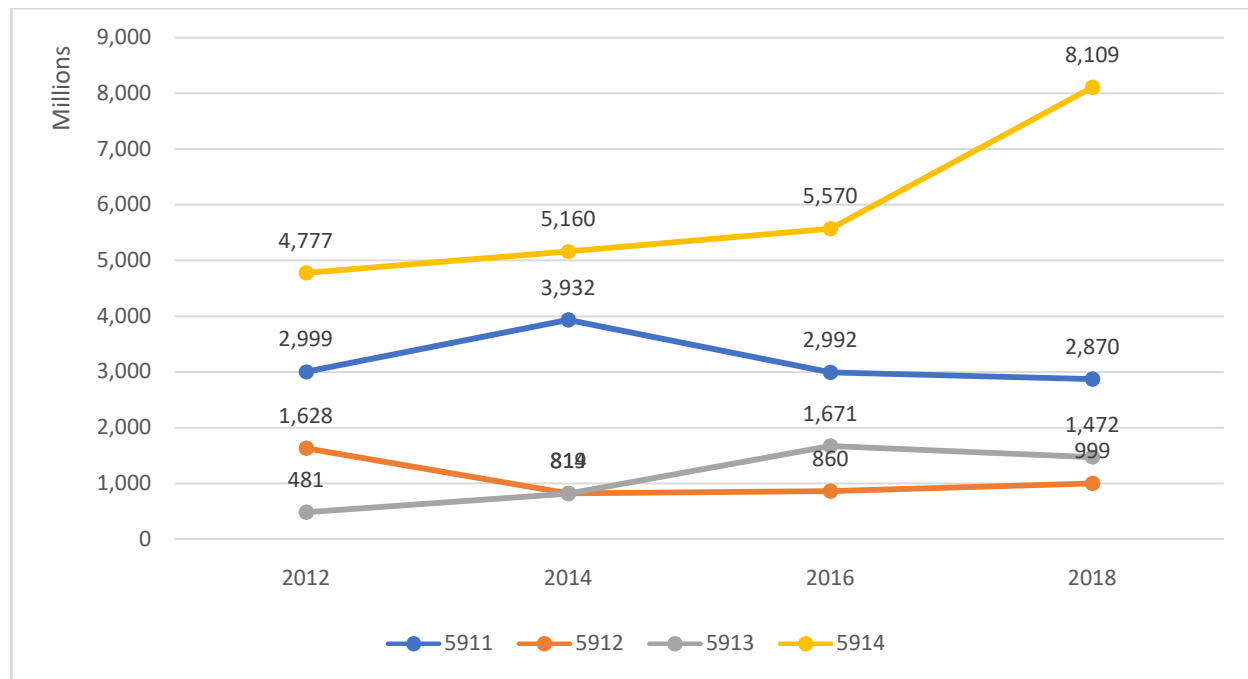
Source: PSA

Table 4. Labor Productivity of Film Industry

PSIC4	Description	2012	2014	2016	2018	CAGR (2012-2018)
In Nominal Prices						
5911	Motion Picture, Video and Television (MPVT) Programme Activities	4,056,773	4,902,328	3,465,413	1,726,498	-13.27
5912	MPVT Post-production Activities	1,116,408	698,952	726,360	3,158,397	18.93
5913	MPVT Distribution Activities	19,022,307	24,030,774	105,048,907	9,043,887	-11.65
5914	Motion Picture Projection Activities	3,200,895	3,452,819	3,417,140	5,652,157	9.94
In Real (2018=100) prices						
5911	Motion Picture, Video and Television (MPVT) Programme Activities	4,254,234	4,955,624	3,518,447	1,726,645	- 13.95
5912	MPVT Post-production Activities	1,170,748	706,551	737,476	3,158,664	17.99
5913	MPVT Distribution Activities	19,948,204	24,292,023	106,656,550	9,044,654	- 12.35
5914	Motion Picture Projection Activities	3,356,696	3,490,356	3,469,435	5,652,636	9.07

Source: PSA

Figure 7. Trends in the Total Expenses of the Film industry, (2018=100)



Source: PSA

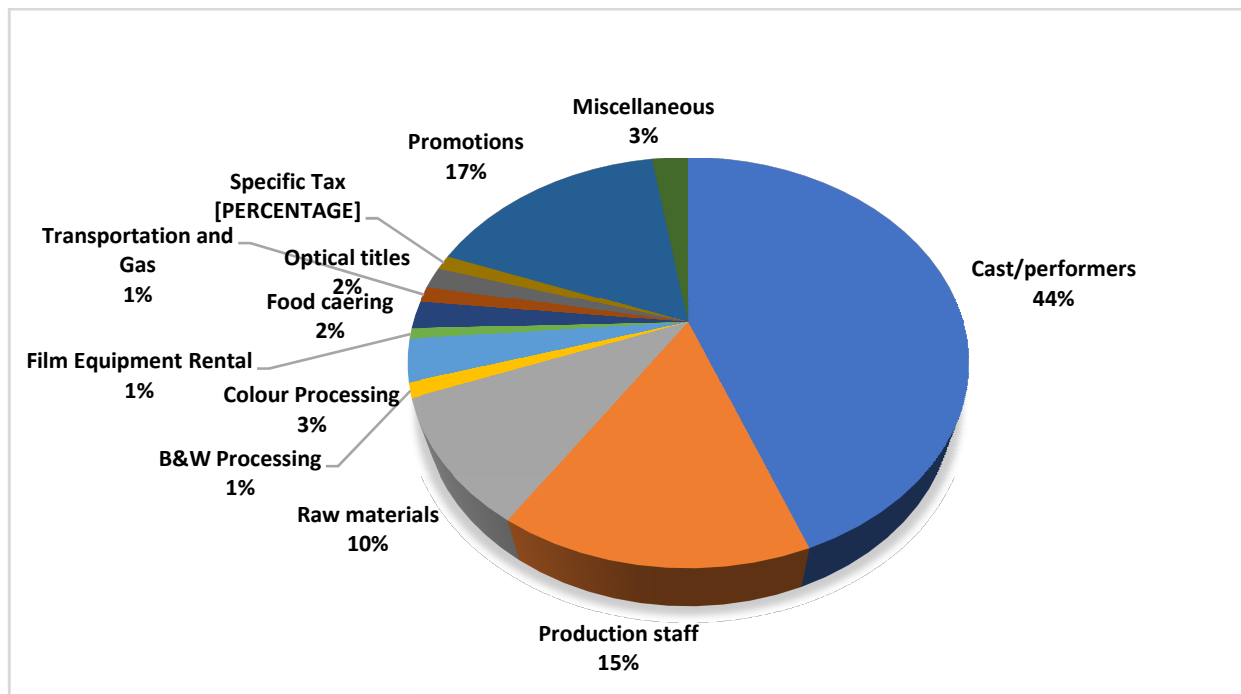
Expenses

The total expenses of the establishments related to film production are presented in Figure 7. These expenses are indirectly related to the production of movies themselves as these affect the operations of these establishments, which in turn are involved in the production of the movies. Figure 7 shows that the MPVT Programme Production Activities (PSIC 5911) and MPVT Post-production Activities (PSIC 5912) have decreasing real expenses, while MPVT Distribution Activities (PSIC 5913) and Motion Picture Projection Activities (PSIC 5914) have increasing expenses from 2012-2018.

While it is a positive development that the cost of operations and expenses of the establishments in the MPVT Programme Production activities and MPVT Post-production activities are declining, there is still a need to understand the reason for the decline. This can only be achieved through a detailed analysis of the composition of firm expenditures. Unfortunately, this can only be done using the data enclave of the PSA, which is not readily accessible to the researcher. Declining expenses (Figure 7), increasing output (Figure 6), and increasing productivity (Table 4) are good indicators of a growing industry. Thus, MPVT Post-production activities (PSIC 5912) have the best performance among the film industries.

Another key component of expenditure is the cost of producing a movie in the Philippines. Vertido (1988) presents a detailed (but dated) breakdown of the cost of movie production. Figure 8 presents the distribution of these costs according to the type of expenditure. Vertido (1988) observes that the largest share of expenses for movie production goes to the talent fees paid to the actors and the rest of the cast of performers. He explains that the reason for the high investment in the actors is that the success of a movie is often dependent on who stars in it rather than what it is about. Yapan (2012) alludes to the need to cast mainstream actors in order to obtain some level of marketability that would allow independent films to recoup the investment of the producers. Thus, the observation of Vertido still holds true to the present¹⁴.

Figure 8. Distribution of Film production costs



Source: Vertido (1988)

Other major expenses in movie production are related to promotions (17 percent), salaries of production staff (15 percent), and raw materials (10 percent). Promotions and publicity are allocated the second largest share of expenditure because it is also a major determinant of the success of a movie. Examples of promotions that may be undertaken by movie producers include

¹⁴ Respondents from key informant interviews however indicated varying responses. A respondent has confirmed the structure observed by Vertido (See Appendix 3) while others mentioned a recent shift away from the commonly held belief that payments to actors have the highest share of expenditures in movie production. Recently, movie production expenditure had an equal share of actors' payments and technical staff followed by rental of equipment (See Appendix 4; Appendix 6; Appendix 7).

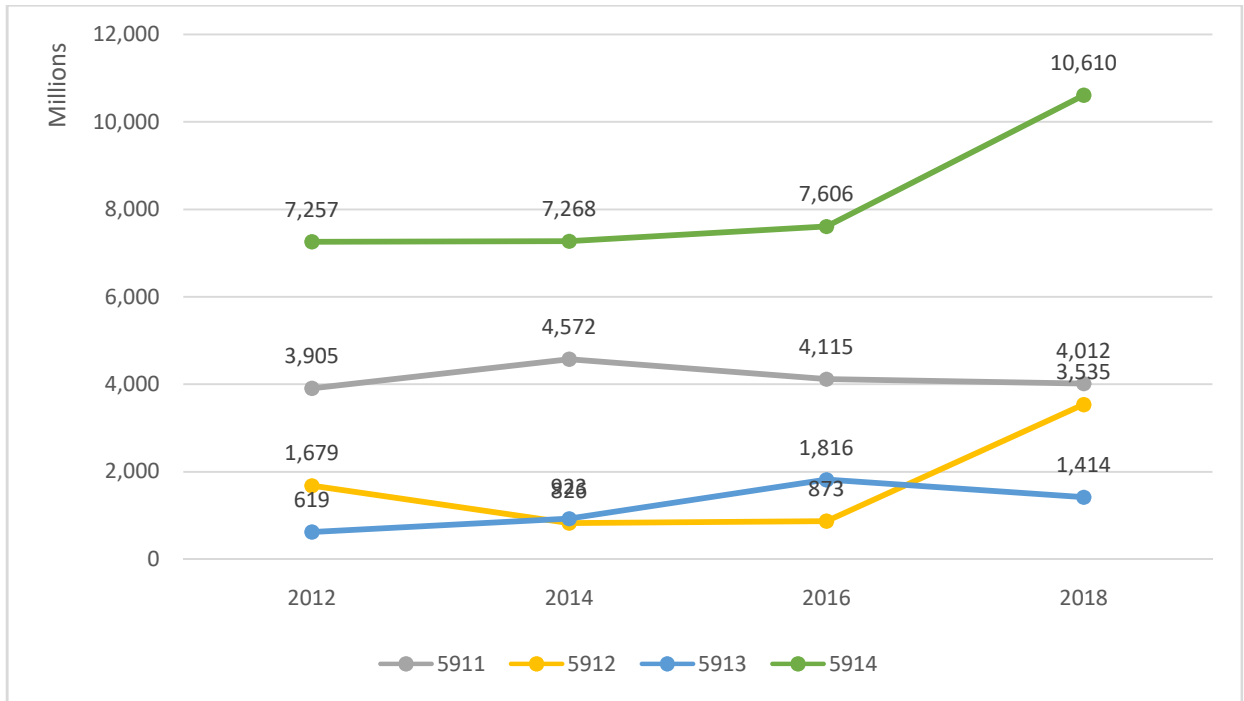
press releases and write-ups, television plugs, outdoor advertising, movie trailers, and the like. The importance of promotions is also underscored by FDCP Chairperson Diño by saying that “Content is King, but marketing is queen.” Making the target audience aware of the availability of the movie in theaters is crucial. Chairperson Diño also underscored the importance of planning ahead to have enough time to promote a movie.

Income

Figure 9 shows how the industry is performing in terms of income. Total income is growing for all the industries related to film production, but the degree of income growth varies significantly. MPVT Distribution Activities (PSIC 5913) grew the fastest from 2012 to 2018, with a CAGR of about 14.7 percent annually. Meanwhile, the slowest growth would be MPVT Programme Production Activities (PSIC 5911) which only grew slightly (0.45 percent) in the same period.

It is a good indicator of industry growth that all the firms in the MPVT industry are reporting income growth. While the indicators imply that the production of movies is still generating income at all stages of the value chain, what is worrisome is that the key industry related to the production of movies and other shows, PSIC 5911, grew the slowest among the industries. This may have implications for the eventual strength of the industry as the “anchor” is not growing as fast as the other sectors.

Figure 9. Total Income of Firms in the Film Industry (2018=100)



Source: PSA

A positive income growth rate is a good sign that the industry is doing well, as it can obtain income from its main activities. However, it is worrisome that the sector that is most related to movie production only has a 0.45 percent growth rate. There is a need to improve the sources of revenue or to reduce the costs to improve the income of the establishments in this industry.

c. Domestic Demand and Supply factors

While it is important to look at the performance of the establishments engaged in activities related to the film industry, their outputs remain abstract and intangible for most of the population. This is because a number of these outputs/services are just inputs to the end product, which is the movie itself. Thus, it is also important to look at the performance of the movie industry by looking at the performance of the movies themselves.

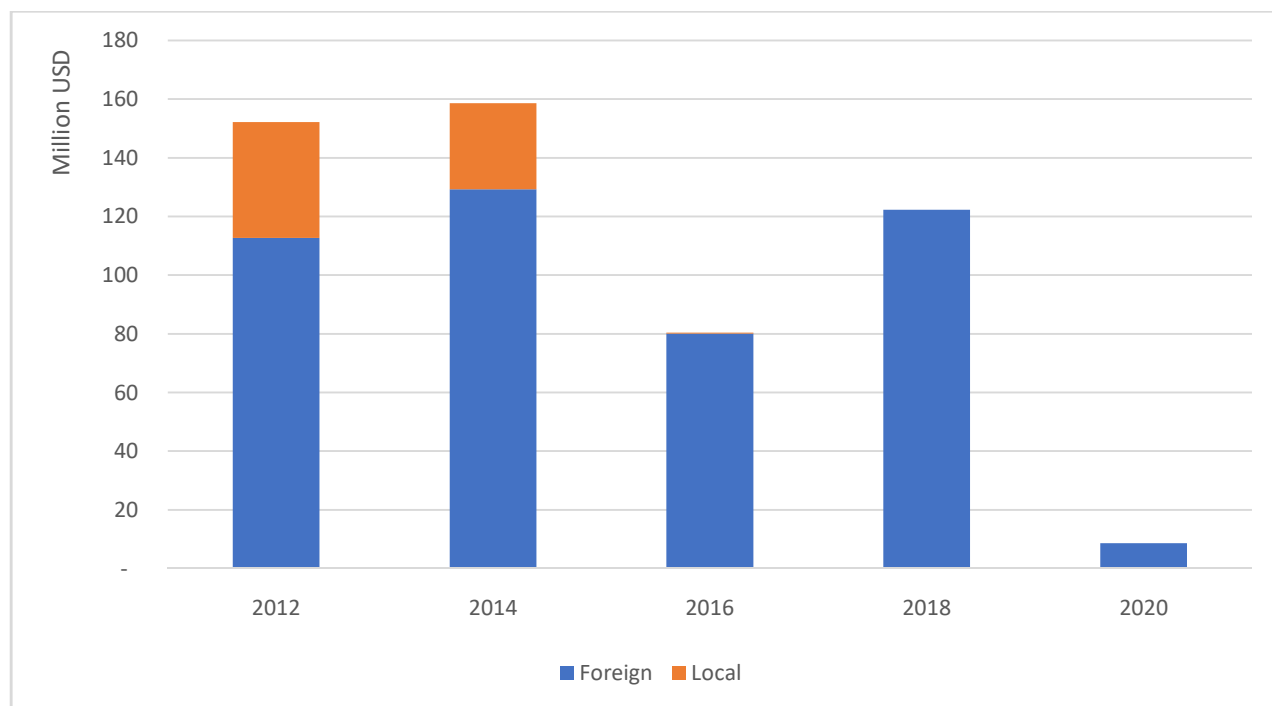
Figures 10 and 11 show the total box-office receipts and the total number of movie releases in the Philippines as compiled by Box Office Mojo¹⁵. Total receipts increased from \$150 Million in

¹⁵ Box Office Mojo by IMDbPro is the leading online box office reporting and analysis service that tracks box office receipts for more than 60 countries. Box Office Mojo by IMDbPro includes daily, weekly, weekend, monthly, yearly, seasonal, and holiday domestic box-office grosses, as well as international box office grosses. The data are obtained from a variety of sources, including film studios, distributors, sales agents, and others from around the world.

2012 to about \$160 Million in 2014, followed by a sharp decline to \$80 Million in 2016. A slight recovery was seen in 2018 when total receipts went up to about \$120 Million. The number of releases reflects the same pattern.

A few insights can be gleaned from Figures 10 and 11. First, there has been a significant decline in box office receipts and the number of releases even before the pandemic. While the pandemic has significantly driven down boxoffice receipts in the country, a downward trend can already be seen since 2014. Second, there is a significantly lower share of local films in the total receipts of the movie industry. While the database may be incomplete in compiling the movies released in the country¹⁶, it is still quite telling that Philippine local movies only account for a small percentage of total boxoffice receipts in the country.

Figure 10. Box-office Receipts in the Philippines, 2012-2020



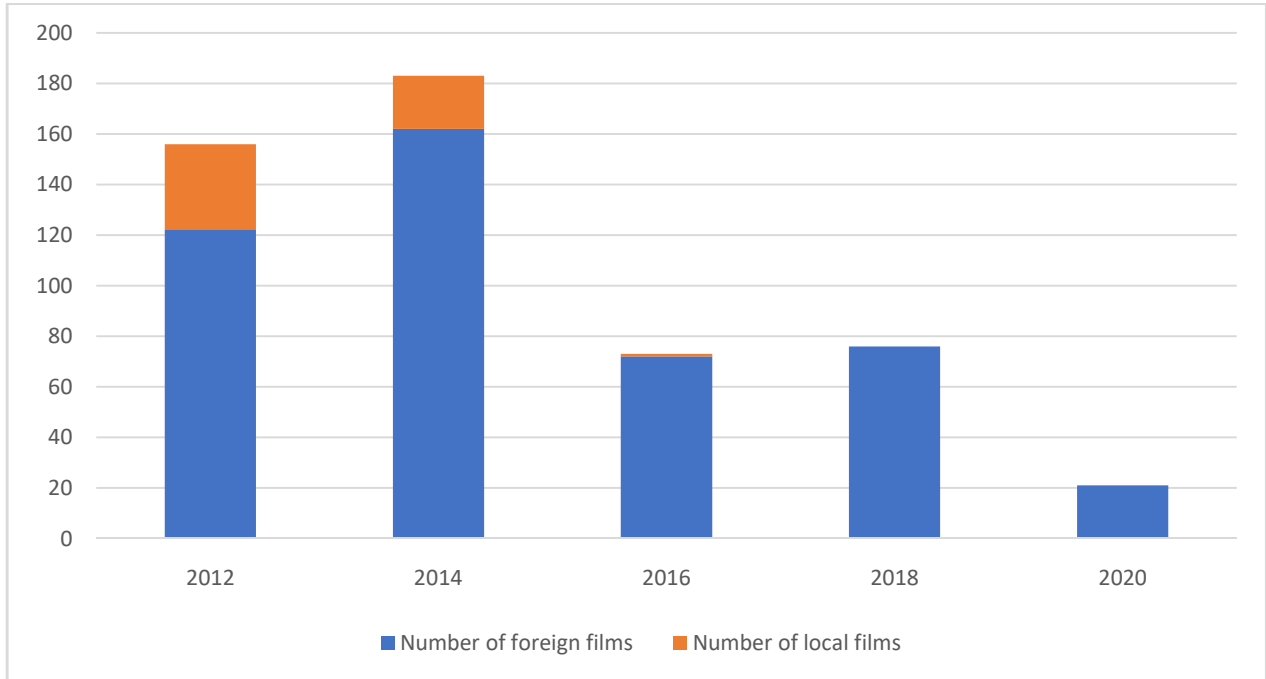
Source: Box Office Mojo

Third, the pandemic devastated the movie industry as shown by the extremely low total box office receipts and the small number of movies released in the country in 2020, a period where lockdowns and community quarantines have been consistently implemented. Only \$8.5 Million

¹⁶ Data from the MTRCB and FDCP indicate local movies released in the country, but these are not included in the IMDbPro database for some reason. Data is still being augmented and verified.

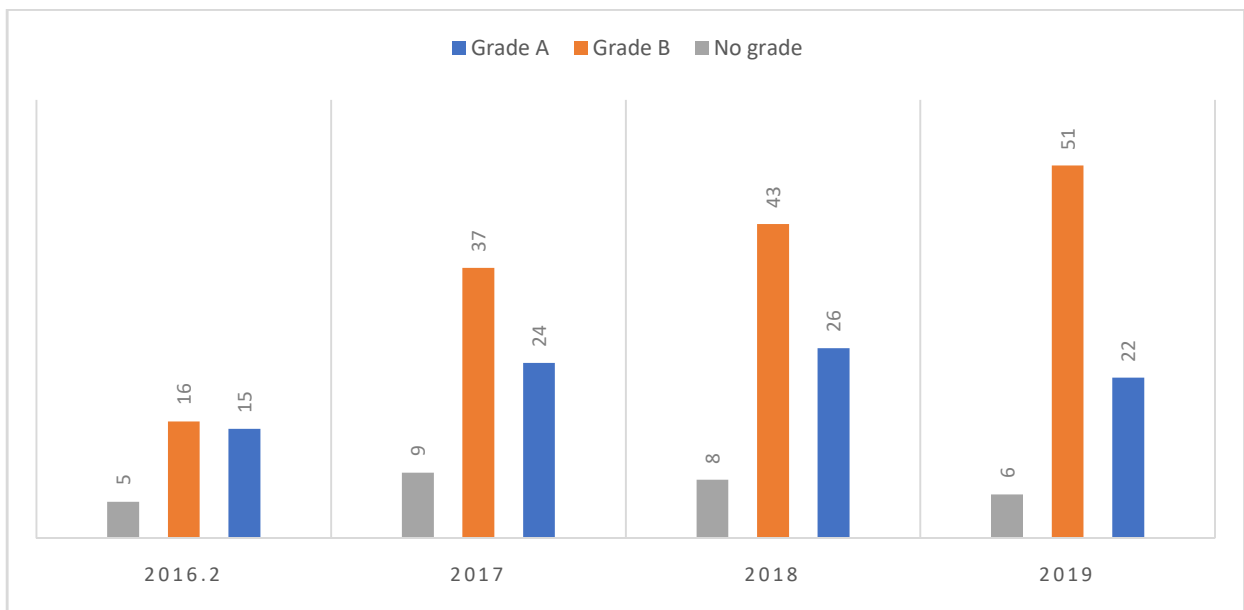
were collected in 2020, which is about 7 percent of the receipts in 2018. Similarly, there are significantly fewer movies released in 2020 compared to 2018 (Figure 11).

Figure 11. Number of Releases, 2012-2020



Source: Box Office Mojo

Figure 12. Number of Films Graded by the Cinema Evaluation Board, 2016(2nd half)-2019



Source: FDCP Annual Reports 2016-2019

Aside from the number of releases, it would also be good to have an indicator of the quality of movies shown in the country. Figure 12 shows the number of local films graded by the Cinema Evaluation Board(CEB). There are about 70 films submitted for grading to the CEB every year, and the board reviews the movies and gives a rating of A, B, or others.

Figure 12 shows that majority of the films released from 2016-2019 are Graded B. In the period of the second semester of 2016 to 2019, the average percentage of films getting a grade of A is about 34 percent, or about 1 in every 3 films. While this is already a high percentage, this proportion still reveals that there is room for further improvement in the development of excellent quality films in the country.

The FDCP annual report for 2016 and 2017 also provided a breakdown of the films submitted for grading according to producer. The data shows there are more Grade A films from independent movie producers than from mainstream producers. This statistic is an indication of a pool of Grade A quality film producers that can be tapped to increase the quality of films released in the country.

How much are Filipinos spending on movies? Domestic demand for film/motion picture can be inferred from the share to total expenditure. Unfortunately, the data from the Family Income and Expenditure Survey lumps cinema with other cultural services such as cable subscriptions, theater tickets, and others. Given this data limitation, Tables 5 to 7 contain figures that can be interpreted as an upper bound to the share of motion pictures to total expenditure. Cultural services can be clearly seen as a luxury with the share to total expenditures being less than a percent on average. A slight increase in the share can be seen in 2015 with all income deciles reflecting a marked increase in the share to total expenditure.

In 2012, expenditure on cultural services accounts for 6.57 percent of the total recreation expenditures. This share has significantly rose to 15.33 percent in 2015.

