

CHAPTER 7

THE MALAYSIAN POLITICAL, HISTORICAL AND SOCIO ECONOMIC CONTEXT

The previous chapter marks the steady progress of the Malaysian film production industry over time. Despite the exposure to external, global factors, in general, the findings show that the industry's direction is on the right track. However, investigation on the effects and influence of the external factors has led to the revelation of many internal factors that, according to the interviewees, could hamper the development of the local film production industry. These factors frequently point at the circumstances happening in the local film industry. As argued by Lall (2004) and Yeung (2002) the effects of globalisation is indeed the interplay between external forces, and subject to not only internal factors but most importantly how a government responds to these forces. Hence, the aim of this chapter is to discuss in further detail the issues mentioned earlier.

7.1 GOVERNMENTAL FRAMEWORK

When discussing the Malaysian film industry, the mention of the government's role is frequent. As revealed in the previous chapters, the government plays an important role in the development of the indigenous film industry. There were diverging views with regard to the role played by the government in facilitating the growth of the film industry. The first group of respondents felt that the government's role was insufficient, while the second group were of the opinion that the government had done a lot to help the industry to grow and that it was now the private sector that should lead the industry.

The rationale behind the diverging views can be traced back to the nature of production houses, which includes the size of the production houses and their track record. The smaller and newly established companies are the ones that view the government's role as insufficient. The other group, which comprises the more established companies that, generally, have been in the industry for quite some time, have built a good track record in the industry and, hence, capital is not much of a problem.

According to the first view, bureaucracy is the main factor affecting the efficiency of the government agencies. As an illustration, the new entrants have to face the unnecessary bureaucracy that slows the process of participating in the industry. In order to enter the industry, they have to comply with certain requirements, obtain a licence and register with the relevant government agencies. This involves an interview with FINAS, prior to the issuance of a licence, as well as registration with the Ministry of Finance (MOF) and RTM. For MOF registration, they must have an office, although this requirement should be considered as obsolete since a home office with the support of communication and information technology is now becoming popular.

Furthermore, they are also required to prove that they have employees by producing at least three months Employees Provident Fund (EPF) payment slips. This can be a burden for new companies since they have not secured any business. On top of that, if they want to do business with RTM, which is a public TV station, they have to apply to RTM. These processes can sometimes take more than a year to complete. As a matter of fact, according to them, sometimes the products (feature film or drama) have even been completed before the licensing and registration processes are completed.

For the more established group of film producers, they recognise that the government, especially through FINAS, has contributed a lot to the industry. However, there are areas where the government needs to improve to maximise the benefit of its contribution. For example, the government provides loans under the SPFC scheme amounting to RM50 million. This loan is directed at encouraging the production of more local films. As a result, more local films are produced but these films are for the domestic market only and lack export potential. According to them, in the end the market will be inundated with local films. This scenario is not healthy for the industry, as we know that the local market for film is very small. If too many films are competing for the same audience it will end up in a losing battle for industry players. In many cases, since the loan normally only covers the cost of production, after the completion of the film production houses have very limited funds for advertising and promotion (A&P). In the film business, A&P is very important, which could determine, to some extent, the success of the film. It is unlikely that audiences will watch movies of which they have never heard.

For the government to be more efficient it should set aside its allocation in the form of a 'Distribution Fund'. This distribution fund would not only be for advertising and promotion (A&P) purposes but most importantly for the cost of marketing films outside the domestic market. Hence, this will encourage local producers to produce films with the overseas market in mind. The government should assist local producers to penetrate the overseas market as it requires sufficient funds to market abroad. For example, the cost for a film to go abroad including A&P, new prints etc. is about RM250,000 to RM300,000. If the government can provide this assistance, it will benefit the producers and eventually the industry itself. On the issue of who is entitled to the distribution fund it is quite straightforward. Those whose films are successful in the local cinema are

those who are entitled to the fund. According to the interviewees, generally, films which are not successful in the local market will not likely be successful in the overseas market. Furthermore, one of the criteria to convince foreign exhibitors to show Malaysian films is based on its success in the home market.

Another flaw in the SPFC scheme is the inability to identify credible loan applications and potential film projects. It was discovered that most borrowers have not been able to pay back their loans. As reported by a representative⁴² of SME Bank En. Abdul Jalal Atan, as at the date of the report, of the total of 36 companies that received the loan, only three production houses have paid them, a total of RM3.2 million. On average, the approved amount of loan for an application is RM1.5 million. The remaining loan amount of RM32 million has not yet been recovered from the borrowers.

The findings reveal that the government has done a lot, especially in providing direct funding to industry players. However, according to the interviewee, the role of government in terms of funding is confined only to providing financial assistance in the area of production. Whereas a successful film requires a lot of effort in terms of advertising and promotion (A&P) as well as distribution. Based on the interviews, it is also gathered that there is too much bureaucracy in the process of acquiring financial assistance from the government. This is especially true for smaller production houses as they lack financial credentials as well as having an unproven track record. Whereas for more established production houses, financial assistance from the government is simple even though some of them may not require it. For example, MIG was offered financial assistance from FINAS for the production of a feature film, which carries a message pre-determined by FINAS. However, since MIG has a different commercial direction, it

⁴² *Utusan Online*, 8 April, 2009, 'Gagal Bayar Balik Pinjaman'.

is unable to commit to FINAS. Other production houses were offered technical assistance such as from MIMOS and MDeC.

On the other hand, there are cases where a new company has used its initiative to undertake a production based on its own funding without any financial assistance from the government. However, upon their success they were offered fiscal and non-fiscal incentives from the government to further pursue their project. Therefore, it is important for industry players to be able to produce a viable film product to gain government support as well as to attract potential investors alike. It is proven in the Malaysian film industry that track record is crucial; once the production house gains recognition for its achievement, it is not difficult to expand its business as assistance will flow in. A good example is the success of Les' Copaque Production Sdn. Bhd, which is now able to be selective of which financier they want to partner with. According to them, they have been receiving overwhelming financial and technical support from various government agencies and private investors. They have already received funding from Telekom Malaysia Berhad for their next project of *Upin and Ipin: The Series* as well as for their next animated film.

To summarise, the government, especially through FINAS has fulfilled its role in facilitating the development of the indigenous film production industry. But their assistance is expected to be more comprehensive. For example, FINAS has emphasized globalising the Malaysian film industry. In order to materialise its vision, FINAS needs to go beyond what it has done now. According to industry players, FINAS needs to be more proactive in supporting local industry players to go out and compete in the open market. This effort needs to be done beyond merely promoting local films under film festival belts.

