CHAPTER 6

EFFECTS OF GLOBALISATION ON THE MALAYSIAN FILM PRODUCTION INDUSTRY

The previous chapters have discussed developments in the global film production industry. Having looked at the global trends of the film business, this chapter will analyse how globalisation influences and affects the development of the indigenous film production industry. Specifically, the criteria under investigation include but are not limited to:

1. The increase in global trade of film products and how it affects the indigenous industry in terms of competition from the influx of foreign programmes.
2. The advancement of technology in communication and telecommunication technology that enhance the way films are produced distributed and consumed.
3. The role of national institutions in responding to global forces.

The discussion draws from the analysis made from the information gathered from primary data and archives. This includes interviews and responses made by industry players and other secondary data. Generally, the investigation draws upon the responses of the local film industry players with regard to the effects of the forces of globalisation on the local film industry.

6.1 THE PRESENT OUTLOOK OF THE MALAYSIAN FILM INDUSTRY

To examine the effects of the globalisation of film business activities on the film industry and its influence on the local film production industry, we need to understand the present outlook of the local film production industry. Hence, we will discuss the structure of the film industry and its economic performance in this sub-section.

6.1.1 Industry Structure

The structure of the Malaysian film industry is very simple and straightforward compared to the structure in other countries such as in US's Hollywood. In other developed countries, the film industry is more integrated in terms of production, finance, distribution and, to some extent, exhibition. In the Malaysian scenario, there is a lack of industry integration.

From the financial perspective, most of the production houses undertake production based on their own funding as there are limited sources of funding for film projects in the country. Most production houses that secure external funding, obtain it from FINAS, which is the only production fund available in the country. At the moment, the fund is managed by the SME Bank. This is the result of the non-supportive attitude of the local financial institutions towards the local film production industry.

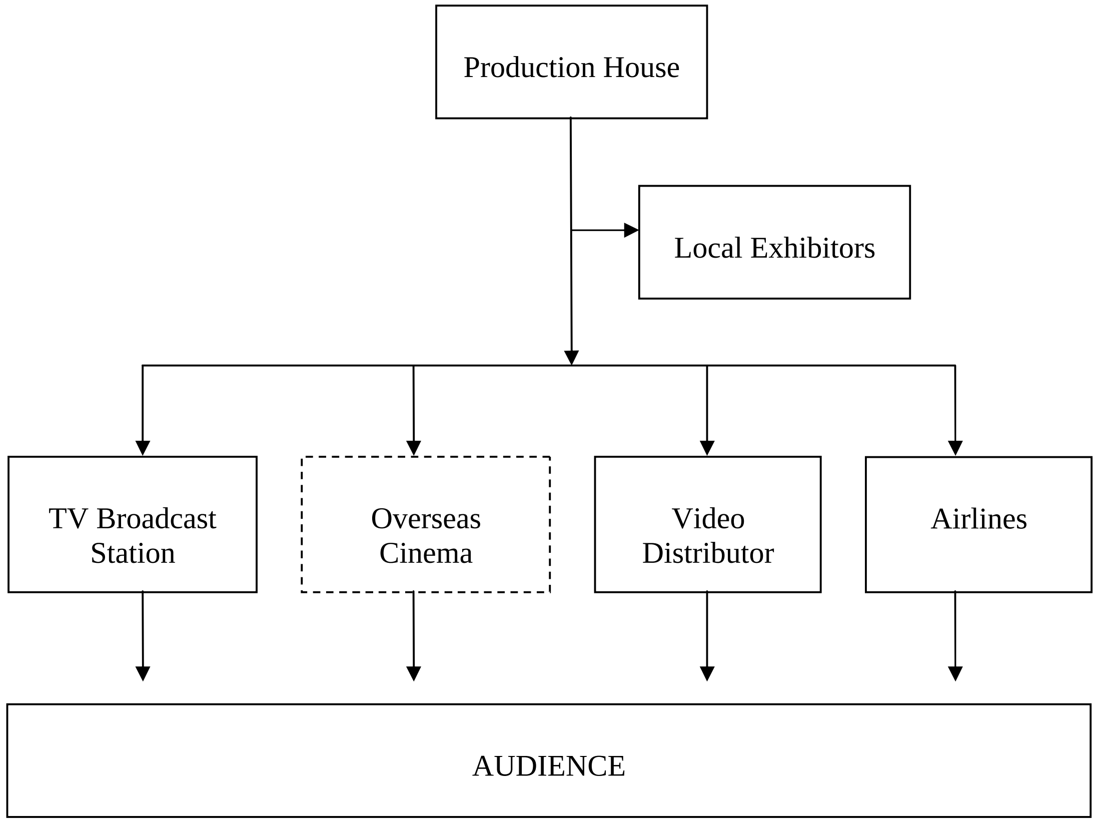
Typically, in Malaysia, the production houses distribute their own products to the exhibitor, TV stations, video distributors, airlines and others (like pay-per-view, hotels, etc.). Indeed, most production houses in Malaysia are themselves distributors of syndicated broadcast material.

In the distribution process of a feature film, the production house will normally deal directly with the local exhibitors based on the pre-determined revenue sharing structure. Based on common practice, the ratio between the production house and local exhibitors is 50:50. Other revenue-sharing bases include window period factor, which is based on the duration the film is played in the cinema, for example, a ratio of 50:50 for the first week, 55:45 for the second week or 60:40 for the cinema and production house, respectively and so on.

The case of industry integration into exhibition is rare in the Malaysian scenario. Exhibitors do not seek to integrate vertically into production, and production houses have no capabilities to integrate into exhibition. In an isolated case, a well-established local production house MIG Group Sdn. Bhd. has integrated not only in distribution but also exhibition. MIG Group Sdn. Bhd. owns three local cinemas in Kajang, Alor Star and Kuching known as Metrowealth Cineplex. However, even this production house is planning to dispose of its shares. This, according to the company's representative, is due to high operation and maintenance costs. Furthermore, they have to compete with a number of other exhibitors that own wider cinema chains in this country like Tanjung Golden Village (TGV) and Golden Screen Cinema (GSC). In conclusion, the industry structure is integrated horizontally but not vertically.

Figure 6.1 illustrates a typical distribution channel of featured films in Malaysia. This reflects the process of delivering the featured film from producers to the audience. The process of distributing films to a television broadcast station is more straightforward, whereby, the production house will offer the programme directly to the respective television station at a predetermined price. The production house will be paid upon the broadcast of the programme. In some cases, the programme offered may cover multiple airings of the said programme within a certain window period. The dotted box line in the figure shown is to show that Malaysian films penetrating overseas cinema is not a common practice. Only a handful of production houses are able to do so.

Figure 6.1
An illustration of the Distribution Channel of Feature Films



6.1.2 Economic Performance of the Film Industry

Following Malaysia's industrialisation strategy, the Malaysian government has largely pursued a manufacturing-based growth strategy with an emphasis on attracting FDI in that particular sector. Until today, FDI has played a continuously prominent role in the Malaysian economy. As such, the film sector has long been neglected due to little regard for the economic and growth potential of this sector. In this regard, its presence and economic value have received little attention.

According to Lorenzen (2008), the film industry can become an important contributor to the economy. Accordingly, like other sectors of the economy, economic performance of the film industry can be traced in terms of its revenue generation, employment creation, number of films released, share in the home market and export revenue. Further discussion of the influence of global business activities in the local film industry will reveal the development as well as its economic performance. Although economic data on the Malaysian film industry is hardly available, the development of the industry can be traced in terms of its relative current performance as compared to its past performance.

