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Audiovisual Services Sector: Can the Philippines Follow "Bollywood?"

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Audiovisual Services Sector Can the Philippines Follow "Bollywood?"

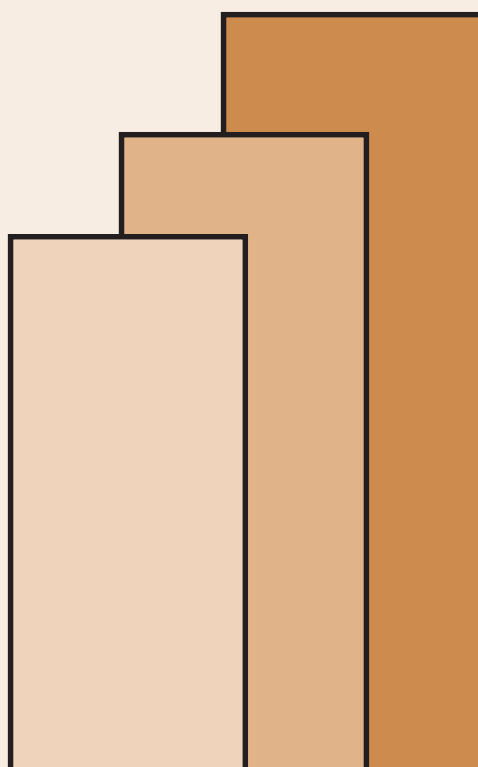
Gloria O. Pasadilla and Angelina M. Lantin Jr.

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**Audiovisual Services Sector
Can the Philippines Follow “Bollywood”?**

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Abstract

The paper is an industry study of the audiovisual services sector, specially the film and television industry in the Philippines. It discusses the importance of the sector in the economy and employment, its strengths and weaknesses, regulations that affect it, and the competitive forces that influence the key participants. The paper also discusses the technological developments such as digital technology that are changing the mode of delivery and consumption of audiovisual services. The paper notes its export potential because of the growing Filipino population abroad that continues to crave for local movies and programs, and considers ways how the Philippines can replicate the relative success of India, China, and Korea in breaking through the global market.

Keywords: Services trade, audio-visual services, GATS, film industry.

A. Introduction

The audiovisual services sector particularly the film industry is among the fastest growing sectors in different countries. The United States or “Hollywood” has dominated this sector around the globe, being the number one producer and exporter of films. However, as technology developed and markets opened, Asia, specifically India and China, is emerging as a strong global player. India and China together boast not only one-third of the world's population but have thriving film and television industries. For instance, India's film industry, also known as the “Bollywood,” is one of the largest in the world, in terms of films production and admissions. It is currently worth about US\$1256 million, by far “peanuts” compared to Hollywood resources, but the industry players are expecting a growth rate of 18 percent compounded rate annually for the next 5 years. The box-office success of movies such as ‘Bride and Prejudice’, ‘Bend it like Beckham’ and ‘Monsoon Wedding’ have established a footprint for crossover films both in India as well as in the international market. The return on investment for Indian films is high due to low costs of production and high revenues. For instance, ‘Monsoon Wedding’ earned US\$ 30 million worldwide on an investment of US\$ 1.5 million. In 2004 alone, it is estimated that five Bollywood releases generated more than US\$ 2 million each in the UK and US. With the ever increasing Indian diaspora around the world, the number of such movies with crossover themes is expected to rise substantially.²

Besides Bollywood, cinematic output and creativity are also rising in China, Iran, South Korea, Taiwan, Japan, Singapore and Hong Kong. The Chinese film “Crouching Tiger, Hidden Dragon” has grossed more than \$100 million in the United States alone — the first foreign-language film to take in that kind of cash.³ The Japanese horror movies are making waves not just in Asia but in North America as well. Hollywood is even remaking these horror films, an example is the American version of “The Ring.”⁴ Lastly, there are also the promising Iranian films which depict very relevant themes and show the Iranian culture. “The White Balloon,” “The Apple” and “Children of Heaven” stir audiences everywhere.

With the success of Bollywood and of other countries, is there a chance for the Philippines to be another “Bollywood?” Can the Philippines also penetrate the international market as what the Chinese martial arts-inspired films or Japanese horror films have done? Can Filipino films also stir the moviegoers around the world like happened with Iranian films? And what would it take to achieve it?

² Entertainment and Media. India Brand Equity Foundation.

³ Plate, Tom. (August 29, 2002). “Hollywood Faces New Competition: World Film Industry Is Globalization at Its Best.” <http://www.international.ucla.edu/article.asp?parentid=2059>

⁴ “The Ring” is originally a Japanese horror movie. With the success of the film, Hollywood decided to produce the same movie but employing American actors and shooting in American cities.

Answering these questions require an in-depth analysis of the audio-visual services (AVS) industry. What is its scope, in the first place? What are the Philippine AVS industry's strengths and weaknesses? What are its exports potential and emerging market trends? This paper is a first attempt at comprehensively studying this sector, part of the larger project of studying the country's services sector's readiness for more WTO-GATS request for liberalized service sector.

The paper is divided into six sections. This section presents the global overview of the audio visual services sector that includes some statistical information, global trends and development in the sector, and trade barriers typically hoisted across various countries. Section 2 then discusses specifically the entire Philippine AVS sector, while Sections 3 and 4 narrow their focus on the film industry and television industry, respectively. In both, a simple SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is undertaken. Section 5 summarizes the study and recommends some policy proposals.

B. Statistical Information on Audiovisual Services Sector

What does the AVS industry consist of? It is composed of several subsectors. In the WTO Services Sectoral Classification List (MN.GNS/W/120), which was drawn up during the Uruguay Round based on the United Nations Provisional Central Product Classifications (CPC), AVS, itself, is only a sub-sector of the Communication Services. Under AVS are six sub-subsectors which include: a) motion picture and videotape production and distribution services (CPC 9611)⁵; b) motion picture projection service (CPC 9612)⁶; c) radio and television services (CPC 9613)⁷; d) radio and television transmission services (CPC 7524)⁸; e) sound recording (CPC not applicable); and f) others.⁹ In the Philippines, film and television industries are its biggest subsectors, contributing significantly in the gross income of the total AVS sector. This paper, therefore, focuses on these two major subgroups of the Philippine AVS industry.

It is extremely difficult to present comprehensive and accurate statistical information for cross-country comparisons of the audiovisual services sector. Information about the trends and other developments in the sector is not easily available for different countries, even for

⁵ This category includes: (a) promotion or advertising services (CPC 96111); (b) motion picture or videotape production services (CPC 96112); (c) motion picture or videotape distribution services (CPC 96113); and (d) other services in connection with motion picture and videotape production and distribution (CPC 96114)

⁶ This category includes: (a) Motion picture projection services (CPC 96121); and (b) videotape projection services (CPC 96122)

⁷ This category includes: (a) radio services (CPC 96131); (b) television services (CPC 96132); and (c) combined program making and broadcasting services (CPC 96133)

⁸ This category includes: (a) television broadcast transmission services (CPC 75241); and (b) radio broadcast transmission services (CPC 75242)

⁹ (No CPC category specified, but could cover, for example, the contents of multimedia products)

developed ones. Moreover, there are issues about measurement, classification, desegregation and coverage that make different countries' AVS industry not easily comparable.

It is, however, widely recognized that the US is the largest market for audio-visual products and services as a whole, and is also the largest producer and exporter of these services. In 1998, the US film, television and home video industries earned over US\$12 billion through exports to 105 countries.¹⁰

Film

For the film industry, various co-production arrangements, definitional differences and other related factors make it difficult to determine the overall number of productions and nationality of the films produced. Based on the main producers' nationality, however, US films have been dominating the film industry of the different countries in the world, taking the lion share of income derived from movies. In countries with greater trade barriers in the AVS sector like South Korea and France, the US takes a slightly lower, though still significant, share in the domestic markets (Table 1.1).

Table 1.1: Market Share of US Films in Different Countries, 2000-2003

Country	2000	2001	2002	2003
US	93.3	93.1	93.9	95.1
Canada	-	-	85	87.5
Australia	83	80.6	83.2	89.3
EU	73	65.4	71.2	72.1
Spain	81.6	67	75	72
France	61.9	51	56	53
Italy	69.6	59.7	63.46	67
UK	75.32	81.41	82.5	73.5
Russia	-	-	75	89.5
South Korea	-	-	48.9	43.2

Source: *Focus: World Film Market Trends*, European Audiovisual Observatory, Various Years

In addition, the top 10 films from 1900-2005 in the world are produced and distributed by American film companies. Seven of these films solely originated from US as well as solely produced by an American company. The remaining three movies are co-produced by foreign companies that originated in New Zealand. Titanic released in 1997, Lord of the Rings: Return of the King, released in 2003 and Harry Potter and the Sorcerer's Stone, released in 2001 are the top three films for the 20th century (Table 1.2).