The role of FINAS is instrumental in the development of local film production. The year FINAS was established, in 1981, there was an increase in local feature film productions to approximately 25 films annually. However, critics also said that FINAS is also responsible for the downturn of the industry where in 1999 there were only four feature films released. FINAS's board of directors was accused of being too engrossed in day-to-day operations rather than developing an effective master plan for the development of the industry. As a result the industry was inundated with foreign programmes that were more appealing to local audiences. It was also reported that there were other factors challenging the development of local production like the lack of technical innovation and advancement. The use of 'special effects' and computer generated imagery technology (CGI) was almost unheard of in the industry (Hanan, 2001).

The present study discovers conflicting views of the role played by FINAS. The findings are consistent with the claims made by Ruhani Abdul Rahman (1994, 2001 in Van Der Heide, 1996: p. 150) that FINAS has always been regarded as a mixed blessing by industry people, providing support and training but also hopelessly inadequate in the task of efficiently aiding a fragile and very commercial film industry.

7.2 HISTORICAL FACTORS

Reviewing the historical background of the Malaysian film industry reveals the factors behind the stagnation of the local film industry after the era of P. Ramlee. The introduction of the film industry in Malaysia was made through foreign effort. It was established in the literature that at the time of the 'Golden Age' of the local film industry, the industry was built with Chinese capital (who funded and controlled the

distribution and exhibition channel), Indian skills (directors and technicians) and Malay talent (actors and actresses). As the late Hamzah Hussin, Malaysian film historian describes it (cited in Van der Heide, 2002: p. 105) “The Malaysian film industry was founded on Chinese money, Indian imagination and Malay labour”. Since the beginning of the film industry, foreign involvement was apparent with Shaw Brothers and Cathay Kris dominating the industry. The early years of the Malay film industry were dominated by Chinese entrepreneurs who provided production finance and controlled the distribution and exhibition channels.

The year after the introduction of the National Economic Policy (NEP) 1969 and particularly after the 1970s the participation of *Bumiputera* companies in the local film industry increased. The increment was in line with the objective of the NEP to increase *Bumiputera* equity control in all sectors of the economy to 30%. The policy applies to the film industry as well. Further discussion on the possible reason for the stagnation of the local film industry is associated with the objectives of the NEP.

From the data gathered, some have associated the gloomy era of the local film industry with the objectives of the NEP. Although the NEP has increased *Bumiputera* participation in the national film industry, it has also created an unbecoming attitude of *Bumiputera* film players. This is the generation that is used to government assistance and this causes them to be too dependent on government subsidies. Respondents termed it as *'budaya meminta-minta'* or a spoon-fed attitude. This attitude can be seen if we relate the issue to the SPFC scheme provided by the government. As discussed earlier, most borrowers are unable to payback the loan. It is of no surprise that many of the borrowers are hoping that the loan will eventually be turned into a government grant. Another reason why borrowers are unable to pay back the loan is because the film is

unsuccessful. According to respondents, this is the problem when a film project is backed by people's money. The attitude is different for filmmakers who used people's money and their own money. When the project uses people's money the result is frequently unsatisfactory. This is because production houses have no motivation to behave in an entrepreneurial manner. For example, the respondent relates the project of *Saladin*, the first national animation project initiated and fully funded by the government. Unlike the product of Les' Copaque, the outcome of the project is not known.

The above-mentioned case is not unique to the film industry. A study by Sofiah, Noraini, Zulkifli and Raja Roslan, (1999) on *Bumiputera* entrepreneurs in small and medium enterprises (SMEs) in Malaysia reveals that the success or failure factors of *Bumiputera* entrepreneurs are indeed associated with the entrepreneur themselves. One of the factors is 'the attitudes associated with being Malays', as mentioned by the interviewees.

Lack of entrepreneurial skills among the Malays is another possible reason associated with the stagnation of local film production. Looking back at the history of the national film industry, the Golden Age of the local film industry was when the industry was run by foreign entrepreneurs. The expansion of Malay direct participation in the film industry was after the formulation of the NEP. Accordingly, after the era of P. Ramlee, there is no significant contribution to the film industry. Van der Heide (2000) reported that due to the unsatisfactory performance of the local film industry in the 1990s with most films being unable to achieve box-office, there was a call for the return of Chinese and Indian entrepreneurs to the film industry to provide 'level-headed business acumen' and attract audiences back into cinema to watch local films (Latif, 2000, p. 143).

7.3 SOCIO ECONOMIC FACTORS

In the course of the study, it was found that social factors are among the obstacles that hinder the development of the industry. It seems that the general public is not appreciative and is sceptical of the real potential of the local film industry. They do not regard the film industry as a real industry. The nature of the film industry is always regarded as petty. This is because the working nature of the film industry is different from other industries. Much of a film's success relies on glamorous things, for example popular actors or actresses, and directors. Films have to create hype to attract attention, however, despite the film industry's unique character, the working of the industry is like any other industry. It requires capital and business strategies to succeed. In this aspect, the film industry is lacking.

According to production houses, due to the negative perceptions of the film industry, other agencies, like the financial sector, are not supportive in providing capital. Of course one can observe that most local films are not able to breakeven, let alone achieve box-office. But this scenario is not unique to the local film industry. Indeed, studies have shown that less than 20 percent of films made by global film clusters breakeven (Hollywood, Bollywood, and Germany film cluster), and even fewer make notable revenue (Jansen, 2005; Lorenzen and Taube, 2004; Vogel, 1998). Since there are limited funds available for film production, the production houses have to strive for their own funding sources to undertake the production. In some cases, the flow of funding, especially for the more established production houses, will come from private personal funds or venture capitalists.

Another great challenge faced by local production houses is the stigma towards the industry itself, which is glamorous, scandalous and petty. In some cases, this creates constraints on production activities. According to the interviewees, public authorities as well as private organisations seem to be reluctant to cooperate with local production houses. They found that it is more difficult for local production houses to get approval for location shooting than foreign production houses. They claimed that there are double standards in the treatment by the local authority towards local producers. One of the production houses relates the event where the Jackie Chan production house was given immediate approval to shoot at Dataran Merdeka with full security by the police and road closure. Whereas, the same approval and support has never been given to a local production house.