Table 5. Expenditures on Recreation in 2012

Income Decile	Total Expenditure	Total Recreation Expenditure	Total Expenditure on Cultural Services	Share to Total Expenditure	Share to Total Recreation Expenditure
	In Millions PhP			In Percent	
	(1)	(2)	(3)	(3)/(1)	(3)/(2)
First	101,790	459	13	0.01	2.81
Second	153,752	994	31	0.02	3.15
Third	191,639	1,360	52	0.03	3.82
Fourth	230,673	1,735	74	0.03	4.26
Fifth	274,805	2,104	123	0.04	5.84
Sixth	327,857	2,966	149	0.05	5.01
Seventh	401,718	4,297	248	0.06	5.78
Eighth	511,788	7,028	443	0.09	6.31
Ninth	670,153	10,337	740	0.11	7.16
Tenth	1,261,135	25,303	1,842	0.15	7.28
Total	4,125,312	56,583	3,715	0.09	6.57

Note: Expenditure on cultural services includes cinemas, theaters, cable subscription, etc.

Source: PSA

Table 6. Expenditures on Recreation in 2015

Income Decile	Total Expenditure	Total Recreation Expenditure	Total Expenditure on Cultural Services	Share to Total Expenditure	Share to Total Recreation Expenditure
	In Millions PhP			In Percent	
	(1)	(2)	(3)	(3)/(1)	(3)/(2)
First	129,526	556	39	0.03	7.06
Second	194,968	1,068	73	0.04	6.85
Third	238,611	1,342	102	0.04	7.61
Fourth	283,385	1,689	172	0.06	10.17
Fifth	334,744	1,995	195	0.06	9.79
Sixth	396,675	2,536	260	0.07	10.24
Seventh	485,277	3,257	449	0.09	13.79
Eighth	603,464	4,669	672	0.11	14.39
Ninth	797,663	6,994	1,106	0.14	15.81
Tenth	1,418,549	15,445	2,994	0.21	19.39
Total	4,882,860	39,551	6,062	0.12	15.33

Note: Expenditure on cultural services includes cinemas, theaters, cable subscription, etc.

Source: PSA

Table 6. Expenditures on Recreation in 2018

Income Decile	Total Expenditure	Total Recreation Expenditure	Total Expenditure on Cultural Services	Share to Total Expenditure	Share to Total Recreation Expenditure
	In Millions PhP			In Percent	
	(1)	(2)	(3)	(3)/(1)	(3)/(2)
First	173,006	796	160	0.09	20.06
Second	255,654	1,439	270	0.11	18.72
Third	311,037	1,842	332	0.11	18.03
Fourth	368,250	2,152	383	0.10	17.81
Fifth	433,835	2,631	423	0.10	16.07
Sixth	505,498	3,118	506	0.10	16.24
Seventh	595,780	3,623	584	0.10	16.11
Eighth	728,409	4,950	791	0.11	15.98
Ninth	936,455	6,474	1,070	0.11	16.53
Tenth	1,597,764	16,613	2,385	0.15	14.35
Total	5,905,688	43,639	6,903	0.12	15.82

Note: Expenditure on cultural services includes cinemas, theaters, cable subscription, etc.

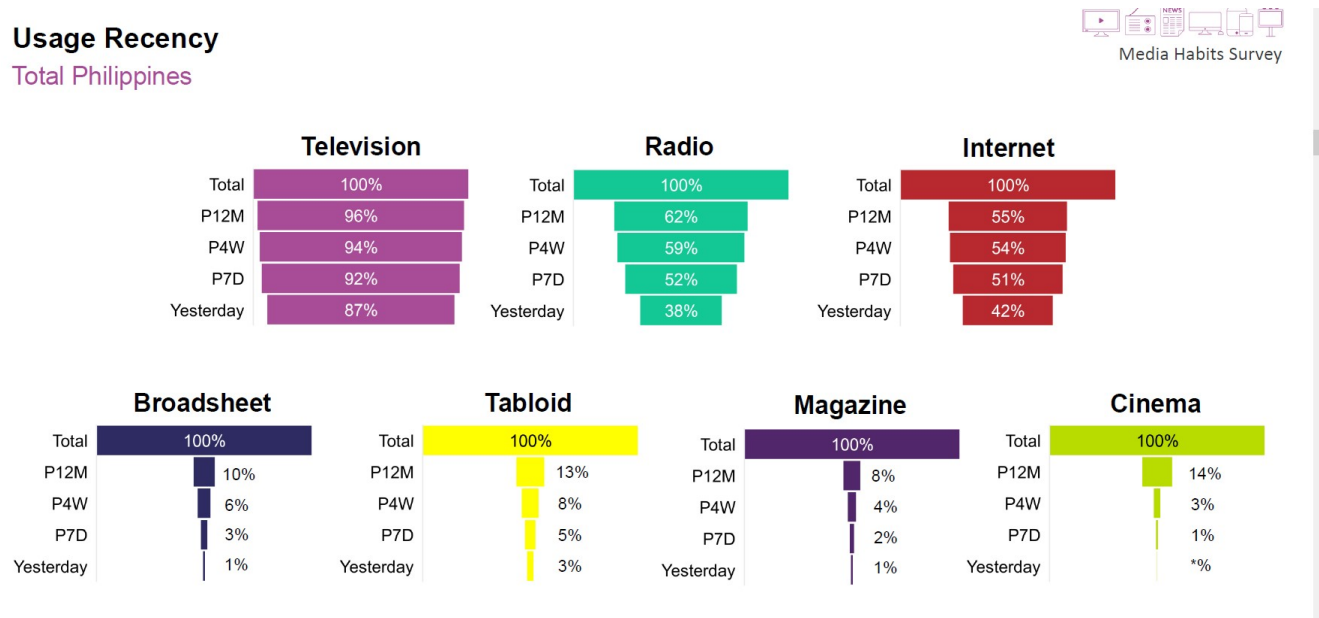
Source: PSA

Clearly, domestic demand for film services is a function of income as Tables 5-7 show. For 2012 and 2015 tables, those belonging to higher income deciles tend to allocate a larger share of recreational expenditure to cultural services relative to those in lower income decile. However, there seems to be a shift in the expenditure pattern for films of Filipinos after 2015. The data shows that those belonging to the lower income decile would tend to have higher expenditures on cultural services share. One possible explanation for this would be the relatively inexpensive cost of recreation if it is accessed online. Admittedly, the initial investment to having access to the internet is relatively high but this may still be affordable for higher income groups, and this

allows them to reduce their recreational expense as the options available through the internet are numerous.¹⁷

Another indication of the decline in demand is the Filipinos' reduced frequency of engagement with movies. Bautista (2019), using Kantar Media Habits Survey, showed that among the survey respondents (individuals with age 13 or above) who watched a movie, only 14 percent did so in the past year, 3 percent in the past month, and 1 percent in the past week. The percentage who watched a movie yesterday is negligible (Figure 13). Another insight that can be gained from Figure 13 is the presence of competition in the cinema industry. TV and the internet are the media that are most recently used by the respondents.

Figure 13. Media Recency of Use, 2018



Value chain analysis

To understand the linkages of the film industry, this study looked at the top sources of inputs and top industries demanding the outputs of the film industry. Table 8 shows that the film industry's top source of input comes from professional, scientific, and technical activities, comprising almost 32 percent of total inputs. A distant second is real estate which is 12.40 percent of the

¹⁷ This hypothesis may be further explored by looking at the specific income of households and correlating this to their recreational expense, but this is beyond the scope of the paper.

total inputs of the film industry. Financial institutions are also part of the top 15, with banking institutions (6.52 percent) ranking third and non-banks ranking 15th. Major inputs to the film industry also include utilities such as postal and courier activities, electricity, and land transport. Information and publishing, on the other hand, ranks 13th.

Table 7. Sources of Inputs of the Film industry

Rank	Top 15 sources of inputs of the Film Industry	Share
1	Professional, Scientific and Technical Activities; Administrative and Support Service Activities	32.04
2	Real estate	12.40
3	Banking institutions	8.12
4	Wholesale trade, except of motor vehicles and motorcycles	6.52
5	Retail trade, except of motor vehicles and motorcycles	5.72
6	Postal and courier activities	4.66
7	Manufacture of computer, electronic and optical products	4.09
8	Communication	3.45
9	Electricity	3.43
10	Construction	3.30
11	Land transport	2.16
12	Manufacture of wood, bamboo, cane, rattan articles and related products	1.94
13	Information and publishing	1.42
14	Manufacture of coke and refined petroleum products	1.32
15	Non-banks	1.19

Source: Input-Output Table 2018, PSA

According to the 2018 input-output transactions matrix (Table 9), 29.4 percent of the output of the film industry goes to the Public Administration and Defense; Compulsory social security. A close second would be the information and publishing industry, with a 24.27 percent share in the total output of the film industry. Retail trade ranks third with 9.56 percent share. Completing the top 10 are the following sectors: Professional, Scientific and Technical Activities; Administrative and Support Service Activities; Banking institutions; Communication; Real estate; Manufacture

of coke and refined petroleum products; Insurance and pension funding except for compulsory social security and Land transport. These sectors account for 89 percent of the output of the film industry.

Table 8. Destinations of Outputs of the Film Industry

Rank	Top 15 destinations of outputs of the Film Industry	Share
1	Public Administration and Defense; Compulsory social security	29.42
2	Information and publishing	24.27
3	Retail trade, except of motor vehicles and motorcycles	9.56
4	Professional, Scientific and Technical Activities; Administrative and Support Service Activities	5.72
5	Banking institutions	4.71
6	Communication	4.62
7	Real estate	3.26
8	Manufacture of coke and refined petroleum products	2.07
9	Insurance and pension funding except compulsory social security	1.47
10	Land transport	0.96
11	Non-banks	0.95
12	Food and beverage service activities	0.89
13	Sale and repair of motor vehicles and motorcycles	0.71
14	Other service activities	0.71
15	Wholesale trade, except of motor vehicles and motorcycles	0.67

Source: Input-Output Table 2018, PSA

Tables 9 and 10 show the limited linkages of the film industry with the agriculture and manufacturing sectors, as the top 15 sectors for either demand for outputs or supply of inputs of the film industry are mainly from the services sector. It is worth highlighting that the film industry is a major employer of professional services, which may indicate support for entrepreneurs and freelancers. The film industry is also supported strongly by Public Administration and Defense, which may explain why the demand for film industry outputs is high in the public administration sector. Given the results of Tables 9 and 10, it may be inferred

that the firms identified in PSIC 5911 to PSIC 5914 are those primarily involved in the film industry, as the linkages with other sectors seem weak.

It is worth mentioning that based on the KII, one of the services that support the industry is equipment rental services. Companies such as CMB Film Services Inc. and Cinerent(See Appendix 9) support the industry by providing special equipment like cameras, lighting equipment, and other services that the producer needs to shoot certain scenes for the movie. Such equipment requires large investments and only mainstream production houses can afford to purchase their own. In fact, major production houses and even TV companies (for their *telenovelas*) would resort to leasing equipment from the likes of CMB Film Services and Cinerent because certain high-tech equipment are not readily available or are too expensive to buy (Appendix 6; Appendix 9). According to CMB Film Services, they would adjust the services that they would provide depending on the budget of their clients.

d. Challenges and Concerns: Industry 4.0 & the COVID-19 Pandemic

The COVID-19 Pandemic

The COVID-19 pandemic has constrained the movie production process resulting in enclosing the entire process in a production “bubble”¹⁸. These constraints have resulted in scheduling problems for many freelancers who are now forced to commit to being present in the production “bubble” limiting the number of engagements they can do (Appendix 6; Appendix 11). This would entail an added cost for the producers which would increase the investment necessary to produce a movie.

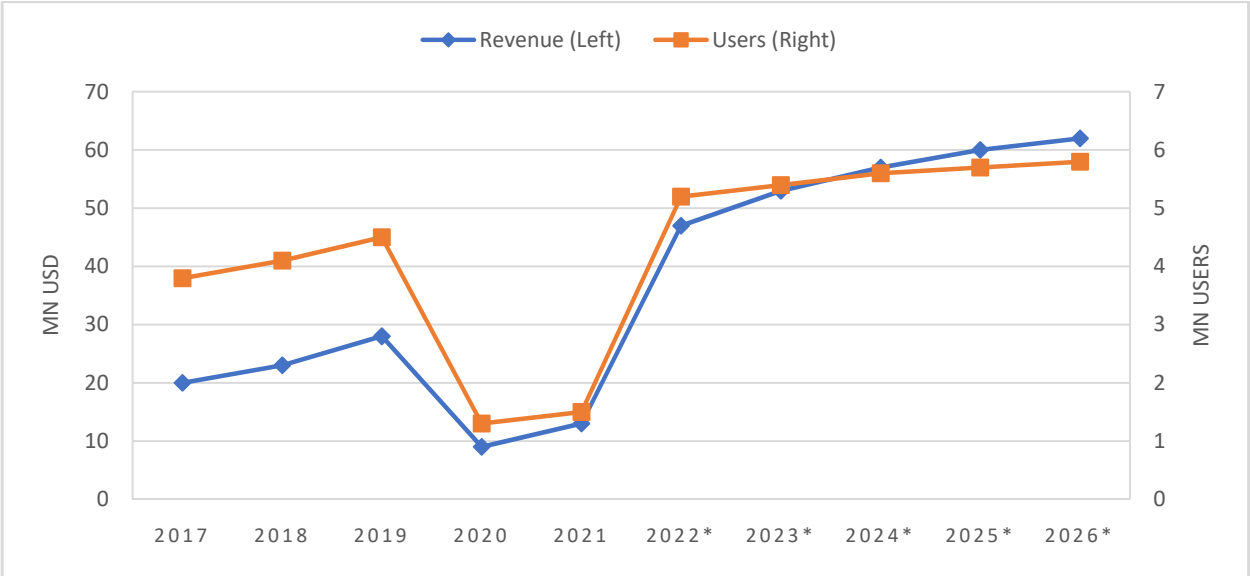
The performance of the Metro Manila Film Festival (See Chapter 3) also reflects the impact of COVID-19 on the film industry. News articles reported that earnings during the pandemic dropped significantly due to the lockdown and the apprehension to go to the cinemas. Soliman (2021) reports that the MMFF’s box office revenue in 2020 was just PHP 50 Million; this is glaringly less than pre-pandemic earnings of PHP 995 Million in 2019 and PHP 1,060 Million in

¹⁸ DOLE and the Film Development Council of the Philippines (FDCP) issued the Joint Memorandum Circular (JMC) No.1 Series of 2020, entitled *Guidelines Governing the Working Conditions and Occupational Safety and Health of Workers in the Audio-visual Production*.

2018. One reason for the sharp decline in the 2020 box office earnings is that the MMFF was held mostly online, significantly reducing the movie expenses of households.

Meanwhile, the COVID-19 pandemic and digitization of the film industry have resulted in the expansion of the modes of distribution and sales of cinema tickets. This refers to the online sale of movie tickets shown at the cinema. Digital sales of cinema tickets include the online sale of cinema tickets, digital tickets with QR codes, tickets paid online but printed at the cinema, and tickets requiring an online checkout process. Online reservations paid at the cinema are not included as these do not yet count as actual sales delivered online. Figure 14 shows the digital online sales revenue and the number of users as compiled and estimated by Statista.

Figure 14. Total Revenue from and Number of Users of Online Sale of Movie Tickets

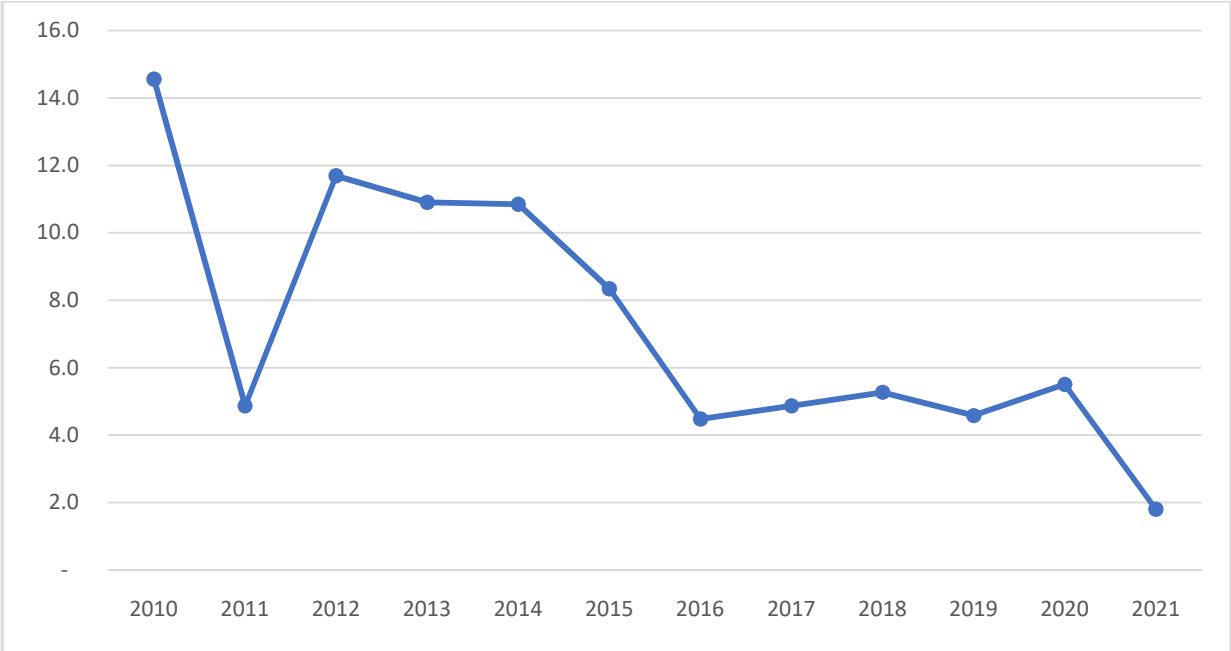


Source: Statista

Aside from showing a strongly growing online sales segment of movie distribution, Figure 14 also shows the impact of the pandemic with drastically decreasing revenue and users in 2020 and 2021. The figure, however, also shows marked improvement in 2022 (projected), with estimates showing the number of users and total revenue returning to pre-pandemic levels. Furthermore, there is also a positive trend that would be sustained even until 2026. By 2026, the revenue would have been more than \$60 Million, and active users would be close to \$6 million.

Figures 9 and 10 in the previous section have already shown how the pandemic has affected total receipts and the total number of movies released. Further hammering the point, Figure 15 looks at the weekly releases per year from 2010 to 2021. While the number of weekly releases in 2019 and 2020 has remained relatively comparable to 2016 figures, the 2021 figure shows a sharp decline with only about 2 releases per week in that year.

Figure 15. Average Number of Releases Per Week, 2010-2021



Source: Boxofficemojo

In terms of behavior during the quarantine, Adel (2020), citing the analysis of iprice.ph,¹⁹ reported an increased interest in certain local movies. According to the report, *Heneral Luna*, *Four Sisters and A Wedding*, and *Goyo: The Boy General* were among the films that had a surge of interest during the quarantine. *Heneral Luna* and *Four Sisters and A Wedding* gained strong interest from the public, resulting in a search increase of about 800 percent and 376 percent, respectively. In addition, *Goyo: The Boy General* was also sought after by Filipinos, increasing interaction by about 300 percent during the pandemic (Romualdez, n.d.). The reason for this spike in interest was not provided by iprice.ph and could be a subject for further research.

¹⁹iPrice Group is a meta-search website operating in seven countries across Southeast Asia namely; Malaysia, Singapore, Indonesia, Thailand, Philippines, Vietnam, and HongKong. Currently, iPrice compares and catalogs more than 1.5 billion and receives about 20 million monthly visits across the region.

Mercurio (2021) reported that because of the pandemic, film companies were forced to find new distribution channels for newly produced movies. One example is ABS-CBN Films adaptation which involved Cinexpress, a distribution service that simultaneously releases new movies as first window on various platforms such as KTX.ph, IWantTFC, TFCIPTV, VOD, SKyCable PPV, and Cignal PPV. Another example of digital adaptation due to COVID-19 was the launching of Viva Entertainment's subscription-based digital content platform Viva Max, which compensated for the loss of releases in movie theaters and cinemas. Viva Max's launch catalog included 500 titles including local films, *tagalized* Hollywood and South Korean hits, and other Asian movies. Original and exclusive content were also included in subsequent months (Policarpio 2021).

Industry 4.0

Technological innovations have transformed the local film industry, from the way movies are made to the way audiences consume them. Today, digital single-lens reflex cameras (DSLR) have allowed movies to be filmed in high-definition for better picture display. 3D printing has contributed to making props, costumes, and sets, from action figures to organ tissues, with speedy turnaround time and easy customization. It is a simple but critical tool: as a simultaneous means of saving time, reducing costs, and increasing creative freedom. Also, the cloud has allowed filmmakers to work in different locations using advanced software for film editing. Motion capture technology, for instance, has made it easier to execute digital animations. As for user experience, viewers can now watch films in 3D and even through streaming services.

It is expected that these technologies will continue to disrupt the industry in the coming years. Emerging trends in this area include 3D previsualization, intelligent screenplay writing, motion capture technology, real-time rendering, volume technology, autonomous drone cinematography system, algorithmic video editing, automatic soundtrack generation, 4D films, personalized sound control, interactive moviemaking technology, and metaverse platforms with digital marketplace among others (See Table 10). Almost all aspects of the film production process may be affected by Industry 4.0 so it would be imperative that the industry takes these technologies into consideration and keep itself abreast of developments in these areas.

Table 9. Fourth Industrial Revolution Technologies Related to Film Production

Technology	Description	Impact to film making process
Pre-production		
3D Previsualization	The digital playgrounds of 3D pre-viz provide filmmakers the time and space to explore and experiment without incurring unnecessary expenses.	<p>3D Pre-visualization (pre-viz) revolutionizes the pre-production value chain by integrating fully immersive digital replicas of the physical sets or locations to be used on a live-action production before the actual cameras begin to roll.</p> <p>With 3D pre-viz software and game engines, directors can better refine visual designs, production designers can increase construction precision, directors of photography can take the guesswork out of technical solutions, and producers can optimize the logistical flow of the entire production.</p>
Intelligent Screenplay Writing	Artificial intelligence may be a tool for screenwriters as it can be used to automate tasks and generate creative scripts.	AI can assist writers in coming up with ideas, dialogue, characterization, scenes, and other original content. To bring a machine-written script to life, AI must work in tandem with humans to interpret and craft the final product.
Production		
Real-Time Rendering	Real-time rendering is a	By being able to both see and

Technology	Description	Impact to film making process
	powerhouse technical solution that allows changes to a digital environment to be made near instantaneously without the tediously long render times.	alter the interactions between physical and digital components in real time, filmmakers can work faster with more precision and more options for experimentation.
Volume Technology	Volume technology refers to the usage of massive LED walls to display pre-recorded images in the background of a shot while live-action elements are filmed in the foreground – a process designed to achieve a seamless, in-camera composition of physical and digital components.	By combining the game engine, real-time rendering, and video wall technology, the Volume offers an easily customizable and highly immersive digital filmmaking solution, speeding up production times and amplifying the reality of visual effects.
Autonomous Drone Cinematography System	Autonomous drone cameras specifically designed to film live actions with all the necessary knowledge of filmmaking, camera angles, and techniques. The developed prototypes are also provisioned with the ability to avoid obstacles in flight and capture moving objects.	Shooting cinematic motion videos using a drone becomes less challenging because drones can now produce unique shots as these are equipped with ability to avoid obstacles in flight and capture moving objects
Post-production		
Algorithmic Video Editing	Algorithmic video editing is now being used to assist editors with footage organization and rough cutting.	A group of engineers with Disney Research was able to develop an algorithm designed to choose the best shots and string them together with continuity. While the future of post-production will not likely fall to the robots anytime soon, the applications for algorithmic film technology are becoming more practical that tech-savvy editors can use to optimize the post-production workflow.
Automatic Soundtrack	Audio-postproduction	The technology will help

Technology	Description	Impact to film making process
Generation	software for automatic soundtrack generation has been recently developed to streamline the process of implementing audio into films.	sound engineers to rapidly locate and apply sounds in scene footages considering sync points, genre, and intensity, providing an infinite range of alternate compositions.
Interactive Moviemaking Technology	With the drift of film history into greater realism and higher audience immersion interests, interactive films are now emerging allowing viewers to take control of the outcome of the story.	Movies in the future will appear with custom plots and visuals presenting an innovative entertainment choice and unique storytelling narrative for the general audience.
Personalized sound control technology	Personalized sound control technology is a loudspeaker technology that brings only the target sound to the listener without causing sound leakage.	Applications include use in movie theaters or transport vehicles enabling movie watchers to watch different movies without using earphones or without others in the vehicle hearing them.
Metaverse Platforms with Digital Marketplace	The metaverse platform, which is considered to be the successor to the 2D internet, in which people use virtual reality headsets to enter digital environments while the digital marketplace is a community driven and online decentralized store where creators can sell and purchase customizable digital assets built on a blockchain.	<ol style="list-style-type: none"> 1. Funding, distribution, and filmmaking are already being explored in the metaverse platforms 2. Transactions related to the distribution of films, 3D pre-visualization, Real-time rendering, and volume technology, can eventually be done through a digital marketplace

Source: Appendix 10

State of Innovation & R&D

There seems to be very little R&D in the sector, as observed in its almost negligible share in R&D expenditure. Other sectors (PSIC 5913 and PSIC 5912) have not even reported any R&D

expenditure in recent years (2016 and 2018). The two sectors that have some R&D share to total expenditure are PSIC code 5911 and PSIC code 5914 which may be more related to advancements in technology (Table 11).