¹⁰ Mukharjee, Arpita. (April 2002). "India's Trade Potential in Audio-visual Services and the GATS." Indian Council for Research on International Economic Relations Working Paper No. 81.

Table 1.2 Top 10 World Box Office Films (in millions US \$): 1900-2005

Original Title	Nationality	Producer/ Distributor	US Box Office	International Box Office	Total
1. Titanic, 1997	US	Paramount Pictures/ Twentieth Century Fox	600.8	1234.6	1835.4
2. Lord of the Rings: Return of the King, 2003	US/NZ	New Line	377	752.2	1129.2
3. Harry Potter and the Sorcerer's Stone, 2001	US	Warner Brothers	317.6	658.2	975.8
4. Star Wars: The Phantom Menace, 1999	US	Twentieth Century Fox	431.1	494.4	925.5
5. Lord of the Rings: The Two Towers, 2002	US/NZ	New Line	341.7	583	924.7
6. Jurassic Park, 1993	US	Universal Pictures	357.1	563	920.1
7. Shrek 2, 2004	US	Dreamworks	436.5	444.4	880.9
8. Lord of the Rings: The Fellowship of the Ring 2001	US/NZ	New Line	313.8	556	869.8
9. Harry Potter and The Chamber of Secrets 2002	US	Warner Brothers	262	604.4	866.4
10. Finding Nemo, 2003	US	Disney/Pixar	339.7	525.3	865

Source: www.worldwideboxoffice.com

While the US dominates the world film market in terms of revenue, India beats the US in terms of number of film production. In 2003, for instance, India produced 1,200 films while the US produced less than half of that (Table 1.3). Other countries like Japan, France and Spain are far behind.

Table 1.3: Top 10 Countries Producing Feature Films, 2002

Country	Number of Films
India	1,200
United States	543
Japan	293
France	200
Spain	137
Italy	130
Germany	116
Philippines	109
China	100
Hong Kong	92

Source: World Top Ten Film Production Countries Map, www.mapsofworld.com/world-top-ten.

One significant reason is the disparity in production and investment cost of movie making across countries. Film production in the US is a hundredfold costlier than that in India where an average film cost less than five hundred thousand US dollars to produce. American movies, on the other hand, cost an average of USD 27 million, followed by those from UK and Germany. US movie companies invest substantially in special effects, post-production and film marketing.

Table 1.4: Top 10 Countries in Film Investment, 2002

Country	Number of films	Film expenditure (US \$ mn)	Average expenditure per film (US \$ mn)
US	543	14661	27
Japan	293	1292	4.4
UK	84	852	10.1
France	200	813	4.1
Germany	116	687	5.9
Spain	137	304	2.2
Italy	130	247	1.9
India	1200	192	0.16
South Korea	-	134	-
Canada	64	133	2.1

Source: World Top Ten Countries by Film Investment Map, www.mapsofworld.com/world-top-ten.

Music

For the music industry, the market for production of music content is highly concentrated with 5 companies holding around 75 percent of the world sales¹¹: Bertelsmann Music Group (BMG) (Germany), Polygram (Netherlands), Sony (Japan), Time Warner (USA) and Electric and Music Industries, Ltd. (EMI) (UK). Most of these companies (other than EMI) have diversified their operations, in which music revenue accounts for a smaller share of the total revenue (10 percent for Sony and 33 percent for BMG)¹². In spite of such financial concentration there are many smaller players in the industry catering to niche customers. Increasingly, these companies are having alliances with the major players.

Although, developing countries have significant export potential in music, trade in this sector is skewed in favor of developed countries. This is primarily because developing countries do not have large firms and financial structures necessary to invest significant capital into sophisticated marketing and distribution machinery with a global reach. Other factors affecting the growth and exports of music are weak institutional support, low levels of entrepreneurial capability, massive copyright infringements and the like.

C. Trends and Changes

The rapid expansion of international audiovisual trade has responded to rise in consumer demand, particularly in developed countries. Changing consumption patterns in industrial and developing countries, greater affluence and more leisure time have helped generate higher demand for films and music, which are considered, in economic parlance, as “normal” goods. At the same time, many technological developments have helped production of ever more varied and affordable products that feed the information society. This subsection discusses the supply and demand side of the global trends in the AVS industry.

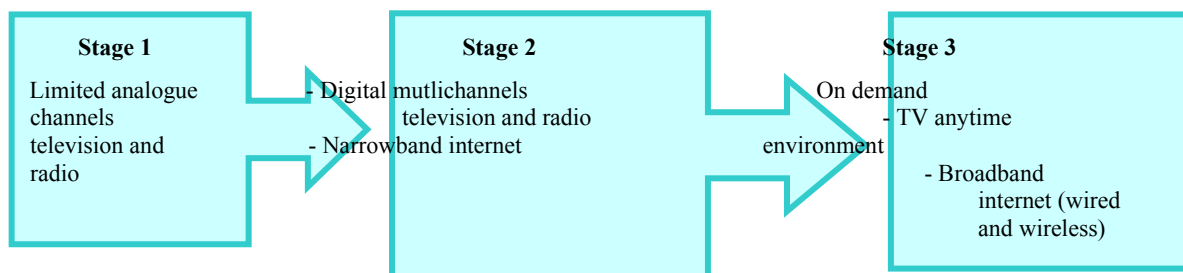
¹¹ The three European companies namely BMG, Polygram and EMI dominate the music industry and account for 40 percent of the market.

¹² Recently, Sony Music and BMG merged in order to expand their coverage as well as their operations. The two companies have equal sharing.

C.1. Supply Side

Digital Development. Over the years, the number of entertainment options has increased from radio to television to Internet. In addition to the increase in number of entertainment options, there has been an evolution in terms of pattern of media consumption. Before, consumers only enjoy limited television channels and radio frequencies but, as digital technology developed, consumers now enjoy a wider range of choices, from digital multichannels and narrowband internet, to on-demand television viewing.

Figure 1.1: Evolution of broadcasting with digital technology
The shift in the pattern of media consumption

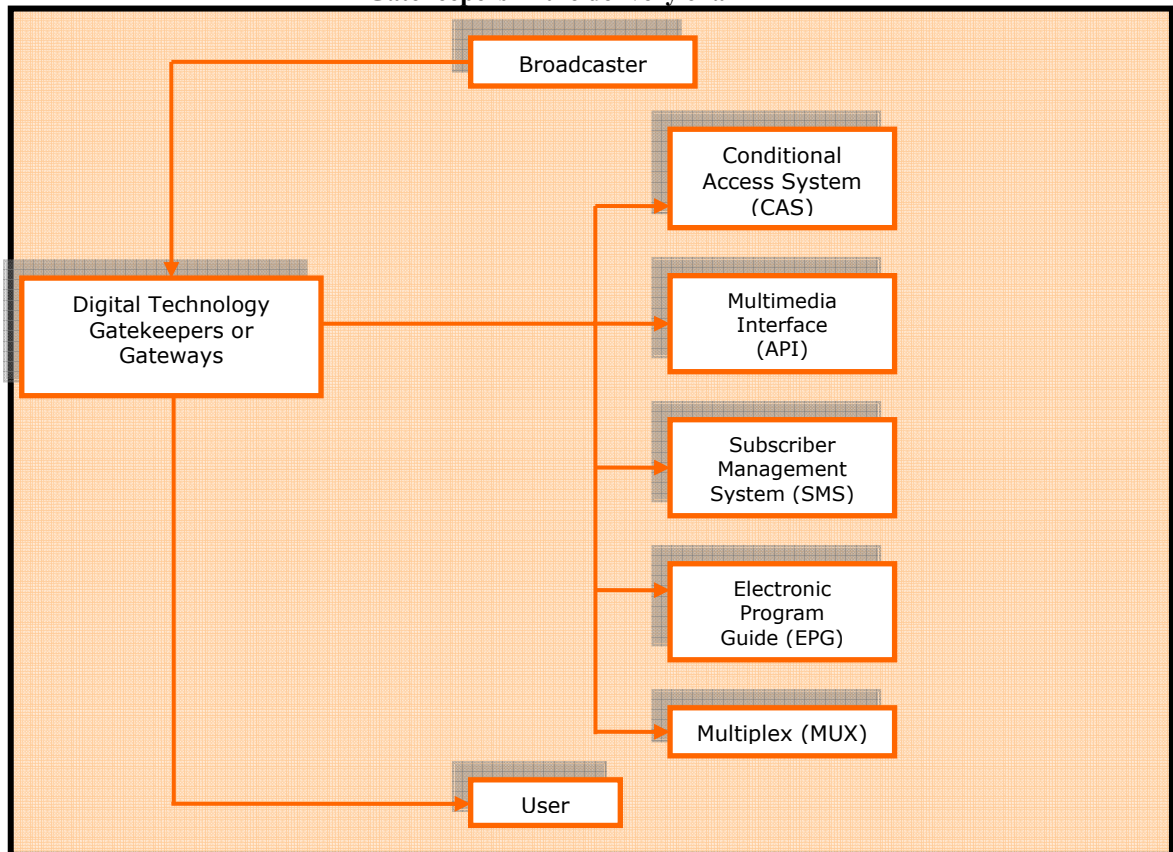


Source: "Media with a purpose: Public Service Broadcasting in the Digital Era." Digital Strategy Group of the European Broadcasting Union.