7.4 KEY AND SUPPORTING INDUSTRY PLAYERS

There are a number of different parties involved in the film industry. This can be divided into two categories, namely, (i) the key industry players, and (ii) the supporting industry players. Key industry players are the group of people and institutions directly involved in filmmaking activities. Whereas the supporting industry players are those involved in broadcasting as well as advertising and promotion of the materials produced by the key players.

7.4.1 Production Houses

In Malaysia most of the production houses are more active in the production of television programmes than in producing feature films. In most cases, the programmes are produced on a commissioning basis upon securing the supply contract from a television station. Typically, the production house will have to sell the products outright

and one-off to the television station. Most of the production houses are considered small companies with less than five permanent employees. Production workers are employed on a project basis from time to time. Although there are about 241 film producers registered under FINAS, in reality only a few are active players. In the Malaysian film industry, amongst the prominent names are MIG Production Sdn. Bhd., Excellent Pictures Sdn. Bhd., KRU Studios Sdn. Bhd., LineClear Motion Pictures Sdn. Bhd., Skop Production Sdn. Bhd., and Grand Brilliance Sdn. Bhd. Others are mostly small players involved in the production of television dramas.

Table 7.1
Issuance of Film Production Licences 2003-2008

	2004	2005	2006	2007	2008
Production Licences	667	707	576	944	836

Source: Adapted from FINAS official websites, retrieved on 12 May 2009.

The role of production houses is instrumental to the development of the indigenous film industry. They are the trendsetters and spearhead the growth and the development of the industry. Notwithstanding, most of them are complacent with their current business and position in the domestic market. They are rather satisfied with the level of activities and return on the business they are undertaking. These people normally lack the desire and motivation to even expand their own business, let alone to build and develop the industry. The interviews also revealed that most of the players in this category are dependent on business in RTM.

There are studies that highlighted the role played by independent filmmakers. The new millennium is said to be the revival of the Malaysian film industry through the contribution of independent filmmakers (Raju, 2008; Loo, 2007). These new

generations of filmmakers were claimed to be successful in their endeavour to bring local films to the international arena and gain entry to international film festivals and have won numerous awards. U-Wei Haji Shaari's film titled *Kaki Bakar* (The Arsonist, 1994) was claimed to be the first independent film screened in the Cannes Film festival. The continuity of the emergence of independent filmmakers was later joined by other filmmakers like Teck Tan with *Spinning Gasing* (2000) and Yasmin Ahmad with *Sepet* (2005). Yasmin Ahmad, for example, through *Sepet* won Best Asian Film in the 18th Tokyo International Film Festival, 22-30 Oct 2005, Japan and in the 27th Creteil International Women Directors Festival, 11-20 March 2005, in France, it won the Grand Jury Prize.

Although their presence along mainstream film works cannot be ignored, their genuine contribution to the development of the film industry is debated among the mainstream players. The mainstream players claim that although independent players have won numerous awards, most of the films were only able to be screened under the auspices of festivals and are not proven to compete in the open market. Independent producers are accused of making films to get more awards (chasing for awards only). Hence, their central objective to winning more awards does not translate into revenue. According to the mainstream players, to further develop the industry, industry players must be able to bring back money to keep the industry running.

Another factor that hampers the industry is complacency among film players. For the 26 years of its establishment, FINAS has been providing funds to ensure the upgrading of the local film industry, which includes the Development Fund for Artists (Scheme Latihan Penggiat Seni) that commenced in 2006. The RM3 million fund provided by FINAS is applicable to individuals who need financial assistance to pursue courses related to films and filming in local or overseas institutions. However, according to the

Director General of FINAS, Mohd Mahyidin Mustakim⁴³ only about RM100,000 has been utilised. This indicates that there is minimal effort among those involved in the film industry to upgrade their career path.

7.4.2 Film Associations

Although the size of the local industry is small there are a large number of associations in the Malaysian film industry. From the information gathered, it is clear that there is no specific institution to govern and keep track of all these associations. This is proven by the unavailability of proper statistics and records about the existence of the association in Malaysia. As a result, the associations are manoeuvring individually on an uncoordinated course and they are fighting a losing battle.

Furthermore, the industry is multi-divided into various groups of people in accordance with the association to which they belong. Hence, from the interviews, it is understood that the existing associations should be consolidated to represent the whole industry and should manoeuvre in a well-orchestrated and coordinated manner to focus on the real issues for the benefit of the industry.

From the study, it was also found that many associations are not active. A recent observation proves this claim, which is based on the statement that was issued on the FINAS website dated 9 May 2009, announcing that one particular association is still not dissolved. This was due to its members' perception that this particular association had been disbanded, as it had not been active for quite some time.

To make the situation worse, there are a lot of politicking and power struggles within the association. According to interviewees, real players are too busy producing films

⁴³ *Utusan Online*, 13 August 2008 'Dana Skim Latihan Tidak Terusik?'

and are not interested in the politics within the association. Based on the problems stated earlier, many film industry people (although they are members of the association) are sceptical of the credibility of the association to work for the interests of its members, let alone contribute to the development of the industry. Others are even reluctant to become a member of any association as they view the role of associations as not important in the industry.

The existence of the association is deemed as creating unnecessary bureaucracy in the process of conveying the real issues about the industry to the government whereby the members must highlight their issues to the association who will then channel it to the higher level and, ultimately, to the Ministry. This has hampered the communication flow between industry players and the government. By the time it reaches the right party, the issue might have become obsolete and irrelevant. To make the situation worse, in the process, the real issues raised by members might be unintentionally altered and not effectively conveyed.

There are also grievances concerning the composition of committee members of the association. The younger generation of filmmakers feels that the association is managed by the veterans from the old school of thought and might not be able to keep up with the global changes and rapid developments in the film industry. In addition, their views are also challenged by the younger generation of industry players.

In developed countries, film associations are a highly regarded entity. An association or a union has become the point of reference on issues pertaining to the respective industry. Associations like MPAA are able to influence the US government to put pressure on other countries so that other countries will open up their markets to US film

products (Lee, 2008). Among the measures used by the US government is retaliation on trade. The case of the Indonesian film industry is a classic example. The Indonesian government was imposing direct control in terms of foreign film quotas causing the US to retaliate by threatening to reduce its importation of Indonesian garments (Suwardi, 2000). The Indonesian government conceded and as a result, the US film quota went up at the expense of other countries' quotas to enter the Indonesian market. Indeed, according to the information gathered from the interviews, the main obstacle for Malaysian films to penetrate the market in neighbouring countries is not so much government direct restrictions of foreign materials as simply because their unions are strong and able to influence the government to act in the interests of their film industry.