6.2 INCREASED GLOBAL COMPETITION AND THE DEVELOPMENT OF THE MALAYSIAN FILM INDUSTRY

The process of globalisation has inevitably increased competition in all sectors of the economy. Like any other industry, the film industry has undergone the process of internationalisation and globalisation. Many have seen the potential and risk of cultural industries in this globalising world. Malaysia has long embraced an open market policy. Hence, the issue of competition is not new in the Malaysian film industry. The most obvious competition comes from direct competition with foreign films and programmes.

Since the inception of the film industry and the introduction of television broadcasting in particular, the industry has been inundated with foreign programmes (Nordenstreng and Varis, 1974). There is no restriction on the importation of films to Malaysia. The only requirements that a film has to fulfil are (i) it has to pass through the Malaysian Film Censorship Board, which is the government authority that is responsible for granting licences to the film for public viewing and (ii) it must provide subtitles in the Malay language. Other than rules and regulations stipulated under the Film Censorship Act, films from any country are free to enter the Malaysian market. In view of this, Malaysia is very liberal concerning the importation of foreign films compared to its neighbouring countries like Thailand and Indonesia, which impose certain quotas for programme imports. Other means of restriction that are commonly used by many national governments include conditions imposed on the translation of the films into local dialects or restriction of locations for screening to only a country's capital city. All these restrictions are absent in the case of the Malaysian film industry.

Competition has always been associated with the efficiency of the market, which eventually translates into consumers benefit in terms of a wide variety of product choices available at cheaper prices for consumers or citizens (e.g. Wolf, 2005; Bhagwati, 2004; Friedman, 2000; Ohmae, 1990). However, film products are different from other tradable products. They carry elements and messages that are sometimes sensitive to the particular norms, customs and culture of a country. In view of this, an element of control is deemed necessary (the argument used at the WTO negotiation table). Further, the internationalisation of film products is a threat to local film producers who have to compete with foreign programmes, particularly with the big-budgeted foreign programmes like Hollywood's. Since the establishment of Persatuan Penerbit TV Malaysia or the Malaysian Television Producers Association (PTVM) in 2005, the association has raised the issue of the influx of foreign content in local television channels. In view of the association, the influx of foreign programmes are indeed at the expense of local producers. In addition, from the interviews it was found that local producers have to compete with cheaper foreign programmes.

In the case of the Malaysian film production industry, despite competition from global players, the industry is moving forward progressively. This view is based on the increasing number of films produced annually and the larger participation by industry players, the increase in cinema admissions and the increase in local film ticket collections. Although previously it was difficult to find one local feature film a month in the cinema, now there are at least three to four films shown monthly. In terms of cinema ticket collection, data from FINAS shows that in 2004, the overall ticket collection was only RM124.62 million. In 2005 it increased to RM217.35 million and RM234.98 and RM289.31 in 2006 and 2007, respectively.

A review of the industry will reveal this development. Relative to other sectors in the economy, the size of the Malaysian film industry is miniscule. With a population of approximately 28 million in 2009, the Malaysian domestic market for its film products is also considered small. Malaysia's film products are traditionally very domestically oriented. However, looking at development trends in the industry, statistics show that the trend and pattern of the industry is evolving positively over time. The cinema in Malaysia dates back to the 1930s. At present, there are more than 80 movie theatres and cineplexes in Malaysia, showing local films as well as imported films. Malaysia produces about 30 feature films annually (www.sinemamalaysia.com.my). As shown in Table 6.1, the number of admissions to cinemas is improving over the years. Between 2004 and 2009 the number of cinema admissions has increased from 16 million in 2004 to 44 million in 2009, an impressive number, by Malaysian standards.

Table 6.1
Malaysia Film Statistics 2004-2009

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Admission (Million)	16.69	25.92	27.87	33.55	43.85	44.13
Gross Takings (RM Million)	124.62	217.35	234.98	289.31	380.72	403.30
No. of Cinema	59	66	68	76	91	93
No. of Screens	233	265	287	353	453	485
No. of Seats	55,950	61,482	66,822	78,496	92,642	101,165

Source: FINAS http://www.finas.gov.my/index.php?mod=industry retrieved 14 February 2010.

While the trend in cinema admissions is a good sign for the film industry, these cinemas are showing mostly foreign films.[24] Local producers have to compete not only with foreign films but also the increasing number of local films produced annually. In view of the limited local audience, this will definitely affect local film producers.

In terms of the cost of production, with the increasing number of cinema admissions, producers are beginning to increase budgets for films. Table 6.1 shows that there is an increasing trend in film production cost as well as cinema ticket collection. An exceptional case is observed for the year 2004, where the cost of production jumped to RM43.20 million. This is an exceptional case where in that particular year, a producer was bold enough to produce a big-budget film, which cost approximately RM16.6 million in total cost of production. The ticket collection for that film was RM2.9 million reflecting the number of local movie-goers. Many local film producers are very critical of this film. According to them, if a film is targeting the local market, the rational production budget must not exceed RM1.5-RM2 million for the film to at least break even. A simple calculation is to estimate the number of cinema admissions (300,000) with ticket prices between RM7-RM10.

Table 6.2
Malaysian Film Production Cost and Gross Collection (RM)

Year	Production Cost	Gross Collection (RM)
2000	9.13	10.64
2001	13.31	13.34
2002	15.03	18.60
2003	23.75	23.38
2004	43.20	27.24
2005	29.77	26.71
2006	38.94	29.69

Source: Adapted from FINAS http://www.finas.gov.my/index.php?mod=industry, retrieved on 28 May, 2009.

[24] See websites http://www.cinema.com.my/movies/nowshowing.aspx

Most film producers in Malaysia are also producers of television programmes. However, producers who produce made-for-television programmes are not necessarily feature film producers. There are about 420 registered production companies[25] but only a few are involved in feature film production. Furthermore, not all the registered production houses are active. According to Deputy Director General (Programme) for Broadcast Department, RTM; of the total production houses registered only about 60 companies are active in supplying local programmes to RTM. Since filmmaking involves a high risk and heavy investment, these made-for-television programmes are the ones that keep most production houses running[26]. Table 6.3 indicates that there are an increasing number of programmes produced for television.

Table 6.3
TV Drama Production from 2002-2009

Year/Subject	Total of Title	Total of Producer	Production Cost (RM)/(Million)
2002	129	101	32.05
2003	80	62	25.56
2004	137	76	40.02
2005	196	88	40.21
2006	160	78	45.35
2007	182	81	54.72
2008	212	91	69.98
2009	213	95	74.05

Source: FINAS, http://www.finas.gov.my/index.php?mod=industry&sub=drama retrieved 14 Feb 2010.

Television was introduced in black and white and the first transmission was broadcast on 28 December 1963 through the establishment of the first Malaysian public broadcaster, Radio Television Malaysia (RTM). Currently, there are two public television stations, four private and one subscription-based television station in Malaysia. The television broadcasting industry is important as the market for domestically produced film and television programmes is highly dependent on them for

[25] Suppliers to RTM have to register with RTM. In addition, they also need to register with the Treasury as any companies dealing with a government agency must register with Treasury.
[26] As revealed by the interviews conducted by the present researcher.

broadcasting. Currently, annual production of local drama and serials are about 300-400 programmes, not including the in-house production by individual television stations.[27] Similar to feature films, in television content in Malaysia there is a rivalry between local and foreign content with the latter dominating local television content. An observation of the local television programme schedule shows that foreign films dominates the airtime in local television stations. Even RTM agrees that 40 percent of the aired programmes are foreign programmes[28]. Further, data provided by FINAS on imported programmes supports the claims over the influx of foreign programmes, as shown in table 6.4.