Technological developments (such as Internet, satellite and digital networks) have given consumers access to a multitude of entertainment and information services, thereby stimulating the growth of AVS products around the globe. They have also brought about a revolution in the way audiovisual contents are created, produced and distributed. For example, electronically developed audiovisual products and services have encouraged investments in digital networks.

The way the broadcasters deliver their services to the consumers has also evolved. A number of elements can act as "gateways", including the conditional access system (CAS), the multimedia interface (API), the subscriber management system (SMS), the Electronic Program Guide (EPG), or the multiplex (MUX). In each case the organization responsible for the element controls access to the user (Figure 1.2).

**Figure 1.2: Evolution of broadcasting with digital technology:
Gatekeepers in the delivery chain**



Source: "Media with a purpose: Public Service Broadcasting in the Digital Era." Digital Strategy Group of the European Broadcasting Union.

CAS allows consumers to select the television channels of their choice and pay only for those channels. Services such as video-on-demand allow consumers to receive programs at a time that is convenient for them. Television production companies are in the process of launching entertainment portals, which enables the customers to view their favorite programs at any time in any time zones. EPG allows the viewer to take advantage of features such as program summaries, search by subject or channel, immediate access to the selected program, reminders, and parental control functions. It also enables services such as video on demand, which may be free or pay-per-view. SMS is the system which creates bills for subscribers and this system is more on the convenience of the cable companies in keeping track of their subscribers. As a result of these different modes of delivery of audiovisual content, companies are restructuring their production and delivery system to target particular groups of audience. Global programming companies have oriented their products to cater to local markets. For example, ESPN India carries more cricket and polo events than ESPN service in most countries. MTV has 28 separate channels around the world, each of which is unique, with its own programming and local identity.

With these digital developments, changes in competition have also occurred in the industry. The increase in the modes of delivery of the same service, for example, results to a

stiff competition between traditional service providers and new entrants, forcing the former to enhance their technology. In addition, since digital technology allows content to be used in many different formats, thus opening up a wider market for the same product, corporate alliances between companies involved in different sectors of the economy such as broadcasting and telecommunication have ensued. With increase in the number of cross-sectoral and cross-media ownership, competition policy needs to be applied with detailed attention to market, sectoral, product and technological evolution. Lastly, the use of computer-generated digital production and special effects technologies have changed the employment pattern in audiovisual sector and increased the demand for skilled workers in this industry.

Infrastructure. Over the years, there have been noticeable developments in audiovisual infrastructure. For example, in the case of cinema, the development of multiplexes, where both foreign and locally produced films can be viewed side-by-side, together with digital sound system and modern infrastructure have made movie going a broader based leisure and consumption experience. In addition to digital theaters, theater owners are also innovating ways on how to attract people to get out of their houses with the advent of theater home devices. They are improving their services thus providing not just a simple projection of films but also offering fine dining and cocktail drinks. For instance, the latest multiplexes in Florida aim for an upscale Las Vegas Hotel wherein moviegoers can watch the latest film and have fine dining at the same time. Going to a movie should be a “social outing.”

Globally, the number of screens has increased while the number of seats per screen has decreased. Although there is no available data that will support the decrease in the number of seats per screen, there is an available data concerning the trend in number of screens worldwide. The increase in the number of screens can be verified through the tables presented below that show a growth in cinema screen for the top three biggest audiovisual markets as well as for Asian countries. As a result of these developments, many owners/operators of cinemas such as Village Roadshow (Australia), AMC (USA), Golden Harvest (Hong Kong), have expanded their operations worldwide, especially in developing markets.

Table 1.5: Number of Screens: 1990-2003

Year	United States	Growth Rate	EU (25 states)	Growth Rate	EU (15 states)	Growth Rate	Japan	Growth Rate
1991	24570		23275		17785		1804	
1993	26689	9	21605	(7)	17671	(1)	1734	(4)
1995	27805	4	21862	1	18608	5	1776	2
1997	31640	14	23298	7	20487	10	1884	6
1999	37185	18	25996	12	23077	13	1993	6
2002	36764	(1)	27648	6	24835	8	2524	27
Average Growth Rate (in %)		9		4		7		7

Source: Mukharjee, Arpita. (April 2002). "India's Trade Potential in Audio-visual Services and the GATS."

In Asia, China has the highest number of cinema screens followed by India then by Japan for the year 2002. In terms of growth rate from 2001 to 2002, South Korea posted the highest growth rate of 19 percent followed by Thailand which grew by 18 percent and by Iran which grew by 11 percent.

Table 1.6: Number of Screens in Asia: 2002

	Number of Screens (2002)	Growth Rate (2001-2002)
China	65500	0
India	11000	(8)
Japan	2635	2
South Korea	977	19
Philippines	900	(4)
Indonesia	850	(58)
Taiwan	669	(3)
Thailand	465	18
Iran	311	11
Malaysia	295	(2)
Hong Kong	184	5
Singapore	139	6

Source: *Focus: World Film Market Trends*, European Audiovisual Observatory, Various Years

Sources of Revenue. There have been significant changes in the method of financing audiovisual services. Traditional broadcasting media was primarily financed by license fee, government grants and the like. When private broadcasters entered the market in the 1970s and 1980s they were mainly financed through advertisement revenues. With the proliferation of channels in the late 1980s and 1990s, audience share per channel has become fragmented. Advertisement revenue is sometimes no longer sufficient to finance many new channels. Although advertising revenue is still the highest source of income of audiovisual services, the growth rate for this component is not as high as the monthly subscription and pay-per-view. Companies have been seizing this opportunity, initiating new modes of financing particularly with the monthly subscription and pay-per-view.

These changes are evident in Europe as well as in the United States. As early as 1990's, the growth rate in revenue from television advertising has been below average, while

"direct" income, from cable subscriptions, pay TV, pay-per-view, video and cinema ticket sales, has grown fastest over the last ten years. During late 1990's, subscription revenues even gained more importance. It represented about 30 percent of the industry revenues and grew to approximately 35 percent in 2000.

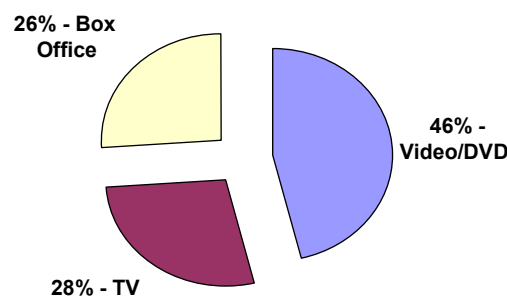
Table 1.7: Breakdown of the television industry's sources of revenue (in %)

Source of revenue	World	Growth '94-'95	United States	Growth '94-'95	Europe	Growth '94-'95
Advertising	46.9	9.1	46.7	4.2	42.5	15.8
Video	15.6	4.2	18.6	1.3	10.9	7.8
Cable	13.1	12.2	20.6	10	7.7	23
License fees	10.7	3.5	0.4	3	21.4	2.8
Cinemas	6.3	4.5	6.5	1.8	7.2	9.5
Pay TV	7.4	14.7	6.2	4.4	10.7	22.8
PPV	0.50		1		0	

Source: IDATE, Institut de l'Audiovisuel et des Télécommunications en Europe. www.idate.fr

In the case of the film industry, blockbusters are barely meeting the production costs through the sale of cinema tickets. Estimates suggest that for a film to break even, it must earn at least twice as much at the box office as the total costs of development and production, a goal achieved by only two thirds of big-budget films. However, the bulk of profits are accumulated through the sale of other goods in multiplex cinemas, and sale of associated items such as clothing, toys and videos. An example of such situation was the movie "The Lion King" (1994) of Walt Disney. The movie cost \$55 million to produce and generated \$313 million in the US and \$450 million abroad in box-office receipts. These figures are dwarfed by the \$3-billion sales of Lion King merchandise and the \$500 million video sales.