7.4.3 The Media

The media is important in conveying messages and information concerning the industry to the public. They also play a role in creating publicity and promoting local films. Media is also significant in influencing the public and audience preferences towards film products. In the Malaysian context, the interviewees pointed out that the local media are more interested in glamorous stories and gossip as this kind of story is highly marketable. If one looks at the entertainment section in a local newspaper, most stories published are controversial stories and scandals about actors, actresses and people involved in the industry.

The respondents are also of the opinion that the local media should play a more active role in the development of the local film industry. More emphasis should be put on the real issues about the industry. The media could educate the public by providing a better knowledge and understanding of the local film industry. Their behaviour could attract

the public as audiences to local film products. This will ultimately garner public support and interest in consuming local products instead of foreign materials.

However, a study on Nigerian film industry (Evuleocha, 2006) indicates that one of the success factors of the Nigerian film industry is the actors who are real promotional assets. Hence, sensational media coverage on actors (although superficial and often focusing on actors' private lives) is an effective way to promote local movies.

7.4.4 Television Stations

The role of the television station is important in providing an avenue for the production houses to produce, supply and broadcast their products. However, this opportunity might be affected with the availability of cheaper foreign programmes. Generally, it is imperative for a TV station to minimise its operational cost by acquiring cheaper broadcast materials. However, in this respect this behaviour will eventually kill the local film industry. It is undeniable that the more the audience is served and exposed to foreign material, the more they may alter their preference away from local programmes. In the long run there will be less opportunity for local production houses to undertake production of local programmes.

From the interviews, it is also gathered that most of the programmes produced by local production houses will be produced and supplied outright and one-off to the TV station. Only RTM provides a window period where the production house can market and supply the programme to other television stations or abroad. This will minimise the potential of the product to be marketed overseas.

It is observed that the interviewees appreciated the opportunities given by the television stations in dedicating slots for local programmes. Being a government television station, according to RTM, it upholds its social responsibility in providing opportunities for local production houses in producing and supplying local production materials. This can be observed from the number of registered suppliers with RTM, which is more than other television stations.

7.5 SMALL HOME MARKET

The home market is claimed to be important to develop a successful film industry. There is a rich literature that argues the importance of the home market in order to achieve export potential (e.g. Evuleocha, 2006; Hoskins and Mirus, 1988; Simonton, 2009; Vogel, 1998). This argument claims that it is much easier to be big and export to a small market rather than be small and export to a big market. If this claim is taken into account, the Malaysian film market does not have such a competitive advantage. As discussed earlier in the previous chapter, film production in Malaysia is very much domestic oriented. With a small population, the budget for making films in Malaysia should consider the admission rate, which is around 300,000 with an average ticket price of RM8. This means that any film with a budget of more than RM2 million will incur high risk. Thus, most of the productions of Malaysian films and television programmes involve small budgets.

The relationship between the small home market and the film budget is obvious in the case of the local film industry. With the domestic market in mind, filmmakers would normally stick to a particular amount of budget for making films. Although the budget does not necessarily indicate quality, according to interviewees, the implication of this

is the inability of filmmakers to produce good films as the budget constrains production. Without good films, it is difficult for Malaysian films to capture foreign markets and, thus, revenue depends solely on domestic sales. This scenario will eventually result in the inability of filmmakers to catch the attention of audiences and investors alike, be they local or foreign. This is a vicious cycle that the industry has to face. Compared with other countries' film budgets, the budgets for local feature films are low. On average the cost of production is less than RM2 million as shown in the table below for films released during 2007. The table also shows that the majority of the films are unable to recover their production cost. Only seven out of twenty seven films were able to recover their production cost.

Table 7.2
Local Feature Film Screening 2007

NO	FILM TITLE	PRODUCTION COST	GENRE	SCREENING DATE	GROSS COLLECTION (RM)
1	Syaitan	1.26 mil	Horror	25/01/07	0.494 mil
2	Qabil Qhushri Qabil Igam	2.20 mil	Romance	08/02/07	1.573 mil
3	Puaka Tebing Biru	1.28 mil	Horror	18/02/07	1.030 mil
4	Mukhsin	1.00 mil	Drama	08/03/07	1.963 mil
5	Chermin	1.87 mil	Horror	22/03/07	0.760 mil
6	Jangan Pandang Belakang	1.72 mil	Horror	05/04/07	5.778 mil
7	Zombi Kampung Pisang	1.23 mil	Horror Comedy	19/04/07	2.371 mil
8	Sumolah	2.95 mil	Comedy	10/05/07	1.194 mil
9	Waris Jari Hantu	1.50 mil	Horror	1/05/07	1.743 mil
10	Diva	2.96 mil	Drama	8/06/07	0.302 mil
11	Cinta Yang Satu	1.74 mil	Romance	12/07/07	0.119 mil
12	Haru Biru	500 thousand	Drama	26/07/07	0.412 mil
13	Kayangan	1.16 mil	Romance	09/08/07	0.257 mil

Table 7.2 continued

14	Impak Maksima	1.53 mil	Action	23/08/07	2.061 mil
15	Otai	1.50 mil	Comedy	13/10/07	3.473 mil
16	Budak Lapok	2.59 mil	Animation	13/10/07	0.161 mil
17	1957: Hati Malaya	3.00 mil	History	25/10/07	0.316 mil
18	9 September	1.50 mil	Comedy Romance	01/11/07	1.200 mil
19	Misteri Orang Minyak	1.63 mil	Horror	15/11/07	0.638 mil
20	Nana Tanjung 2	1.50 mil	Comedy	9/11/07	2.208 mil
21	Anak Halal	1.80 mil	Drama	13/12/07	1.745 mil
22	The Bird House	50 thousand	Drama	05/04/07	8,051 thousand
23	Before We Fall In Love Again	193 thousand	Romance	10/05/07	3,893 thousand
24	Things We Do When We Fall In Love	30 thousand	Romance	10/05/07	3,984 thousand
25	Chalanggai	250 thousand	Drama	05/07/07	7,321 thousand
26	Hidden Summer In My Heart	110 thousand	Drama	09/08/07	9,463 thousand
27	Note Of Love	88thousand	Romance	20/09/07	4,255 thousand
28	Flower In The Pocket	64thousand	Drama	20/12/07	11,928 thousand

Source: FINAS official website, <http://www.finas.gov.my>

However, relative to previous years, in terms of numbers of feature films produced, it shows a positive trend from an annual production of 7 feature films in 2000 to 16 films in 2003, 27 in 2007 and in 2008 approximately 37 films were released and waiting for release date as determined by FINAS.