Table 10. Share of R&D Expenditure to Total Expenditure (%)

PSIC	Description	2012	2014	2016	2018
5911	MPVT Programme Production Activities	-	-	-	0.0006
5912	MPVT Post-production Activities	0.0109	-	-	-
5913	MPVT Distribution Activities	-	-	-	-
5914	Motion Picture Projection Activities	0.0004	-	-	0.0016

Note: "--" means 0;

Source: PSA

Other possible indicators of innovation would be the expansion of the market to the international markets. Because of the advancements in technology, some of the activities and services related to film production may now be exported. Table 12 shows the average share of direct exports to total income for each of the industries. It can be seen from the table that PSIC 5911 and PSIC 5912 have consistently had direct exports since 2012. For MPVT Post-production Activities (PSIC5912), the international market seems to be as important as the domestic market since the average share of direct exports to total income has been above 50 percent since 2014. MPVT Programme Production Activities (PSIC 5911), meanwhile, has a small but growing share of direct exports. MPVT Distribution Activities (PSIC 5913) has also reported income from direct exports, which is about 7.4 percent of the total income of the industry, but only for 2018. For the previous years, the industry has reported no direct exports. Motion Picture Projection Activities (PSIC 5914) has no direct exports since 2012.

Table 11. Share of Direct Exports to Total Income

PSIC	Description	2012	2014	2016	2018
5911	MPVT Programme Production Activities	2.8	6.7	10.2	17.8

5912	MPVT Post-production Activities	7.9	67.4	50.0	53.3
5913	MPVT Distribution Activities	-	-	-	7.4
5914	Motion Picture Projection Activities	-	-	-	-

Note: “-“ means 0;

Source: PSA

While official statistics on R&D show a dismal performance of the sector, there is some anecdotal evidence of innovation and R&D activities being conducted in some of the film industry’s support sectors, particularly the rental of film production equipment. Respondents from the film production equipment rental companies mentioned conducting in-house market studies and keeping up to date with global trends and best practices in the global film production industry. While these technologies are not developed in-house, there is still some form of technology transfer as the use and maintenance of these modern technologies are transferred to the technical crew assigned to use the equipment (Appendix 9).

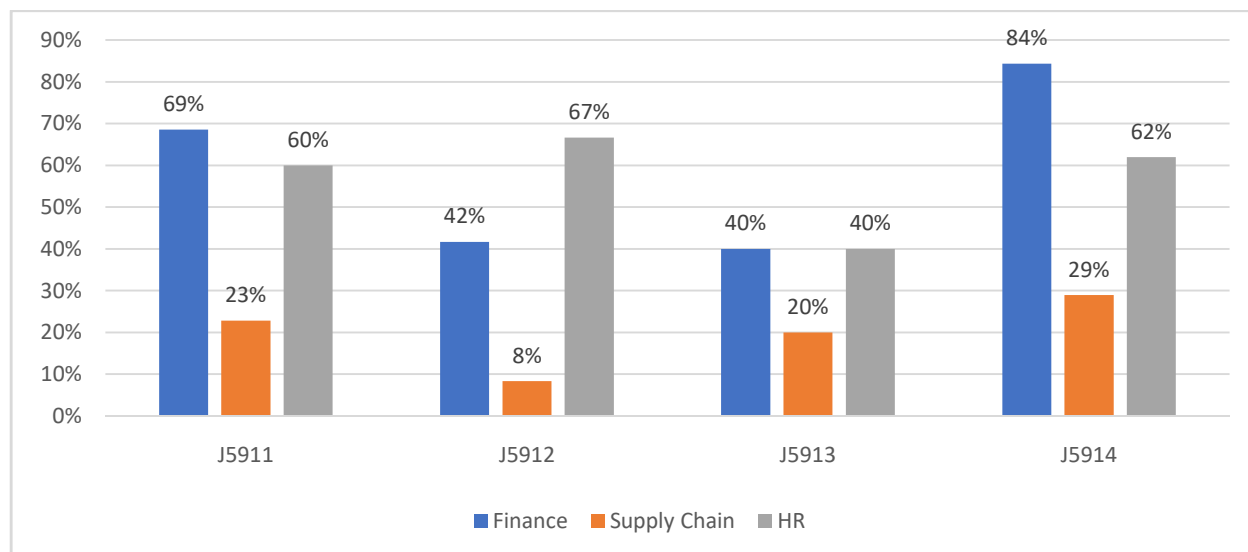
The adoption of advanced technologies would depend on the ICT capabilities of the firms in the film industry. The Survey of Information Communication Technology (ICT) by the PSA suggests that ICT adoption in the film industry is quite high, as can be seen by the proportion of broadband access to the total number of firms (Table 13) and the use of ICT in business operations (Figure 16). Even as early as 2013, all the industries have reported more than 90 percent of access to broadband. ICT equipment is also used in business operations, particularly in HR and Finance. In 2017, more than 40 percent of the firms used ICT in Finance- or HR-related activities, which shows the relative openness of the industry to ICT.

Table 12. Access to Broadband Technology in the Film industry

PSIC	2013		2015		2017	
	Access to broadband	No. of firms	Access to broadband	No. of firms	Access to broadband	No. of firms
5911	29	29	32	32	34	35
5912	22	22	15	15	12	12
5913	2	2	3	3	5	5
5914	102	120	85	120	116	121

Source: Survey of ICT, PSA

Figure 16. Use of ICT in Business Operations in the Film Industry, 2018



Source: SICT 2018, PSA

However, ICT use is not sufficient to ensure that these technologies will be utilized by the industry. There needs to be an enhancement of skills and readiness to adopt these. The interview response of PCIERRD (Appendix 10) indicates that there is a need to support skills development in the industry. These can be done through industry-defined training and workshops, micro-courses, and micro-certifications that would increase human resources, and local capability and capacity building to produce hardware prototypes.

3. Government policies, programs and other support to the industry

a. Support from various government agencies

Several government agencies have been mandated to support the film industry. Primary among these is the Film Development Council of the Philippines (FDCP) which was created through Republic Act 9167 and placed under the Office of the President. In 2009, the FDCP was placed under the Department of Education through Executive Order No. 837. The rationale is to support the advancement of film, music, and arts through the development of the country’s educational

system. Recognizing the key role of the Department of Trade and Industry (DTI) in coordinating government activities related to industry development, and the key role of the FDCP in promoting and developing the film industry, Executive Order No. 161 s. 2022 places the oversight of the FDCP under the DTI.

The FDCP is mandated to establish and undertake programs and activities that promote the growth and development of the local film industry, as well as to encourage the production of quality films and to conduct film-related events that enhance the skills of the Filipino talents. The agency also leads the film industry's participation in domestic and foreign film markets and in local and international film festivals. Finally, the agency is mandated to preserve and protect films as part of the country's national heritage (RA 9167). In 2019, the FDCP procured the Box Office Online System Tracker which is a media measurement and analytics system which can provide Film industry stakeholders (distribution companies, producers, stakeholders, and other subscribers) marketing data and analytics through real-time box office receipts and admissions. This system can be used to improve the regulation of the industry through analytics of data and revealed preferences of the stakeholders.

Meanwhile as the overseer of the FDCP, DTI is responsible for realizing the country's goal of globally competitive and innovative industry and services sector that contribute to inclusive growth and employment generation. The DTI implements the industry development programs related to the development of the Creative Economy which provides the strategic direction for the development of the Philippine Creative Industries (Table 14).

Table 13. Specific Projects of the DTI Related to the Film Industry

Program/Project Title	Description
Integrated Industry Development for Creative Industries	<p>This program is prepared and crafted to provide a strategic direction for the development of the Philippine Creative Industries, which will lead to improved competitiveness, enhanced capability, increased productivity, export promotion and development, and compliance to global standards for greater market access. Components of Creative Industries covered in this project include live entertainment and performing arts; audio visual sector specifically film; animation; game development; marketing services; creative process outsourcing; and creative freelancers.</p> <p>The scope of the Development of the Philippine Creative Industries Project is composed of five (5) sub-projects aimed to develop various creative sectors:</p> <ul style="list-style-type: none"> - Development of Creative Industry Roadmap - Filipino Performers and Entertainers Accelerator – Capacity Building Program for the Workers in Film, Live Events and Performing Arts - Development of Shared Digital Services Facility - Development of Creative Services Special Zone - Professionalize Filipino Online Creative Freelancers
Establishment of Creative Satellite Account	<p>The DTI worked with the Philippine Statistics Authority in coming up with the Philippine Creative Industries Satellite Account to address the lack of official industry data. The satellite account will provide us with more comprehensive industry statistics that will serve as vital input for both government and industry.</p>
Creative Cities Playbook	<p>DTI also provides programs on skills and capacity development comprising the Creative Cities Playbook, aimed to design and develop innovative guides and solutions for local creative cities and enterprises under the Fourth Industrial Revolution and post-pandemic period.</p>

Skills Frameworks for Digital Animation and Game Development	The Philippine Skills Framework is an inter-agency effort to build the skills and competencies of the country's human capital and better prepare them for the future economy. The skills frameworks, designed with the help of industry experts, will boost these industries as they upskill and reskill the labor force to become globally competitive.

Sources:

The Department of Foreign Affairs (DFA) supports the film industry by entering into agreements and partnerships with other countries such that Philippine culture and creative industries would be promoted. Recent programs/projects that the DFA has implemented related to the film industry are presented in Table 15.

Table 14. DFA Project Related to the Film Industry

Project Title	Description
Lecture Event on Current Issues on Philippine Comics and Animation Industries	The lecture event, organized by the DFA’s Office of the United Nations and Other International Organizations (UNIO), was attended by members of the Philippine Komiks Convention (KOMIKON), the Animation Council of the Philippines (ACPI), Filipino comic book / graphic novel writers, game developers, animators, and bloggers. UNIO Director ArizConvalecer chaired the proceedings.

<p>2022-2026 Executive Programme of the Philippines-Australia 1977 Cultural Agreement</p>	<p>The Philippines and Australia reaffirmed their commitment to strengthen cultural cooperation with the signing of the Executive Program (2022-2026) under the 1977 Cultural Agreement between the National Commission for Culture and the Arts (NCCA) and the Australian Office for the Arts on 28 February 2022, following the conclusion of the 2nd PH-AU Foreign Ministry Consultations. The Executive Programme is expected to expand bilateral cultural exchanges in the creative industries, indigenous cultures, cultural heritage, and visual, performing, and interdisciplinary arts; and outline initiatives to further reinforce cooperation in the cultural sphere.</p>
<p>DFA International Online Film Festival</p>	<p>To honor the invaluable contributions of National Artist for Film and Broadcast Arts KidlatTahimik to the development of independent Philippine Cinema, the Film Development Council of the Philippines (FDCP) and the Department of Foreign Affairs (DFA) Public and Cultural diplomacy arms held free screenings and a talkback session last November 28 to December 8, 2021.</p>

Source: DFA website

The National Commission on Culture and the ARTS (NCCA) is the government agency mandated to, among other things, conserve, promote and protect the nation’s historical and cultural heritage and ensure the widest dissemination of artistic and cultural products among the greatest number of people across the country and overseas for their appreciation and enjoyment. To achieve these the NCCA has organized film festivals and provided grants that would support the production of short films and feature-length films. It has also provided online capacity building workshops and trainings to improve the film production capabilities of those involved in the sector (Table 16).

Table 15. Selected Programs of the NCCA Related to Film Production

Program	Description
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<p>Online Cinemas [Film Festivals with Master Classes]</p>	<p>This project aims to give funding to the conduct of an online film festival with master classes. The online festival may offer an alternative distribution channel for regional films and can create the needed platform for meaningful discussions.</p>
<p>Short Film Production</p>	<p>Competitive Grant where funds are intended for covering production and post-production costs such as, but not limited to, principal photography, talent, and professional fees, rentals, post-production and color grading, mastering, and the like.</p>
<p>Feature-Length Film Post-Production</p>	<p>Competitive Grant where funds are intended for covering post-production costs such as, but not limited to, principal photography, talent, and professional fees, rentals, post-production and color grading, mastering, and the like.</p>
<p>Online Capacity Building, Trainings and Workshops</p>	<p>Trainings/workshops on, but not limited to, the following topics:</p> <ol style="list-style-type: none"> 1. Development of an online workshop that seeks to strengthen a particular film production capacity such as, but not limited to, story pitching, screenplay writing, directing, producing, acting, production designing, sound designing, cinematography, editing, marketing, and distribution, as well as film criticism and film appreciation; 2. Online marketing and information dissemination; 3. Anti-film piracy, copyright, etc.; 4. Best practices on how to maintain the safety of the sector in the time of the pandemic; 5. Enhancement of knowledge, skills in the protection of the rights of artists/filmmakers; 6. A forum or conference on how the arts and the artists are being affected by the Anti-Terrorism Law, etc.
<p>Bayanihan, Malasakit and Pagkamalikhain (BMP) Short Films</p>	<p>This competitive grant aims to promote, propagate, and disseminate culture and arts stories promoting the values of "Bayanihan, Malasakit, at Pagkamalikhain" and a culture-based response to disasters to the community. Indie-created short films in the range of 15-20 minutes per film showcasing the values of BMP and spotlighting culture-based responses to or ways of recovering from the pandemic; thereby celebrating the role, contribution, and essential nature of Philippine culture and arts.</p>

Source: NCCA website

The Metro Manila Development Authority (MMDA) is the organizer of the Metro Manila Film Festival which is a film festival held in Metro Manila, Philippines from December 25 to the first week of the following year. By virtue of Metro Manila Commission Executive Order No. 86-09 and pursuant to Presidential Proclamation Nos. 1459, 1485, 1533, 1533-A, and 1647, the Metro Manila Film Festival (MMFF) was established and held during the Christmas season in recognition of the role of the film industry in providing artistic depictions of both the stories and history. During this period, movie theaters only show films that have passed the approval of the MMFF jurors. The event began in 1975 and continues to this day.

MMFF aims to promote and enhance the preservation, growth, and development of the local film industry and to extend financial support and assistance to the local film producers and its beneficiaries. In addition to the conduct of the MMFF annually, the MMDA has also endeavored to establish the MMFF Cinema which was inaugurated in February 2015. The building houses the MMFF Library, the MMFF Secretariat Office, Classroom, and a 120-seat theater. To ensure the sustainability and continued growth of Filipino filmmaking, the MMFF hosts regular workshops for aspiring members of the film community. This is done through the support of MMFF's previous participants and finalists.

In cooperation with foreign embassies in the Philippines, the MMFF also conducts weekly international festivals as part of the cultural and educational exchange with the global cinema scene. Also, the MMFF screens local films previously entered into the Festival every Tuesday and Thursday.

Recognizing the negative effects of piracy and illegal distribution of copies of movies disregarding censorship and copyright laws, the Videogram Regulatory Board (the predecessor of the OMB) was established. The VRB was further enhanced through RA 9239 in order to update its capabilities to regulate optical media. The Optical Media Board, created by Republic Act 9239 (Optical Media Act), is mandated to regulate the mastering, manufacturing, importation, and exportation of media products and manufacturing materials as part of ensuring protection of intellectual property rights. It is one of the anti-piracy agencies of the Philippines.

To do so, the agency endeavors to monitor the optical media industry by regulating the licenses and conducting inspections of optical media establishments.

The OMB has two major programs related to (1) licensing and registration and (2) monitoring and enforcement. Regarding licensing and registration, optical media establishments registering and applying for licenses should receive these documents according to a pre-defined timeframe. The OMB in 2019 reports to have issued 14,992 licenses and 16,493 permits. 97.8 percent of these have been issued within their prescribed timeframe. In terms of monitoring and enforcement, the OMB has served a total of 2,563 inspection orders in 2019. They have also pursued 2,615 administrative cases during the period. Aside from these, the OMB has supported the film industry by launching campaigns against piracy through ads shown in cinemas and by aiding the FDCP's activities (Table 17).

Table 16. Programs and Projects of the OMB Related to the Film Industry

Program	Description
Infomercial for OMB's Anti-Piracy campaign	Development of an Infomercial for the OMB's anti-piracy campaign, which will be shown in cinemas nationwide. The initiative is in partnership with the Cinema Exhibitors Association of the Philippines (CEAP).
Assistance to the Pista ng Pelikulang Pilipino	The OMB is assisting the Film Development Council of the Philippines in this year's Pista ng Pelikulang Pilipino. The Pista ng Pelikulang Pilipino (PPP) is a celebration of Philippine Cinema where new quality genre films are screened for one week in all regular cinemas nationwide. Serving as both a celebration and an industry event, PPP has showcased a variety of film genres to the Filipino audience and has created a venue for them to let the industry know what films move and appeal to them, thereby creating a dialogue between film stakeholders.
Stakeholders Consultative Meeting for Musicians	The recently concluded stakeholders' meeting discussed the OMB's role in protecting artists' original works. The program was in collaboration with the Filipino Society of Composers, Authors and Publishers (FILSCAP), Philippine Association of the Record Industry (PARI) and the Intellectual Property Office of the Philippines (IPOP HL).

<p>OMBeOriginal Zone Awards</p>	<p>The OMBeOriginal Zone Program was conceptualized as part of the ongoing intensified anti-piracy awareness campaign of the OMB. The intent of the program is to formally recognize the outstanding campaigns and/or compliance of institutions and business establishments in support of OMB’s #OMBeOriginal and #NgayonNa campaigns.</p> <p>This program articulates the recognition for institutions and business establishments that are fully compliant with Republic Act 9239, ensure the use of authentic and appropriate licensed software, and enforce absolute restriction to the access of websites considered as sources of piracy.</p> <p>The award aims to acknowledge and give affirmation to the efforts of institutions and business establishments and in effect, motivate and encourage others to promote and nurture the value of respecting Intellectual Property Rights, and be proactive members of the community</p>
<p>Enforcement Operations</p>	<p>The OMB conducts enforcement operations to seize pirated items such as optical media products, storage discs, etc.</p>

Source:

The MTRCB is mandated to regulate and classify motion pictures, television programs, and publicity materials; promote an environment leading to authentic and responsible self-regulation in the film and television industry; initiate plans and cooperate with the movie and television industries as sources of fueling the national economy; empower the Filipino family, particularly parents and at the grassroots level, such that family members are able to evaluate and intelligently choose media and entertainment content; and promote a value-based media and entertainment culture.

To accomplish this mandate, the MTRCB has endeavored the following programs/projects:

1. Conduct of developmental activities which aims to empower the viewing public and various stakeholders on how to effectively use the MTRCB rating system.
2. Collaborate with various stakeholders (government agencies, faith groups, and other institutions) in order to increase public awareness of the advocacies of these institutions.

3. Regulatory and classification of movies, television programs and optical media materials, including monitoring of theaters, tv networks, cable operators, production outfits, and other film distributors.

b. Incentives to the Film Industry

The Cinema Evaluation System grades films based on standards of quality that grants graded A films with 100% amusement tax incentive from box office returns. Graded B films, on the other hand, receive 65%, with the remaining 35% forming part of FDCP's budget for projects and assistance to films and filmmakers. This system encourages filmmakers to take bolder risks in producing quality films and gives them the capital to continue to produce the next projects. The FDCP have provided rebates from amusement taxes from early 2016 to late 2019.

In 2015, the City of Cebu, Colon Heritage Realty Corp., and SM Prime Holdings challenged the constitutionality of the system of granting amusement tax incentives to Filipino films graded A or B. The Supreme Court ruled in 2016 that the FDCP system was indeed unconstitutional as it is against the Local Government Code on the utilization of amusement tax. FDCP filed a motion for reconsideration but was summarily dismissed. The Supreme Court ruled with finality in 2019, ending the incentives given to quality movies by the FDCP. The FDCP, however, has committed to looking for ways to support the industry while still abiding by the Supreme Court ruling.

c. Production support programs

FDCP launched the CreatePHFilmsfunding program to provide funds for Filipino filmmakers in the various stages of the filmmaking process. The CreatePHFilms, which was launched in September 2020, grants selective funds to Filipino filmmakers at the various stages of the development process: Development (Scriptwriting and Project Development), Production (Small Budget and Large Budget), Post-Production, and Distribution of full-length film projects.

The program is open to all Filipino filmmakers and companies that are registered through the FDCP's national registry. One hundred percent (100%) of the fund must be spent in the

Philippines for eligible expenses. Table 18 presents the number of projects that will be selected in each cycle (2 cycles per year) with the corresponding amount of grant.

Table 17. Details of the CreatePHFilmsFunding Program

Type of Fund	No. of Projects per Cycle	Amount
Scriptwriting	Up to 10 Projects	100,000.00
Project Development	Up to 5 Projects	200,000.00
Small Budget Production	Up to 10 Projects	1,000,000.00
Large Budget Production	Up to 3 Projects	3 – 5,000,00.00
Post-Production	Up to 5 Projects	300,000.00
Distribution	Year-round	300,000.00

Source: FDCP Summary of 2020 Major Accomplishments

In 2020, a total of 22 projects were awarded grants with total grants given out amounting to PHP 9.7 Million.

d.Locating film production in the Philippines

To encourage foreign television and filmmakers to produce their films in the Philippines, Executive Order 674 was released. According to the EO, the Philippine Film Export Services Office (PFESO) is mandated to integrate, simplify, and streamline the requirements for foreign producers interested in doing location shooting in the country. PFESO is under the administrative and technical supervision of the FDCP and was reactivated under Chairperson Diño. Planning and coordination began with the creation of the PFESO under FDCP, with plans of official launch in 2018.

In 2019, the FDCP and the Film Philippines Office (FPO) introduced two financial incentives to entice foreign productions to partner with local filmmakers and either shoot their project or perform post-production work in the country – the Film Location Incentive Program (FLIP) and the International Co-Production Fund (ICOF).A Deliberation Committee would be formed each year to decide on which projects would receive the incentives.

The Film Location Incentive Program (FLIP) is open to audiovisual content including feature films (live-action, documentary, animation), short films, TV, and VOD content (reality shows,

series, unit), web content, music videos, and virtual reality content. The program provides a 20% cash rebate with a cap of PHP 10 Million (about USD 196,000) to selected producers that have a minimum Qualified Philippine Production Expenditure (QPPE) of PHP 8 Million (about USD 157,000) within the country. The Filipino line production company or animation studio or post-production services company must apply for the FLIP. Those who received the incentive in 2020 are presented in Table 19.

Table 18. Beneficiaries of the Film Location Incentive Program

Project	Foreign Producer	Local Producer	QPPE	Cash Rebate Awarded
Almost Paradise (Scripted Series)	Electric Entertainment (USA)	ABS-CBN Corporation	PHP 16,834,041	PHP 3,356,808 (100% Released)
Survivor Russia (Reality Series)	Mastiff Limited Liability Co. (Russia)	Philippine Film Studios Inc.	PHP 23,274,966	PHP 4,654,993 (100% Released)
Bionic Max (Animated Series)	Gaumont Animation (France)	Top Draw Animation	PHP 63,081,576	Up to 10M (For verification)
Survivor Israel (Reality Series)	AbotHameiri (Israel)	Philippine Film Studios, Inc.	PHP 83,024,054	Up to 10M (For verification)

Source: FDCP Annual Report 2020

Another fund that can be tapped by foreign producers working with local filmmakers is the International Co-Production Fund (ICOF). The program is open to international feature films (live-action documentary, animation) with co-production in the Philippines. Similar to the FLIP, it has a cap of PHP 10 Million (approx. USD 196,000) but the minimum projected spending in the Philippines is lower at PHP 5 Million (approx. USD 98,000). The Filipino partner and co-producer must apply for the ICOF. The project can be initiated by the foreign or the Filipino production company. Table 20 presents the beneficiaries of the ICOF.

Table 19. Beneficiaries of the International Co-Production Fund

Project	Foreign	Local Producer	QPPE	Cash Rebate
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	Producer			Awarded
When the waves are gone by Lav Diaz	Snowglobe (Denmark) Films Boutique (France)	EpicMediaProductins	PHP 16,834,041	PHP 3,356,808 (50% released)
Nocebo by Lorcan Finnegan	Wild Swim Films (UK) Lovely Productions (Ireland)	EpicMedia Productions	PHP 23,274,966	PHP 4,654,993 (50% released)
Some Nights I Feel Like Walking by Petersen Vargas	Giraffe Pictures (Singapore) Dolce Vita Films (France)	VY/AC Productions Ten17P	PHP 27,996,400	PHP 6,000,000 (For verification)
Holy Craft by Joseph Mangat	Volos Films (Taiwan) Cinetracts (USA)	VY/AC Productions	PHP 7,600,000	PHP 3,040,000 (For verification)

Source: FDCP Annual Report 2020

Finally, the ASEAN Co-Production Fund (ACOF) aims to increase the regional funding opportunities for ASEAN filmmakers. The fund is open to feature films (live-action documentary, animation) with a director of ASEAN nationality (including the Philippines). The ACOF is a selective fund that will support each selected project up to USD 150,000 with at least 50% of the fund to be spent in Qualified Philippine Production Expenditure. The Filipino co-producer will be responsible for applying for the ACOF. The project can be initiated by the ASEAN (excluding the Philippines) or the Filipino production company.

e.Capacity Development Activities

Since 2017, the FDCP has conducted the Film Industry Conference (FIC) which aims to gather experts and stakeholders(international and local) to share and discuss the latest trends, opportunities, platforms, and mechanisms for cooperation that Filipino producers and filmmakers can explore for the development, production, and distribution of their projects with the intent of crossing local borders.