Table 6.4
Importation of Foreign Films, 2004-2009

TYPES OF FILMS	2004	2005	2006	2007	2008	2009
Feature	3,754	4,555	3,213	3,228	2,004	3,809
Documentary	2,424	3,312	1,477	2,262	1,839	543
Musical	714	14	951	1,260	437	137
Animation	45	0	155	7	3	15
Trailer	952	816	916	907	726	400
Sports	94	116	208	210	247	63
Commercial	22	487	691	727	700	805
Comedy	6	0	10	11	2	1
Promotion	319	359	716	666	400	357
Reality TV	0	0	5	0	0	0
Game Show	0	0	69	0	0	0
Education	0	0	6	4	0	0
Others	23	1,849	0	0	0	0
Total	**8,723**	**11,508**	**11,508**	**9,282**	**6,358**	**6,130**

Source: FINAS, http://www.finas.gov.my/index.php?mod=industry&sub=import retrieved 14 Feb 2010.

Table 6.4 shows that the total number of programmes imported between 2004-2009 are 8723, 11508, 11508, 9282, 6358, and 6130 respectively, as opposed to total locally produced programmes between 2004-2009, which were 528, 527, 615, 527, 550 and 605 respectively (Table 6.5).

[27] Official website, http://sinemamalaysia.com.my/main/index.php?, retrieved 14 Feb 2010.
[28] As revealed by the interviews conducted by the present researcher.

Table 6.5
Number of Local Production based on Category, 2004-2009

CATEGORY/YEAR	2004	2005	2006	2007	2008	2009
Feature Cinema	33	30	38	45	38	50
Feature VCD	27	8	13	5	8	10
Feature TV	146	90	88	106	124	153
Drama TV	137	196	160	182	212	213
Musical	45	58	92	43	35	50
Documentary	77	82	109	91	67	63
Education and others	63	63	115	54	56	62
Animation	0	0	0	1	10	4
Total	**528**	**527**	**615**	**527**	**550**	**605**

Source: FINAS, http://www.finas.gov.my/index.php?mod=industry, retrieved, 14 Feb 2010.

Although data for 2008 and 2009 shows a reduced number of imported films, the number is far above the locally produced films. The quantitative data shows that the domestic market is dominated by foreign programmes. Since the early inception of the local television broadcasting industry, Malaysia has been actively importing foreign programmes. Nordenstreng and Varis (1976) reported that Malaysia imported nearly three quarters of its programmes. Of the total foreign programmes imported, half were from the US while some 25 percent were from the United Kingdom. Since the increasing participation by non-Western producers, from observation of the aired programmes on television, currently the market is enjoying programmes from other countries notably the ‘telenovela’ from Latin-American countries, India’s Bollywood, Hong Kong, Japan, Korea and other Asian countries like Indonesia, Thailand and the Philippines.

The broadcasting industry is subject to broadcast quotas and investment restrictions imposed by the government. Under the licensing agreements, broadcast stations are required to devote 70 to 80 percent of their airtime to local Malaysian programming. Foreign programmes are not allowed to be broadcast during the ‘prime time’ hours of 8:30pm-9:30pm. Foreign investment is strictly prohibited in the terrestrial broadcast network. The government also imposes a 20 percent limit on foreign investment in cable and satellite operations. However, the onus is on the broadcast station to air local programmes as the government is adopting an 'open skies' policy, which does not hinder the importation of foreign materials for local broadcasting (IIPA, 2008).

Although government policy has set the ratio of local and foreign programmes at 80: 20, it seems that the policy is not honoured by television stations. Even RTM, a public television station is airing mostly foreign programmes. In addressing this matter, according to a respondent from RTM, it is difficult to ensure that television stations honour the policy as there is a problem on the issue of monitoring. This is because before the latest cabinet reshuffle in 2009, local television stations were under the purview of a different Ministry. The Malaysian public television station is currently under the purview of the Ministry of Information while private television stations are under the purview of the Ministry of Energy, Water and Telecommunication. Hence, there is a problem in terms of establishing a proper monitoring system. Further, there is a political factor involved as when a Minister is replaced, different Ministers will emphasise different policy agendas. In the end, concerning local content, the policy remains a policy without proper enforcement.

Film producers claim that local television stations broadcast more foreign programmes than local. Television stations responded by pointing out their reasons for such actions. The rationale of television stations with regard to local content is understandable as they have to work within the budget in programmes procurement. In business, cheaper programmes with an acceptable level of quality are preferred regardless of the origin of the programmes. This is because, except for RTM (which relies heavily on public funding), other television stations depend highly on advertising revenue for their operations. The same applies to ASTRO, which generates revenue from subscribers.

Therefore, the selection for programme broadcasting is crucial and must be appealing to advertisers and subscribers alike and at the same time fit the budget. In this case, local production houses have to produce within the stated budget determined by the television station and at the same time must achieve a certain standard (ratings) for their products to be able to be accepted for broadcasting. Normally, the types of programmes aired are determined by television stations. In this sense, the television station's influence on the local production industry is very significant.

The latest development in the local industry is the newly established production studio named Primeworks Studios Sdn Bhd (PWSSB) by Media Prima, which owns TV3, NTV7, Channel 8, and TV9. Although still early in operation, PWSSB's vision is synonymous with Walt Disney Studios, Universal Studios and NBC Studios, which through the exportation (syndication) of television programmes contributes to the development of the industry, which ultimately contributes to the economy. The main objective of PWSSB is to consolidate Media Prima's in-house productions and create content for the television stations in its group. In helping the expansion of the local production industry, PWSSB claims that their existence is beneficial to the industry as it plans to take Malaysia's local creativity to the international level.

According to the Chief Operating Officer of PWSSB, Farisha Pawanteh[29] "We exist to make great content and viewing moments, although we also want Primeworks Studios to act as a catalyst for the Malaysian TV and movie production industry by bringing them to the next level through the creation of new business opportunities…by functioning as a magnet for great ideas and producing outstanding works, Primeworks Studios will also be assisting in marketing the works of Malaysian producers to the

[29] Press release by Primeworks Studios, 8 August 2008, 'Primeworks Studio to Produce Local Content for International Market', http://www.mediaprima.com.my/mc_news.asp?id=99

global market and there are tremendous opportunities for all the industry players to tap into this resource."

However, there are grievances and concerns among local producers that PWSSB will endup practicing a market monopoly as it owns major private television stations. In terms of facilities and capital, many independent producers feel that they are unable to compete with PWSSB.[30]

As for ASTRO, recently it has increased the number of its channels dedicated to local programme, which expands the market for domestic production. The new channels of ASTRO Ria, ASTRO Prima, ASTRO Oasis, ASTRO Warna and ASTRO Ceria have been supporting the production of local programmes, especially the production of local independent producers. ASTRO has also increased the slots for local drama to 477 hours in 2009 an increase from 256 hours allocated in previous years.[31]

In view of the above scenario, we can conclude that the indigenous film production industry is facing competition:

(i) Competition in the home market: where they are not only competing with other local players but foreign films in the home market.

(ii) Competition at the international level: where there are much bigger global players.

On the issue of increased global competition, it is widely recognised that local film producers are not able to compete with foreign big-budget films. For many reasons, local producers have no capacity or capability to compete at the international level. Financial constraints and the small domestic market are the obvious reasons for this.