Figure 1.3: Breakdown of the Film Industry's Sources of Revenue



Source: "Filmspace: Behind the Scenes." (Sept. 12, 2000). Algemene Bank Nederland and the Amsterdamsche-Rotterdamsche Bank (ABN AMRO).

C.2. Demand Side

Growth rate of audiovisual services is closely related to the level of development of the country, growth of per capita income, level of urbanization, literacy level, and existence of restrictions on entertainment options to name a few. In most developed and developing countries the proportion of income spent on leisure and entertainment comprises a growing proportion of the average household's budget. This is evident from different countries like United States of America, Korea and Europe. In the U.S., growth in 2002 in the major components of spending—food, housing, apparel and services, transportation, health care, entertainment, and personal insurance and pensions— averaged 2.9 percent, but spending for entertainment rose 6.5 percent. In Korea, according to the National Statistical Office of Korea (1993), the annual average household expenditure for culture and recreation rose to \$660 in 1992 as compared to \$14.4 in 1972. In Europe, recent estimates point to the doubling in the medium term of the share of household expenditure given over to audiovisual software products. Specifically, in 1995, French households spent on the average, 3.5% of their budget on cultural products.

D. Regulations and restrictions affecting trade in audio-visual services

Audiovisual service sector is considered an important and influential medium for cultural expression. Many countries, therefore, usually appeal to cultural exemption under the WTO rules in imposing trade regulations in AVS. Many WTO member countries have raised concerns that the overwhelming presence of foreign cultural products causes the erosion of cultural values and identities in receiving societies. Regulations on audiovisual services, however, concern not only social and cultural issues, but also promotion of domestic industry and protection from foreign competition. With increased globalization, it has become difficult for local producers to compete with imports from global players, especially American studios.

Many countries impose trade barriers such as import quotas, high duties, special and discriminatory taxes, foreign remittances restrictions, local ownership requirements, screen and air-time restrictions, and subsidies to local film industries. Motivations for imposing these restrictions vary from the government's desire for profits from the activity, to a decision to subsidize the local film industry, to cultural protectionism.

Domestic Programming Quota and Equity Constraints

Countries promote and protect their indigenous audiovisual industry through a variety of policy measures and institutions. The most comprehensive policy framework is usually contained in legislation concerning the broadcasting markets, content ownership and programming. The most common restrictions in the audiovisual services sector are the

imposition of quota on foreign programs as well as local content requirement, foreign ownership/investment requirement and subsidies/support provided to the local industry.

The imposition of a minimum quota for domestic programs is the most common restriction in the AVS sector. These restrictions are in the form of television broadcasting quotas, cinema hall exhibition quotas, radio broadcasting quotas and the like. Many important WTO members such as the European Union (EU), Canada, Brazil, China, Malaysia, Korea, Egypt and other countries have implemented regulations imposing such restrictions. For instance, on October 3, 1989, EU adopted the “Television Without Frontiers” (TWF) directives which allows broadcasters to reserve majority of their transmission time for European origin programs. The table below presents the minimum quota requirement for different countries.

Table 1.8: Minimum Quota Requirements for Different Countries

France	Italy	Spain	Canada	Korea	Malaysia
<ul style="list-style-type: none"> 40 percent of the broadcasting must be exclusively of French origin and additional 20 percent must be of EU origin 40 percent of songs on almost all private and public radio stations to be Francophone 	<ul style="list-style-type: none"> Over 50 percent of the monthly transmission time including prime-time programming, is reserved for programs of EU origin “Seat and screen” quotas which require all multiplex movie theatres of more than 1300 seats to reserve 15-20 percent of their seats, distributed over no fewer than three screens, for showing Italian and EU films 	<ul style="list-style-type: none"> 50 percent of their annual broadcast time should be allotted to European audiovisual works Spanish movie theatres are required to show at a minimum one day of European films for every three days of films from a third country 	<ul style="list-style-type: none"> Canadian programs should cover 60% of the total television broadcast time and 50 percent of the time during evening hours (6pm to 12am) For Direct-to-Home (DTH) broadcast services, more than half of the channels received must show Canadian programs 	<ul style="list-style-type: none"> Domestically produced programs must cover a minimum of 50 percent (non-terrestrial) and 80 percent (terrestrial) of the broadcasting time Upper limit for the share of total foreign broadcasting time for any foreign films, animation or popular music, from a single country is kept at 60 percent 	<ul style="list-style-type: none"> Broadcasters are required, through licensing conditions, to devote 70-80 percent of airtime to local programming

Source: Mukharjee, Arpita. (April 2002). “India’s Trade Potential in Audio-visual Services and the GATS.”

Several countries have imposed restrictions on foreign ownership of audiovisual services. The most common form of these restrictions includes limits on foreign equity participation, local incorporation requirements, licensing requirements, nationality and citizenship requirements. Examples of such restrictions are presented in the table.

Table 1.9: Foreign Ownership and Investment Requirements

Japan	Malaysia	Korea	Mexico and China	Philippines*
- Under the Cable Television Broadcast Law, foreign investment in satellite services is restricted to 20 percent for program suppliers, 33 percent for facility providers and 20 percent for suppliers of both programs and facilities	<ul style="list-style-type: none"> Foreign investors are prohibited in terrestrial broadcasting Malaysian government also imposes a 20 percent limit on foreign investment in cable and satellite operations through licensing agreements 	<ul style="list-style-type: none"> Foreign investors are prohibited in terrestrial broadcasting There is a foreign equity ceiling of 49 percent on foreign investors in cable transmission network business and 33 percent in Korean satellite broadcasting 	- Foreign investment in broadcasting are limited to 49 percent	- Foreign investors are not allowed to invest in cable infrastructure as well as in other mass media related businesses

Source: Mukharjee, Arpita. (April 2002). “India’s Trade Potential in Audio-visual Services and the GATS.”

*1987 Philippine Constitution

Subsidy and Domestic Support

Often various support program, tax holidays and subsidies are used to promote the growth of domestic audiovisual industry. Increasingly these forms of assistance are replacing the direct restrictions on foreign entry. Even developed countries such as Australia, Canada, EU and the US have a wide range of support programs.

Example of support program is the Media Plus Programme of Europe. The MEDIA Plus Programme (2001-2005), the third generation of the program, entered into force in January 2001 and aims at strengthening the competitiveness of the European audiovisual industry with a series support measures dealing with the training of professionals; development of production projects and companies; distribution of cinematographic works and audiovisual programs; promotion of cinematographic works and audiovisual programs; and support for cinematographic festivals.

Equipped with a budget of 400 million euro, the program brings support both before and after production. MEDIA co-finances training initiatives for audiovisual industry professionals, the development of production projects (feature films, television drama, documentaries, animation and new media), as well as the distribution and promotion of European audiovisual works. Such program truly helped the sector to boost its competitive and deliver a good quality service not only in its local market but also in international market.

Through Telefilm Canada (the Canadian Film Development Corporation), the Government of Canada provides support as a partner, to the private sector for the production of film and broadcast material, at all stages from screenplay development to final production and beyond to the distribution and marketing of the finished products in Canada and abroad. Australia also has various support programs for the film industry through various organizations such as Australian Film Commission (administers government funds to assist the development of both feature and non-feature films and film related organizations) and the Australian Film Finance Corporation (provides a mechanism for financing Australian features, mini-series, tele-movies and documentaries).

In US, public funding to support domestic content production is relatively low, but individual states provide a range of incentives to attract production. Federal funds are distributed for film and video art production by the National Endowment for the Arts.

Other developed countries such as France, Germany, Australia and Japan provide aids and subsidies to the domestic audiovisual industry. The French Centre National de la Cinematographie (CNC) requires the film distributors, exhibitors and exporters to pay a levy which is used to generate subsidies for the local film industry. There are also special admission tax revenues and fees for censorship, visas, permits and registration that are used

to generate subsidies for the domestic industry. German government provides aid for film promotion and other related activities by imposing levies on box office receipts and home video.

The Australian government provides tax concessions for investments in particular format and programs. These tax concessions are designed to encourage private investment and they allow investors to claim 100 per cent tax deductions on certified films.

Section 2

An Overview of the Philippine Audiovisual Services Sector

This section presents an overview of the Philippine audio-visual services sector - the market structure, performance, its contribution to the economy. The first part deals with the industry definition and contribution to the economy, while the second part discusses the industry structure, then followed by the domestic regulatory framework.

A. Coverage of the Philippine Audio-Visual Services (AVS) Industry

Following the WTO coverage of the AVS sector, the Philippine AVS sector constitutes the industries under division 92 of the Philippine Standard Industrial Classification (PSIC), the recreational, cultural and sporting activities group. This division is composed of the motion picture, radio, television and other entertainment activities and the recording or taping of sound. The motion picture, radio, television and other entertainment activities (921) is further divided into three categories – the motion picture and video production and distribution (9211)¹³, motion picture projection (9212)¹⁴ and the radio and television activities (9213)¹⁵. In addition to these industries is the recording or tape of sound which has a PSIC code of 92493.