Although in terms of the size of its home market, the Malaysian film industry has no competitive advantage, the sales and revenue of films in the home market is moving forward in a positive way. Films are now able to catch the attention of a larger audience.

Revenue from the local market is improving as shown in Table 7.3, from RM124.62 million (2004) to RM380.72 million (2008) in gross collection.

Table 7.3
Statistics of the Malaysian Film Industry

Year	2004	2005	2006	2007	2008
Admissions (mill)	16.6	25.92	27.87	33.55	43.85
Gross Takings (RM mill)	124.62	217.35	234.98	289.31	380.72
No. of Cinemas	59	66	68	76	91
No. of Screens	233	265	287	353	453
No. of Seats	55,950	61,482	66,822	78,496	92,642

Source: FINAS official website, <http://www.finas.gov.my>, retrieved June 2009.

The success of films in the home market is said to be an important indicator to achieve export potential, as according to the respondents, to penetrate a foreign market is to prove that your product is successful in your home country. To cite a producer who has had experience in the overseas market, “if your film was not successful in your own country, how would you be sure that it can make it in the foreign land”. This is the common question asked by foreign exhibitors before considering taking the film in.

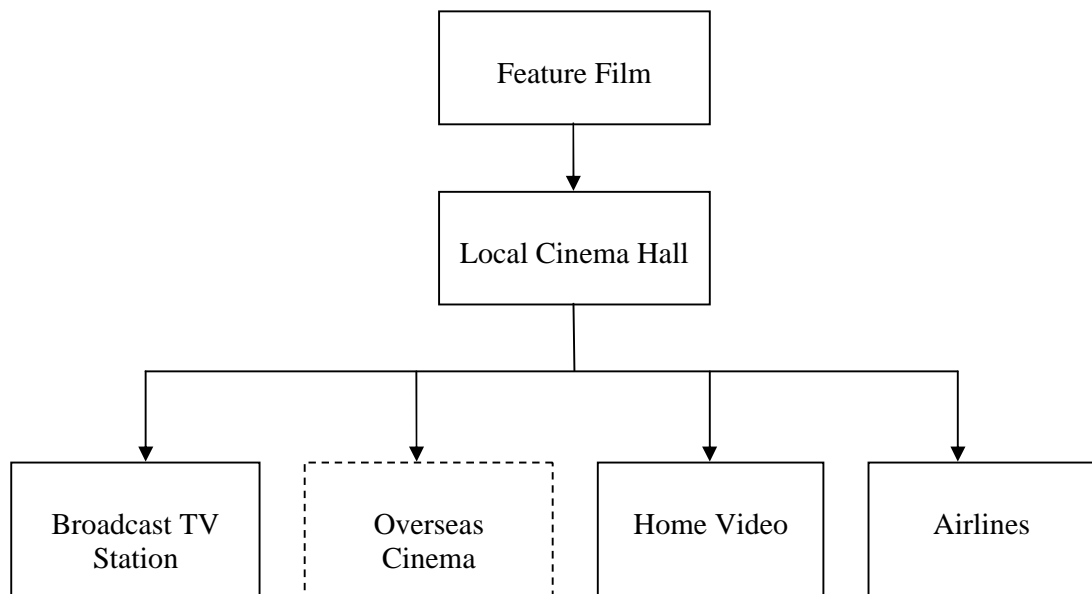
Although the Malaysian film market is at a disadvantage in terms of the size of its home market, small-size industry can still benefit from the global mass-market provided it has good content (producers always refer to this as ‘universal’ content). There is an avenue for the small film industry to gain entry into foreign markets. According to Caves (2000) and De Vany (2004) they can develop credentials through critical reviews in film festivals or award shows (De Vany, 2004; Jansen, 2005). Since the small film industry normally has a limited budget for advertising, this can be a platform to build a reputation to convince cinema owners. Despite the argument of the importance of award-winning films (Jansen, 2005; De Vany, 2004; Caves, 2000), a number of local film players are sceptical that the awards would mean anything. Quite a few films were

able to receive recognition in international film festivals and won numerous awards as discussed earlier. However, in terms of penetrating foreign markets, local films are unable to compete at open markets. Some argue that some producers (referring to mostly independent producers) are engrossed with collecting film awards. They further argue that merely focusing on award-winning films will not help the industry much, as for the industry to grow it needs to bring in money so that reinvestment can be made and the industry can expand.

7.5.1 Limited Sources of Film Revenue

Due to the small market size and limited exposure to the international market, sources of revenue for film products are indeed very limited. Figure 7.1 below is an illustration of typical revenue sources for local features.

Figure 7.1
Major Revenue Sources for Films in Malaysia



Once broadcast at local cinemas, there are other avenues to market the product in order to maximise its revenue stream. Prior to selling to other channels, there are producers who make an effort to penetrate overseas markets by showing the movie to overseas

cinema halls (only a few movies have been shown in foreign cinemas). After showing at the local cinema, the film will normally be marketed to cable or satellite TV before it goes to terrestrial TV. Such a practice is done in order to maintain the price structure.

In addition, the same film can be marketed to home video distributors as well as others such as airlines, hoteliers, and pay-TV operators. The above distribution pattern is based on a typical arrangement involving a local box-office film. A less successful film in the cinema will have difficulties in expanding its revenue sources.

For television programmes, the structure is even simpler. Most production houses sell broadcast rights to local TV stations. After a window period of normally 2-3 years, the product can be sold to other stations or overseas markets. For products commissioned under private TV stations, upon commissioning, the programme will be produced and supplied outright to the TV station. This means that the production house only gains a one-off revenue.