[30] *Harian Metro*, 6 August 2008, 'Bukan saingi produksi tempatan'.
[31] *Harian Metro*, 30 December 2008 'Drama Melayu 477 jam'.

From observation, the Malaysian film production industry is facing not only global competition, but competition in its home market. Even for the domestic market, the industry has to compete with foreign programmes for cinema halls as well as to get slots in local television stations. Furthermore, feature films have to compete with big-budget movies, especially from Hollywood while films-made-for TV have to compete with cheaper foreign programmes.

The phenomenon of increased competition in the domestic market is not unique to Malaysia but occurs globally. There are advantages and disadvantages of an open market. On the one hand, local markets are attracted to foreign programmes, which poses direct competition to local film producers. On the other hand, competition could benefit in terms of lessons learned, which could be translated into producing better films that are comparable with foreign films. In responding to the issue of direct competition from foreign programmes, local players believe that exposure to international films is good as we need to learn from others in order to gauge our own ability and identify where we have gone wrong. Competition is necessary so long as it does not jeopardise national culture and result in a negative influence for local citizens. However, interviewees are of the opinion that there should be some limitation on the inflows of foreign programmes so that their inflows are not at the expense of local programmes.

The Malaysian film industry can be characterised as an industry follower. However, not all aspects of the global film industry can be emulated. The industry should recognise areas in which it has a competitive advantage. For instance, it is unreasonable for our films to compete with big-budget films like Hollywood's or even Bollywood's as our industry is standing on a totally different platform.

From the perspective of government, the scenario of our industry is very competitive, where the industry has to compete with global players. Recognising the issue of competition that the industry players have to face, the government assists local players to at least, sustain themselves in their own local market. Although competition is necessary for industry development, government and industry players alike feel that the industry needs to be supported to ensure its development. Generally, there is a consensus on the opinion that, to further develop the industry, a certain degree of government support is still needed.

In spite of the fact that the Malaysian film industry is exposed to direct competition from foreign programmes, data shows that the industry is developing well relative to the previous decade of the Malaysian film industry. The new millennium signals a better future for the industry, especially with the new National Film Policy being passed in March 2005. This new film policy is a sign of government commitment and enthusiasm in ensuring the film industry is one of the economic growth areas.

On whether increased market competition hinders the development of the indigenous film production industry, the results of the interviews found that other internal factors are more prominent. The general picture indicates that the development of the Malaysian film industry is more affected by internal factors rather than the external forces of globalisation like the lack of capacity for local producers to compete, and this will be further discussed in the chapter that follows.

6.3 TECHNOLOGICAL DEVELOPMENT

Technology is one of the drivers of globalisation that has changed the landscape of the world economy. Major advancements in communication, information processing and transportation technology coupled with the emergence of the Internet and World Wide Web has also contributed to the changing way of doing business. This ‘enabling’ technology enables businesses and organisations to expand and reach the global market.

Technological development will always be a challenge in the film industry. Indeed, technology in filmmaking is evolving over time. The film industry was born out of technology and will always be affected by technological advancement. Further, most of the trends affecting the industry today, which include market, product, costs, revenues and the like, arise out of technological advancement and innovation. The film industry, like any other industry, is struggling to adapt to technological developments that have been around for decades. The inability to respond to the new technology is one of the reasons that differentiate a country's economic performance in this globalised economy (Stiglitz, 2004).

The advancement of technology has benefited the industry in terms of accessibility to the modern technology of programme production. Due to enabling technologies in telecommunications, information is available at one's fingertips. Exposure to global trends in film production, to a certain extent, influences indigenous industry players to learn and adapt the way successful films are produced. Generally, the interviewees support the view that advances in film production technologies are seen as a positive influence for the film industry to produce better films in the long run. Most frequently, Hollywood becomes the benchmark for local players to increase the standard of local films.

Technology simplifies the way films are produced. As an illustration, the advancement of digital video technology is one of the factors that contributed to the emergence of independent film producers, also known as 'indie' producers (alternatives to mainstream narratives). As according to Raju (2008, p. 71), the digital format, self-funded and independent Malaysian cinema started to develop within the changing national conditions and global mediascape of the 1990s and 2000s. This low-budget, multi-language, and artisanal independent cinema developed in Malaysia largely because of the availability of high-resolution digital video cameras and user-friendly digital editing facilities. In Malaysia, the push towards the use of technology was initiated by the former fourth Prime Minister Dr. Mahathir Mohamad who realised the importance of technology in all sectors of the economy, business and government. The Multimedia Super Corridor (MSC) project is a sign of his enthusiasm towards driving the country into the next millennium with the aid of technology.

Following global trends in film production, most box-office films made by Hollywood are produced using high-tech production digital technology, particularly computer-generated-images technology. According to *The Hollywood Reporter*, eleven MPA Member Company films broke the $200 million barrier overseas in 2007 (http://www.mpaa.org) showing that computer-generated imaging (CGI) techniques were used extensively.

In terms of technological development in the local film production industry, the present study shows that the industry is responding well to the phenomenon of advanced technology in filmmaking. As the study reveals, the industry has begun to move towards the increasing use of high-technology equipment by local film producers; for example, increased use of visual effects or CGI and the emergence of a more sophisticated production of animation programmes. Local producers are beginning to follow suit in capitalising on new technology in filmmaking. In 2008, local films like *Cicakman 2, Antoo Fighter*, *Impak Maksima* and *Brainscan: Aku dan Topi Ajaib* are among local feature films that used CGI technology extensively. This effort was done by a few production houses. The adoption of the new CGI technology is still very costly and many other producers in Malaysia are incapable of doing it because of the high cost of production. However, the initiative made by this younger generation of Malaysian filmmakers hopefully will be the catalyst to bring the local film industry to the next level.

Recognising the importance of technology in filmmaking, the government has made an investment to provide high-technology equipment in programme production. The government through FINAS has spent about RM53 million in building a high-tech studio, Digital Mix Stage Studio (SDMS) located in Hulu Klang, Selangor to assist local production houses, particularly in renting high-tech equipment at a very reasonable cost. The studio is expected to spur the development of the Malaysian film industry. By strengthening the technical aspects, it is hoped that the studio will be a springboard for the industry to move forward. The studio provides total solutions to the whole editing process, from dubbing to the Dolby Digital special sound effects. Hence, local players who previously went to Thailand or other countries to do sound editing can now do it at home. In addition, the studio will also be courting foreign filmmakers to make use of its facilities.[32]

In addition, FINAS also provides the industry with technical services, related training workshops and professional infrastructure at its facilities, which include a large sound stage, as well as an extensive inventory of sound, camera and lighting equipment – among which are Steenback 16mm/35mm and digital Avid Symphony film editing

[32] In detail, the Studio is equipped with a 96-channel Euphonix System 5-FP console, a Euphonix R1 Recorder, Steinberg Nuendo as well as Pro Tools HD audio workstations, Tascam DS-D98 audio recorders and Lexicon 960L reverb. Behind the Harkness projection screen there is a TAD cinema speaker system, accompanying JBL surround monitor speakers and Dolby Digital Surround EX and DTS equipment for encoding, recording and monitoring of up to 7.1 audio channels. According to FINAS, the system runs on 2 x 3.0GHz Quad-Core Intel Xeon 5300 series processors, 16Gb main memory and 3TB HDD internal storage. 8TB external storage is added to ensure the capability of film editing in high resolution. The system is also equipped with Capture Card AJA CONA 3 with full digital capabilities.
Concerning the software, it is based on the Final Cut Pro Studio2, which includes Final Cut Pro 6, Motion 3, Soundtrack Pro 2, Colour, Compressor 3 and DVD Studio Pro 4 and value added with Adobe Creator Suite 3. The set up enables one to edit the film on HD as well as Standard Definition (SD). Colour grading and special effects can also be done on this machine.

systems, Apple Final Cut Pro video editing systems, film and video post-production and transfer stations, DVD/VCD authoring systems, HD/SD/DV digital and analogue Betacam camcorders, analogue and digital recorders, Nagra field audio recorders, Shure portable mixers as well as other accessories for film and video production.