B. AVS Industry and the Macroeconomy

Contribution to Economy

Based on the 2003 figures, the Gross Value Added (GVA) of the services sector amounts to 46.37 percent of the country's total Gross Domestic Product (GDP) at constant 1985 prices. Out of this 46.37 percent, almost 8 percent comes from the private services sector, and in particular, recreational services contribute about one percent to GDP (Table 2.1).

¹³ The motion picture and video production and distribution includes the production of theatrical and non-theatrical motion picture, whether on film or video tape, for direct projection in theaters or for broadcasting on television; production in a motion picture studio or in special laboratories for animated films or cartoons; the products may be full length theatrical films, documentaries, shorts, etc., for public entertainment, for advertising, education, training and news information as well as religious pictures, animated cartoons of any kind, etc.; auxiliary activities on a fee or contract basis such as film editing, cutting dubbing, etc.; distribution of motion pictures and video tapes to other industries but not to the general public (this involves the safe rental of movies or tapes to other industries, as well as activities allied to the distribution of films and video tapes such as film and tape booking, delivery, storage, etc.). The PSIC code of motion picture and video production is 92111 while the PSIC code of motion picture and video distribution is 92112.

¹⁴ The motion picture projection includes motion picture or video tape projection in theaters or in open air and in private screening rooms or other projection facilities. Excluded in this sector are those involving renting of space in theaters as well as the agency and casting activities.

¹⁵ The radio and television activities involve the production of radio and television programs, whether live or tape or other recording medium and whether or not combined with broadcasting. The programs produced and broadcasted may be for entertainment, for promotion, education or training or news dissemination; production of programs generally results in a permanent tape which maybe sold, rented or stored for broadcast or re-broadcast; production such as sports covering, whether forecasting, interviews, etc. This industry is further divided into three - radio broadcasting and relay station and studios (92131), television broadcasting and relay stations and studios including closed circuit television services (92132) and radio and television program production (92133).

Based on available gross revenue figures of the major industry players included in top 12,000 corporations in 2001, the recreational, cultural and sporting activities earned P21.3 billion, of which P17.5 billion came from the AVS industry. Among the sectors in the audiovisual services, the television broadcasting and relay stations and studios contribute the highest percentage of 80.56 percent, followed by the motion picture distribution and production with 8.09 percent (Table 2.2). From 1997-2001, average growth of gross revenue of the AVS is 12.2 percent.

Table 2.1: Gross Domestic Product by Industrial Origin
(in million pesos at constant 1985 prices and current prices)

Industry	At Constant Prices		At Current Prices	
	2003	Percentage to Total	2003	Percentage to Total
1. Agriculture, Fishery and Forestry	214,327	19.60	632,007	14.50
2. Industry Sector	372,048	34.03	1,409,553	32.34
3. Service Sector	506,942	46.37	2,317,485	53.16
a. Transportation, Communication and Storage	87,748	8.03	313,178	7.18
b. Trade	180,768	16.53	603,305	13.84
c. Finance	52,312	4.78	187,826	4.31
d. Ownership of Dwellings and Real Estate	50,804	4.65	269,603	6.18
e. Private Services	82,161	7.51	539,203	12.37
Educational	9,068	0.83	116,076	2.66
Medical and Health	13,824	1.26	69,364	1.59
Business	10,713	0.98	85,721	1.97
Recreational	10,969	1.00	46,894	1.08
Personal	21,136	1.93	131,403	3.01
Hotel and Restaurant	13,764	1.26	78,826	1.81
Others	2,687	0.25	10,919	0.25
f. Government Services	53,149	4.86	404,370	9.28
Gross Domestic Product	1,093,317	100	4,359,045	100

Source of Basic Data: NSCB

Table 2.2: Gross Revenue of the Audiovisual Services Sector as of 2001
(in thousand PhP)

Audiovisual Services Sector	2001	Percentage to Total
A. Motion picture and video production	1,417,744	8.09
B. Motion picture projection	342,878	1.96
C. Radio and television program production	428,666	2.45
D. Radio broadcasting and relay station and studios	787,143	4.49
E. Recording or taping of sound	431,024	2.46
F. Television broadcasting and relay stations and studios including closed circuit television services	14,122,579	80.56
Total Gross Revenues	17,530,034	100

Source: Top 7,000 and 5,000 Corporations, 2002-2003

In terms of growth, the services sector has an average growth rate of 4.8 percent from 1993 until 2003 as opposed to the average growth rates of 2.6 percent and 3.7 percent of agriculture and industry sectors, respectively. Among the private services sectors, recreational services rank fourth with an average growth rate of 4.4 percent (Table 2.3).

Table 2.3: Growth Rate of GDP and Major Sectors, 1994-2003
(based on constant prices with 1985 as the base year)

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Average
GDP	4.39	4.68	5.85	5.19	(0.58)	3.40	5.97	2.96	3.12	4.70	3.97
1. Agriculture, Fishery and Forestry	2.60	0.85	3.82	3.09	(6.38)	6.50	4.33	3.69	3.80	3.80	2.61
2. Industry Sector	5.77	6.72	6.44	6.14	(2.12)	0.88	8.97	0.91	0.15	3.78	3.76
3. Service Sector	4.23	5.02	6.37	5.42	3.47	4.02	4.42	4.25	5.10	5.76	4.81
Transport Communication and Storage	4.25	5.81	7.41	8.23	6.49	5.26	10.45	8.81	8.93	8.59	7.42
Trade	3.95	5.57	5.52	3.90	2.45	4.88	5.16	5.61	5.76	5.66	4.85
Finance	5.47	7.31	13.77	12.97	4.45	1.91	0.88	1.23	3.44	7.10	5.85
Ownership of Dwellings and Real Estate	2.92	3.04	4.14	3.78	1.62	0.59	(0.02)	(0.45)	1.72	4.00	2.13
Government Services	5.46	3.74	5.90	2.54	2.27	3.09	1.69	0.94	1.46	2.89	3.00
Private Services	4.27	4.33	4.99	4.82	4.66	5.79	4.84	4.40	5.49	5.13	4.87
a. Educational	3.99	4.08	4.91	6.63	6.86	5.11	4.18	4.22	4.14	4.19	4.83
b. Medical and Health	3.55	4.72	5.07	4.19	6.31	5.27	8.10	5.70	7.54	6.58	5.70
c. Business	5.96	5.62	5.51	6.40	4.49	6.11	6.94	7.73	8.14	8.18	6.51
d. Recreational	3.69	3.79	4.92	4.78	3.52	7.40	3.78	2.93	3.98	5.34	4.41
e. Personal	2.53	3.13	4.42	4.03	4.23	5.83	5.16	4.91	5.54	6.19	4.60
f. Hotel and Restaurant	7.33	5.69	5.76	4.69	3.47	5.16	1.69	1.72	4.09	1.56	4.12
e. Others	2.61	3.12	3.59	3.47	4.89	6.12	4.04	3.56	3.31	3.87	3.86

Source of Basic Data: NSCB

Contributions to Employment.

The AVS sector is a labor intensive sector. Total number of employees engaged in this service sector reached 23,624 for the year 2003 which is 0.15 percent of the total employment in the service sector or 2.8 percent of the total employment in the other community, social and personal service activities.

Table 2.4: Employed Persons in Major Industry Group, 2003

	Number (in thousand)	Share to Total Employment (in %)
Philippines	31,524	100
1. Agriculture	11,675	37.04
2. Industry	4,941	15.67
3. Service Sector	14,904	47.28
a. Wholesale and retail trade, repair of motor vehicles, Motorcycles, and personal and household goods	5,672	17.99
b. Hotels and restaurants	786	2.49
c. Transport, storage and communication	2,363	7.50
d. Financial intermediation	332	1.05

e. Real estate, renting and business activities	720	2.28
f. Public administration and defense, compulsory social security	1,387	4.40
g. Education	906	2.87
h. Health and social work	366	1.16
i. Other community, social and personal service activities	856	2.72
Of which is AVS sector	24	0.08
j. Private households with employed persons	1,514	4.80
k. Extraterritorial organizations and bodies	2	0.01

Source: NSO

Most of the AVS employees are based in the National Capital Region (NCR) since almost all of the establishments are instituted in this region. The highest number of employees are engaged in the motion picture projection services (O92120) employing 33.93 percent or 8,015. It is followed by radio broadcasting and relay station and studios (O92131) employing 31.56 percent of the total number of employees or 7,457. Lastly, television broadcasting and relay stations and studios including closed circuit television services (O92132) employ 16.84 percent or 3,979.