Aside from the FIC, the FDCP has initiated the Full Circle Lab (FCL) which aims to support Filipino and Southeast Asian filmmakers. First held in 2019 with a focus on projects from the

Philippines, FCL Philippines opened its doors to Southeast Asian projects and was held from September 15 to 30, 2020 through an online platform. It was co-organized by FDCP and Tatino Films, headed by Full Circle Lab Director Matthieu Darras and Polish Producer Izabela Igel, who both served as head mentors across the different sections. Through organizing the various labs ranging from the stages of pre-production to post-production, the program enhances selected projects from around the globe, elevating a particular film to its highest potential and allowing it to reach international standards.

Finally, the FDCP also maintains the FDCP Film School which provides workshops and capacity building events in different regions in the country. In 2020, the FDCP helped 4 online events in which a total of 833 participants were able to participate across all events.

4. SWOT of the Industry

a. Strengths

Based on the discussion presented, the following have been identified as strengths of the industry:

- Expanding market through direct exports

One key strength of the Philippines is the export of digitally deliverable services related to the Film industry. Motion Picture, Video, and Television (MPVT) Programme Production Activities (PSIC 5911) and MPVT Post-production Activities (PSIC 5912) have registered increasing proportion of sales being exported. This is an indication of the good quality of the services and competitive environment (vis-à-vis other economies) that the country already possesses.

- Positive outlook as evidenced by the optimism in the growth of digital cinema tickets sales

Cinema ticket sales sold digitally is forecasted to bounce back in 2022 after the sharp decline in 2020 and 2021. With sales of tickets recovering, movie producers would be more inspired to take risks and increase the production of movies.

- Active and supportive regulator

The Film industry is benefitting from a very actively engaging government regulator that has numerous programs and projects supporting the production and distribution of local films. While the granting of incentives from amusement tax has been challenged, the regulator continues to support the industry through other programs such as organizing film festivals and learning sessions and providing other grants to independent film producers.

- **Grade-A movies from independent movie producers**

The quality of movies produced by independent movie producers tends to be of better quality than mainstream producers, as evidenced by the relatively higher proportion of Grade A movies coming from them. Grade A movies tend to be more watched and would have better longevity, as documented by iprice.ph. Films from 3 years ago enjoyed a resurgence of viewership and search during the pandemic perhaps because of recall and quality of the movies.

- **Strong film production support industries**

The supporting industries related to film production such as camera rentals and business services (such as creatives/writers, cinematographers, artists, etc. see Appendix 1) are present and are able to provide world-class services to film producers. According to Key Informant Interviews (Appendix 7 and 8), film production equipment in the country is at par with those in the ASEAN region and even Hollywood, which allows film producers access to the most recent technology for film production. Camera rental companies are also increasing the human capital of the country by providing training to their staff (Appendix 7 and 8).

b. Weaknesses

- **Slow-growing industry with limited competition in key segments**

This can be observed in the slow growth rate of outputs of the sector coupled with the high levels of concentration indices. Furthermore, literature has cited some instances of market power particularly in MPVT Distribution Activities (PSIC5913).

- Disproportionate share of foreign films in the market

This weakness is evidenced by data on gross receipts from movies released as compiled by Box Office Mojo. Apart from these, studies and experts have also observed this weakness of the local film industry (Del Prado, 2014; Future and Learn, 2022²⁰). Even the FDCP Annual Report 2020 presented that among the 10 highest grossing films of all time, only 3 are locally produced (FDCP 2021). Competition no longer comes from Hollywood. According to Future and Learn (2022), Filipino movies are also facing competition from East and South Asian movies.

- Low R&D

R&D expenditure in the sector is practically non-existent. Data from the ASPBI has shown that there are some years where R&D expenditure is zero for certain sectors. The lack of R&D expenditure prevents the establishments engaged in film production from expanding their production function and implementing new technologies. It is important to mention, however, that the FDCP has facilitated a number of engagements that would encourage the transfer of technology and collaboration among filmmakers in the Asia Pacific region. Such activities may in some ways compensate for the lack of R&D in the firm as documented in the manufacturing sector (see Rosellon and Del Prado, 2017).

- Limited data monitoring the stages of production

While the FDCP has a database of key movie workers, there is no official data tracking key indicators for segments of the movie production industry. For instance, there is no updated information on the earnings of scriptwriters, actors, and other freelancing professionals involved in the production of movies.

c. Opportunities

- Digital media as a means of expanding the market

While the export of movies is practically non-existent in the Philippines, the trade of digital services seems to be increasing. This can be seen in the increasing proportion of

²⁰ <https://www.futurelearn.com/info/futurelearn-international/philippines-creative-economy>

income coming from direct exports. The opportunities provided by the internet also allow the Philippines to become a global player in digital services related to film production.

- **Film distributors utilizing digital platforms**

Mercurio (2021) reported that because of the pandemic, film companies were forced to find new distribution channels for newly produced movies. ABS-CBN Films and Viva Entertainment have launched different platforms to support the movie distribution industry given that COVID-19 has prevented the opening of movie theaters and cinematheques.

- **Foreign movie producers recognizing the potential of the Philippines**

Several foreign producers have produced movies in the Philippines, and the FDCP has even provided incentives for them. There may be a need to strengthen the incentive structure so that more foreign producers would be able to take part in the program resulting in a snowballing effect.

d. Threats

- **Digital media is threatening brick and mortar stores**

Digital technology has allowed Filipinos to watch movies from the comfort of their own homes, reducing the importance of firms engaged in showing of movies (PSIC 5914). The pandemic has exacerbated the issue further by completely disallowing the showing of movies for areas placed in Alert level 2 or higher. Filipinos, meanwhile, adapted to the situation by going to the internet to be able to watch movies. Such behavior, while may be initially temporary, would persist making the threat to brick and mortar stores a long-term issue.

- **Digital media platforms more suited for large movie producers cutting out the small independent movie producers**

Digital media platforms (i.e., streaming platforms such as Netflix) are compensating independent producers at an uncompetitive price per film for the opportunity to have their movies on the platform. As a result, films of large movie producers are sold in bulk,

while small independent movie producers do not have enough movies to earn through this set-up. KII interviews (Appendix 2) mentioned that the set-up offered by existing digital movie platforms is more suited to larger movie production houses as revenues offered by contracts are renewable yearly with the condition that the producer developed an audience on the platform.

- Collection of amusement taxes deemed unconstitutional

The Supreme Court ruling as unconstitutional on FDCP's collection of amusement taxes and utilizing the same as incentives to graded films puts a dent in the activities and programs that the FDCP can provide to the industry. FDCP also used this fund to assist filmmakers and to "encourage them to take bolder risks in producing quality films and to give them the capital to continue on to produce next projects." With this source of funding being discontinued, the FDCP would have to look for other sources of funding to support the industry.

- Decreasing share of film-related expenditure to recreation expenditures

The share of culture/film-related expenditures to recreation expenditures has shifted from an upward trend in 2012-2015 to a downward trend in 2018. This may be due to the presence of alternative means of recreation which the higher income groups are substituting for movies.

- High level of piracy reduces/discourages production of more movies

Quimba and Moreno (forthcoming) looked at the relationship of Philippine exports of digitally deliverable goods and services (e.g., movies and related services that can be digitally exported) and found that high levels of piracy is negatively associated with exports. This implies that the industries like the film industry is negatively affected by high levels of digital piracy.

4. Recommendations: Strategies, Policies and Programs

a.Strategies

The Philippine Film industry is facing a number of challenges including the disruptions brought about by COVID-19 pandemic and Industry 4.0. However, despite these challenges, the industry has proven to be resilient and productive resulting in award-winning movies in recent years. To support the film production industry further, the government needs to adopt two basic strategies. The first is to ensure a business environment that enables stakeholders to accumulate the know-how and skills necessary to engage in movie production with minor risk. And second is for government to ensure that resources (i.e., factors of production, including physical infrastructure) remain productive.

b.Policies

The policies that can be used to address the challenges of this sector, as identified by the weaknesses and threats in the SWOT analysis, should be guided by those principles of accumulation of capabilities, know-how, and skills and increasing productivity of resources.

An example of policies that need to be passed is the Freelance Protection Act (Senate Bill 1810). The bill provides for the rights of freelance workers to a just compensation and equal remuneration for work of equal value without manipulation or distinction of any kind, safe and healthy working conditions, self-organization and to collectively negotiate with the government, client and other entities for the promotion of their welfare and in advancement of their rights and interests. In addition, the bill protects freelancers from any form of discrimination, violence, sexual harassment, and abuse and it ensures that they have access to affordable and adequate financial services, as well as social protection and social welfare benefits. By protecting the welfare of the freelancers, this bill ensures that the movie production industry continues to build a critical mass of workers invested in the production of movies. It also protects the human capital of the country.

Related to the increasing productivity of human resources would be ensuring that workers in the film production industry are working in a safe working environment. The Eddie Garcia Law (HB 7762), seeks to protect television, movie, and theater workers by providing them with a safe

working environment governed by a contract. It is important that this bill gets passed because existing policies related to the occupational safety of film workers such as the DOLE-FDCP Joint Memorandum Circular (JMC) 2020-001: Guidelines Governing the Working Conditions & Occupational Safety & Health of Workers in the Audiovisual Industry and the DTI-DOLE-DOH Joint Administrative Order (JAO) No. 2021-001 (JAO) on Health and Safety Protocols for the Conduct of Film and Audiovisual Production Shoots and Audiovisual Activities During COVID-19 Pandemic, are more relevant during the time of the pandemic. It is important that the principles of a safe working environment are adhered to regardless of the pandemic situation.

Another policy that needs to be reviewed is Senate Bill No. 682 or the Film Industry Incentives Act which seeks to acknowledge and provide monetary incentives to Filipino filmmakers who give pride to the country with the honor and awards they receive from international film festivals. While it is important to acknowledge the award-winning filmmakers and provide them with monetary incentives, these rewards would have little effect on the cost of production and would have little effect in inducing more producers to create movies. It is suggested that the support should be made available at the various stages of the production process conditional that the application requesting for support for the film passes the strictest standards as evaluated by competent authorities. The FDCP's CreatePHFilm could be the basis of this incentive's legislation.

Aligned with the strategy of ensuring that know-how is accumulated is to ensure that old movies are archived and remain accessible to the public and especially the film production stakeholders. In this regard, there may be a need to establish a National Film Archive which would be mandated to protect and preserve the Filipino film heritage. The law should also ensure that critically acclaimed Filipino movies should be made accessible to students and the general public in order to cultivate Filipino culture and increase the appreciation of Filipino movies.

c. Programs

There needs to be a consistent source of funds that the FDCP can use to incentivize the production of good quality movies. Given that the Supreme Court has struck down the source of funding that FDCP has been using to grant incentives to film producers, the government needs to look for other sources that would replace this funding. The experience of independent movie

producers shows that despite already receiving grants from FDCP and other grant-giving institutions, the lack of funding still remains a major issue.

The government should also maximize the potential of the Philippines as a post-production hub for movies. Data from ASPBI shows that direct exports of MPVT companies are increasing in value and share to total income. This highlights how movie production (like manufacturing) can have tasks or segments that can be delivered digitally and can be outsourced. The Philippines can position itself as a creative hub that can actively provide services related to film production.

The low R&D expenditure in the sector is alarming. There is a need for the sector to find other means of innovation and know-how outside of formal R&D. The activities of the FDCP which include promoting collaboration with ASEAN film makers in the region is a means of enhancing knowledge and fostering innovation in the sector.

The issues related to lack of competition and monopolistic behavior in MPVT distribution sector needs to be investigated and monitored by the Philippine Competition Commission. As it stands, there is a need to make pricing of movies competitive and the lack of competition may be detrimental to the industry as consumers have other substitutes for recreation and entertainment.

The FDCP has an impressive number of programs and activities supporting the sector. One key initiative that the FDCP is doing is the National Registry of workers related to the production of movies. This database needs to be updated and populated in greater in order for the sector to have data for analysis. There is currently no official information on the earnings of certain segments/members of the sector such as carpenters, make-up artists, costume designers, scriptwriters, musicians, and the like.

It is also important for the movie industry to consider the long-term effects of the Covid-19 adaptation. While Filipinos might be encouraged to go out and go back to their normal activities, going to the movie theaters (which is enclosed, dark and crowded) may be among the last activities that people would want to undertake. Given this reality, the Film industry should look at their Covid-19 adaptations not as temporary strategies but as long-term strategies as well.

One of the supporting sectors to the Film industry is the cameras and equipment rental services which support the industry by ensuring the availability of high-quality cameras, lenses and other

photographic services that cinematographers and directors require. While these companies continue to innovate by keeping abreast with the latest technology, they have limited government support in the acquisition of equipment. Perhaps there should be room in the incentive schemes of the FDCP for service providers such as these.

KIIs conducted for this study also highlighted the difference between large movie producers and small independent movie producers in terms of access to distribution channels. Large movie producers are able to utilize digital platforms because of the bulk of movies that they own, while small independent movie producers use other channels to present and distribute their films outside the digital platforms. This would include working with schools, foundations, and NGOs. This finding also implies that incentives for movie distribution needs are different for large movie producers and small independent movie producers. For independent movie producers, incentives for the use of informal channels like schools, foundations, and NGOs to distribute movies, such as tax breaks, is needed. As for large movie producers, it may be good to ensure that there is a competitive environment among the distribution channels.

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Appendix 1. Technical differences of the ASPBI and CPBI

The ASPBI and CPBI are among the mandated statistical activities tasked to the PSA. These establishment surveys aim to collect and generate information on the performance, levels, structure and trends of economic activities of the formal sector in the entire country.

The 2012 CPBI used the 2012 List of Establishments as the frame from which to draw the sample establishments. In the 2012 LE, there are 945,000 establishments in operation nationwide. However, only 262,800 establishments have been identified as part of the formal sector. A total of 59,303 establishments were included in the sample for the 2012. For the 2014 ASPBI, the sampling frame was extracted from the 2014 List of Establishments (LE). The estimated number of establishments in operation in the country in 2014 totaled to 944,500. About 266,257 establishments (28.0% of the total establishments) belong to the formal sector of which 231,000 (87.0%) comprised the establishment frame.

The frame for the 2016 ASPBI was extracted from the 2016 LE. The estimated number of establishments in operation in the country in 2016 totaled to 902,213. About 294,494 establishments (32.6% of the total establishments) belong to the formal sector of which 255,403 (86.7%) comprised the establishment frame. This frame was used to draw the sample establishments for the survey.

Finally, the sampling frame for the 2018 CPBI is from the 2018 List of Establishments as of 01 February 2019. The 2018 LE is based on the Comprehensive 2018 Updating of the LE (ULE) conducted in May to October 2018. Based on the ULE, there are a total of 999, 070 establishments in the country as of February 2019. Of these, only 334, 522 establishments are identified as part of the formal economy.

The scope of the ASPBI and CPBI applicable to this study is all 5-digit PSIC codes under section J (Information and Communication) of the PSIC 2009.

Table A1. Technical details of the ASPBI and CPBI

	ASPBI		CPBI	
	2014	2016	2012	2018
Scope and coverage	All establishments with total employment (TE) of 10 and over, and All establishments with TE of less than 10, except those establishments with Legal Organization = 1 (single proprietorship) and Economic Organization = 1 (single establishment)	All establishments with total employment (TE) of 10 and over, and All establishments with TE of less than 10, except those establishments with Legal Organization = 1 (single proprietorship) and Economic Organization = 1 (single establishment)	All establishments with total employment (TE) of 10 or more, and; All establishments with TE of less than 10, except those establishments with Legal Organization= 1 (single proprietorship) and Economic Organization = 1 (single establishment)	Business operations in the formal sector of the economy. For sector J, this would include only those that have economic organization equal to 1 (Single establishment), 2 (Branch), 3 (Establishment and main office)
Sampling frame: Formal Sector Establishments	2014 LE 266,257	2016 LE 294,494	2012 LE 262,800	2018 LE 334,522
Sample size: Sample establishments	36,231	29,637	59,303	60,683
Of which				
Section J	4,351	2,310	3,032	2,002
Response rate:				
Total	87.48%	91.3%	92.5%	88.2%
Section J	91.3%	95%	91.9%	81.3%
Sampling design	Stratified systematic sampling with 5-digit PSIC serving as the industry strata while employment size serves as second stratification variable	stratified systematic sampling with 5-digit PSIC serving as the industry strata and employment size as the second stratification variable.	Stratified systematic sampling with 3-digit or 5-digit PSIC serving as industry strata and employment size as the second stratification variable.	All formal sector establishments with 20 or more employees were included in the sample of establishments. Establishments with TE of less than 20 were taken on

	<p>For establishments with TE of 20 and over, the 17 administrative regions serve as the geographic domains while the 5-digit level (sub-class) of the 2009 PSIC serves as the industry domain.</p>	<p>For establishments with TE of 20 and over, the 18 administrative regions serve as the geographic domains while the 5-digit level (sub-class) of the 2009 PSIC serves as the industry domain.</p>		<p>sampling basis and comprised the non-certainty strata of TE 1 to 9 and TE 10 to 19.</p>
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Appendix 2: Occupations related to movie production

Description	PSOC Code
Film, Stage and Related Directors and Producers	Unit Group 2654
Actors	Unit Group 2655
Artistic and Cultural Associate Professional	Unit Group 3435
Broadcasting and Audio-visual Technicians	Unit Group 3521
Carpenters and Joiners (for movie sets)	Unit Group 7115
Tailors, Dressmakers, Furriers and Hatters (for movie costumes)	Unit Group 7531
Fashion and Other Models e) posing for television, video and cinema commercials and other productions.	Unit Group 5241
Riggers and Cable Splicers e) lifting and mounting scenery, lighting and other equipment in theatres and on film sets	Unit Group 7215
Photographic Products Machine Operators f)operating equipment to transfer film to video tape or other electronic media;	Unit Group 8132
Sports, Recreation and Cultural Centre Managers (Cinema and Theater Managers)	Unit Group 1431
Graphic and Multimedia Designers (special effects, animation, or other visual images for movies)	Unit Group 2166

Source: PSOC

Appendix 3. Highlights of the Key Informant Interview with Dr. Alvin Yapan

23 March 2022 | 2:00 PM | via Zoom

What is your impression of the current state of the Philippine movie industry?

- As the industry does not have any market, the Philippine movie industry is dying; this is exacerbated by the entry of Korean content into the market. Although the Philippines was the first to develop the industry, they have not been able to develop their audience in the long run. Rather than being an industry, filmmaking became a business that did not focus on product development. With no innovation, the industry was not able to develop its competitive advantage, resulting in Philippine films being overtaken by competitors.
- With digitalization, although it had the purpose of democratizing the industry, the situation remained the same; the only change is that streaming services dictate the content that the market has access to.
- Dr. Yapan did not put any of his films on Netflix as revenues in the yearly contracts were little, whereas the cost of his special effects teams was higher. Netflix contracts are renewable yearly with the condition that the producer developed an audience on the platform. As a result, films of big producers are seen on the platform as their films are sold in bulk. It is challenging for indie producers that create films once or twice a year.
- Rather than putting the films on Netflix, indie producers, like Dr. Yapan, have screenings nationwide. Some small companies connect producers to regional schools, with agreements requiring students to watch the films. These small companies operate under the radar as when they are identified, they will be taxed.
- While in other countries, film industry unions are very active, the players in the Philippine film industry are very competitive. This results in lower rates compared to the maximum for the creative team (cinematographer, screenwriter, etc.). The industry does not have a minimum wage. With producers hiring workers with lower rates, the general rates of the industry were bargained down (i.e., race to the bottom).
- The quality of special effects and sound design in the industry is very low, as skilled professionals were taken by the advertising industry, incentivized by higher rates.

- Production and costume designers remain unorganized and cannot assimilate to other industries.

Are these niche communities of film distributors known to independent filmmakers?

- Part of the success story of *Heneral Luna* is the tapping of the student market through schools, not through big distributors, such as SM and Robinsons.
- The large distribution chains of SM and Robinsons operate through bookers. As an indie producer, Dr. Yapan had to pass through the booking systems of SM distribution chains, wherein he paid bookers to get slots for the film in the cinema. The issue is that bookers prioritize films that are known to profit. These bookers are also loyal to the main players in the industry, resulting in indie producers fighting over fewer slots and raising their payment to bookers for them to be considered a slot. Through the years, the industry was able to develop a loyalty system among the same players.
- The issue of distribution worsened during the pandemic as people switched over to streaming platforms, mainly Netflix.

On the topic of government expenditure on the film industry

- The Department of Education (DepEd) has a channel that screens films. Although students are not required to watch, the platform provides an opportunity for Filipino films to be screened in schools.

How did the process of getting funding and producing films change?

- Grant-giving entities, such as Cinemalaya and Cinema One Original, prioritize first-time filmmakers. After three (3) films, the filmmaker can no longer apply for a grant as they are expected to be skilled enough to raise capital. With no funding, the industry is less concerned with creative expression.
- These grants are given to people to jump-start their careers as a filmmaker, but not as a producer.

- Concerning survivability, as an art form, the film industry would survive as it is a form of expression; as a business, it has already died as there is only a small niche audience that prefers Filipino films.
- The biggest issue in the industry is the unavailability of distribution channels, and if there are some, these are being monopolized by players.

Is the large expenditure share of hiring big stars still the same?

- It is still the same. Dr. Yapan encouraged reading *The Urian Anthology 1990-1999* by Nicanor Tiongson. It describes the fall of the film industry in the '90s due to the system and the lack of innovations. It depicts producers having large bargaining power in negotiations, leaving little for the creative production group.
- As for those workers that have no active guild to represent them, such as production designers, their share of profits diminishes as they have no bargaining power.

How far are the rates from acceptable levels (minimum wage)?

- It is extremely far. Freelancers in the industry are paid on a per-project basis. To give context, advertiser editors are paid per frame. In his latest project, Dr. Yapan spent around PHP 4 to 5 million on a few special effects in film, in another project that does not have a budget; Dr. Yapan paid the editor PHP 150,000 for the entire film. The problem stems from the unknown labor hours spent by the editor in the film.

What is the motivation of those who take lower-rate jobs, is it for building up the portfolio or for earning enough to get by the day?

- Dr. Yapan does not think that their motivation includes building up the portfolio as the term that these freelancers use is “raket.”²¹ As it is a freelancer-driven industry, there are a lot of ‘kids’ in the industry who are exploring and are fine with the uncertainty of freelancing.

Are foundations viable channels for scriptwriters and producers?

²¹Colloquial term for side-hustle

- Dr. Yapan mentioned that foundations can be viable channels as he has full control of his material. Even if he does not fully recoup his investment, he gets to produce films continuously as the foundation focuses on other art production (books, educational material, etc.). The focus of foundations is to collaborate with educational institutions, including DepEd, and nurture the students' taste in Filipino films. Production works from foundations are not monetized.

What would be the trend in five years?

- Addressing all the issues in the industry is not possible within five (5) years, unless one organization miraculously mobilizes all the industry players in a concerted effort to produce quality cinema and develop the taste of the audience to match the product. If film stakeholders will truly fix their act, addressing the issues would span ten to fifteen (10 – 15) years.

In what segments can the government help the industry?

- A suggestion is to unionize the industry so that more players have a voice, providing them a larger bargaining power against corporations.
- It is suggested that the Philippines copy Republic of Korea (ROK). If the government is serious about developing the industry, the government should step in and establish a moratorium; In ROK, a moratorium banning the screening of Hollywood films lasted around five years.
- Taxation should be reviewed and possibly decreased; as the industry is already financially burdened.
- In the long run, the solutions are to fix the distribution system and establish the audience.
- Another issue is that the industry lacks the financial capability to push its films into the international market. Dr. Yapan mentioned that *Parasite* (2019) was recognized not for art but for the money brought to Hollywood.
 - o With his movie, *Ang Sayaw ng DalawangKaliwangPaa*, which was in the running to be the Philippines' entry to the Oscars, the question that was asked by the Academy is whether they have PHP 20 million to campaign for the film. Other producers can look for other investors that can finance the campaign.

Relative to the campaign financing for international film festivals, does FDCP have programs that support financing?

- Dr. Yapan emphasizes that FDCP cannot help the industry in that segment. The authority that sends the entry to the Oscars is different from FDCP.²² If ever the government finances the campaign, many producers would be furious as the money could have been spent to help many producers.
- The National Commission for Culture and the Arts (NCCA) does not see campaigning for international films as part of its mandate. Much of their support related to film comes to Cinema Rehiyon, where they finance and produce films in the regions to develop cinematic traditions in the region. o Prestige is a public good; thus, the government is the only entity that can provide it.

²²The Film Academy of the Philippines is the Philippines' official counterpart of the United States' Academy of Motion Picture Arts and Sciences.

Appendix 4. Highlights of the Key Informant Interview with Mr. Perci Intalan

23 March 2022 | 2:00 PM | via Zoom

What is your perspective on the state of the Philippine movie industry within the last 3 to 5 years?

- The industry is struggling, even before the pandemic. Few movies earn PHP 100 to 150 million at the box office; most movies struggle to even earn PHP 10 to 15 million. At the box office, films are subject to a 5% amusement tax, while the earnings shares of the cinemas reach 50%. The remaining 45% for the producers are subject to tax. From PHP 10 million, the producer may earn only PHP 4.5 million. To emphasize the risk of loss, the cheapest movies cost around PHP 5 million to make.
- Although Asia is opening to the international market, with Korean movies winning international awards, the Philippines falls behind. In comparison, Indonesia has at least one (1) film that bloomed into fame, and although Malaysian films are not necessarily in-demand, their artists are in-demand.
- With the Film Development Council of the Philippines (FDCP) opening distribution channels, the problem is the product. Filipino films seem to prioritize quantity over quality because of the market dynamics. Investing in a large film, uncertain as to whether it would profit or not, is disincentivizing. Thus, people tend to invest in numerous small films, hoping some would profit, which does happen in rare cases. The issue was exacerbated by the pandemic; with closed cinemas, there were limited revenue channels.