Other facilities include the availability of a library resource centre, a telecine transfer room, a film recorder room for Kine transfers, several digital colour correction and grading suites, a recording studio for audio post-production, a mini preview theatre equipped with Ernemann-Multihead 16mm/35mm film and LCD projectors, and Dolby Digital Surround EX as well as DTS Digital playback facilities. In addition to this, FINAS also provides in-house consultants, technicians, film and video editors and sound engineers.

FINAS's SDMS is claimed to be among the most complete studios available in the Southeast Asian region with facilities comparable to that of Hollywood's. The impact of this studio is expected to assist more local players to be more productive in making films. In addition, foreign producers will also be encouraged to make use of the facilities in FINAS.

The findings of the interview survey reveal that most of the production houses do not make use of the facilities provided by FINAS. As, according to them, private post-production facilities are easily available and in terms of pricing, other privately owned post-production facilities offer fairly reasonable prices. From the discussion, since the SDMS is a new thing, the contribution of government effort is therefore yet to be seen but it is hoped that the establishment of this new studio will directly benefit local players. Indeed, many have claimed that FINAS lacks the expertise in handling its state-of-the-art equipment. Despite the complaint over the efficiency of FINAS, the development of SDMS is an indication that the government is serious in assisting the industry.

In the private sector, KRU Studios, a pioneer in the production of films driven by CGI and visual effects, will be operating by the end of 2009. Like FINAS, the studio will be equipped with high-tech equipment for film production. The studio will cater to local and foreign producers who demand studio facilities like video editing, film and advertisement, colour grading, recording studio and sound effects. The Soundstage Studio is suitable for the production of films that use CGI technology. In the Malaysian film industry, the development of KRU Studios is the first attempt by the private sector. With no intention to compete with FINAS's SDMS, KRU Studios will complement the effort made by the government in providing production facilities for local as well as foreign film producers.

6.3.1 Digital TV

Digital broadcast has been a worldwide trend since the new millennium. This involves the upgrading of production equipment and systems from analogue to digital, digitalisation of the transmission system and ultimately the evolution of television sets at the viewers' end, in order to receive the digital images.

In Malaysia, the government has taken major initiatives and great effort in digitalisation, spearheaded by the Ministry of Information through its Broadcast Department or Radio Television Malaysia (RTM). Through a major digitalisation exercise, the government has invested in the provision of a mega digital broadcast infrastructure that will be used by the government as well as private television stations with nationwide coverage.

At present, RTM has started its digital broadcast on a trial basis, involving several new digital channels. Under this project, RTM has been upgrading its production equipment, broadcast materials and transmission systems in compliance with digital standards and has provided set-up boxes to approximately 2,000 samples/households. In this regard, the government has given the directive to all the broadcast stations in Malaysia to achieve full digital broadcasts by the year 2012.

Digital broadcasts will certainly provide new business opportunities for production companies as well as film suppliers, with the creation of new television channels and programme slots. In fulfilling its commitment to helping local film producers, RTM will be dedicating more new channels and programme slots to local film production. In the future, approximately RM2 billion needs to be allocated to programme procurement for RTM's new channels. RTM is optimistic that it will be able to entertain local film suppliers, which comprise members of *Persatuan Penerbit TV Malaysia* (PTVM) members, once the digitalisation project is completed. At present, of about 420 PTVM members, only about 60 are able to do business with RTM due to limited programme slots. However, the digitalisation of television will also become a new challenge to local film producers as they have to compete in producing quality programmes that are attractive to audiences. If not, television stations might be compelled to opt for foreign programmes.

6.3.2 Animation Initiative

In the realm of the Malaysian film production industry, a new phenomenon has occurred concerning the production of animation. Initially, it was the former fourth Prime Minister who initiated it since he foresaw that, at that time, animation could be the next economic growth area. In fact, at that time, people did not know much about animation. In order to get people interested in high-tech animation like 3D, Dr. Mahathir Mohamad directed one government agency, i.e. Malaysian Development Corporation (MDeC) to initiate and spearhead the first 3D animation project. The first government animation project was a movie entitled *Saladin*, which is still in the process of establishing its brand name.

In discussing the production of animation in the local context, it is necessary to mention the role played by a recent successful animation project made by a company named Les'Copaque. The film Upin Ipin movie entitled 'Geng: Pengembaraan Bermula' was the first 3D animation feature film in Malaysia. To the industry's astonishment, this first attempt made by young local graduates was able to reach box-office in Malaysian cinemas with cinema collections exceeding RM6 million, and was rated among the top three in ticket collection for overall movies (foreign and local movies) shown in local cinemas in 2009.

The project began in 2006 with the introduction of its main characters Upin and Ipin in the local television station TV9, a 5-minute 18 episode series. The characters successfully captured the interest of the local audience. In 2009, when the animation feature film was released, it became a hit. Besides the technology, other important factors include the exceptional way of marketing their product. Citing Les'Copaque's Managing Director, Tuan Hj. Burhanuddin, "in our business, we make use of the Internet to the fullest".[33] They revealed that they did not spend much in advertising and promotion (A&P) of their film but made use of Internet technology to reach the masses.

[33] Interview conducted in April 14, 2009.

Although this is the first high-tech animation ever produced in Malaysia, it is not impossible that their success will motivate many others to venture into the animation sector. As much as technology has changed the pattern in the local industry, technology is also a challenge to the industry. The evolution in the technology of filmmaking is too fast for some players to keep abreast of because of the acquisition of the latest technology, which would mean more cost. It also carries a great challenge to the people who use the technology. More people with the necessary skills are needed to use the technology. Currently, the Malaysian film industry still lacks skilled people to produce animation films. According to Les' Copaque, they received offers from Walt Disney to produce part of an animation project for them, but the company is unable to take up the offer due to lack of skilled manpower. Due to overwhelming enquiries from international producers, the company is expanding in terms of the number of staff to cater for international demand for outsourcing jobs. Even the government is expecting Les' Copaque to increase its size and develop into 300 staff in five year's time. However, to increase manpower means expanding the business and increasing investment in equipment and other facilities.

From the case of Les' Copaque, the first successful 3D animation producer, it is evident that there is more room for the local film industry to grow, especially in the animation sub-sector. Unlike live films, which rely heavily on freelancers, animation requires heavy investment in manpower. If this sub-sector is further developed, it could contribute to the economy in generating income and employment creation. In developing the film industry, Malaysia should look at areas where it has competitive advantage and animation could be the right option. Indeed, under the new National Film Policy, 2005, one of the six strategies developed by the government is to focus on the production of documentaries and animation.