Table 2.5: Regional Distribution of Employees Engaged in AVS Sector, 2003

Region	Description						
	Motion picture and video production	Motion picture and video distribution	Motion picture projection	Radio broadcasting and relay station and studios	Television broadcasting and relay station and studios	Radio and television program production	Recording or taping of sounds
Philippines	1,504	500	8,015	7,457	3,979	962	1,207
National Capital Region	1,424	500	1,806	2,232	3,566	887	1,135
Cordillera Administrative Region	-	-	69	219	15	-	-
Ilocos Region	21	-	200	553	-	-	12
Cagayan Valley	3	-	151	198	6	-	-
Central Luzon	12	-	443	228	-	-	-
CALABARZON	22	-	794	289	17	-	15
Bicol Region	S	-	569	568	91	-	-
Western Visayas	15	-	299	823	37	-	33
Central Visayas	7	-	330	573	70	-	6
Eastern Visayas	-	-	845	217	S	-	-
Zamboanga Peninsula	-	-	421	223	69	10	-
Northern Mindanao	-	-	230	425	38	-	-
Davao Region	S	-	255	453	53	-	6
SOCCSKSARGEN	S	-	360	113	13	-	-
Autonomous Region in Muslim Mindanao	-	-	144	44	4	-	-

CARAGA	-	-	327	234	-	65	-
MIMAROPA	S	-	772	65	-	-	-

Note: S is suppressed due to confidentiality
Source: NSO

Table 2.6: Percentage Distribution of Employees Engaged in AVS Sector, 2003

PSIC Code	Description	Number of Employees	Percentage to Total
O92111	Motion picture and video production	1,504	6.37
O92112	Motion picture and video distribution	500	2.12
O92120	Motion picture projection	8,015	33.93
O92131	Radio broadcasting and relay station and studios	7,457	31.57
O92132	Television broadcasting and relay stations and studios including closed circuit television services	3,979	16.84
O92133	Radio and television program production	962	4.07
O92493	Recording or taping of sounds	1,207	5.11
Total		23,624	100

Source of Basic Data: NSO

C. Industry Structure

The audio-visual services sector has 2,810 establishments and most of these are concentrated in National Capital Region except for the motion picture projection. Out of this, 76.09 percent is engaged in motion picture projection service, followed by radio broadcasting and relay station and studios with 16.01 percent. Lastly, the motion picture and video production occupies the third spot with 3.17 percent (Table 2.7).

Table 2.7: Percentage Distribution of Establishments Engaged in AVS Sector, 2003

PSIC Code	Description	Number of Establishments	Percentage to Total
O92111	Motion picture and video production	89	3.17
O92112	Motion picture and video distribution	-	-
O92120	Motion picture projection	2,138	76.09
O92131	Radio broadcasting and relay station and studios	450	16.01
O92132	Television broadcasting and relay stations and studios including closed circuit television services	58	2.06
O92133	Radio and television program production	42	1.49
O92493	Recording or taping of sounds	33	1.17
Total		2,810	100

Source of Basic Data: NSO

Even if there are many audio-visual services establishments, only few huge companies dominate the market.¹⁶ For instance, in the film industry, the top income earners are Studio 23 Incorporated with a 43.30 percent share to total, followed by the Unitel

¹⁶ For a complete list of major industry players in the AVS sector as well as their gross revenue for 2001, please refer to Appendix B.

International Picture with 16.1 percent share to total and lastly, the Roadrunner Network, Incorporated with 12.99 percent share to total.

Table 2.8: Motion Picture and Video Production Gross Revenue, 2001

Major Industry Players	Gross Revenue (PhP 000)	
	2001	Percentage to Class Sub-total
1. Studio 23, Incorporated	613,945	43.30
2. United International Pictures	228,225	16.10
3. Roadrunner Network, Incorporated	184,101	12.99
4. Philippine Animators Group, Incorporated	97,554	6.88
5. Film Experts, Incorporated	89,679	6.33
6. Star Cinema Productions, Incorporated	87,854	6.20
Class Sub Totals:	1,417,744	100

Source: Top 7,000 and Next 5,000 Corporations, 2002-2003

For the television industry, the top three companies have a market share of 93.11 percent. These major companies that dominate the market are ABS-CBN with a market share of 65.34 percent, followed by GMA Network with 24.76 percent market share and lastly, ABC with 3.60 percent share. How this concentration affects market competition is discussed further below.

Table 2.9: Television Broadcasting and Relay Stations and Studios including Closed Circuit Television Services Gross Revenue, 2001

Major Industry Players	Gross Revenue (PhP 000)	
	2001	Percentage to Class Sub-total
1. ABS-CBN Broadcasting Corporation	9,229,769	65.35
2. GMA Network, Incorporated	3,496,948	24.76
3. ABC Development Corporation	508,725	3.60
4. Television and Production Exponents, Incorporated	373,122	2.64
5. Radio Mindanao Network, Incorporated	352,015	2.49
Class Sub Totals:	14,122,578	100

Source: Top 7,000 and Next 5,000 Corporations, 2002-2003

D. Regulatory Framework

Several government regulatory bodies facilitate the industry. First is the Department of Telecommunications and Communications (DOTC). As mandated by Executive Order 125 in 1987, DOTC is the main government agency tasked with the supervision and regulation of the industry. This agency formulates policies and plans for the industry's development. In addition, the power to grant all franchises, grants, licenses, permits and certificates to television or radio broadcast stations is conferred upon the commission and the DOTC Secretary upon the approval of the president.

Second is the National Telecommunications Commission (NTC). Policy implementation is handled by the NTC, an agency attached to DOTC. The NTC was created pursuant to Executive Order No. 546, promulgated on July 23, 1979.

The agency's supervisory, regulatory and control functions cover three broad areas which are telecommunications, broadcast undertakings and radio spectrum. Within the agency, Broadcast Department is the department directly responsible for the development of the television and radio industries. The broadcast department has several functions which include the granting of permits for the use of radio frequencies for radio and television stations and undertaking the registration of transmitters; regulating ownership and operation of radio and television stations; and supervising and inspecting the operation of radio and television stations, including auxiliary stations.

Furthermore, the broadcast department is divided into two divisions that is the Program Division and the Technical Division. The Program Division is tasked with the implementation of guidelines and directions enacted and instituted by the NTC for purposes of regulating radio and television broadcasting programs. Program development, market viability and other related studies with the end view of promoting public interest and protect public welfare have also been entrusted to the division. On the other hand, the Technical Division is responsible for the implementation of guidelines and directions of the NTC related to the technical operations of radio and television broadcasting station. Furthermore, it undertakes developmental and improvement studies, recommend standards and rule setting as well as the provision of services to enhance technical capabilities of radio and television broadcasting stations.

Third is the Movie and Television Review and Classification Board (MTRCB) which was instituted through the implementation of Presidential Decree of 1986. The board has several functions which include the following: (1) to screen, review and examine all motion pictures for theatrical or non-theatrical distribution, television programs, including publicity materials such as advertisements, trailers and stills; (2) to approve or disapprove, delete objectionable portions from and/or prohibit the importation, exportation, production, copying, distribution, sale, lease, exhibition and/or television broadcast of the motion pictures, television programs and publicity materials which are objectionable for being immoral and indecent; and (3) to classify motion pictures, television programs and similar shows into categories such as "G" or "For General Patronage" (all ages admitted), "P" or "Parental Guidance Suggested", "R" or "Restricted" (for adults only), "X" or "Not for Public Viewing".

The proliferation and unregulated circulation of videograms have greatly prejudiced the operations of movie houses and theaters. These have caused a sharp decline in theatrical attendance by at least 40 percent and a tremendous drop in the collection of sales, contractor's specific, amusement and other taxes consequently, resulting in substantial losses estimated at P450 Million annually in government revenues (Presidential Decree No. 1987). In order to combat the said problem, the government instituted the Videogram Regulatory Board (VRB). This VRB was reorganized and now it is called as the Optical Media Board (OMB). The

main function of this Board is to supervise, regulate, grant, deny, or cancel permits for the importation, exportation, production, copying, sale, lease, exhibition or showing of videograms. Also, the Board requires the registration of all business establishments engaged in the importation, exportation, production, reproduction, exhibition, showing, sale, lease or disposition of videograms in order to operate. For reproduction purposes, no one is allowed to copy or reproduce any cinematographic art without the written consent or approval of the producer, importer or licensee of the cinematographic art to be copied.

A. Industry Definition and Contribution to the Economy

Based on the 1994 Philippine Standard Industrial Classification (PSIC) Code, the industry is classified under 092111 for the motion picture production; 092112 for the motion picture distribution; and 09120 for motion picture projection.