In your experience as a director, what is the movie production process?

- For independent “indie” filmmakers, they begin with an idea. They develop the film (script, cast, etc.), and look for funding, which comes from studios, personal capital, networks (ABS-CBN, GMA, etc.), and/or streamers (Netflix, Amazon, etc.). After obtaining the funding, negotiation happens with the entity that provided the capital. The mindset of most directors is not to earn but to break even.

Is the mindset of breaking-even, purely for domestic streaming or also for international streaming?

- The international opportunities are only as far as participation in film festivals. Although there is recognition, films generally do not gain revenue from winning international awards. International film festivals opened the market, but the quality of Filipino films is not for global consumption as they only cater to Filipino preferences.

Relative to film production, what is the structure of employment?

- The industry is run by freelancers as only the big studios afford to hire full-time. Indie producers make films infrequently, thus workers are hired on a per-project basis only. Indie companies only pay enough for a person to last a month. As a result, film workers have various projects running simultaneously. Although day rates are higher, the job is very physical and demanding. Workers are not assured of a daily income. The benefits companies can afford are only insurances related to production; that only stays within the filming duration and area of the production.
- In terms of production design, woodworkers and seamstresses may also be freelancers. If one product is needed, negotiation stands. But if there are a lot of products to be made, hiring workers for a duration is cheaper.

Does the industry still follow the expenditure structure as researched by Dr. Quimba?

- If the movie includes a famed artist, it is roughly the same. Today, there are a lot of artists that are not “really” big. The three (3) biggest shares in the expenditure structure would be 1) the cast including the production staff, 2) manpower, and 3) equipment (rental, production design, etc.).

Is there a major government client for the film industry?

- There are a lot of government-related expenses in the film industry, such as taxes, LGU permits, and payments to police officers.

How are movies distributed?

- Some films can go directly to streaming platforms or cinemas. Distribution depends upon the producer; if the producer cannot distribute the film, the problem is where to sell the film once done. As distributors want to view the film before committing, no prior funding can be obtained for film production. As there is uncertainty about whether a distributor would want to distribute the film, inexpensive films are produced. There is also an issue of uncertainty in whether the film would sell (i.e., an issue concerning consignment). Some buyers directly buy the film, securing revenue for the producer.

Are there only a few players in the distribution segment of the industry, resulting in influence over the market?

- The distribution segment is a complex industry. If your enemy is the distributor, films would not have any channels to gain revenue. Another issue is that a percentage of film earnings also goes to the distributor. o Star Cinema and Viva Films have the distribution capability, the resources to produce films, and the contract actors/actresses. This structure forces producers to work with studios if they want to work with contracted artists. The structure gives studios distribution rights and significant shares in profit.

What is your impression of domestic demand for Filipino films?

- Demand is not high. The industry is in a dangerous situation; if the industry stops producing Filipino films, the audience would simply watch foreign content. By removing local faces in advertising campaigns, their value is diminished in the eyes of the audience. When Anne Curtis, Dingdong Dantes, and Richard Gutierrez were the faces of brands like Bench and Bello, their films were in-demand.
- When people prefer Korean films, the audience blames the local industry as there is similar content in Filipino films. Part of this issue is the producers did not innovate due to uncertainty, leading to the proliferation of romantic comedies (Romcoms), which was the safest option, or the “*least common denominator*,” as Mr. Intalan called it.
- Without support from other industries, only TV and Film were left to support each other. TV promotes the films; however, it conditions people to view the content for free,

disincentivizing spending. People, especially during the pandemic, would wait for movies to be shown on TV.

What induced the production of recent great films?

- Sometimes fame depends on the timing. *Kita Kitawas* a well-made film that profited well, other films that tried to emulate it did not get the expected success. *Heneral Luna* was expensive, being produced with the PHP 80 million funding from Fernando Ortigas, but it managed to gain success with a wide audience. On the other hand, *Goyo* did not profit despite having the same producer and being more expensive.

What are the major strengths and weaknesses of the industry?

- **Strength:** The industry is creative and resourceful. Despite the current environment of the industry - people have struggled for almost two (2) decades and cinemas are slowly dying - filmmakers were active during the pandemic, submitting entries to international film festivals, and making projects for streaming platforms. What fuels the industry is not the demand but the supply.
- **Weakness:** Half of the industry is trained to operate on certainty, not experimentation. Although the industry is aware that similar content would not sell, they are innately scared to innovate on new content.
- **Opportunity:** Although the Philippines do not have much to release, Asia is opening to the international market, capturing foreign audiences.
- **Threat:** With the opening of the international market, Asian content is penetrating the local audience, particularly Korean content. This resulted in the local industry losing its share of the domestic audience.

What are your suggestions for the government?

- Review taxation on the industry. There is a past issue on double taxation at the box office, as cinemas are subjected to amusement tax, and producers have an extra value-added tax on their share. o The Film Development Council of the Philippines (FDCP) was created to address the amusement tax; FDCP would grade films to determine exemption from the amusement tax by default. This setup led film companies to compete for a Grade A rating. However, Cebu does not even honor exemption on the amusement tax.

- Address the issue on permits. In shooting a film in an Local Government Units (LGUs), the removal of the permit cost was recommended as companies are paying overtime fees for the police officers. If through the movie, an LGU is seen negatively, negotiations are open.
- Similar to the Republic of Korea (ROK), the government should rally and aid the industry on their needs, covering funding, opening the market for Filipino content, and possibly lobbying the Academy.¹ If only Star Cinema and Viva Films are doing these activities, only their products are marketed.
- Support is needed for the industry. The goal is to create a market for producers to earn money; if producers have the money, most of them would abide by proper practices (working hours, wage, experiment, etc.).

Appendix 5. Highlights of the Key Informant Interview with Mr. Paolo Villaluna

30 March 2022 | 9:00 AM | via Zoom

What is your perspective on the current state of the Philippine film industry?

- The current state of the Philippine Film Industry is bad. The necessary social distancing measures and the closure of theaters enforced during the pandemic accelerated the use of streaming services. With cinemas closed and only a few films being created for cinemas, the most productive films and TV shows are those that are made for streaming platforms, such as Vivamax, WeTV, and Cignal.
- Historically, there were other times when the local film industry plummeted. Like in 1999 - 2000, production costs were high as films were made in film format. The industry was saved and eventually thrived only because of the digitalization of films, allowing for cheaper production.
- Philippine films were originally making money through the box office. However, in some cinemas that were open during the pandemic, foreign films were preferred to be shown as such films are estimated to earn more. The main distribution channel and source of revenue also shifted from cinemas to TV and streaming.
- The film industry is failing in terms of profit; however, in terms of prestige, the industry thrives with the continuous film festivals because of the available skill sets and the stories to be told by Filipinos.

What is the process of making the film, particularly in the process of employment, production, etc.?

- Producing commercials for advertising is the main source of revenue for some directors, this includes Mr. Villaluna. In terms of filmmaking, he sometimes works independently or is hired by a production company. In films with backing from big production studios, such as the current project of Mr. Villaluna, the studio invests in talent in artists (actors/actresses), directors, and the technical team.

- In most cases, filmmakers in the film industry are hired per project or are under contract for a duration/several projects. In the film industry, there are signing fees but no retainer fees unlike in the TV industry. Payment is done per project, even in contracts for several projects.
- There is no exaggeration when saying that 80-90% of workers in the film industry are freelancers as the remaining percentage of workers are legal employees of production companies, such as accountants, etc., who are full-time workers
- For filmmakers in the independent “indie” sector, funding comes from personal capital and various grants, such as film festival grants from Cinemalaya and Cinema One. In most cases of indie films, the staff are paid at a running rate; the producer is dependent on the profit of the film.
- Unless films become big hits, their purpose is for cultural enrichment and personal expression, wherein filmmakers create films without being compensated. New creative workers in the industry hope that they are skilled enough to be hired by production companies.
- The industry should stay as a freelance economy as hiring full-time with its monthly retainer fee diminishes artistic talent (i.e., it incentivizes filmmakers to create films for the sake of producing and not creative expression). Skilled workers would always be hired; this situation resembles the security of tenure.
- Freelancers should still have contract agreements and social benefits similar to regular employees (i.e., actualizing the rights inhibited under the Freelancer Protection Act²³).
- In cinemas, every year there are new skilled people to work with, but the concept of hiring full-time is a conflict with the process of filmmaking as one should not expect that new directors have the same skill sets as recognized directors (e.g. Erik Matti, Lav Diaz)
- Each video recording segment of media has different structures. In the TV industry, *teleseryes* run for a year; thus, hiring full-time is appropriate. For advertising, Mr. Villaluna shared about his contract with Filmex, wherein he is paid a monthly retainer fee for exclusivity.

What are the expenditure shares of items required in producing a film?

²³Senate Bill No. 1810. “AN ACT PROVIDING PROTECTION TO FREELANCERS AND FOR OTHER PURPOSES” or known as the “Freelancers Protection Act.”

- For commercial mainstream films and TV, employing artists is the largest costs in film production as these artists have honed their public image and talent. They attract the audience to watch the film. For indie cinema, which consists of more than 50% of film output in the country, audience attraction is not dependent on the artists; the biggest chunk in production costs goes to professional talent (director, photographers, writers, etc.), equalizing compensation between actors and professional talent.
 - o The rates for the lowest positions in film production range from PHP 750 to PHP 1,000 a day. This is higher than the minimum wage to compensate for the per-project work. Workers who earn minimum rates would try to juggle various films in a month as they might not have a job the next month.

Is there no limit to the talent fee of artists?

- Artists are paid according to the gravity of their talent. There are rate cards²⁴ for workers in the industry. Although this is the case, there should be a minimum payment to workers in the industry, but not a maximum. Similar to the US, payments to rookie directors have a minimum as long as they are part and protected by the union.
 - o In his example, directors in the US are paid a minimum of USD 20,000 a week to develop the material from a script. Although some studios limit the development timeline, as long as there is no approval from the production company, the film is stuck in development.
- Some workers accept the low payments just to keep the job or enter the industry. With producers employing workers with the lowest fees, workers are forced to lower their rates drastically.
- Speaking on behalf of the Director’s Guild of the Philippines, Inc. (DGPI) and the Inter-Guild Alliance (IGA), Mr. Villaluna expressed that they wanted the government to help them and not regulate them; similar to the media and some film industries in other countries, the goal should be self-regulation, which is why guilds in the industry are important to facilitate segments of the industry.
- A suggestion was for the Film Academy of the Philippines (FAP) to function as the “Mother Guild,” which requests a budget from the government and distributes it to various legitimate

²⁴A rate card is a document containing the prices and description of work offered by the person.

guilds to strengthen their segments. With such budgeting, the following are examples of what guilds can do.

- The Cinematographers Guild can train crews and people to heighten their talent to be at par with other countries.
- The DGPI can have exchange programs with other directors or mentor new filmmakers, assistant directors, utility people, etc.
- He said that they (IGA and DIGP) were hoping that the FAP would be the one to strengthen and professionalize the community, but they had been inactive; thus, the IGA was formed. He shared that the IGA got a grant from QCinema, providing PHP 150,000 for each guild in the alliance. With such financing, the following are examples of what companies/guilds can do:
 - Regional cinemas can have workshops in rural communities.
 - Documentary guilds can try to acquire and restore destroyed old films.
- A professional film industry has strong guilds and sectoral communities and cinemas are disciplined. With guilds providing legitimacy to their members, issues such as non-payment can be avoided.
- Mr. Villaluna wishes for the Movie and Television Review and Classification Board (MTRCB) to be geared towards policymaking, envisioning the industry's self-regulation. The process is simple - empowering the industry and getting the right stakeholders to work on it are the necessary steps. MTRCB is becoming an agency to protect the state rather than culture. Government agencies should shift towards being stakeholder-oriented. Board members of the MTRCB should not include people with no expertise in the industry as they are only judging films based on their personal tastes.

What is the current role of theatre associations?

- Theatre associations are powerful as they control which films are shown in cinemas through the booking system. As such associations are profit-oriented; cinemas show foreign films due to their potential profit. Some movie chains²⁵, which are not members of theatre associations, are free to show the films they want. ○ There is value in implementing minimum regulations

²⁵Movie chains refer to many enterprise-owned cinemas that show films for user viewing.

for theatre associations. For example, in Korea and the US, 50% of cinemas are required and incentivized to show Filipino films. As the US has strong private-sector stakeholders fearing regulation, their MTRCB counterpart is privately-owned and strict.

- Regulation in the Philippines' theatre booking system should be transitional, requiring cinemas to show Filipino films for a limited time until Filipino films shown have reached box office quality.

What is your impression of domestic demand for Filipino films?

- The local audience, after a long day of work, just wants to watch entertainment; unfortunately, they prefer foreign films over locally-made films. Film education should be developed. It would be sad if the stories Filipinos watch are not made by themselves and if kids grow up without watching local stories.
- Demand for Filipino films is low even with streaming sites as a distribution channel. Even if the local audience generally prefers foreign films due to their quality, there is still demand for Filipino films, although not commercially.
- As artists, Filipinos are respected, but the quality of films fell due to the industry's lagging technical processes given the limited resources – budget and equipment. There will be films that have a budget for technical polishing, but it is not for the whole industry.
- If the government helps the industry upscale itself, the market will follow. As an example, Filipinos like watching Korean content, but the shows, even with quality sound, lighting, and scenes, are still in *teleserye* format.
- Concerning technical crews, they must be trained not for skills, but discipline. For example, crews are not allowed to eat on the set. In other countries, there are separate eating areas because food is not permitted on the production set. Workshops can also make the crew feel more legitimate.

What are the major strengths and weaknesses of the industry?

- Strengths:
 - Filipinos are culturally rich. They have different stories to tell from their experiences (colonization, martial law, etc.) and their diverse cultural make-up. Adding to this, foreign film festivals love Filipino stories.

- The talent of Filipino directors, cinematographers, artists, etc., is world-class. Singaporean companies want to hire Filipino cinematographers to make commercials.
- Weakness:
 - The limited budget hinders the production of quality films.
 - Along with the lack of professionalism in the industry is the lack of guild influence to strengthen the community. Players in the industry are moving by themselves, not ensuring the security of other filmmakers. Adding to this is that internal issues are shared with the masses rather than being solved among them themselves, resulting in the industry's bad reputation.

How would you see the industry five years from now?

- With or without government support, in five (5) years the industry will win an Oscar²⁶ He hopes that the industry can be a major producer for streaming sites, such as Netflix, Amazon, and HBO, but our industry is unlike China's or India's as they have a big market to watch their films. Even if Netflix is populated with local films, Filipinos will still watch foreign films.
- The industry has been winning in various international film festivals, such as Cannes, Venice, Shanghai, etc. Starting from 2005, which opened the gateway to international film festivals, Filipinos have been winning in film festivals and being recognized abroad. Although winning might not translate to local revenues, it provides prestige. When government support is geared towards international film festivals, in five years, the Philippines would be a major cultural mover in the world.
- Referencing the discussion in the Creative Industry Summit, there might be a need to streamline the roles of government agencies as there are overlaps, resulting in confusion and tension between agencies.

²⁶Oscar is the popular name for the Academy Awards, which is given by the Academy of Motion Picture Arts and Sciences.

Appendix 6. Highlights of the key informant interview highlights: Mr. Lemuel Lorca

12 April 2022 | 9:00 AM | via Zoom

How do you describe the current state of the Philippine film industry?

- Before the pandemic, there were already concerns about film piracy in the country. Piracy in the industry has transformed - from the physical formats (CDs and DVDs) to online streaming and downloadable internet links. Films are now being shared on social media platforms (e.g., Facebook). With the ease of accessing films on the Internet, more film viewers are opting not to go to cinema houses.
- Also noted is the shortened attention span of the modern audience. People nowadays would rather watch short YouTube videos or an episode of a TV series rather than a full-length film.
- For more than a year, during the pandemic, around 264,000 workers in the industry lost their jobs. It was a challenge, especially for freelancers, as making films became difficult with the implemented restrictions, cancellation of projects, closing of cinemas, revenue losses, etc.
- It was noted that the industry produced 175 to 200 films a year in the 1980's. This dwindled to 70 to 80 films a year during the early 2000s. The film industry's output is lower compared to that of India, Iran, and China.

What is the role of short films?

- Short films are already part of the film industry. Mr. Lorca believes that short films are not competing with full-length films as they have their own market. However, a concern with short films is its accessibility, as they are done by independent (indie) producers not connected to distribution networks. True to his case, some producers who are influential in social media host short films for streaming. Mr. Lorca suggested creating a platform for viewing and sharing short films produced by students, workers, etc. Having an accessible platform would be beneficial for both the audience and filmmakers.

As a freelancer and indie producer, how do you get involved in the production of a film?

- Mr. Lorca’s involvement in the film industry includes lecturing in schools. As many people have access to skills training videos on YouTube and have phones that are capable of creating films, he teaches about the creation of the first film, from conceptualization to marketing. He shared that for an indie filmmaker; a film starts from an idea, transformed into a storyline, and then pitched to producers.

How are you hired?

- He shared his experience on the actual development process of filmmaking.
 - Pitching: Filmmakers pitch their story/content idea to producers. Changes in the main storyline may happen during the approval process.
 - Scriptwriting: Once a producer approves of the storyline, scriptwriting involving the scriptwriter, filmmaker, and producer starts.
 - Pre-production: After approval of the script, pre-production starts. The filmmaker finds the cast and crew to work on the film. Together they plan everything (e.g., schedules, locations, costumes, etc.). However, plans are subject to change as filmmakers are still open to better ideas during actual production.
- The usual problem is the alignment of schedules of the cast and the crew. This became more evident during the pandemic. Artists became more restricted from accepting multiple projects due to their limited schedules and mobility restrictions (i.e., moving from one shooting to another is not allowed). Artists are hesitant in adding film commitments to their workload. They are more interested in soap operas or “teleseryes” because of their high compensation.
- Filmmakers should ensure that the artists are well-aware and involved in planning. This is to ensure that the artist knows the intended direction of the film. Artists are given sufficient liberty in their craft; they are allowed to act according to what they think is best for the film.

How are the production crew hired? Are they freelancers?

- Mr. Lorca works with freelancers as it is difficult to schedule with organized production crews from the television (TV) industry. He gives the script to and works with his friends as they are familiar with his style and work ethic. He only hires certain crews if the schedule aligns.

How do the crew get paid?

- There are existing standard rates for all the staff working in the film industry. They have contracts stating the duration of their work - this includes buffer dates. Payments are normally done per day. Currently they follow the 14 hours or less shooting schedule per day. As there are still restrictions,²⁷ it is better for everyone involved to know when shooting ends.

How much of the budget goes to the artists? What are the top 3 expenditure items?

- Artists have a big share in the budget. After the artists, most of the budget goes to the talent fees of the production crew and casts and the rent for film equipment. In renting the proper camera, he mentioned that he likes the cinematographers to be involved. He also noted that it is better for the line producers and associate producers to haggle on the talent fees, equipment rent costs, and schedules of the people involved.

Had the suppliers always been engaged with renting business?

- Yes. Unlike the film industry, the TV industry does not outsource most of their equipment as they already have their own.
- There are a lot of suppliers for equipment rentals, such as CMB Film Services Inc. and Cinerent, which provide cameras, people, and other equipment. These suppliers try to adjust their costs according to the film budget.

In relation to the LGU's support, what kind of arrangement have you accepted with the LGU?

- In 2014, Mr. Lorca made the film *Mauban*, and his hometown provided funding assistance worth PHP 500,000.00. Although there are no stipulations in receiving the local government unit (LGU) funding, the film was able to help stimulate tourism in the area.

Do you know any projects that have received any funding support from the government?

²⁷ Restrictions refer to the DTI-DOLE-DOH JAO No. 2021-0001, entitled "Health and Safety Protocols for the Conduct of Film and Audiovisual Production Shoots and Audiovisual Activities During COVID-19 Pandemic". Retrieved from: <https://fdcp.ph/sites/default/files/2021-07/DTI-DOLE-DOH-Joint-Administrative-Order-JAO-No.-2021-0001-compressed.pdf>

- The National Commission for Culture and the Arts (NCCA) provides grants and assistance. Mr. Lorca never applied for this as he does not know the process. He shared that some of his friends got funding from different government agencies. He also receives free shooting permits from his Mauban, Quezon LGU.

How is your experience relating to the distribution of the film?

- The challenge nowadays is finding a distribution channel because there are numerous possible routes. Before, filmmakers usually talked to established film distributors (e.g., Star Cinema and Viva Films). However, with the growing popularity of online streaming platforms, a number of producers opted for the digital distribution of their films in Netflix, Vivamax, iFlix, etc.
- Mr. Lorca shared that although the current trend of film distribution is leaning towards online distribution as cinemas are still closed, it is expected that cinemas would be more active and filmmakers would produce more films again in five years' time.
- The film's distribution also depends on the type of film made, whether it is commercially-viable or not; parameters may include, involved artists, storyline, visuals, budget, genre, etc. Big distributors are supportive in distributing films featuring their contracted artists. For these cases, there will be negotiation on how to divide the profit. Only the financier negotiates with the distributors.
- In distributing to TV, producers sell their film rights to TV networks, such as ABS-CBN. Producers then pay for the TV airtime of the film.
- Another factor is the theme of the film. Advocacy films can be shown to the schools in the provinces.

Regarding the negotiation of payments with the distributor, what is the usual arrangement?

- With Mr. Lorca's'' film *Mauban*, as it was not shown in cinemas, the film was sold to Viva Films and then distributed to local TV and cable TV (PBO channel). The contract provided the number of years the channel can show his film. In his latest film *The Last Five Years*, he knows that the film was paid up-front.

If the film is continuously being streamed online or on TV, do you get royalties as additional payment?

- As a filmmaker, Mr. Lorca does not receive any additional payment. Once the film is finished, it is up to the producer; he does not have a say in the negotiation process between the producer and distributor. He believes the royalty system is not imposed in the Philippines. As filmmakers are the minds behind the film, he thinks this should be corrected.
- He shared that filmmakers enjoy merely seeing their films being shown to audiences. But as producers have risked capital funding, he wants them to profit.

What do you think are the factors influencing current demand for Philippine films?

- Given that filmmakers did their best to plan and produce films, luck still plays a great factor for a film to be considered as a hit or a blockbuster. For example, the success of the film, *Heneral Luna*, can be attributed to the absence of any Hollywood blockbuster during its run in theaters.
- As rom-coms rose to fame from the early 2000s to the mid-2010s, Star Cinema was able to generate this type of films effectively, mainly because this is what the market demanded.
- He added that his job is not to make a blockbuster film but to develop the concept funded by the producer. Other people are tasked with marketing the film. The current situation shows filmmakers are also verging into the business side of filmmaking, marketing, and selling their films.
- Relating to the suggestion of Dr. Quimba to have an organization promoting the film, he said that there are a lot of processes to change; addressing the root of the issue starts with the mindset of the audiences (i.e., educating the masses on the types of films they should watch). He added that no cinema would risk showing films made by new filmmakers and those starring unknown artists. To ensure profitability, distributors focus on the fan base of artists, not talent
- In the perspective of a viewer, competition is good as there would be more films to choose from. A suggested action is to give emphasis on Filipino films and support to Filipino filmmakers.

- We can model our efforts with the South Korean government, as their government initiative to support the first films of emerging filmmakers significantly aided their film industry. This heightened the demand for their content/cultural products.
- People see the film only as entertainment and not as art. As a filmmaker, he cannot force people to watch films as tickets/rentals are expensive. When the pandemic hit, the audience went to Netflix for entertainment. It would be great if both the stakeholders and the government can recognize the power of the entertainment industry to promote identity and tourism.

What are the industries that filmmakers can switch to?

- It would be industries that have marketing, promotion, and public relations segments. For example, in the tourism industry, filmmakers can utilize their videography skills to promote culture.

What are the major strengths and weaknesses of the current film industry?

- Strengths:
 - The willingness of the people in the industry. Although close to 300 thousand people in the film industry (both amateurs and skilled creative workers) have experienced difficulties during the pandemic, they still want to create films.
- Weaknesses:
 - Producers have hesitation in investing in films. Since creating a film is expensive, the challenge is encouraging producers to gamble again. During the pandemic producing a film became more expensive due to the implemented health protocols.

Do you have suggestions on how the government can empower the industry?

- For the audience to have loyalty toward Filipino movies, we need to emphasize removing the bias toward Hollywood movies, and we need to strengthen appreciation and interest in Filipino movies. Foreign films have no problem penetrating the Philippine market as local cinemas see foreign films as more profitable.

- For the stakeholders to recognize the power of Filipino films in promoting culture, identity, and tourism, we need to provide a standard for the promotion of culture in film.
- To encourage film producers to invest again, considering the high costs of filmmaking and the low demand for Filipino movies, the government should provide incentives in film production to decrease the risk that producers shoulder.

Appendix 7. Highlights of the Key Informant Interview with Mr. Mackie Galvez

2 May 2022 | 9:00 AM | via Zoom

What is the composition of the film industry? What are the services that feed into film production?