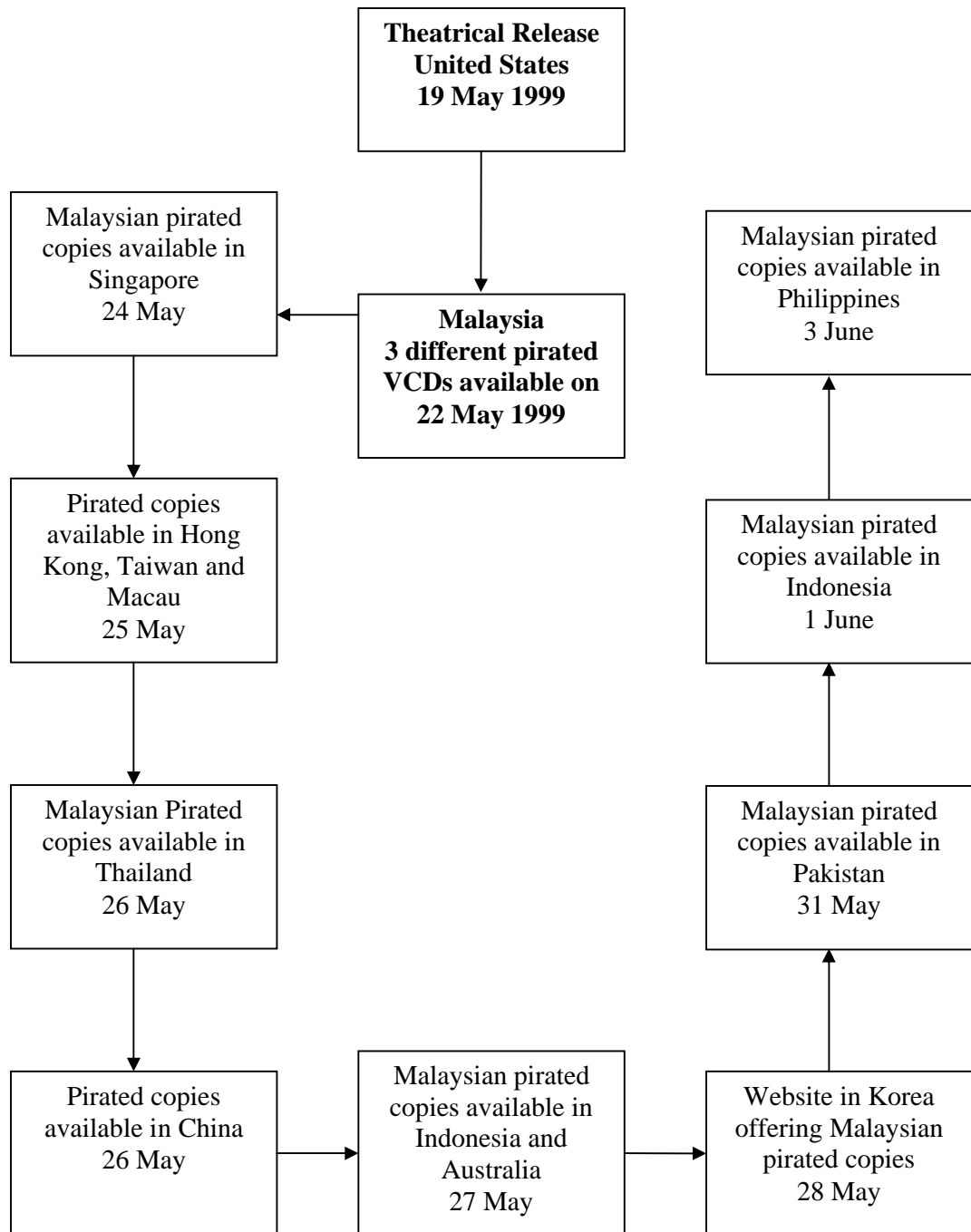
7.5.2 Piracy

In the late 1970s, upon the introduction of video, there was a mushrooming of films made for home-video. The expansion of the video industry is the result of the development in media technology that witnessed the flooding of video equipment in the Malaysian market. This has opened a new venue for film producers, producing for home-video.

However, the opportunity provided by video technology did not last long as the development of new technology has made piracy easy. Piracy has been a long-standing problem in Malaysia. Piracy has affected the industry with loss of potential income for,

in this case, film producers. Although the government, through the Ministry of Domestic Trade and Consumers Affairs (MDTCA) has taken necessary action to combat piracy, piracy activity seems rampant. In the discussion of the issue of piracy, taking a case of one Hollywood film released in 1999, Wang (2003) documented that Malaysia became the central source of location for pirated VCDs. As shown in figure 7.2, it was reported that pirated copies from Malaysia inundated the Asian market within days.

Figure 7.2
Piracy Map: *Star Wars Episode 1: The Phantom Menace*



Source: Adopted from Wang, S. (2003), personal interview with Michael C. Ellis, Vice President and Director, Asia/Pacific Anti-Piracy Operations, Motion Picture Association, 1 June 2000.

The seriousness of piracy activities have caused film producers to shy away from producing films for video distribution. Statistics show that over the years, there are fewer films produced for home-video. Table 7.2 shows that compared to other types of films that show steady growth, the feature VCD shows a declining number over the years.

Table 7.4
Number of 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 & Others	63	63	115	54	56	62
Animation	0	0	0	1	10	4
TOTAL	528	527	615	527	550	605

Source: <http://www.finans.gov.my/index.php?mod=industry>, retrieved, 14 February 2007.

Piracy is not only affecting cinema collection. In generating income for other sources, producers would normally sell outright to home-video distributors at a lump-sum price. Most producers are not taking the risk of expecting royalties from the home-video, as many suspect that their product will easily be pirated once the film print reaches second-hand (video distributors).

7.6 ISSUES ON FILM CONTENT

The interviewees agree that from the point of view of the local audience, Malaysian feature films lack good quality content. However, filmmakers argue that for products like TV drama, Malaysian film products are better or of the same quality as other countries like Indonesia's 'sinetron' or series from Taiwan and Korea.

7.6.1 Storytelling

The problem with Malay films is the weak storytelling and substance. From the interviews conducted, many agree that Malay films lack a strong innovative narrative and character. According to filmmakers, one of the main constraints of making films is the lack of good scripts that can entice the audience. They admit that Malaysia lacks good scriptwriters.

The analysis of this study supports the findings by Fuziah⁴⁴ who found that her study respondents commented that there is no clear development of the plots and characters in Malay films. They also commented that local films are lacking in terms of the issues, as those presented are too trivial. There are weak performances by the actors and actresses, as well as a poor standard of film directing.

Other than that, the quality of local films has not achieved global standard. According to Bill Bowling,⁴⁵ Malaysian production companies need to produce films that have universal elements in order to reach international markets.