Table 3.1: Film Contribution to the Philippine Economy

Economic Indicators	1994		1988		Growth Rate In %
	Value (in million PhP)	% Share Of Film Industry	Value (in million PhP)	% Share Of Film Industry	
GVA (Film Industry)	7,390	-	8,729	-	18.12
GDP	766,368	0.96	888,875	0.98	15.99
GNP	786,136	0.94	931,127	0.94	18.44
Number of Employees	15,517	0.06	-	-	-

Source: 1994 Census of Establishments

Based on the latest data, the Gross Value Added (GVA) or output of the local film industry amounted to P8.7 billion in 1998 versus P7.3 billion in 1994. The industry's percentage share on Gross Domestic Product (GDP) is only 0.98 percent while 0.94 percent on Gross National Product (GNP). These figures are negligible which indicates that the film industry has yet to contribute a significant share to the Philippine economy based on absolute data. Its employment of 15,517 in 1994 excluded actors and actresses was only 0.06 percent of the total number of employment. On the other hand, the industry's GVA is growing much faster at 18.12 percent compared to GDP growth of 15.99 percent, which suggests that the sector has relatively better prospects than other economic sectors. Total employment's growth of film personnel is at 13.81 percent.

B. Industry Associations

The movie industry is organized along sectoral and guild interests. There are guilds for movie producers, artists, directors, other creative talents and craftsmen -- all of which have federated under a self-policing organization called the Film Academy of the Philippines (FAP) which was established through a presidential decree in 1982 for the government to have a closer supervision over, and extend assistance to, the industry. Under its umbrella are the different organizations and guilds of the industry's working forces such as Katipunan ng mga Artista ng Pelikulang Pilipino (KAPP), Kapisanan ng mga Director ng Pelikulang Pilipino (KDPP), Philippine Motion Picture Producers Association (PMPPA), Movie Producers & Distributors Association of the Philippines (MPDAP) and others.

In addition to FAP, there is a newly organized Film Development Council of the Philippines (FDCP). FDCP has a major objective of uplifting the art and craft of film making and encouraging the production of films for commercial purposes that seek to enhance the quality of life, examine the human and social conditions, and contribute to the dignity and

nobility of the human spirit. The council has the following functions as stated in Republic Act 9167: (1) to develop and implement an incentive and reward system for the producers based on merit to encourage the production of quality films; (2) to establish, organize, operate and maintain local and international film festivals, exhibitions and similar activities that will promote the growth and development of the local film industry; (3) to develop and promote programs to enhance the skills and expertise of Filipino talents necessary for quality film production; and (4) to ensure the establishment of a film archive in order to conserve and protect film negatives and/or prints as part of the nation's historical, cultural, and artistic heritage.

FDCP has the Cinema Evaluation Board which will evaluate and grade films. The Board will also formulate and establish a set of standards, criteria and procedures for the Cinema Evaluation System, primarily based on, but not limited to, direction, screenplay, cinematography, editing, production design, music scoring, and acting performances. The grading of films by the Cinema Evaluation Board is subject to different criteria and the films can have a grade of either "A" or "B" which will be entitled to privileges such as amusement tax¹⁷ rebates. Grade "A" films will have 100 percent amusement tax rebate while Grade "B" films will have 65 percent amusement tax rebate. The remaining thirty-five (35%) shall accrue to the funds of the Council.¹⁸

C. Industry Players

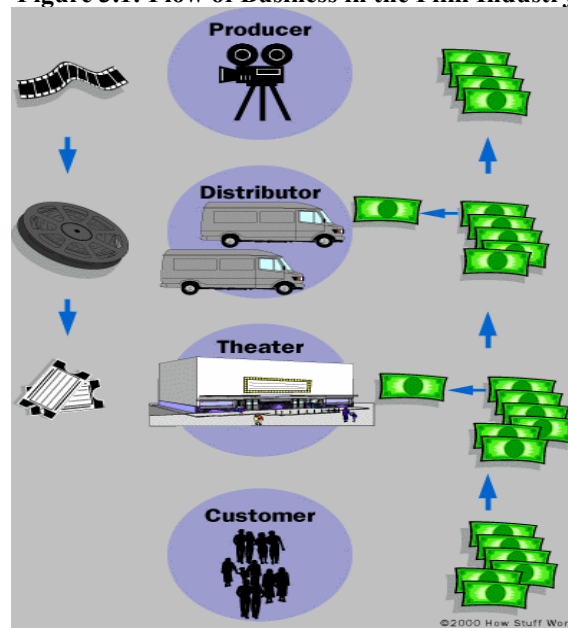
The film industry is composed of three important business lines that are interdependent with each other. These are the producers, distributors and exhibitors.

The flow of product in film industry is as follows: a film property is produced by the production company, which then sells the distribution rights to the distributor. These rights are often bid for by distributors through film markets or through sales agents. Often, the distributor will bid for the distribution rights before production is finished and the distributor pays an advance to the production company. The rights to show the film property are then bid for by exhibitors. The types of agreements made between the producer, distributor, and exhibitor, as well as the share of revenue allocated to the distributor will vary, depending on the channel of distribution.

¹⁷ Thirty percent amusement tax on gross receipts for theaters is imposed and collected by cities and municipalities in Metro Manila and other highly urbanized and independent component cities in the Philippines pursuant to Sections 140 and 151 of Republic Act No. 7160

¹⁸ The Cinema Evaluation Board differs from the MTRCB in that the former evaluates largely on artistic and technical merit, while the MTRCB provides guidance on the ethical/moral suitability of the film content for various groups of movie viewers.

Figure 3.1: Flow of Business in the Film Industry



Source: "How Movie Distribution Works." <http://entertainment.howstuffworks.com/movie-distribution.htm>

Producers. Producers are those who make the film by arranging for the finances, casting, and technical arrangements. They are responsible for creating varieties of films that will suit people's preferences and tastes, and sell the films to various distributors. The Philippines used to be third biggest producers of films in the world but this film production ability had since waned. In addition, during late 1980's to mid 1990's, there used to be 24 domestic film producers then was reduced to 14 producers in 1998. Further consolidation to four production houses is widely expected. Some of the known local producers are Regal Entertainment, Viva Films, Star Cinema, Seiko Films, Solar Films, OctoArts Films, Neo Films and Premier Entertainment.

Distributors. The film distributor is not merely a middle-man between the production company and the exhibitor, limited only to buying and selling the product. Essentially, film distribution is the marketing activity for films. In addition to formulating and implementing promotional and advertising strategies, the distributor will liaise with the media, produce all necessary promotional materials, provide advice on all aspects of production, and provide financing for productions through advances and buying of rights. Some distributors have even backward-integrated into production to ensure a continuous stream of marketable product.

The major Filipino film distribution companies are also those of production companies. These local production companies, more often than not, distribute their own movies in the local market. Foreign films, on the other hand, use their own distribution system network. These include: Buena Vista Pictures Distribution, Sony Pictures Entertainment Inc.,

Metro-Goldwyn-Mayer Studios Inc., Paramount Pictures Corporation, Twentieth Century Fox Film Corporation, Universal City Studios LLLP, and Warner Bros. Entertainment Inc.

The major distributors have several advantages compared to local competitors. One, they have access to different markets worldwide most especially in the United States. Second, they enjoy economies of scale in access to financing capital. The capital will be used in their extensive marketing and promotion of films. Third, the reputation of a distributor serves a competitive advantage. Since film producers are interested in maximizing returns, they would seek to allocate distribution rights to a distributor with past performance for successful promotion. Furthermore, some producers may be willing to accept less favorable terms (i.e. a lower percentage of the box office gross) from an established distributor for the possibility of higher aggregate revenues. This 'reputation' also serves as a competitive advantage on the exhibitor side. Since exhibitors want to fill seats, and bookings for theatres are usually made in advance of completing production (especially during the busier summer and holiday seasons), exhibitors will rely on a distributor's reputation and presumed ability to market the film that maximizes box office draw. Likewise, an exhibitor may give more favorable terms to an established distributor with the expectation of higher aggregate earnings. Again, because of their size and portfolio of film offerings, the major distributors dominate the majority of screens in the country, leaving only a handful of screens available at any given time for the local distributors to exhibit their product.¹⁹

Exhibitors. Exhibitors are the last in line in the flow business in the film industry. These are the firms responsible for showing featured films in theaters. Most of the cinemas are located in Metro Manila. Out of the 373 screens in the country, 215 of 57.6 percent are found in Metro Manila and the rest are spread in areas outside the capital region.