- Film production is comparable to construction work as sub-segments working together are required to build the product. Filmmaking requires plenty of staff both from above the line (higher pay) and below-the-line (lower pay).
- Above-the-line staff includes directors, scriptwriters, production designers, cinematographers, actors, and sound engineers in production and editors in post-production. Editing also has various segments, such as footage editing, color correction, CGI, cleanups, sound, etc.
- Below-the-line staff includes camera technicians, camera operators, light crew, service drivers, caterers, etc.

Which segment in the film industry does venue rentals participate in?

- For film shoots, location managers are tasked to scout locations ahead of time. The work is particularly cliquy as the use of privately-owned houses or locations requires negotiations. Shootings should also not hinder the operations of an establishment such as schools and hospitals (e.g., shooting on the weekends for schools, during renovations, etc.)
- It is substantially easier to film in the streets as it only requires the Barangay's approval. The situation is similar to renting privately owned property (e.g., expensive cars).

What makes the Philippine film industry distinct from other countries' film industries?

- Film industries all over the world operate the same; however, there may be differences in the designation of roles in the industry. o In Hollywood, they have the unit production manager, while in the Philippines a person with similar tasks is called a line producer.

- In other countries, film industries are heavily unionized. Every player in the film industry from drivers to directors is included in a union.
- Comparing the Philippine film industry to other countries, we can see that the industry is heavily-centered in the capital (Manila-centric). Outside Manila, the necessary film equipment and material rentals are not available. Also, in terms of the creative people, various cinematographers across the Philippines had to move to Manila. From his experience, Mr. Galvez had film shoots in Cebu and other regions, but above-the-line workers came from Manila.

How would you describe the current state of the Philippine film industry?

- In general, commercial-making is more profitable than filmmaking as the industry has the funds needed for the release of video-related content. When mobility restrictions hindered film shoots during the pandemic, the gap became more apparent.
- The usual path for workers in the industry is to begin their career in film and then shift to commercial-making. As there are specific skill sets required by clients in commercial-making, film veterans are well-compensated. A lot of young cinematographers shift to commercial-making because of the profit.
- The Philippine film industry is quite weak, with the Cinematographer's guild only having 51 members - most of which had even shifted to the commercial-making industry.
- He acknowledged that the film and advertising industries seem to be competing with one another. He shared that he had to cycle his team 4 times as his people were shifting to commercial-making. The film industry is disrupted by the difference in compensation, which greatly affects down-the-line workers who cannot shift to advertising. Still some people remain passionate about filmmaking, opting not to shift to commercial-making.
- Currently, no local films are being shown in cinemas. This scenario disincentivizes distributors from investing in local films, and in turn, the investment risk for producers increases. It can also be noted that in these elections artists endorsed candidates - this affected their audience base; gaining or losing followers. With the pandemic, the industry has committed to digital releases. As the industry recovers, the industry should have a plan to incentivize the purchase of cinema tickets.

In your last movie, how were you employed?

- The only direct employees of a production company are the higher above-the-line workers, such as the executives or the owners of the company. The common structure is that employees are regularly hired (i.e., “suki” of the company). In large studios, particularly Star Cinema, writers, production assistants, producers, etc. are, hired on retainer fees¹ and a per-project additional compensation.
- Retainer fees refer to advance payment that's made by a client to a professional; it is considered as a down payment on the future services rendered by that professional.

Recognizing the Freelancer’s Protection Act, how can we better take care and support freelancers in negotiating their contracts?

- Freelance work is a balance of public relations and the actual work as it involves negotiation. In the Philippine film industry, no agent or manager handles the negotiation between creative workers and other parties. Only recently did the talent agencies start to dabble in creatives, aside from the usual performers/artists. o Freelance artists’ work may be undervalued as there are no standardized rates.
- In Hollywood and other countries, there is a compensation model wherein, artists get a cut from the profits of the film rather than just getting paid for their acting work.
- In negotiation, the statements and agreements must be clear to avoid misinterpretations and conflicts. Any mistakes may result in improper compensation. Although this is the case, there are indeed workers that choose to work for free to either help the company or to join the industry.
- In his guild, as they are all acquaintances, when there are issues concerning payments and rates, they do not intervene with one another; instead, they communicate and then provide advice (i.e., the rates for members of the guild are not standardized). For instance, they discussed raising their rates to reflect the doubling of oil prices. o It is easier for the technical team to negotiate a raise on their wages as their role requires specific skills; this is different from below-the-line workers, such as drivers, who are easily replaceable.
- It seems that the industry resists the creation of unions as it would require huge investments and would result in higher unemployment. According to Mr. Galvez, most players in the

industry remain unsure whether having unions would benefit them. o Below-the-line workers support unionization; however, a union can greatly affect their employment chances.

What are the largest expenditure items for producing a film?

- Artists earn a large share of the budget. Their talent fees need to be competitive as artists can shuffle around various commercial shoots and can earn more when performing for a TV show.
- Renting the film equipment is also expensive, having a daily expenditure not lower than *Php 150,000*. This is because the initial investment of rental establishments is extremely high, for instance, they purchase a USD 3 million camera and pay for its shipping fee and import taxes, etc. o In other countries, film companies purchase their equipment to better cater to the style or tone of the film studio.
- There are also film rental boutique houses (smaller establishments) that were established over the years.
- Some equipment cannot enter the Philippine market yet as it is impossible to recoup the investment costs - given the high price and expected frequency of use. The goal of cinematography is to achieve extremely technical outputs, which only one piece of expensive equipment can do. o Some equipment manufacturers have full rental business models, and they do not sell equipment.
- Relative to film equipment, no regional office of any film equipment brand is based in the Philippines. The closest regional office is owned by ARRI (a German manufacturer of film equipment), and it is in Hong Kong - there demos and trainings are also offered. Furthermore, service centers for such equipment are not found in the country. This makes repairs costly as equipment needs to be shipped to Singapore.

How are you interacting with the stakeholders of the film industry?

- In his early years in the industry, he mentioned that there was an informally-made list of players and their professions. Production houses have a directory of people they call to perform specific jobs. Today, there are no such lists. There are no hubs to aid cinematographers in promotions; although there are industry Facebook pages, their influence

and reach are not wide enough, and the usual posts are regarding complaints and warnings about certain production houses.

- In the Cinematographer's Guild (LPS), recognizing that they are also competing with one another, there is a thread on Telegram showcasing their rate cards. As it is very competitive in the field, forming guilds in other industries is not probable.

Would it be helpful to have the form of promotion, which is currently social media, organized?

- It would be helpful, but it seems difficult to implement since players are still in competition with one another. Creating a hub where everyone's work can be posted and compared may result in a chosen few being favored by producers.
- In the guild, competition exists, but there is no bias against new and emerging players. With the emergence of digital technologies, cinematographers were the disruptors as they had equipment that most players did not know how to use.

Relative to cinematographers, do you think there is enough motivation or skills?

- The motivation is there as it is easier to promote oneself. This is compared to the past, when the apprenticeship model was quite influential, wherein emerging cinematographers can get their project if a director vouches for their skill.
- Relative to skills acquisition, no school in the country promotes the skills required by the industry. The closest school that offers a master's degree in cinematography is in London. There is no such master's degree in the US as programs related to filmmaking tackle it broadly. Evidently, training is lacking in the country.
- New film equipment (lights, cameras, etc.) get manufactured every month. When a new camera came out, Mr. Galvez had to train in Hong Kong to learn how to use it. He also shared that he studies using learning resources on the Internet.

Is the level of technology used in the Philippines comparable to the other countries, particularly India, South Korea, China, etc.?

- The Philippines is far from the countries stated. The investments of the governments of China, India, and South Korea in their respective film industries are not comparable to the

Philippines' investment. Importing taxes for film equipment also adds to the issue, especially for the rental establishments.

What can you say about the current demand for Filipino films? What are the indicators for predicting a blockbuster film?

- He is unsure of the factors affecting the interest of the audience. He stated that his department's (cinematography) huge expenditure is one of the factors that hugely affect net profit.
- The cinematography of the movie *Kita Kitawas* not exceptional, but it was a huge hit. Over the past few years, the movies of Vic Sotto had declining profits, maybe because the taste of the audience has changed.

Why do you think Filipinos prefer foreign films rather than domestic films?

- The audience's risk assessment of expenditure plays a huge factor. This is why the Metro Manila Film Festival (MMFF) is a huge deal in the industry because of the huge audience base.
- When purchasing a ticket or subscribing to Netflix, the consumer should assess whether the value is worth the payment. When Netflix committed to more Korean content, its subscriber counts increased.

What are the current programs and your suggested programs or policies to support the industry?

- He shared that as he is not a producer or a filmmaker but a technician, he received no government support in practicing cinematography. The labor costs of a technician handling the equipment are not computed in the investments and risks incurred by the producer. There should also be an insurance package for film equipment rentals to decrease the risk of huge repair costs. This insurance should be differentiated from the warranty.
- Although cinematographers can learn the required skills abroad, it is at their own expense. Upon obtaining the required skills, it would be unfortunate if they would not be used due to the unavailability of specific film equipment. If training would get subsidized, there should also be subsidies or tax breaks for obtaining film equipment.

- Sponsoring the attendance of cinematographers at international conferences can also help the profession.
- Although the National Commission for the Culture and the Arts provides grants, its coverage of the cultural sector is broad, resulting in filmmakers competing with painters, sculptors, etc. The FDCP provides grants, but its support for cinematography is perceived as weak.
- It was vaguely mentioned that for the industry to unionize, there must be the promotion of proper negotiation skills and protection of workers' welfare. In other countries, particularly the wealthy countries, their film industries have fewer people as they have access to automation and higher skills; thus, unionization is a possible track for protection. o Although the industry enjoys a higher wage rate relative to unions in other industries, they are not protected.
- Following the death of the late Eddie Garcia on the production set of a *teleserye*, there was a call to have safety officers to ensure production sets are safe and to avoid injuries and other further costs.
- Mr. Galvez has participated in a meeting with a representative from the Department of Labor and Employment (DOLE). In the meeting, he shared his day-to-day experiences on set. From DOLE, he learned that the labor code does not require employers to feed their employees.
- Although DOLE started studying the film industry, there is still a disconnect in information between the industry and DOLE.

Appendix 8. Highlights of the Key Informant Interview with Mr. RafaLaperal

12 May 2022 | 9:00 AM | via Zoom

Kindly provide a brief profile of the company (business operations, products, and services, clients, employment, capitalization, etc.)

- Within the wider audiovisual industry, the Resort Services (RS) Corporation was incorporated by Oli Laperal Jr. in 1979. It has two (2) subsidiary companies, RS Video and Film Production (a film production company) and RSVP Film Studios (a film equipment rentals company).
 - o The company started when Mr. Laperal Jr. realized there were a limited number of players in the market. He traveled the world and trained with film equipment manufacturers, such as ARRI in Germany and K5600 Inc., and Kino Flo in the US. In the 1980s, he brought new film camera models into the country. As the business grew, he invested in lighting systems and other film equipment. During the 1990s, the company was heavily involved in productions, aiding various filmmakers in their movies.
- The company has transitioned from the use of film to digital media. Seeking to be a high-end one-stop shop, the company provides various services and equipment - similar to those offered in the United States (US) and the United Kingdom (UK). The company has large cameras, GoPros, drones, underwater equipment, and 3D stereography. Aside from filmmakers, their rental business also caters to TV commercials and shows. Recently, they also offered aid for streaming services.
- As they recognize the lack of manufacturers and repair services in the Philippines, their business relies on maintenance. To have the necessary technical skill to operate and repair equipment, the team regularly participates in workshops and meetings with international manufacturers.
- In terms of employment, the company has 60-80 full-time employees. 25-30 of which can handle technical tasks. The number of subcontractors for the crew varies, but there were around 250 subcontractors in the last rotation. ▪ Mr. Laperal claimed that around 60-70% of personnel in the industry worked for RSVP Film Studios. Personnel are always being sought after. Training on-the-job lets people progress to the point where they leave the company and join a cinematography team.

- There are on-the-job trainings, in which workers are required to watch guide videos and perform *practicals*. Before trainees get to aid a client, the trainee must attain a certain level of mastery.

When the company looks for crew members, do they find the skills of fresh graduates with communication and production degrees sufficient with the requirements of the industry?

- In hiring, they require at least a high school diploma for the general crew and engineering background for technicians. Skills can be learned in school, but most of the activities require practical experience. The company tries to instill knowledge and encourages the continuous growth of individuals through other resources.

How does their film equipment rental business model work?

- When they find the return on investment (ROI) rational, the company purchases the film equipment to rent out. Aside from working closely with filmmakers, the company also explores filmmaking to truly learn the equipment and services needed by the industry.
- When keeping up with the trends in technology (i.e., purchasing the latest industrial film equipment), the question is always whether there is a market and whether maintenance will be difficult.
- In renting, profitability is determined by the equipment's usage. In some months, some equipment is frequently used, and others are never used.

Relative to other countries, how competitive is the pricing of renting film equipment here in the Philippines?

- Globally, the service and equipment prices of rental houses are roughly the same. The competition lies in the discount offers and package deals. The company is competitive with the general pricing in Southeast Asia. The structure in South Korea is entirely different as its film industry is world-class.

Recognizing that the company provides services to both film and advertising industries, which industry is more profitable?

- Comparing the operations of advertising and filmmaking to the hotel industry and airbnbs. Long-term rentals would get better packages and discounts, while in short-term rentals, prices are higher.
- In filmmaking, the impression is wanting to create a story and writing the narrative, which can take months or years to develop. As for advertising, the impression is to create commercials which are necessarily aligned to the visions and branding of the client. With film, filmmakers can create better as there are fewer outside influences. o Although the film is a platform for story-telling, advertising is still necessary for filmmakers as they pay for commercial making is high. Advertising can provide food to the table and helps fill pockets.
- He shared that there are filmmakers that jump from advertising to film and vice-versa, depending on their current interest, whether it lies in story-telling (film) or money-making (advertising).

Are there any difficulties in obtaining permits, in the Philippines and other countries?

- Locally, the process of obtaining film permits depends on the city or municipality. In Manila, it is quite easy given that former President and Manila Mayor “Erap” Estrada and current Mayor “Isko” Moreno were actors; however, the rule is not to stay in the street for too long. The process itself is not that difficult if one was given enough time.
- In foreign countries, citing the company’s experience in California, the application for film permits is more streamlined, having clear processes.

How was the business affected by the performance of the film industry? Kindly differentiate the pre-pandemic and post-pandemic performances.

- The company attempts to maintain relations as much as possible - as players know each other. Pre-pandemic, filmmakers associated with them and looked at the company for the trends in filmmaking.
- During the height of the pandemic, the company lost a lot of business opportunities. Following the losses in profits, the advertising budget decreased, which led to the company not having worked for 3-4 months in 2020. This resulted in difficulties in paying out rent for the storage warehouse of the equipment. It is expected that it would take a couple of years to get back to the pre-pandemic level of operation.

- When the film industry opened up at the end of 2020, the industry, led by the Inter-Guild Alliance (IGA), sent its demands and required support from the government.
- Although there were laws regulating work hours, in the past, there still were 24-hour workdays in filmmaking because there was no entity to implement the law. Today, work hours are limited to 12-14 hours as officers from the Occupational Safety and Health Center (OSHC) observe productions.
 - The negative effect of the restricted work hours in filmmaking is that filmmakers extend their other time to advertising clients.
 - Relative to regulations on work hours, there should be harsher market-driven punishments in the Philippines. For example, if the contract states a 12-hour workday, the company should pay 1.5 days' worth of pay for each extended work hour.

How was the company affected by the rapid changes in ICT technologies? What are the company's plans for modernizing and acquiring further equipment?

- The company has its market studies, and they explore the trends and best practices in the film industries globally. It is their job to purchase new equipment aligned with local demand to have sufficient ROI.
- During the pandemic, the company adopted live-video production, allowing for fewer people in the production set. The inputs acquired by the camera are shown live on video platforms, such as Open Broadcaster Software (OBS) and Zoom. Although live-video production has higher costs and its performance depends on Internet connection, it is an alternative way to operate during the pandemic.
 - Filmmakers should show the producers that with better systems, equipment, etc., they can create better films, which translates to views and revenue. Work hours should not be the opportunity cost of higher profits.

Has the company received any government support for their business, especially in renting or acquiring the equipment? What type of support would the company like to receive?

- In terms of bringing in equipment, the company looks to regional dealers, which imports the equipment from foreign manufacturers. There are instances where these dealers have difficulty in bringing in equipment because of factors, such as import taxes, withholding fee,

Value Added Tax (VAT), and more, which all add up. o Given that dealers purchase equipment in bulk for the best deal, another issue is that Customs refer their fees to the listing price found in Google search, which disregards the price in buying bulk.

- In terms of government support, the company did not receive any substantial support. The Film Development Council of the Philippines (FDCP) only provided vaccination and some cash assistance to filmmakers. Although the company tried to help its workers, it is up to the subcontractors to find proper assistance.
- A lot of personnel do not have the required information, such as Tax Identification Number (TIN), pay slip, and more, which are all required in cash assistance. He gave proper financial education to his personnel, providing them assistance in applying for TIN and declaring personal taxes.

Are there government policies that are directly affecting business operations?

- On top of mind, there are no policies affecting business. As they are the subcontractor of a subcontractor (i.e., they are working for the production team that is working for the producer), they follow what their clients want. They follow the ordinances relating to quarantines as there is a limit to the number of people on set.
- The global film industry follows similar patterns, except for the Philippines and India. Unlike around the world, where production houses and advertising agencies hire the personnel (crew) separate from the equipment, in the Philippines, the rental houses acquire both the personnel and the equipment. The reason for this difference is that around the world, there is production insurance for the equipment, which is non-existent in the Philippines. o Around the world, insurance companies cover the costs and then ask questions later. In the Philippines, insurance companies ask numerous questions first before covering costs, which could be only 5-10% of the equipment's value.

Appendix 9. Highlights of the Key Informant Interview with Mr. Jim Baltazar

12 May 2022 | 10:00 AM | via Zoom

Kindly provide a brief profile of the company (business operations, products, and services, clients, employment, capitalization, etc.)

- CMB Films, Inc. started in 1986 as a small commercial equipment rental company. Under the care of Mr. Baltazar, the business expanded to now having several buildings, warehouses, and equipment. The company has partnered with major studios that provide world-class films – Shooting Gallery Studios and Illumination Studios. The products and services of CMB are for film, TV, and video productions. With the various equipment, ranging from cameras to motion controls, are trained freelance operators to handle them. o They are an international brand that has partnered with TV stations in Myanmar. In Myanmar, they have the equipment, cameras, and warehouses.
 - o Locally, the company supplies rentals for support equipment to well-known television (TV) networks and production houses.
 - o Globally, the company supplied support equipment to the projects of Electric Entertainment notably, King Kong (2005) and Independence Day (2016). They also supplied the foreign production houses that filmed in the Philippines – Almost Paradise (2020) and The Bourne Legacy (2012).
- They do not lease equipment from manufacturers rather, they purchase it directly. The company provides up-to-date support equipment that meets international standards. The quality of their equipment allows them to rent out their camera and lens equipment abroad. With the amount of equipment, they can supply 12-15 production units²⁸ simultaneously.
- Film equipment rental businesses are integral to the operations of the film industry. Renting the equipment frees production houses from acquiring and maintaining set equipment.

Relative to prices of equipment and materials, how expensive are these in the Philippines?

- The prices of the equipment in the Philippines are relatively higher than in other countries as the burden of shipping costs, importation duties, and taxes transfers to the buyers. It is

²⁸Production units refer to a set of equipment with assigned operators and crew;

difficult to bring the equipment into the Philippines as orders should be placed at least six (6) months before the intended delivery date.

- Importation of equipment is not limited to the United States (US) and Germany. The company also purchases equipment from Asian suppliers but those suppliers also import from the US and Germany. Although ARRI²⁹ has some equipment suppliers in Manila, the price is relatively higher than those in the US or Germany.
- Warranty is included in equipment purchases. When there is a bug, the product can be sent to the manufacturer, or the manufacturer can tell the company how to fix the bug.
- The first digital camera that ARRI launched cost around PHP 30 million (excluding the lenses). After 2 years, ARRI launched another set of cameras. The company traded the old PHP 30 million models for the new one.
- It is difficult to insure the mobile equipment; when equipment has been lost or broken, insurance companies would have numerous inquiries. Although this is the case, the company insures the equipment during travel and shoots.
- Their insurance is provided by a private domestic company. If the equipment is foreign-owned (i.e., foreign production companies shooting in the Philippines), then the equipment is insured by a foreign insurance company.

As CMB also rent-out crews, what are the skill sets needed to operate the equipment, and are these skills available domestically?

- With the help of the film equipment manufacturers, the company trains technical operators in handling their equipment, especially when there are new technologies that require new knowledge. Some of the manufacturer's staff even go to the Philippines and train the operators.

Relative to the crew, what is the labor arrangement undertaken in the company?

- The crew is included in the rental package as someone would have to operate the equipment. They have 65 regular office employees and more than 360 freelance operators and crew with different designations (electricians, camera operators, cable men, generator men, drivers,

²⁹ARRI is the well-known Germany-based film equipment manufacturer.

etc.). Each designation has a different talent fee; Digital Imaging Technicians earn around PHP 9 thousand per day.

How does the coordination and planning service work?

- Coordination of everything is on the production side of filmmaking. The production house would lease the equipment (and crew) and tell the company where to set the equipment.
- Relative to permits, if the production unit is set to go to one location, the production house gives the company all the permits (e.g., permits to park, travel with trucks, etc.)

How was the business affected by the performance of the film industry?

- Before the pandemic, the company rented out 90% of its equipment. They are one of the two (2) biggest suppliers in the film industry, but CMB does not even consider the other supplier as a competitor as it only has 30-40% of the capacity of CMB Film Services Inc.
- During the initial six (6) months of the pandemic, the company did not operate as shoots were difficult and the industry was not active. The company did not lay off people during the pandemic. After six (6) months, productions for teleseryes and commercials became active, and they were able to rent out 40% of their capacity. Currently, they are operating at 70-75% capacity.

How do foreign producers hear about the Philippines? How can we promote the Philippines as a destination for film production?

- Only a few advertise the country as a place for production. Electric Entertainment, a US-based production company whose owner is Filipino-American, is one of the few pushing for film productions in the country.
- Mr. Baltazar shared that he would be bringing local cinematographers and directors to the Cine Gear Expo, free of accommodation and plane tickets. The expo features new products, systems, and technologies in film production and has master classes and awarding ceremonies. o The Film Development Council of the Philippines (FDCP) also helps in these situations, but their support is limited to expos in Southeast Asia.

Do you get government support for going to expos abroad?

- There is no support received from the government in this situation. Some amateur cinematographers cannot go because even with the support of foreign manufacturers, they cannot obtain Visas.

What is the impact of the new and emerging technologies on the company?

- Their supply of lights has shown an increasing share from Chinese manufacturers. Although equipment upgrades are necessary, it is not done every month. The usual upgrade interval takes years. Cinematographers are requesting higher-tech cameras, but the company has to make cinematographers realize that the country does not have any channels to showcase high-resolution videos (e.g., cinemas, TV, etc.).
- As some company equipment is exclusive to CMB in the Southeast Asian region, some foreign companies rent their equipment.
- Permits, port congestions, and similar problems affecting freight truly burden the business. Small equipment is transported by air to avoid port-related issues.
- It is also difficult to get ferries for vehicles and trucks as they would need to wait in line to board. In these ferries, there are no special lanes available for film rental companies.

What are the government policies that directly affect the business? What type of support would you like to receive?

- The truck bans affect their business given the scheduling of productions. Another burden is the smoke ban affecting newly purchased trucks.
- Decreasing import taxes and duties would be helpful in rental businesses. Although film equipment is expensive, it is still equipment used in business and not a luxury consumption good.
- As it was difficult for vehicles and trucks to get in ferries because they would need to line up, there should be special lanes for film-related equipment.

Can we tap the Filipino and Filipino-American communities in the US to bring business to the Philippines?

- He shared that Electric Entertainment has been asking him regarding tax rebates. In other countries, there are tax rebates possibly reaching 30%; it is only in the Philippines where there is no tax rebate. The same producer is also having difficulties in obtaining permits to shoot in the Philippines.

Are you expecting new entrants in the rental and lease space?

- It is difficult to enter the rental industry due to the high costs of equipment. He shared that there was once a small rental company that primarily supplies to ABS-CBN, but it closed down when the network closed down; around 400 people have lost their livelihood because of the closure.

Appendix 10. Response to the Key Informant Interviews (KIIs) Questions for: The Department of Science and Technology – Philippine Council for Industry, Energy, and Emerging Technology Research and Development (DOST – PCIEERD)

Definition and Scoping:

1. PCIEERD considers the Creative Industries as part of the Emerging Technologies sector.

a. How does PCIEERD define the Creative Industries and the Emerging Technologies sector? What are the scopes of these two?

PCIEERD defines emerging technologies as innovations that are currently developing or will be developed particularly in the Philippines over the next years which will substantially transform or disrupt the business and social environment. Currently, the scope of the Emerging Technology Development Division of PCIEERD includes the following:

- Advanced Materials
- Additive Manufacturing
- Materials for Energy
- Nanotechnology
- Optics and Photonics
- Artificial Intelligence
- Quantum Technology
- Electronics Industry
- Information and Communications Technology
- Creative Industries: Game, Animation, and Film
- Smart Cities
- Industry 4.0
- Space Technology Applications

On the other hand, PCIEERD defines creative industries as an emerging sector focused on applying science, technology, and innovation to generate and commercialize creativity, ideas,

knowledge, and information. This sector encompasses various areas but the initiatives of PCIEERD cover only the following fields so far:

- Game, Animation, and Film Development
- Functional and Aesthetic Creations: Footwear and Furniture

Since the Creative Industry is a nascent sector, the Council is open to expanding the scope to accommodate and support projects on other creative domains.

b. What makes the Creative Industries part of the Emerging Technologies sector?