7.6.2 Talent

Another factor that is affecting the industry is the difficulty in obtaining good talent, especially for feature films. According to producers, it is difficult to find new 'faces' to take the role of leading actors and/or actresses. From observation, local films are showing the same talent. Rosyam Nor, Erra Fazira, Fasha Sandha are among the few actors and actresses frequently featured in films. Producers also lamented that the audience might get fed-up of the same cast and resort to watching foreign films. They

⁴⁴ The findings of the study as reported on *Utusan Online*, 23 June 2008, 'FINAS Mohon Dana Perfileman RM100juta'.

⁴⁵ An invited speaker from Warner Brothers Pictures US. Talk on "Future of Malaysian Film Industry and Its Development from An International Perspective" held in FINAS, 16 December 2008.

argue that most talents either have no background in acting nor possess qualification from acting schools.

7.6.3 Audience

Because of its multi-ethnic nature, the Malaysian audience is segmented into different ethnic preferences. Malay films capture mostly Malays. The Malaysian film industry is dominated by Malay films and it has failed to capture other ethnic races. In addition, Malaysian audiences prefer foreign films rather than local films. They tend to undermine local films and are inclined to compare local films with that of Hollywood or others.

A study on Malaysian audiences by Dr. Fuziah,⁴⁶ from National University Malaysia, revealed that ethnic Malays constitute the majority of moviegoers, comprising 62.1 percent followed by Chinese, 21.3 percent, Indian 9.6 percent and other ethnic groups comprised 5.1 percent. The findings justify the composition of the different ethnic groups in Malaysia where in 2008 ethnic Malays comprised 58 percent followed by Chinese 25 percent, Indian 5 percent and others 2 percent.

English films are the most preferred movies with 88 percent of respondents, Malay films 83.5 percent, Chinese films 67.8 percent, Indonesian films 50.3 percent, Hindi 46.8 percent, Tamil 23.8 percent, Korean 43 percent and Japanese 37 percent. The statistics also show that only ethnic Malays have the tendency to watch any film while ethnic Chinese prefer Chinese films and Indians prefer Tamil films. However, overall, the study found that the majority of the audiences prefer English movies. In terms of

⁴⁶ The findings of the study as reported on *Utusan Online*, 23 June 2008, 'FINAS Mohon Dana Perfileman RM100juta'.

genre films, most, regardless of gender, have the tendency to watch films in the comedy genre.

The segmented market in the local film industry has compounded the problems arising from the already small market. However, according to some of the interviewees, local filmmakers should capitalise on the unique characteristics of the Malaysian audience. The Malaysian audience is indeed an advantage to filmmakers as, theoretically, if a film could capture the local audience of all ethnic groups, the chances are that it could capture a regional audience that shares a similar culture.

7.7 THE INTERNATIONALISATION OF MALAYSIAN FILMS

It has been quite some time that the industry has been confined to serving its local market. The advancement in telecommunication technologies is an exposure to local film players the trends in the global film business. Through the Internet, for example, the opportunity to market Malaysian film products is vast. However, it is observed that quite a number of industry players are complacent, merely servicing the domestic market.

Notwithstanding this fact, it is also found that regionally, local film products are able to attract a regional audience. NHK Japan, TVRI Indonesia, Suria TV Singapore are among foreign television stations that procure Malaysia's film products, especially local drama.

Few others have recognised the opportunities of the global market for their feature films. They have taken the initiative to penetrate the overseas market and compete

directly with foreign films in an open market. From the records of FINAS, only a few local feature films have been screened in foreign cinemas. According to FINAS, these films penetrated the Indonesian, Singaporean and the Philippines cinemas. The recent feature films screened in a foreign land are *Congkak* and *Jangan Pandang Belakang*. Both films were produced by MIG International.

The government, through FINAS, has been assisting local production houses to market their products on the international market. Many local films have been shown in international film festivals. This is one way of promoting local programmes and creating awareness of the availability of local talent and the local industry in general. According to FINAS there is a demand for Malaysian films from buyers and foreign distributors alike to buy local films in DVD form, especially from the horror genre. Eastern Europe and the Middle East buyers and distributors are interested in local programmes.

FINAS recorded the revenue from the selling of local film products in international film markets. In the MIPTV film market in Cannes the selling of local films yielded RM738,570 in total in 2008. This was an increase from RM490,585 in 2007 and RM336,425 in 2006. While in filmart Hong Kong, a total of RM410,876 was collected in 2008 an increase compared to previous years of RM302,150 in 2007 and RM247,565 in 2006. FINAS admits that although local films are still unable to bring in notable revenue, their effort is a good start to introduce local film products abroad.⁴⁷

The local film industry can be characterised as a marginalised industry. Internationally, not much is known of films from Malaysia. That is why local films have to be marketed

⁴⁷ *Utusan Online*, 23 September 2009, 'FINAS pasarkan filem Melayu ke AS'.

in a package and sold at a much cheaper price. For instance, a package of several films is sold between US\$20,000 (RM76,000) to US\$30,000 (RM114,000). FINAS is optimistic that their effort to expose local products and to bring local producers to sell their products in international film markets will, in the long-term, have a positive impact on the local film industry.

In another arena, a number of local films have been able to gain recognition at the international level through participation in international film festivals. These films have also won numerous awards. International recognition in film festivals is a step forward to boost the local film industry. As mentioned earlier, independent film players are also actively participating in international film festivals. Under the Malaysian flagship, they make Malaysia proud of their achievements. This effort would at least expose the Malaysian film industry to the outside world.

7.8 THE FUTURE OF THE MALAYSIAN FILM PRODUCTION INDUSTRY

The lack of a centralised government body to regulate matters pertaining to programme imports and television content was the issue of the past. During the course of this study, there was a reshuffling of the Cabinet in March 2009. The government realised the problems arising from the redundancy of responsibility, which was divided across multiple government agencies including the Ministry of Information that had responsibility over RTM and the Ministry of Water, Energy and Telecommunication that was responsible for other private broadcast stations, including ASTRO. The ministries were then combined to become the Ministry of Information, Communication and Culture. The filmmakers and industry players alike are optimistic of this new

structure in the ministry which they expect to be more comprehensive in tackling the issues and concerns surrounding the film production industry.