From the discussion, Malaysia is embracing new technologies for products and platforms. Even at a very early stage of technology adoption in special effects and CGI, the industry players are eager to use the latest technology in filmmaking. The major business in the film industry is through the selling of films to domestic TV channels. With the digitalisation of terrestrial channels, Malaysian films are expected to have a greater presence in their own home market. The information gathered supports previous studies (Stiglitz, 2004, p. 16) that the key dimension of globalisation, i.e. increase in 'enabling' technologies, helped to speed up technology transfer from one country to another. Reyes (2001) also commented that an important characteristic of globalisation is its ability to influence less developed countries on a widespread scale, which enables groups that have a marginal existence in poor countries to use new technology and consequently relate on a global scale.

6.4 THE ROLE OF GOVERNMENT

The effects of globalisation on the nation-state have been widely discussed in the literature. Globalisation is argued to have altered the behaviour of national governments as a result of further liberalisation of the economy. This chapter presents the role of the Malaysian government in promoting the growth and development of the indigenous film production industry.

6.4.1 Government Policies Related to Cultural Industries

At the outset, government control is prevalent in most forms of Malaysia's media industries (Kenyon and Marjoribanks, 2007). Licensing is particularly used as a means of government control. For example, national government control is evidenced in the broadcasting and newspaper media where it holds the right to revoke licences at its discretion (Lai, 2006). Foreign investment is strictly prohibited in terrestrial broadcast networks. For investment in cable and satellite networks, foreign investment is only allowed to invest at a limit of 20 percent.

Concerning government intervention in this industry, through the licensing agreement, broadcast stations have broadcast quotas imposed upon them. Local programmes must be given priority where 70 to 80 percent of airtime must be devoted to local Malaysian programming. Foreign programmes are not allowed to be broadcast during the prime time hours, between 8.30-9.30 pm. Under the Broadcasting Act 1988, the Minister of Information holds significant control over programming and broadcasting licences (Brown, 2005; Khattab, 2004). For example, Malaysia only allows locally-produced advertisements to be aired on terrestrial channels. Foreign advertisements must be replaced with locally-made advertisements, the 'Made-in-Malaysia' advertisement products (IIPA, 2008). It is yet to be determined whether the government is really imposing such restrictions as, from observation, many advertisements aired by television stations are using foreign footage or foreign-produced advertisements with foreign talent.

It should be emphasised that the government does not impose direct restrictions in the form of import quotas of foreign programmes but, instead, a policy directed towards the operation of terrestrial channels on television content. However, the imposition of such control is not easy since the public channel RTM was under the control of the Ministry of Information while other privately owned station were under the purview of the Ministry of Energy, Water and Telecommunication. That is why there is a lack of enforcement concerning television content. The policy is more complicated when it comes to dealing with satellite channels. According to the interviewee, even when the television station claims that it aired mostly local content, most content in terms of, news, talk-shows, etc. that are produced in-house. An earlier study by Sarji (1993) and data as shown in Table 6.5 reveal that most programmes aired are indeed imported programmes. Her study supports the 'cultural imperialism' theory that local culture is dominated by Western influence.

Table 6.6
Percentage of Local and Imported Programmes Broadcast for TV1, TV2 and TV3 for the year 1992

Channel	Local Programme	Imported Programme
TV1	63	37
TV2	42	58
TV3	30.8	69.2

Source: Asiah Sarji (1993)

Even up until recently, imported programmes are still inundating the local market. This becomes evident through a comparison between the data of the number of locally made films and those that are imported. The total number of locally-made programmes, between 2004 and 2008 were 528, 527, 615, 527 and 550, respectively. While the total number of imported programmes were 8723, 11508, 11508, 9282 and 6358 between 2004 and 2008, respectively.[34] The data shows that locally-produced programmes are much fewer compared to foreign imported programmes. The data indicates that the local market is inundated by foreign programmes. Thus, the compiled data refutes the claim (IIPA, 2006) that the Malaysian government is practising restrictions on foreign content.

In the case of the influx of foreign film, globalisation is a challenge to indigenous film industry. Despite the plight from industry players to protect local market, the government feels that market restriction is not a feasible policy option as it contradicts its free market stance.

[34] FINAS official website, www.finas.com.my retrieved, March 2009.

6.4.2 Government Support of the Film Industry

In other areas, government direct involvement can be seen in the role played by FINAS as the agency given the authority to develop and facilitate the local film industry. Through the National Film Policy approved in 2005, this policy towards local film industry is strengthened. The new National Film Policy 2005 is:

- To support the national film industry to be more progressive and internationally competitive.
- To be the catalyst for the industry's development by making the country a filming destination in the region.

The objectives set out in the National Film Policy 2005 reflect the government's response to global trends in the film production industry. By aiming to be a hub for international filming, efforts are geared towards providing incentives to attract foreign producers to produce films in Malaysia. This is an area that the government feels could have a direct impact on local players and an indirect effect on the Malaysian economy.

FINAS is providing assistance in many aspects of film production including the provision of facilities, funds, technical, and training as explained below:

(i) Loans and grants:

a. Feature Film Loan Scheme. Loan scheme for Feature Film "Skim Pinjaman Filem Cereka" (SPFC) was introduced with the purpose to assist in improving the development of the local film industry. This scheme is handled by the Ministry of Unity, Cultural and Heritage (KeKWA), the National Film Development Corporation of Malaysia (FINAS), and the Small and Medium Enterprise Bank (SME Bank) as the implementing agency. The government is allocating funds of RM50 million. A maximum of RM1.5 million is allocated for each application. Recently, as a result of the plight of the industry, the government has committed to allocate more funds under the feature film loan scheme amounting to RM100 million.[35]

b. The Film Art and Multimedia Development Fund: Finances for the production of quality short films/documentary/animation including scripts development. Total Financing – Production Assistance RM20,000 or less for short video production (not more than 30 minutes) RM50,000 or less for the production of documentary/animation (not more than 60 minutes).

(ii) Technical services and training facilities: FINASPOST provides various technical services and facilities that are useful and sophisticated in a conducive environment for film production. This includes usage of the Sound Stage Studio; the best acoustic studio in South East Asia. All are offered at competitive rates.

(iii) Courses and training programmes: Over time, FINAS is conducting courses and training programmes for knowledge and technical development of local industry players. The programmes cover many aspects of film production like directing, acting, editing, make-up, scriptwriting, etc. In this respect, FINAS is making the effort to invite international film experts to conduct programmes to expose local players to achieve international standards in film production.

[35]*Utusan Online*, February 11, 2009 'Kerajaan Timbang SPFC 100 juta'.

(iv) Control of the cinema: Another element of government control in local cinema is with regard to compulsory screening of local feature films or ‘Syarat Wajib Tayang’ and tax rebates.

a. Regulations on the Malaysia National Film Development Corporation (Skim Wajib Tayang) 2005 were enforced on 23 June 2005. The scheme was formed to accept and consider any local or joint venture films for compulsory screening at cinemas by exhibitors. The exhibitor must screen approved films for fourteen consecutive days in the biggest hall of the cinema. However, the screening of the approved film can be moved to a smaller hall if the number of viewers in the initial hall is less than thirty percent of its total seating capacity, as proven during the first four consecutive days of its screening, or if the number of viewers is less than fifteen percent from the number of seats in the cinema hall after the first three days of its screening. And, if the above situation applies, the exhibitor may at his discretion, withdraw the approved film from further screening. The exhibitor must submit a report pertaining to any changes of cinema hall or withdrawal of any approved film to the Committee and the participant within two days of the changes taking place.
b. Entertainment duty: This Assistance Scheme was established after the approval from the state government that local feature film producers are eligible to receive entertainment duty from the sales of tickets at local cinemas.