Creative industries have been interlinked and heavily influenced by information and communication technologies (ICT) including artificial intelligence, Internet-of-Things, cloud computing, big data analytics, extended reality, wearables, and intelligent interfaces among others, which are still considered in the Philippines as emerging technologies. These ICT tools will not only address the need but will also drive economic transformations and disruptions in the creative sector in the coming years.

c. How does PCIEERD define each of the three sectors of game, animation, and film as these three are merged in the Creative Industry Roadmap? What is the scope of each sector?

Since game and film development both involves animation and other similar production processes, these were merged in one technology roadmap. For game development, the roadmap includes R&D solutions that will address the need and enhance the capability of the local game developers in terms of game programming, game art, game design, audio engineering up to game testing. Currently, the initiatives of the Council focus on the development of serious games for primary and secondary education, supporting the following ongoing and completed projects:

1. Technology Innovations for Mathematical Reasoning, Statistical Thinking, and Assessment
2. Stunt Science: A Physics Simulator Mobile Game
3. Imahe Labs: An Educational Game for Chemistry in the Senior High School and Junior High School Sectors of Baguio City
4. Nurturing Interest in STEM Among Filipino Learners Using Minecraft

5. Haynayan AR: An Augmented Reality-Based Lesson for the Improvement of Learning Achievement in Cell Biology for the STEM Curriculum
6. A Game-based Mobile Learning Platform for Social Studies
7. Handum: The Design, Implementation, and Analysis of a Digital/Mobile Game-based Learning Tool for Primary and Secondary Education

In the succeeding years, PCIEERD is on the lookout to support research projects that will not only produce original works and proprietary software but will also prototype advanced gaming devices and even apply blockchain in the gaming industry. Furthermore, establishment of a Holodeck or a holographic environment simulator, that will provide users with a fully explorable and immersive simulated environment without the need for VR headset or any wearables, is also in the pipeline.

As for the animation, the roadmap includes technology interventions that will improve areas from pre-visualization, 2D, 3D animation, up to post-production. The Council supported the following completed projects as part of capability building in this field:

1. Industry-Defined 2D Basic Animation Course
2. Original Content Development Project
3. Development of a Philippine Indigenous Instrument Sounds Database

For the next years, the Council will support research projects that will integrate artificial intelligence in 3D animation, automatic music generation, real-time translation, motion capture software for facial, body, and hand gestures, and even prototyping of advanced animation tools.

For film development, PCIEERD does not have an ongoing nor completed project on this yet. Nevertheless, the Council is open to support research projects that will spur creative innovations in enhancing the quality and efficiency of moviemaking. This may include but not limited to the following emerging and disruptive technologies: development of algorithmic video editing, intelligent screenplay writing, autonomous drone cinematography system, and development of interactive and customized moviemaking technology. All these are projected to realize in the next five to ten years.

Aside from game and animation development, PCIEERD already supported the following projects which in general, also fall under the Creative Industry:

1. iJuanderer: An Augmented Reality-based Gamified Local Tourism and Cultural Heritage Promotion and Preservation
 2. Mr. Tour Guide: A Cultural Adaptive Mapping Platform using Mixed Reality
 3. Development of a Local Cloud-Based Digital Apparel Prototyping Platform of the PTRI-Textile Product Development Center as a Response to the Now Normal
 4. Bamboo Musical Instruments Innovation R&D Program
 - Documentation of the Philippine Bamboo Musical Instruments
 - Development of Protective Processing Technology of Bamboo Musical Instruments
 - Processing Facility for Bamboo Musical Instruments and Other Lignocellulosic Material
 - Development of Prototype Designs of Musical Instruments using Select Philippine Bamboo Species and Processing Technologies
 5. SandPix: A Sand-Based Image Printing Technology
 6. SAFATOS: Shoes and Footwear Accessories R&D towards Omnibus Solutions
 - STePHF-In: Sustainable Textiles for the Community-Based Philippine Footwear Industries
 - 3D-Warp Knitted Natural Textile Fiber-Based Spacer Fabrics for the Local Footwear Industry
- State of R&D

2. PCIEERD has long been the central agency in the formulation of policies, plans, and programs as well as in the implementation of strategies in the industry, energy, and emerging technology sectors.

- a. How does PCIEERD perceive the state of R&D in the Creative Industries and specifically the film industry? How competitive are the technologies and equipment used in the industry compared to our ASEAN and International peers?*

PCIEERD does not have ongoing nor completed R&D projects on developing equipment in the film industry, but the Council is open in supporting such initiatives. The Film Development

Council of the Philippines is in a better position to provide the current local industry competitiveness relative to the ASEAN and international peers.

b. What technologies does PCIEERD support in the development of films in each stage of the value chain? Are there success stories that we can replicate and commercialize for uptake?

One project supported by PCIEERD is the “Original Content Development” as implemented by the Toon City Academy Inc. This is a capability building project that supported the creation of four short, animated films from pre-visualization to post-production. One of the animated films produced was awarded as the Professional Division Grand Winner and Jury’s Award in Animahenasyon 2019, showcasing the Filipino talents in producing original content. But as far as technology development is concerned, the Council is yet to fund R&D projects in this specific field.

c. Specific to the film industry within the wider Creative sector, what are the major innovations that transformed the local industry over the past two decades?

Technological innovations have transformed the local film industry from the ways movies get made, to how they are edited, to the way audiences watch them. Today, digital single-lens reflex cameras (DSLR) have allowed movies to be filmed in high-definition for better picture display. 3D printing has contributed in making props, costumes, and sets, from action figures to organ tissues, with speedy turnaround time and easy customization. It is a simple but critical tool as a simultaneous means of saving time, reducing costs, and increasing creative freedom. Also, the cloud has allowed filmmakers to work in different locations using advanced software for film editing. The motion capture technology, for instance, has made it easier to execute digital animations. As for user experience, viewers can now watch films in 3D and even through streaming services.

It is expected that technologies will continue to disrupt the industry in the coming years. Emerging trends in this area include 3D previsualization, intelligent screenplay writing, motion capture technology, real-time rendering, volume technology, autonomous drone cinematography system, algorithmic video editing, automatic soundtrack generation, 4D films, personalized

sound control, interactive moviemaking technology, and metaverse platforms with digital marketplace among others.

Creative Industry Roadmap

3.PCIEERD has formulated a Creative Industry Roadmap specifically for game, animation, and film.

- a. The Creative Industry Roadmap has identified strategies for R&D technologies to support animation and film development. How can these technologies improve the local film industry and its value chain?*

The value chain of local film industry mainly consists of pre-production, production, post-production, distribution, and audience's consumption. Technological advancements that will challenge or disrupt the established value chain may include the following. Such interventions are being developed internationally but not yet locally, which aims to reduce costs and/or improve processing and quality of films:

Pre-Production

➤ 3D Previsualization

3D Pre-visualization (pre-viz) revolutionizes the pre-production value chain by integrating fully immersive digital replicas of the physical sets or locations to be used on a live-action production before the actual cameras begin to roll. The digital playgrounds of 3D pre-viz provide filmmakers the time and space to explore and experiment without incurring unnecessary expenses. With 3D pre-viz software and game engines, directors can better refine visual designs, production designers can increase construction precision, directors of photography can take the guesswork out of technical solutions, and producers can optimize the logistical flow of the entire production.

➤ Intelligent Screenplay Writing

Artificial intelligence may be a tool for screenwriters as it can be used to automate tasks and generate creative scripts. Through natural language processing, AI can assist writers in coming up with ideas, dialogue, characterization, scenes, and other original content. While AI can

provide options for the script, the screenwriters still need to provide the plot, character development, and other details. To bring a machine-written script to life, AI must work in tandem with humans to interpret and craft the final product. Hence, even though the thought process of making AI do screenwriting has begun, human writers have nothing to fear for the time being.

Production

➤ Motion Capture Technology

Motion capture is a core part of modern film, game, and app development. Traditionally, motion capture requires special equipment, cameras, studios, and software. Recently, researchers have developed a machine learning algorithm that works with any off-the-shelf camera to track face, hand, and body gestures, eliminating the need for markers on bodysuits. This markerless motion capture technology will allow animators and filmmakers to animate characters easily and in real-time.

➤ Real-Time Rendering

Real-time rendering is a powerhouse technical solution that allows changes to a digital environment to be made near instantaneously without the tediously long render times. By being able to both see and alter the interactions between physical and digital components in real time, filmmakers can work faster with more precision and more options for experimentation. From traditional animation to green screen, real-time rendering is now shaping the future of filmmaking technology.

➤ Volume Technology

Volume technology refers to the usage of massive LED walls to display pre-recorded images in the background of a shot while live-action elements are filmed in the foreground – a process designed to achieve a seamless, in-camera composition of physical and digital components. Instead of the conventional green screen, the technology involves filming actors and practical set pieces while surrounded by a high-definition LED video wall displaying computer-generated backdrops. By combining the game engine, real-time rendering, and video wall technology, the Volume offers an easily customizable and highly immersive digital filmmaking solution, speeding up production times and amplifying the reality of visual effects.

➤ *Autonomous Drone Cinematography System*

Drones have made capturing aerial footage more convenient and accessible. However, shooting cinematic motion videos using a drone is challenging because it requires users to analyze dynamic scenarios while operating the controller. Today, researchers have developed autonomous drone cameras specifically designed to film live actions with all the necessary knowledge of filmmaking, camera angles, and techniques. The developed prototypes are also provisioned with the ability to avoid obstacles in flight and capture moving objects which are basically needed to produce unique shots and make a good film as compared to static cameras.

Post-Production

➤ *Algorithmic Video Editing*

Algorithmic video editing is now being used to assist editors with footage organization and rough cutting. A group of engineers with Disney Research was able to develop an algorithm designed to choose the best shots and string them together with continuity. While the future of post-production will not likely fall to the robots anytime soon, the applications for algorithmic film technology are becoming more practical that tech-savvy editors can use to optimize the post-production workflow.

➤ *Automatic Soundtrack Generation*

Audio-postproduction software for automatic soundtrack generation has been recently developed to streamline the process of implementing audio into films. The technology will help sound engineers to rapidly locate and apply sounds in scene footages considering sync points, genre, and intensity, providing an infinite range of alternate compositions.

Distribution and Consumption

➤ *Interactive Moviemaking Technology*

With the drift of film history into greater realism and higher audience immersion interests, interactive films are now emerging allowing viewers to take control of the outcome of the story. With the customized movie experience, it is expected that several movies in the future will appear with custom plots and visuals presenting an innovative entertainment choice and unique storytelling narrative for the general audience.

➤ *Personalized Sound Control Technology*

Personalized sound control technology is a loudspeaker technology that brings only the target sound to the listener without causing sound leakage. It can be applied in cars, in movie theaters, or even in airplanes enabling passengers to listen to different music or watch different movies without using earphones or without others in the room hearing them.

➤ *Metaverse Platforms with Digital Marketplace*

Funding, distribution, and filmmaking are already being explored in the metaverse platform, which is considered to be the successor to the 2D internet, in which people use virtual reality headsets to enter digital environments. Studios and producers are now taking steps to reimagine films in the metaverse. Also, the distribution of films, including the virtual assets and pre-built worlds that are being used in 3D pre-visualization, real-time rendering, and volume technology, can eventually be done through a digital marketplace which is a community driven and online decentralized store where creators can sell and purchase customizable digital assets built on a blockchain.

- b. How can the development of each of the technologies found under Animation and Film Development disrupt film industry (from concept to consumption) in the country? Are Filipinos currently equipped with proper skills and knowledge to use such new technologies?***

Kindly refer to the details provided in Question 3.a. Based on the stakeholders' consultations conducted by the Council, the local industry is not currently equipped with the aforesaid technologies. Industry-defined trainings and workshops are needed, micro-courses and micro-certifications are being pushed through to increase human resources, and local capability and capacity building to produce hardware prototypes must be established first to realize the identified next generation technologies.

- c. As part of the identified strategies in the roadmap, what is the goal of the establishment of animation studio facilities? Would these facilities be integrated in the film industry?***

The creative industry stakeholders identified the need for animation studios that can serve as a shared service facility among academe and MSMEs. PCIEERD already supported a project that established two (2) animation studio facilities: one in University of the Cordilleras in Baguio and another in Central Philippine University in Iloilo. Currently, these facilities are being used to train students to create traditional animations based on industry standards.

Aside from animation studio facility, the stakeholders expressed the need for a creative innovation hub for graphics design, motion capture, audio post-production, extended reality, and interactive moviemaking. The DOST provides institutional grant to establish such centers through the Niche Centers in the Regions (NICER) for R&D Program. The requirements of the program include component R&D projects that must be collaboratively undertaken among the Higher Education Institutions (HEIs) and RDIs in the region. The goal of the establishment of such centers is to address the specific needs of the region, capacitate S&T human resources, and promote inclusive growth and industrial competitiveness.

d. Given that Filipino movies suffer low demand in both domestic and international spaces, how can the strategies stated in the roadmap address such issues?

The strategies stated in the roadmap provide opportunities to optimize the process, improve the film quality, and/or reduce the cost of production. However, the demand for Filipino movies will still depend on the distribution and marketing strategies.

e. What is the role of production houses and independent producers in the roadmap?

Production houses and independent producers can serve as collaborators of the projects supported by the Council. This is to ensure that the projects being funded by the Department will really address specific expressed needs and will be adopted by the industry.

f. What do you foresee as major stumbling blocks to the achievement of vision for 2030?

The technology roadmap of PCIEERD will only be realized through a collaborative effort of the academe, research and development institutions, government agencies, and industry partners. The Council can provide direction but without the support of the industry and initiative of

researchers proposing R&D projects in the Creative Industry Sector, the identified emerging technologies will not come into fruition.

Appendix 11. KEY INFORMANT INTERVIEW HIGHLIGHTS: DOLE-BWC
3 June 2022 | 9:00 AM | via Zoom

Does the Department of Labor and Employment (DOLE) have any specific mandate for the creative industries?

- DOLE’s mandate is adapted from the Labor Code of the Philippines, which stems back to the country’s constitution.
- Last 2020, DOLE and the Film Development Council of the Philippines (FDCP) issued Joint Memorandum Circular (JMC) No.1 Series of 2020, entitled *Guidelines Governing the Working Conditions and Occupational Safety and Health of Workers in the Audio-visual Production*. In this JMC, Article 168 of the Labor Code³⁰ is further emphasized, resulting in more policies to ensure the health and safety of workers regardless of employment status.
- The employment structure of the audiovisual industry is complicated; although there are regular workers, most are independent contractors. o In the JMC, regular employees are governed by the Labor Code, but contractors are governed by the Civil Code. With this arrangement, the JMC ensures that compensation for contractors is not lower than what is described in the Labor Code.
- Regarding enforcement, DOLE, through its regional offices, conducts regular inspections of film and audiovisual productions. There are difficulties in doing inspections because film production sets do not submit their shooting schedules to both DOLE and FDCP.

³⁰ Article 168 of the Labor Code refers to Compulsary Coverage found within Book 4, Title I, Chapter II: Coverage and Liability. Retrieved from Book IV – Health, Safety and Social Welfare Benefits | Bureau of Labor Relations (dole.gov.ph)

What prompted the issuance of the JMC during the pandemic?

- The JMC's creation simply coincided with the pandemic. Discussions with the numerous guilds³¹ started as early as 2016 alongside the issuance of Labor Advisory No 4., Series of 2016, entitled *Working Conditions in the Movie and Television Industry*, tackling the welfare of film workers. In the past, there were allegations that workers in the film industry are not prioritized by DOLE.
- Both the labor advisory and the JMC tackled general labor standards (GLS), but the JMC emphasized occupational health and safety, such as working hours. o What prompted DOLE in creating the JMC is the working conditions and compensation in the film industry. The industry works beyond 24 hours when necessary, and there are stories of directors dying due to stress and workers having accidents.
- When workers are at the level of artists or directors, they are receiving more than what is prescribed in the Labor Code. Their compensation already includes the overtime fees, night differentials, etc.
- Relative to talent, DOLE ensures that compensation for below-the-line³² film workers are not short-changed because there were instances when they received only Php 500 when Php 1,000 was promised.

Are there other DOLE agencies directly engaging in the film industry?

- The Bureau of Working Conditions (BWC) leans towards policy-making and supervision of the enforcers, while the DOLE regional offices are more engaged with workers in the industry as they enforce the policies and do the inspections.
- Although not exactly related to film, the Bureau of Labor Relations (BLR) monitors the Broadcast Industry Tripartite Council (BrITC) composed of the employers and unions, which aid in the promotion and development of the industry. o If the Eddie Garcia bill is enacted into law, there would be tripartite mechanisms for resolving issues. Thus, there would be more associations and unions that would be registered with BLR.

³¹ Guilds refer to the industry associations in the film industry

³²Under-the-line refers to film workers in the level of crews, scene extras, etc. as described by Mr. Galvez in a previous KII.

- The Occupational Safety and Health Centers (OSHC) are also part of drafting the occupational safety and health program.
- The Employees' Compensation Commission (ECC) handles issues related to work contingencies, illnesses, and accidents. Workers are entitled to compensation subject to the evaluation of the Social Security System (SSS) on the case presented. If SSS dismisses a case, the case is appealed through the ECC.
- The Bureau of Workers with Special Concerns (BWSC) handles the welfare of child artists and workers.

Aside from the JMC, Labor Advisory, and the DTI-DOLE-DOH Joint Administrative Order No. 2021-001,³³ are there other policies, regulations, and measures that are implemented in the film industry?

- DOLE has many issuances on the regulation of child work. During the pandemic, DOLE issued Labor Advisory No. 24-A, entitled *Revised Guidelines on Engagement of Children 15 to 18 Below Years of Age in Public Entertainment or Information During Community Quarantine*, which tackled working hours, type of work, and supervision of child artists.

How does DOLE perceive the film industry, particularly film production?

- From DOLE's perspective, the film industry or the wider audiovisual industry should be regulated like other industries. DOLE's mandate is to look after the welfare of workers while still recognizing the distinctiveness of the industries (e.g., the freelancer population in the film industry).
 - o In the film industry, DOLE regulates working hours, creating a 12-hour turnaround time for rest after a 16-hour shift.
- DOLE also set standards for minimum amenities and welfare facilities in the production sets (e.g., food, water, resting area, etc.).

What are DOLE's assessments of the labor conditions during film production?

³³ The DTI-DOLE-DOH Joint Administrative Order No. 2021-001 is titled Health and Safety Protocols for the Conduct of Film and Audiovisual Production Shoots and Audiovisual Activities During COVID-19 Pandemic.

- As the policy is still in the infancy stage, production workers are still learning, especially when it comes to health and safety protocols. Although most of the industry players comply with the policy.
- DOLE also released Department Order (DO) No. 198, Series of 2018, entitled Implementing Rules and Regulations of Republic Act No. 11058 entitled “An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations thereof,” which the film industry is part of. This was released due to the demand for safety officers and occupational health personnel.
 - o Through the FDCP, DOLE conducted free training for safety officers. The FDCP also discussed the directors’ policies affecting film production.
- Safety officers are regular employees of the producer, while occupational health personnel can be outsourced, wherein the number of personnel and expertise can depend on the risk in the production set (e.g., shooting action scenes). The production set can also hire additional safety officers, whether to complement existing ones or if there is specific expertise required, such as certified divers for shooting underwater scenes.
- Safety officers should be dedicated as they will survey the area, check for possible hazards, and coordinate with local government units (LGUs) for crowd control.

Have you experienced any complaints or requests for intervention? How does the process work?

- DOLE has three (3) modes of inspection:
 - 1) Regular inspection;
 - 2) Complaint inspection, which is brought by complaints from workers regarding poor working conditions, implementations, etc.; and
 - 3) Occupational Safety and Health (OSH) Investigation. Regardless of the mode of inspection, DOLE inspectors are trained to provide technical assistance. If there are deficiencies that can result in imminent danger, they should be addressed immediately, or DOLE would issue a work stoppage order.
- The duration in which the issue should be solved depends on the violation. If it violates GLS, it should be corrected within ten (10) days. If the issue is administrative, then it should be solved within 90 days. If it exceeds the 90-day deadline, penalties would be applied.

As stated in one of the DOLE’s issuances, all workers should be provided insurance. For this insurance, who pays for the premium? How can this be received? Is this separate from social security?

- There are mandatory benefits, such as PAG-IBIG and PhilHealth, but most of the workers in the film production are not regular employees. In these cases, what the employer can do is register their employees as voluntary contributors.
- Insurance in the film industry is practiced through a packaged group insurance – the whole cast is insured. In the discussions with filmmakers, no insurance company will issue a lone stuntman in shooting action scenes.
 - o In the JMC, providing insurance is encouraged, but with the Eddie Garcia bill, it would be mandatory. In paying premiums, indie producers might not afford the costs, but microinsurance companies can decrease the burden.
 - o The Civil Code states that if the worker suffers an accident under the jurisdiction of the employer, the employer must cover the many costs. Thus, taking insurance can ease the huge costs when accidents do happen.

What is the role of film worker unions in upholding working conditions in film productions?

- DOLE supports the creation of unions – guilds - to better represent the interests of the industry – and its many members – and to aid the sector, especially when such guilds are registered and recognized by DOLE.
- Through guilds, DOLE has a platform to understand the industry, creating discussion to aid their programs and policymaking. Players in the industry can also set standards – minimum compensation and benefits – and increase their negotiation power against employers and the government.
 - o Small players in the industry are the ones that benefit from unions. Big players, such as artists, can lower their rates to work on projects they want.
 - o If negotiating with the government, they can ask for subsidizing their activities, particularly the insurance premiums for indie filmmakers.
 - o If employers cannot meet the minimum proposed standards, then the government can fill in the gaps.

- In the pandemic, through the FDCP-registered unions, DOLE gave aid to affected workers in the film industry.

How can we further develop the labor market condition and the film industry, as a whole?

- Legislations can aid the industry. Pre-pandemic, the industry wanted tax incentives given the heavy taxation schemes in the industry.
- During the pandemic, filmmakers need to add 30-40% of their budget to accommodate the government's demands for minimum public health and safety standards – face masks, regular testing, etc.
- It is suggested to improve the internet connectivity (bandwidth) of providers as the film consumption channels are shifting to digital platforms (e.g., Netflix).
- It was suggested to leverage Philippine culture for tourism, like how South Korea promoted their Hallyu.

Appendix 12. KEY INFORMANT INTERVIEW HIGHLIGHTS: MR. BUTCH IBAÑEZ

27 June 2022 | 09:00 AM | via Zoom

Kindly provide a brief profile of Solar Entertainment including Solar Pictures.

- Solar Entertainment is the distribution arm of Solar Pictures. It was established in 1976 as Solar Films, and its first distributed film was an action movie that starred Jackie Chan and Chuck Norris. They also explored film production – producing titles, such as Siddhi in 1999. In 2004, they partnered with United International Pictures (UIP). They acquired distribution rights to big Hollywood films, such as Iron Man, Kung Fu Panda, Mission Impossible, etc. The partnership lasted ten (10) years, and in 2014, Solar Entertainment ventured into independent “*indie*” film distribution and filmmaking, forming Solar Pictures.
- Before digital cinema, they used 35mm films, which was relatively expensive. In terms of control, they used to dictate how the film would be distributed (i.e., they can screen in the Visayas 2 weeks after Luzon, etc.). However, with the use of the Digital Cinema Package (DCP), the way films were distributed changed. Film production also became cheaper as it uses digital memory and not the actual film rolls.
 - In 2010, all the cinemas were only supplied with DCP materials. Thus, if cinemas failed to transition into using DCP material, they were doomed to shut down.
 - With the surge in film production, distributors had more titles to distribute. However, with the limited number of theater screens in cinemas, cinemas had to identify only which films to show.
- They currently have five (5) key employees under Solar Entertainment, and there are twenty to twenty-five (20 - 25) shared employees between the different Solar companies. During the UIP partnership, the company had thirty to forty (30 - 40) employees.

Are there other services that Solar Entertainment provides to its clients?

- They partner with producers for film distribution, and they secure an arrangement wherein both parties would profit. They have film festival partnerships to release films that are not usually commercially booked. They also distribute live events, most notably boxing matches of Manny Pacquiao.

How does film distribution work, considering domestic and foreign producers?

- Solar Entertainment, as a film distributor, is contacted by both domestic and foreign producers. They have connected to several film distribution channels aside from the cinema houses. This is in contrast with huge film production companies, such as Viva and Star Cinema, which only rely on their film distribution arm.
- During the UIP-Solar partnership, UIP provided the films to be released in the Philippines. They also recommend the dates when the films would be played in the country. The hard part of this process was ensuring the film's profit. In the Philippines, domestic film distribution is different as it depends on relationships. o Although they assess whether the UIP films would profit in the Philippine market, there is no sure formula to determine profitability. A way to discern unviable films is by having a small-scale release. Some films transitioned from small-scale releases to wide-scale releases, and some films were not released theatrically and went straight to video.
- In seeking partners downstream, they connect with the Cinema Exhibitors Association of the Philippines (CEAP). Some bookers coordinate with provincial cinema groups to exhibit films from Metro Manila. The exhibitors rely on a weekly central scheduling system, wherein producers and distributors arrange the dates films are shown. Arrangements may include not showing three (3) Filipino films at a time and not showing up to seven (7) films per play date. o These exhibitors get to see sneak peeks (samples) of the film to be shown in the cinemas.