The film industry is a serious and viable industry to be developed. Like any other industry, many are relying on the industry for employment like directors, scriptwriters, technicians, and vendors. The importance of the industry does not merely come from its economic importance but most importantly a sustainable film industry is able to preserve the indigenous culture and way of life. Without having local, indigenous films, the chances are that the country will be inundated with foreign materials, which could lead to consequences, particularly concerning culture. Many might see the film industry as unimportant to the national economy, as at present the role played by the film industry and the contribution to the Malaysian economy is very minimal relative to other sectors of the economy, judging from the generation of revenue, and employment etc. Many sceptics may also see the efforts to build the industry as unviable when looking at the lack of competitive advantage. At present it is also quite impossible for Malaysia to beat bigger global film clusters that have the advantage of vast home audiences like India, which released 1,041 films in 2005, the US, which released 599 films in 2006, Japan 417 in 2006 and China 330 in 2006 (European Audiovisual Observatory, 2007).

Having said that, the case study also found that the indigenous film industry does not have to be that ambitious to compete in areas where Malaysia is definitely at the losing end i.e. to compete with big-budget films from developed countries. Malaysia should find a niche area within the film industry that it can capitalise on and benefit from. That way, the two-pronged objective of developing cultural industries can be achieved. First

is to develop the film industry that can contribute to the economy and second is to preserve local culture.

In recent years, it has become clear that the film industry cannot be viewed from its artistic value alone. Globally, film products have now become an important commodity. Entertainment is a serious business; that is why it is termed 'showbiz'. The industry cannot move forward if the people within the industry are not business minded. Of course film content is important, as culturally it carries the unique message of a particular society. The industry cannot sustain let alone develop if it puts aside the importance of profit making. As an illustration, many producers have made a plea to the government to provide grants for the industry to be able to produce a good quality film that is aesthetic in narrative (for example, highly artistic or historic films). The problem is, without commercial value a film is difficult to sell and that the producer cannot re-invest in subsequent film project. The consequence is that the next time the producer will still depend on government money to make films. Needless to say, the industry must develop, do business, make profit, make more films and make more profits, only then will the industry expand. A classic example is the production of *Puteri Gunung Ledang* by Enfiniti Production Sdn Bhd. This is the biggest budget feature film ever made in Malaysian history with the cost of production approximately RM16 million. Although it received good reviews and won numerous awards locally and internationally, the fact remains that it is a one-off project. The collection for this film on the home market was far from breaking even (gross collection of RM2.9 million) and since then Enfiniti Production has not produced any film.

With the advancement of technology, there are growing exhibition channels for film products other than cinema exhibition. Cable and satellite TV, and the Internet are the new potential revenue sources that are able to reach niche markets and global audiences.

Internationally, globalisation has led to the formation of business partnerships among the local film production companies as well as between the local and foreign film producers. Driven by the need for market expansion from the local to the international market, film producers have seen the potential in forming collaborations among them. It is also aimed at reducing the production cost. This has led to the formation of joint-productions and outsourcing in film production activities. However, joint-production and international collaboration has not been widely practiced in the Malaysian film industry. Although there were joint-production and collaboration between Malaysia and other countries especially in the 1950s and 1960s, the numbers of films produced were very insignificant. Lack of international recognition towards Malaysian films is one of the contributing factors to this situation. The market restrictions by other countries like Indonesia (Chadha and Kavoori, 2000) adversely affect the marketability of Malaysian film products. Hence, business partnerships between Malaysian film producers and their counterparts in other countries such as Indonesia should be explored and strategised, in order to capitalise on the huge market potential that will help to accelerate the development of the Malaysian film industry.

Nevertheless, the Malaysian film industry has started its participation in outsourcing activities involving international film production companies. So far, a number of local industry players have been given the opportunity to participate in the production of international films due to cheaper production cost and supported by the availability of skilled manpower. This practice has certainly benefited the Malaysian film industry especially through knowledge and technology transfer.

In addition, Malaysia is gaining in popularity among international film production companies as a strategic location to shoot their films.⁴⁸ This will also benefit the local film industry and can be further developed with support from the government in offering fiscal and non-fiscal incentives to attract international film production companies. It is of paramount importance for the local production companies to develop business networking among the international film production companies in other countries and at this stage, they should give more emphasis to their counterparts in highly potential markets.

The indigenous film production industry can be developed through:

- The exposure of local film products abroad, this could promote the industry by the establishment of the industry to attract capital, etc.

- To compete directly on films may not be a feasible option but there are many areas of the film industry upon which the local industry can capitalise. The industry should focus on areas where it can generate income, employment, and transfer of knowledge etc. Hence, this study has identified the areas in which the local industry can benefit from:
 - Unlike live films of different genres, animation films are easily directed towards attracting a global audience. Animation is a universal product and will likely be able to be accepted globally. It is proven that the industry has skilled manpower that is able to do its own animation and is proven marketable on the global market. Furthermore, higher learning institutions in Malaysia offers courses related to films and this increased the number of students graduating in media and IT-related courses. In

⁴⁸ Interview with FINAS.

addition, the outsourcing of production work would provide employment opportunities.

- The local film industry should take advantage of the emergence of the new international division of cultural labour (NIDCL). The ‘runaway production’ is a global trend in search of more efficient and cheaper cost of production. Studies have shown that ‘runaway production’ can create economic impact to indigenous film industry (Coe, 2000; O’Connor and Bolan, 2008; Tzanelli, 2004).
- Malaysian film industry should emphasise more on the production of television programme rather than feature films for cinema exhibition. Indeed, many countries have benefited from the exportation of their television programmes.

It is not impossible that the film industry could contribute to the economy in terms of income generation and employment should it be given serious attention. The government should support the film industry in a similar manner as it supports the manufacturing industry.

7.9 SUMMARY AND CONCLUSION

The analysis of the case study gives a better understanding of the internal factors that facilitate as well as impede the development of the indigenous film industry. After the period of stagnation up until the late 1990s, the Malaysian film production industry is now expanding at its own pace, despite facing many local issues. Some of the issues are indeed old issues that are still not properly addressed.

By understanding the global film business and its relation to the Malaysian film industry, it is evidenced that the local film industry is still a marginalised industry. To compete directly on the sale of film on the mass-market could be too ambitious but there are many niche areas or niche markets that the industry can penetrate to expand sources of film revenue. By understanding the industry, the study identifies the areas in which the Malaysian film industry is at a disadvantage as well as the areas where it has a competitive advantage. Malaysian film industry should further develop its animation production sector and capture the benefit of global 'runaway production'. In addition, fair attention should be given to the production of television programme. By capitalising on the availability of relatively cheaper production costs and relatively skilled cultural labour, the film production industry is a viable industry to be developed and has a potential to contribute to the economy.