FINAS is also helping local production companies to sell their products to the international market. This is normally done during the international film market. For instance, local films were sold through the MIPTV film market in Cannes. A total of RM738,570 was collected from the selling of local films. It was an increase from RM490,585 in 2007 and RM247,568 in 2006. While during the Filmart in Hong Kong, the revenue from the selling of local films was RM410,876 in 2008 an increase over previous years which were RM302,150 in 2007 and RM247,565 in 2006.[36]

According to FINAS, although the revenue from the sale of local films is considered small, it is a good start for local film players to be more aggressive in penetrating the international market. FINAS is of the opinion that Malaysian film products lack exposure in the international market and that many international distributors and agents are not aware of the Malaysian film industry. Lack of credibility at the international level has resulted in lower bargaining power. That is why its products are at a much lower price. For instance, Malaysian film products have to be packaged comprising several films, and sold at a price of between RM70,000 (US$20,000) to RM114,000 (US$30,000). Most of the buyers were those from the Middle East and Eastern Europe. FINAS is optimistic that the exposure of Malaysian film products at the international film market will benefit the industry in the long run.

From the interview, it is gathered that in an attempt to assist the development of the indigenous film industry, FINAS is too engrossed with helping the production of feature films for cinema exhibition where FINAS assistance is mostly directed towards the production of feature film. It should be noted that local film has no competitive advantage to compete with big-budgeted foreign film. But local industry has a better chance in terms of its television programmes. Furthermore, local production houses are confident that their television programmes are competitive. Indeed, in many countries

[36] *Utusan Online*, 23 September 2008, 'FINAS pasarkan filem Melayu ke AS'.

(for example, Brazil, Argentina, Mexico and South Korea) television programmes contributes more to their economies as it's able to reach global market. Hence, fair attention should be given to the production of television programmes.

6.4.3 Support from other Government Agencies for the Film Industry

Besides FINAS, other government agencies are also playing a role in assisting the development of the local production industry. For example, the Ministry of Science and Technology Malaysia (MOSTI), through its e-content fund (dana e-content Malaysia), is providing a grant for the production of animation films amounting to RM1 million. Other government agencies will normally provide assistance to a viable film project. For instance, after Les' Copaque's production of its 3D animation proved to be a viable film project, many government agencies came in to assist including MDeC, MSC, MIMOS and Tourism Malaysia.

In another area, the government, through its Department of Broadcasting Malaysia, is allocating a substantial amount of money for the operation of its television station, RTM. According to Dato' Adilah Shek Omar, the Deputy Director of Broadcast Programmes, RTM is fulfilling its social responsibility to help local film production to supply programmes to RTM. Unlike other television programmes, RTM claimed that it is doing business with more local film suppliers for local content than any other television station in Malaysia.

The government, through the Ministry of Unity, Culture and Heritage (KeKKWa) is increasing its allocation for many associations in the film industry from RM20,000 to RM30,000 a year. This fund is used for the administration of the associations.

Vision 2020 was formulated for Malaysia to become a developed nation by the year 2020. In light of the country's vision, the government encourages the growth of information, communications technology or ICT-related industries together with the development of the Multimedia Super Corridor (MSC). Despite government protection in many areas of the media industry, the Internet remains unregulated. This is parallel with the adoption of the 'open skies' policy. The impact of Internet usage for the film industry is significant, especially when the Internet becomes a new medium for film distribution. The Internet has been used extensively to market film products. The challenge will be greater for developing countries that face competition from more established global players.

The government through Khazanah Berhad,[37] is also investing RM400 million in the development of a world-class studio in collaboration with Pinewood Shepperton Plc. This project, according to their press statement,[38] could contribute RM1 billion to the economy in eight years time. The government's involvement indicates its confidence in making the film industry one of the important sectors in Malaysia.

From the above discussion, it is evident that the Malaysian government embraces an open-market policy. No apparent restrictions concerning the importation of foreign film products are imposed. The government might be restrictive in licensing the media industry (Brown, 2005; Khattab, 2004) but in terms of broadcast content, the honouring of the content-policy is on the respective television stations. Indeed, it was found that filmmakers are sceptical as to whether the broadcast stations are actually honouring the policy as mentioned earlier. The presence of the government, however, is felt in terms of helping the development of the local film industry. Recognising the size of the local

[37] Khazanah Nasional is the investment holding arm of the Government of Malaysia and is empowered as the Government's strategic investor in new industries and markets, http://www.khazanah.com.my/
[38] *Utusan Online*, 17 December 2009, 'Pelaburan RM400 juta'.

film industry, the government is compelled to provide the industry with assistance to ensure its existence. The Malaysian film industry is still unable to compete at the international level, which is why the government's presence is deemed necessary.

To conclude, the Malaysian government has had a direct role in the recent growth and performance of the local film industry. Its involvement has been through the provision of funds and other direct support like training and courses. Government assistance has positively impacted the direction of the industry. However, there are many other areas that the government needs to look into in order to make its presence and involvement more significant to the industry. There is a need to ensure that the resources allocated for the development of the film industry are used in the most efficient way and are fully capitalised for the benefit of the local film industry. It is clear now that although government presence is visible but to a certain degree globalisation influence its policymaking.

6.5 INDUSTRY RESPONSE TO THE NEW TREND IN FILM PRODUCTION

The way films are produced and distributed and the nature of target audiences has all changed in accordance with increased globalisation. Films are produced to meet commercial needs and are targeted at global audiences (Lai, 2006). Many international co-production arrangements exist to meet these requirements. At present, the Malaysian film industry is not popular in terms of co-production arrangements. This may be partly because the local film industry is not well known at the international level. Hollywood, for example, is synonymous with co-production with Asian countries to capture the big Asian market. In this case, local producers are still unable to jump onto the bandwagon to enter into this kind of arrangement. It is a challenge for the industry to be recognised by the international players. Without this recognition, there is little chance of a partnership with foreign players.

With a population of approximately 200 million people, Indonesia is an attractive film market for Malay films as it shares a common language and culture. Ever since the foundation of ASEAN in 1967, there have been attempts at co-production arrangements between the film industries in these two countries. Concerning the question of why there is no continuity of the collaboration, according to industry players, it is because the Malaysian partners do not gain much from such a collaboration. The arrangement is deemed to be a win-lose situation with major roles in the films generally being assigned to the Indonesian partner. Malaysian film producers who were eager to penetrate the Indonesian market by entering into co-production arrangements were frustrated as they found that the Indonesian film industry is well protected. This view is consistent with Salim Said (1991, p. 127) who argues that "while the film co-productions were enthusiastically welcomed by the Malaysian film industry, hoping for another opportunity to 'crack' Indonesian market, the Indonesian perspective was more pragmatic about the gains for its own industry" (cited in van der Heide, 2002). That is why Malaysia-Indonesia joint production efforts almost ceased to exist as they did not benefit Malaysia much.

Outsourcing has become a new way of doing business, including the film business. For the production of television programmes, quite a few local industry players have secured outsourcing jobs. Foreign companies are attracted to outsourcing production to Malaysian production houses as programmes produced in Malaysia are relatively cheap compared to producing in their home country. Hence, they can capitalise on the cheaper production cost abroad. In addition, local skills and experiences are also taken into consideration. This is only possible if Malaysian production houses have a good track record in film production. For example, quite a few companies secured outsourcing jobs from Singapore. In this arrangement, Malaysian production houses are fully responsible for producing the required programme, normally serial dramas based on the budget given by the Singapore partner for approximately RM70,000 for a one hour drama (normal cost of production in Malaysia is RM30,000-RM45,000). In addition, the Malaysian partner is allowed to use studio facilities provided by the government of Singapore. According to local producers, Singapore has state-of-the-art facilities. Thus, besides benefiting directly from business operation, local partners are also exposed and able to learn and use the latest technology and equipment available in other countries. Indirectly local production houses benefit from the spillover of technical and/or knowledge transfer.