What is the financial arrangements between producers, distributors, and exhibitors?

- The income model for a film distributor is revenue-sharing. The percentage share depends on the type of film and company. Some companies negotiate considering previous profitable

transactions. o There are combinations between fixed rates and revenue-sharing. Depending on the expected profitability of the film, they also calibrate the revenue-sharing percentages to lean towards the producer.

How does the free television (TV) for Hollywood films work?

- For films that they acquired, there are windows for releases. The first release will be the theatrical release. The next releases would be on pay-TV, then cable TV, and finally free TV. In the past, after having a theatrical release, films will have a three (3) to five (5) year window before being shown on other channels. Current windows for online platforms can reach up to three (3) months only. o Philippine cinemas dislike the release of films on other platforms when it is close to the theatrical release date, especially when the films are being pirated and uploaded online.

Who are the other players relative to film distribution?

- Distributors deal with the Movie & Television Review and Classification Board (MTRCB) to secure permits for film exhibitions. Before, they also dealt with the Optical Media Board (OMB) and the Bureau of Customs (BOC) regarding the importation of film prints. o Although films are now being downloaded through the Internet, there was a time when MTRCB was asking for import permits to secure the permits to exhibit. ▪ The drastic change in weight from heavy film prints to light drives reduced the costs of importing film prints substantially. The importing procedures were not adjusted when films became digitally deliverable goods.
- The Film Development Council of the Philippines (FDCP) helped them import films by connecting them with film festivals, coordinating with MTRCB for film classifications, and advancing their anti-piracy campaign.
- The Intellectual Property Office of the Philippines (IPOPHL) also engaged with them regarding issues on pirated content.
- Other agencies they deal with include the Bureau of Internal Revenue (BIR) for tax documents and the Local Government Units (LGUs) for organizing film events. They also coordinate with cinemas and local police stations for issues regarding piracy.

How costly is film distribution? What are the major expenditure items?

- The acquisition of the film takes up the bulk of the budget. Solar Entertainment has a comparative catalog showing the price range of films with certain stars, genres, directors, trends, etc. The costs of scheduling releases are not as big as acquisition. o In the Philippines, film distributors usually acquire all the distribution rights of a film from theatrical releases to OTT TV (over-the-top TV), to cable TV, to online platforms, and more.
- Promotional expenses are significant, but the exhibitors will carry the costs. Aside from press releases and premieres, the promotion of films utilizes online platforms, such as Facebook and Google. Before leasing the film to exhibitors, the distributor must have the marketing material available to maximize the film's profitability.
- OTT TV stands for over-the-top television; it's a term for when people watch video content natively on their TVs via the internet by downloading OTT apps to smart devices, like a Smart TV or game console.

What other factors that affect the company?

- As there were no theatrical releases during the pandemic, they explored other platforms for showing films, such as Netflix, Lionsgate, GMA, and more. The collection of their income also stopped following the closing of offices. o Although there are negotiations, Filipino films have low offers. And Filipino producers are still encouraged to take the low compensation rather than the film not being utilized. Some producers negotiate to provide more films for a higher budget.
- Because most films were distributed online during the pandemic, film piracy worsened. Before, people only sent out links that streamed pirated films. Now, films can be illegally downloaded.
- Relative to the recovery of the film industry, it is suggested that the government provide subsidies or decrease taxes for filmmakers, distributors, and exhibitors.

Do Filipinos tend to prefer foreign films?

- For Hollywood films, there must be a big name associated with the film. If the film is good, to begin with, the chance that it will be released is high. If a film did not do well in a

theatrical release, but word-of-mouth continues, there will be other platforms where the film can be monetized. There are also bad films that do well because they are simply popular. Although certain genres and scenes are profitable, indie filmmakers risk the creation of new content as they are outside the control of large film studios.

- Investing in a filmmaker is like investing in an artist; you may not see the value immediately, but the film may explode in the future.

How competitive is the film distribution industry? Given the small number of film distributors, are players cooperating or competing?

- There are a good number of film distributors; there is a shortage of cinemas. Some theater chains only have three (3) or four (4) cinemas. Cinemas usually get the films that they know will profit, such as Hollywood films with big names attached to them. Indie filmmakers have difficulty showing films in cinemas as they will need to prove that their work is profitable.

Is there a major government policy that negatively affects the film industry?

- There were discussions among industry leaders about whether a film quota scheme will be beneficial for the Philippines. A proposed example of this is the limitation of Hollywood films to only ten (10) titles per year. This scheme is deemed undesirable as it would hinder and hamper the viewers' freedom to choose. The government should not be biased toward certain products. For instance, there is a suggestion to remove the MTRCB screening fees entirely for indie filmmakers instead of simply applying a percentage discount.
- Film festivals, where people can watch films for free and producers can showcase their films, should happen regularly as these would promote word-of-mouth promotion for films.
- The decrease in the heavy taxes imposed on the film industry will incentivize film production. In producing local films, although some cities have no amusement tax, income taxes still burden profitability.
- A policy that enforces a minimum number of screening days of domestic films in the theater each year.

Are there other trends that you perceive in the next five (5) years?

- The shortening of the windows impacted cinema viewership. Some people now prefer waiting for online releases instead, especially if the film is not well-known.
- Due to the convenience and influence of online platforms, film festivals should always have an online component. But purely online film festivals will not be possible because some films are meant for the cinema.
- In acquiring certain types of films, distributors should review the agreement relating to online viewership as some windows are unclear. Emerging technologies should always be considered.
- As a film distributor, they did film festivals that had both online and offline components. The average minute views of films were relatively high on TV, especially in areas where the Internet is not strong. Distributors may want to consider TV as a channel for films.

What are your recommendations to support the industry?

- The government should increase its efforts in addressing piracy issues. They should take down websites that provide pirated films. With the numerous piracy websites available and the lack of regulation, viewers may assume that it is alright to watch illegal films. o Online content can earn income on certain platforms. There are people that monetize films without the knowledge of the producer and filmmaker. It is unfortunate that IPOPHL only acts when copyright owners file a complaint.
- The government can collate the copyright information for Filipino films. If the copyright owner is unknown, an agency can collect the income from the film until the copyright owner is identified.

Appendix 13. Highlights of the Key Informant Interview with the Film Development Council of the Philippines (FDCP)

09 September 2022 | 09:00 AM | via Zoom

Participants:

Department of Trade and Industry – Competitiveness Bureau (DTI-CB)	Film Development Council of the Philippines (FDCP)
<ul style="list-style-type: none"> Joshua Agustin <p><i>Consultant</i></p> <ul style="list-style-type: none"> Dr. Francis Quimba 	<ul style="list-style-type: none"> Chairperson Tirso Cruz III Djanin Cruz Rachelle Villaluna David Fabros Dan Morales

Presentation of Chairperson Cruz III regarding the general direction of his administration

- Chairperson Cruz III declared the three (3) thrusts of the current administration of FDCP are Continuation, Redirection, and Innovation.
 - Continuation** is the retention of existing programs, such as:
 - Create Philippines**, an incentive program for local films that support film projects in various stages (e.g., story development, post-production).
 - Film Philippines** is a global incentive program that promotes the Philippines as a prime filming destination for global productions.
 - National Registry**, a database for film workers, companies, events, and organizations. There are around 5,000 registered entities in the registry.
 - Philippine Film Archive**, which safeguards cinema heritage for educational and cultural heritage purposes.
 - Development Support** refers to project and talent development programs for film creatives and producers towards better quality films.
 - Distribution** refers to the systematic promotion and marketing of Filipino films to local and global audiences.
 - Exhibition Division** continually provides platforms for Filipino films both on-site and online.
 - Special Projects** include projects and partnerships that do not fall under FDCP's regular programs.
 - Redirection** refers to the prioritization of the development and enforcement of

Philippine production, which include the following focuses:

- Emphasis on skill development and professionalization projects
- Realignment of priorities in foreign co-productions and grants for foreign-based projects
- Downsizing expenditures in foreign festival participation
- Focusing on increased support for the production of Filipino films from all regions
- **Innovation** refer to the improvement and advancement of existing programs and projects, which include the following focuses:
 - Emphasis on education for professionalization and skill development
 - New forms of incentives for the development and execution of local productions
 - Focus on the upgrading of content and technical qualities of local productions
 - Empowering regional cinema for a genuinely inclusive national vision
- The vision of FDCP can be segmented into three (3) thrusts, which are the following:
 - **Education**
 - Intensified training in the artistic and technical skills of film artists
 - Encourage and foster the development of international caliber content and productions
 - Underline the importance of professionalizing all aspects of film production
 - **Expansion**
 - Providing more significant support in the production of regional films
 - Extending support to Filipino films and their proponents selected for competition or exhibition in specific film festivals³⁴
 - Introducing support to the creators of short films from the academic and non-academic levels
 - Delivering financial support to film-based research from the academic and non-academic levels
 - Providing incentives for co-production that will assure the exchange of technology beneficial to Filipinos first
 - **Empowerment**
 - Resources of the council will be focused on Filipino production first and foremost
 - Empower the Filipino filmmaker to create works worthy of world-class consumption and

³⁴FDCP announced in Cinemalaya 2022 that they will grant PHP 1 million each to the ten (10) film finalists and PHP 100 thousand for ten (10) short film finalists in Cinemalaya 2023.

appreciation

- Empower Filipino film artists to find their voice and vision in their craft

• To realize these visions, FDCP will have the following activities:

○ **Consultation**

- The council functions for the stakeholders and not for itself.
- The council will regularly consult and communicate with stakeholders to determine its direction.

○ **Collaboration**

- The council must and will work for and in hand with the stakeholders.
- All projects and pursuits must be for the good of the more significant number and not only particular sectors or individuals.
- The cooperation and understanding of stakeholders are necessary for identifying and designing projects.

○ **Common Vision**

- The council shall be of the service of the stakeholders and the development of the film industry.
- The FDCP shall function within the boundaries of its mandate and shall not assume a role any less or more significant than what it has been legislated to fulfill.
- Transparency and accountability shall be exercised at all times by the council.

Interview Proper³⁵

How does FDCP view its stakeholders and the industry's value chain? What is the scope of the film industry?

- Ms. Villaluna said that the sectors in the film industry range from pre-production, production, distribution, exhibition, and archiving. Regarding players, the film industry involves film workers and investors who are capitalizing on local and global film activities.
 - Ms. Villaluna added that for production, there are numerous suppliers of materials and talents. In distribution, some companies distribute films for exhibition. Players in the

³⁵In this section, answers for each question reflect the statements of participants from the Film Development Council of the Philippines (FDCP)

exhibition segment are mostly cinema theaters and online streaming platforms.

- Mr. Fabros mentioned that including online platforms in the Film Industry Study is critical as production and distribution changed according to these new film exhibition platforms.
- Mr. Fabros said that although FDCP has programs for all segments of the industry, FDCP mainly focuses on the development stage as it is their mandate. Due to changes in the industry, the new terminologies of film confuse them. Films are no longer celluloid but digital. They are not simply shown in theaters but also on television and online platforms. Films are now considered anything audiovisual except for advertising and vlogs.
 - Institutions in other countries have changed their focus from film to screens, content, and different terminology to accommodate numerous forms of movies shown on various platforms.
 - In the Film Industry Study, the term film can be used to delineate the concerns of FDCP and what they are referring to in terms of grants and support. Although FDCP has previously granted assistance to TV series, it is still challenging to overreach beyond their mandate, considering that television is not written anywhere in R.A. No. 9167.³⁶

What are the observed trends for the Philippine film industry?

- Ms. Villaluna said that for film consumption, many Filipino audiences patronize Hollywood, although, during the MMFF, several local films profited successfully in the cinemas. The Philippines should elevate the standards and Filipino content to be appetizing for the local audience.
- She affirmed that despite not having a mandate on worker welfare, FDCP is supportive of policies on the matter. In relation, FDCP has initiatives that provide capacity-building, education, and access to government support.
- Mr. Fabros expressed that there is a disconnect between the government and film workers, which hinders data collection in the industry; only during the pandemic does the industry realize that government support can be received when they register with FDCP.
 - Although there are around 5,000 entities in the National Registry, FDCP knows this number is just a fourth or fifth of the supposed film workforce. FDCP could not reach everyone as

³⁶R.A. No. 9167 is called “An Act creating the Film Development Council of the Philippines, defining its powers and functions, appropriating funds, therefor, and for other purposes.”

some individuals have no emails, no phones, and no relevant documents, such as Tax Identification Number (TIN), Barangay Registration, etc.

- He indicated that even during the pandemic, the industry is in decline due to streaming platforms and piracy. As films were released online for relatively lower prices, people were discouraged from watching films in cinemas. When the film exhibition went down, distribution followed, and production affected film workers' livelihood.
 - Given the transition to digital, filmmakers have found refuge in online streaming; thus, companies have set up their online platforms. In addition to the issue of bringing back people to the cinemas, there is also the issue of encouraging audiences to watch local films instead of foreign films.
 - Ms. Villaluna added that for the terms of content, Philippine online streaming companies are creating niche markets in their platforms.

What programs does FDCP plant to pursue to address the declining demand for Filipino films?

- Ms. Villaluna mentioned there is a program for free film screenings of historical films for students to develop early the local audience for consumption of local films.
- Chairperson Cruz III shared that from their consultations with film industry stakeholders, although there are obstacles in the industry's development, the industry wants to help each other to bring back the glory days of the film industry.
 - An obstacle that he mentioned is some stakeholders are saying that cinema ticket prices are now high at PHP 450 from PHP 280 in the past.
 - Another concern is the fear of the pandemic when watching cinemas despite having no existing reports about people getting Covid-19 from the cinemas.
- Chairperson Cruz III added that with all the obstacles the industry has to face, all of the players still continue because of their love for the arts. Stakeholders are hopeful that the film industry is alive and can bounce back, considering its history.
 - In addition to the Philippines having a sizeable movie-goer population, there are a lot of Filipino films that are showing hope.

Are there programs for upskilling the industry and preparation for Industry 4.0 technologies?

- Chairperson Cruz III said that the Philippines is keeping up with the Industry 4.0 technologies, such as drones and Artificial Intelligence. He also shared that in a film he was doing, they were regularly using drones. The technology issue is the speed of its development as one will keep upgrading their recently purchased equipment.
 - In the Philippines, it is necessary to have the technology to fight piracy. There should be opportunities for FDCP to have access to more affordable systems.
 - Mr. Morales shared that Blockchain technology can also be used to track the distribution of files over the Internet. In addition, he said that the film industry would not be significantly affected by automation as film work relies highly on creative skills.
- Chairperson Cruz III stated that there is already a program for upskilling workers to educate film workers. As Filipinos learn quickly, upskilling is a matter of formalizing the system of teaching workers.
 - Mr. Fabros added that FDCP is exploring providing people more access to accreditation and certification as professionals, but bringing foreign professionals to accredit local workers is expensive.
- Mr. Fabros shared that CMB Film Services, headed by Mr. Jim Baltazar, is one of the foremost technical suppliers of the film industry as they regularly purchase the latest film equipment globally. Last July 2022, they bought VR equipment that cost around USD 600 thousand each.

According to a KII, there are some difficulties for foreign productions here in the Philippines; what are the bases of these claims?

- Mr. Fabros expressed that such problems primarily stem from the logistical assistance they expect from FDCP. The Film Philippine Office, also called Philippine Film Export Services Office (FESO), provides incentives for international production and endorses them to Local Government Units (LGUs) or other entities that can aid them in terms of props, casting, and location. The issue comes from the related program, Film Location Engagement Desk (FLEX), as the board of trustees, which includes the Department of Finance (DOF) that handles Customs, the Department of Foreign Affairs (DFA) that heads immigration, and the Department of National Defense (DND) who are concerned with the access to military

vehicles, are not convinced on the program.

- When international producers look for a military helicopter, the request takes three (3) to four (4) months. In other countries, the request might take just one (1) month.
- In terms of importation, although there is an ATA Carnet system that allows member countries to bring in equipment related to the film project without bonds and a policy of conditionally-free importation, such processes are complex.
 - Understandably, such policies are prone to abuse, and thus FDCP should be the one to evaluate the international producer.
- Mr. Fabros explained that any foreign film worker coming to the Philippines must deal with the Philippine consulates abroad for work permits. Furthermore, with complex requirements, applications cannot be handled in just one (1) month. As incentives are already working, easing business processes should be addressed.
 - In the past, FDCP assisted foreign workers in handling work permits, but there were various issues. For instance, when FDCP went to the Bureau of Immigration (BI) as a Japanese cinematographer required a work permit, BI asked for a TIN from the Philippine Bureau of Internal Revenue (BIR). When FDCP went to BIR, they were asked for a work permit from BI. Ironically, that Japanese cinematographer has Filipino citizenship as he was born in the country.
 - Some LGUs support accommodating international producers as it will boost tourism in their communities. The producers of *Almost Paradise* promoted Cebu City as is and spent around PHP 700 million when they shot in the city.
 - Through international production in the Philippines, Hollywood actors, cinematographers, and directors are transferring technology and know-how to Filipino filmmakers.
- Mr. Fabros added that foreign producers also feel that the incentives offered are pretty small. Due to the provided incentives, FDCP usually assists small independent productions. As an example of comparison, Australia shelled out around USD 700 million for a Thor film to be shot there.

Appendix 14. Highlights of the Key Informant Interview with Ms. Charmaine Bauzon

Kindly provide an overview of your role in the Ayala Cinemas and the Cinema Exhibitors Associations of the Philippines (CEAP)

- As the head of Ayala Cinemas, Ms. Bauzon oversees all cinemas in Ayala Malls in all 20 locations, representing a hundred screens. Currently, Ayala Cinemas leads CEAP, which was previously called the National Cinema Association of the Philippines (NCAP). Today, CEAP has 48 members, roughly 90% of all cinema exhibitors in the country.
 - CEAP is an association for cinema owners and operators nationwide. The organization expresses the intentions of all its 48 members. CEAP regularly collaborates with stakeholders in the film industry, such as producers and distributors.

Is the membership for CEAP voluntary?

- Due to close working relationships among cinema operators and exhibitors, membership became voluntary. The big three (3) exhibitors that are CEAP-affiliated, which are SM, Ayala, and Robinsons, have their mall that houses the cinemas and make up the majority of screens. CEAP also have smaller developers that have their cinema, such as Megaworld. Other CEAP members include smaller cinema operators, such as provinces.

What are the activities of CEAP in terms of supporting the film industry?

- One of the reasons NCAP, now CEAP, formed is that cinema operators lobbied together in government to reduce the amusement tax from 30%. Eventually, the amusement tax was reduced to 10%.
- CEAP was very busy lobbying the government during the pandemic to allow cinemas to reopen. As cinemas were closed, the livelihood of film industry stakeholders (producers and distributors), including all of their staff, were affected. Moreover, cinema exhibitors have not received any form of financial support from the government.
 - Eventually, cinemas reopened, but some LGUs still declined their reopening.
- Like the international cinema convention for cinema owners, CEAP organizes a local

version for local players. For the demand side, along with major distributors, CEAP organized a roadshow to excite people about films coming from 2022 to 2023.

Being the last segment of the film value chain, what does the business model look like for cinemas?

- Cinemas are primarily venues for film exhibitions. In terms of investments, operators invest in the facility, structure, seats, screens, sound, manpower, and more.
- Cinemas' primary business model is revenue-sharing with the distributor/producer for ticket sales. For blockbuster films, the share of the distributor/producer is usually higher in the first week of release.
 - The expected revenue distribution is 40% for cinemas and 60% for distributors and/or producers. Some fixed costs include operational expenses, manpower, and asset value depreciation.
 - Over time, cinemas are built inside malls to complement them. As a stand-alone business, Ms. Bauzon mentioned that cinemas are not profitable.
 - Other revenue sources for cinemas are advertising spots and concessionaires, such as popcorn.

Is revenue purely based on ticket sales? Are there forms of payment ahead of the exhibition of the film?

- The business model is simply ticket sharing, but there are instances of guaranteed profitability for the distributor/producer. Ms. Bauzon stated that cinemas should have guaranteed profitability as they have fixed costs with or without film viewership.

Aside from producers, distributors, and exhibitors, who are the other players in the film value chain?

- Cinemas are under the supervision of the Movie and Television Review and Classification Board (MTRCB) as they rate all the content that comes out of cinemas. Although distributors apply their films for the MTRCB rating, MTRCB ensures that cinemas follow the rating (i.e., if the film is R-13, no trailers/ads for ages higher than 13).
 - Cinemas pay annual registration fees to MTRCB for each screen. During the

- pandemic, they requested to waive the registration fees for the screens as cinemas were closed, but the request was denied. Ms. Bauzon expressed why would they have to pay for all the screens even though the screens are owned by a single entity.
- MTRCB issues deputy cards to individuals who are tasked to check if cinemas are following the MTRCB ratings and if the scenes of certain films are cut. Some checkers abuse their status, using it to watch films. Legacy cards (deputy cards without expiration) are also issued to relevant players, such as MTRCB board members.
 - Local Government Units (LGUs) are also involved in film exhibitions. One (1) LGU stated that films are free for senior citizens, which resulted in numerous LGUs following this initiative. Cinemas receive this additional burden for the extended scope of free film exhibitions as they do not receive any tax incentives. Furthermore, some LGUs allow athletes; some extend the free period to every day.

How do you describe the performance of the local film industry in terms of film that cinemas exhibit?

- Before the pandemic, cinemas had increasing competition from DVDs and online streaming, but cinemas were already questioning their relevance when the pandemic came. When the economy eventually reopened, foot traffic in cinemas was already exceeding the 2019 levels, signifying their significance. There will be things that can be done purely online, but considering that people are social beings, the experience economy will remain.
- In terms of content, the films that producers and distributors have shown to cinemas were films that have already been exhibited abroad. These films have little reception mainly because of technology that allows film streaming. Similarly, as local producers participating in the Metro Manila Film Festival (MMFF) did not field the big-star characters, there was also little reception.
- CEAP regularly coordinate with producers and distributors as these stakeholders do not want release dates to coincide with other films to maximize profits for their movies.
- Ms. Bauzon emphasized that if the film's content is excellent, people will watch the film even amidst the pandemic. This was true for the film *Dr. Strange: Multiverse of Madness*.
- In their discussions with big foreign film distributors and producers, they have a lot of films line-up

for next year.

- These entities understand that much of the content they produce is for the big screen. The type of content that will encourage film viewership in cinemas are films that are better experienced in cinemas.

When producers arrange the order of their film releases, what is the process?

- Booking managers from cinemas meet with the distributors/producers regularly. Still, big-time studios, such as those hailing from Hollywood, have their playdates (i.e., releasing the films in summer or Christmas).
 - In the past, film releases start in Metro Manila before releasing into the provinces. Due to advancements in technology, release dates can now be simultaneous worldwide. With a worldwide release, playdates are dictated by the big players.

What makes a film a blockbuster success?

- There are no rules for the blockbuster success of films. Some films have famous artists, big budgets, and great marketing, but these films still did not become blockbuster films. An example is the film *Bullet Train*, with Brad Pitt as a cast, but the reception was not great. Although the casts were not distinguished, the films *Kita Kita* and *Heneral Luna* were blockbuster films.
 - Although film distributors claim that their films are blockbuster successes, there are no uniform bases for these claims (e.g., some claim blockbuster success when the films reached numerous theaters, or when profits reached PHP 100 million, etc.).

Are there pre-pandemic issues that are now irrelevant? Are there issues that became worse post-pandemic?

- As an industry practice, exhibitors release new films every Wednesday so they can easily replace the film before the weekend if it has weak reception to maximize profit. Relative to this, there was a case against the Film Development Council of the Philippines (FDCP) as they were trying to force exhibitors 1) to release new films every Friday, not on a Wednesday, and 2) to not remove films over the weekend. If this was implemented, the business model should turn revenue-sharing into a guaranteed profit for cinemas.

- In releasing films, there should be an equal number of local and foreign films (i.e., 50%-50%), but there are not enough local films. Big local producers do not want simultaneous releases with well-known foreign films, such as those in the Marvel film franchise.
 - Cinemas should have no obligation to show films that are not profitable. Film releases should be demand-driven. Some filmmakers also do not know how to market their films.
- There are instances when local filmmakers complain that their films are not being watched as cinema tickets are expensive. For some films, consumers are willing to pay for the ticket.

Does CEAP have cinema members that only show niche films?

- Such establishments are not CEAP members as they do not show mainstream films. Through coordinating with various organizations, CEAP cinema members also release short films, embassy films, and live shows.

How much of an investment is needed to start a one (1) screen cinema, and how long would it take before the asset fully depreciates?

- As the mall provides the exterior structure, the interior costs range from PHP 30 million to PHP 50 million. There is also upgrading equipment; one (1) laser projector costs around PHP 5 million. Each seat costs around PHP 10,000.

Are there emerging technologies that may affect cinemas?

- Digital Cinema Package (DCP) technologies are relatively new. Thus, they expect there will be no technologies that will affect cinemas in the short term. To compete with online streaming, cinema exhibitors are continuously innovating on seats, sound, and screen to improve the experience of film viewers.

Do cinemas face competition from online streaming platforms? How does this competition change over the next five (5) years?

- As an industry practice, after the last day of the film in cinemas, there is a 90-day window before

releasing the movie to other platforms. Over time, this window was reduced to 45 days. If the window is decreased again, people will be discouraged from watching the films on the big screen as they can wait it out.