With the growing increase in the production costs of film projects in many developed countries, several film industries (clusters) in big cities like Hollywood, Bollywood and London are now outsourcing their labour-intensive production to reduce labour costs. For example, there was a notable outsourcing job of Hollywood to Vancouver (Coe, 2000). Although these trends benefit the host countries in terms of employment creation, the issue of the expected knowledge transfer from out-sourcing jobs may not be materialised, since most of the back office jobs normally only involve the technical aspects of production. The creative work is still done in the home country.

The above illustration is seen as small in its impact on the industry and economy as a whole, but these small steps taken by small local producers could eventually have a bigger impact in the long-run. Thus, it is obvious that in developing the local film industry, although the domestic market is small it does not mean that it is short of avenues to contribute to the industry. As long as local players are creative in looking for business opportunities, their operation will directly or indirectly benefit the industry.

Co-production is not the only way that local industries can imitate. There are other means of doing it provided local players are willing to build international networking. As an illustration, one small local production house that was interviewed is still in the negotiation process to enter into an arrangement of international collaboration and join the production of a television programme (documentary). Under this arrangement, each production house from one country will produce a documentary (on issue related to that particular country) on its own funding. Other production houses from other countries will do likewise. This programme will be broadcast on the local TV station and later will be distributed to the other countries involved in the collaboration arrangement. At the same time, under this collaboration the production house will also be given the right to supply documentary programmes produced by other production houses (from other countries) free of charge. In the end, the respective production house will get the benefit of broadcasting rights for multiple documentary programmes at the cost of one documentary programme. That means if seven countries participate in this collaboration arrangement, each production house could have seven different documentary films for the cost of one.

The government, however, has identified a particular area in which Malaysia might have an advantage. Currently, the government has identified that Malaysia could benefit from the trend in overseas location shooting. As explained in Chapter Two, films are produced in foreign locations to benefit from, among other things, attractive locations, cheaper production costs, tax incentives, and cheaper skilled workers. Currently, the government is studying the precise area in which the local film industry could benefit from this trend. It is formulating the policies, which include the provision of attractive incentives to court foreign international producers.

As in the statement made by the Director General of FINAS, En. Mohd Mahyidin Mustakim, FINAS reiterates its commitment to turn the local industry into global players. According to him "FINAS is going to play a more aggressive role in promoting Malaysia as an exciting filming destination by:

- Studying the incentives and infrastructure provided by other countries and prepare a strategic proposal on Overseas Filming Incentives; and
- Proposing a co-production treaty with strategic countries to lure investment for the growth of the local film industry.

The moves are in tandem with the evolvement of the global film industry that is going towards *internationalizing the film industry both in terms of audiences and filmmaking talent.*[39]

Another trend is the setting up of foreign establishments in Malaysia. If Singapore can be proud of the operation of Lucasfilms Ltd. Studios, Malaysia is also able to attract foreign studios to operate in this country. Rhythm and Hues Studio is probably the next best equivalent to Lucasfilms. Rhythm and Hues Studio[40] is a Los Angeles-based award winning visual effects studio, which will set-up a high-tech studio in Malaysia. The studio in Malaysia will be the third outside the United States. In India, Rhythm has studios in Mumbai and Hyderabad. The work of Rhythm and Hues is internationally

[39] FINAS Official Website, 'FINAS: Message from director General' at http://www.finas.gov.my/index.php?mod=finas&sub=perutusan, retrieved 3 November 2008.

[40] *Asia Image*, March-April 2009, 'New Facilities Boost Malaysian Industry'.

recognised as one of Hollywood’s top visual effects and animation facilities. It has more than 100 feature films to its credit, which include *Babe, The Hulk, The Chronicles of Narnia, The Golden Compass* and *The Night in The Museum*.

The attraction of Malaysia as a location, according to Rhythm and Hues, includes the support from the government, particularly the Multimedia Development Corporation’s (MDeC), cheaper cost of operation and the availability of a big pool of students studying multimedia in Malaysia. As a start, the company will begin with 40 recruits and is expected to hire 200-225 skilled workers for its full operation.

The establishment of the studio is not for outsourcing or back-office work but for the same sort of thing being done in Los Angeles. For example, while shooting a film, the lighting is done in Mumbai, the animation in Kuala Lumpur and the visual effects in Los Angeles. Since the project tasks are broken into groups, the completion of a particular film project is actually a collaboration effort among different locations.

In the process of film and animation, the Malaysian studio would initially be more involved in the background work. After the necessary training, which is expected to take about three to six months in-house training, it will start moving into animation works. Most of the technology used by Rhythm and Hues uses their own proprietary software. In this sense, with the establishment of foreign studios, Malaysia will get a chance to be exposed to and involved in the making of international movies.

The government expects that from the operation of international film projects, the locals will benefit, especially in terms of the transfer of knowledge. It is hoped that foreign projects will employ local manpower and indirectly provide employment opportunities.

However, the most important is knowledge transfer, so that the locals will learn how international players make good quality films.

The most recent development is the partnership between the Malaysian government and British Pinewood Shepperton Studio[41] (the studio behind the making of *James Bond* and *Harry Potter* films) to develop and run a RM400 million (approximately US$120 million) studio in Iskandar Malaysia (Southern Corridor Economic Zone) that will be known as Pinewood Iskandar Malaysia Studio. Under this partnership, the government of Malaysia will put up money to build the studio while Pinewood will run the technical operations, and help with the marketing and branding of the studio. The expectations from this mega-project are knowledge transfer and at the same time the creation of employment opportunities in Malaysia. From the point of view of Pinewood, they are doing their bit in helping other countries to gain expertise in making films. The studio is expected to begin operations in 2013.

6.6 SUMMARY AND CONCLUSION

This chapter is the key chapter of the thesis where the data collected is analysed and interpreted. It discusses the transformation of the global film business and how it is relevant to the Malaysian film production industry. By outlining the major effects of the globalisation of the film business, the study shows how the Malaysian film production industry has been shaped by it. The discussion is based on the theoretical foundation set earlier. Due to little theoretical foundation for the understanding of the phenomena under study, the theoretical setting for this study is based on theory used in other phenomena, i.e. theories in economic development. The specific issues of the film industry examined in this chapter are the increase in the world trade of audiovisual

[41] *Utusan Online*, 17 December 2009, 'Pelaburan RM400 juta'.

products – which creates direct competition in the home market, technological change – which drives the industry, and the changing role of government – that has shaped the film industry today.

Globalisation is a challenge to indigenous film production industry. However, the investigation of the development of the Malaysian film production industry shows a sign of progressive development relative to previous years and decades. However, the achievement of the film industry is still insignificant to the national economy. Much needs to be done to uphold and upgrade the status of the Malaysian film production industry to become global players.

The investigation of external factors (globalisation effects) affecting the film industry always points to domestic issues that mostly, according to the study participants, impede its development. The investigation provides an opportunity to identify the contemporary film industry environment and related concerns faced by small-sized national film industry as a result of increased globalisation. Chapter Seven will discuss in further detail the political, historical and social economic context of the Malaysian film industry.