Table 3.2: Number of Movie Theater Houses and Screens

Metro Manila Cinemas	Movie Theater Houses	Screens	Regional Cinemas ^b	Movie Theater Houses	Screens
Ayala Cinemas	5	23	Ayala Cebu	1	5
Robinsons Movieworld	7	45	Regional Cinemas – Robinsons	8	43
SM	10	76	Cinema 2000 – Regional	13	48
MMTA ^a	13	63	SM Luzon	7	34
Power Plant	1	6	SM Visayas and Mindanao	4	28
Theater Mall - Greenhills	1	2			
Total	37	215		33	158

Source: *Philippine Daily Inquirer Entertainment Section*, September 11, 2004. pp. A-30 and A2-2.

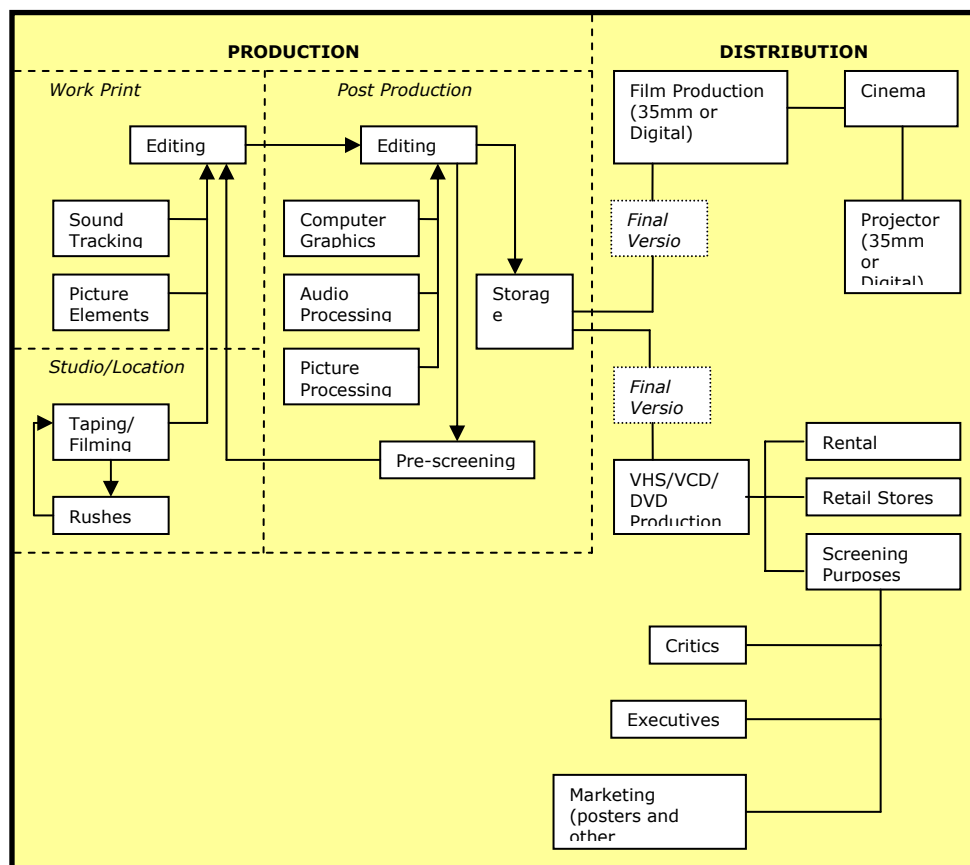
^a Metro Manila Theaters Association that include Shangri-la Plaza, Isetann, Gotesco, Berma Cinema, Lianas Cinema, Festival Cinema, Masagana Cinema, Market Place, Starmall Movies, Eastwood and Araneta Center – Ali Mall Cineplex; ^b Theaters outside Metro Manila

¹⁹ Leong, Anthony, Lara Kalins, Oren Levy, et al. (1996). "The Film Distribution Industry in Canada." <http://www.mediacircus.net/filmdis1.html#role>

D. The Production Process

The production process of film is divided into two major parts: production and distribution. Under production, there are the studios or shooting locations, work print²⁰ and the post production²¹. The studios or shooting locations are composed of the taping of films. Sound tracking²², picture elements and editing are under the work print. In the post production, further editing concerning computer graphics, audio and picture processing as well as the pre-screening take place. The processes in the work print and post production will continue until the film is finally ready for storage then for distribution and mass production. In the distribution process, the film will undergo two processes – the film production that will be exhibited in different cinemas and the VHS/VCD/DVD production that will be for rental houses, retail stores as well as for screening purposes.

Figure 3.2: The Production Process



Source: McDaniel, Patrick. (September 14, 2004). "An Analysis of Vulnerabilities in the Movie Production and Distribution Process"

²⁰ Work print is any positive duplicate picture, sound track print, or magnetic duplicate which is intended for use in the film editing process.

²¹ Post Production is the period in a project's development that takes place after the picture is delivered, or "after the production." This term might also be applied to video/film editing or refer to audio post-production.

²² Sound tracking generically refers to the music contained in a film, though it literally means the entire audio portion of a film, video or television production, including effects and dialog.

E. Industry Performance: SWOT Analysis

Strengths. Some Filipino films are putting up a gallant performance at international film festivals and even earning a few awards along the way.²³ This despite the fact that the invasion of more Hollywood and Asian films, constantly escalating production costs, widespread film piracy, general impression of hackneyed plotlines, the local audience's colonial mentality and preference for foreign films, lack of education on film appreciation, and exorbitant taxation, to name a few, have slowed down the film industry.

"Magnifico," a film directed by Maryo J. de los Reyes, appears to be leading the charge for local productions in the international arena in 2003. Mitchiko Yamamoto's award-winning script tells an uplifting story of a young boy who unexpectedly tries to help his family survive their hardships through his compassion, conviction, and courage. After being included in the shortlist of five nominees for the Golden Maile award for best feature film at the 2003 Hawaii International Film Festival, the Violett Films production won the Crystal Bear/Grand Prix for Best Feature Film and Children's Jury awards at the 27th Kinderfilmfest of the 2003 Berlin Film Festival. Perhaps the film's worldwide reception convinced the FAMAS and the PMPC Star Awards to award it their Best Picture trophies.

Aside from Berlin and Hawaii, "Magnifico" was also in the official selection for the Crystal Globe Award at the 2003 Karlovy Vary International Film Festival, "Window in Asian Cinema" at the 2003 Pusan Film Festival, "Focus on Asia" section at the 2003 Fukuoka International Film Festival in Japan, "Cinema of Asia" section at the 2003 Montreal World Film Festival in Canada. The film is also invited to the 2004 Bangkok International Film Festival, Kristians and Children's International Film Festival in Norway, Istanbul Children's International Film Festival, Robert de Niro's Tribeca Film Festival in New York, Cinemasia Film Festival in Amsterdam, Tiburon International Film Festival, and other festivals in Italy, Indonesia, UK, and Germany.

A flop at the local box office like "Magnifico," director Mario O'Hara's "Babae sa Breakwater" pulls off another surprise when it earned rave reviews from international critics after it was screened last month at the Cannes International Film Festival Director's Fortnight. Produced by new industry player Entertainment Warehouse, the film has gained the nod of European viewers for its social treatment of poverty-stricken Filipinos living around the breakwaters of Manila Bay. The Young Critics Circle earlier cited it for Best Screenplay and Best Picture during its 14th Annual Circle Citations for Distinguished Achievement in Film 2003. The film was also recently included in the French film festival line-up along with

²³ For a complete list of Filipino movies that were recognize in international film festivals, please refer to Appendix C.

Mariami Tanangco's short film "Binyag" which competed at the International Short Film Festival in Clermont-Ferrand, France.

Meanwhile, Seiko Films' big boss Robbie Tan scores a critical success in "Bridal Shower," a sex-comedy revolving around three contemporary women and their respective relationships. Notwithstanding the earlier acclaim garnered by director Jeffrey Jeturian's previous works, most notably "Pila Balde" and "Tuhog," the film is able to stand on its own for its relevant commentary on the modern concept of love. It played to jam-packed theaters during the Singapore International Film Festival and the Udine Far East Film Festival in Italy and is expected to perform similarly at the Asian American International Film Festival in New York and the Cinefan 6 Asian Film Festival in New Delhi, India. It was earlier recognized best comedy film of the year at the debuting Enpress' Golden Screen Awards.

Similarly, Unitel Pictures' "Crying Ladies" also manages to perform well at the tills and merit some good reviews from critics at the same time. Director Mark Meilly's Palanca award-winning script centers on mourners-for-hire whose services traditional Chinese families acquire to emphasize the importance of the deceased when they were still alive. Meilly's innovative idea and the vast experience of his Unitel production team greatly helped him in securing Best Director and Best Picture honors for his debut feature at the Metro Manila Film Festival.

During the 32nd Brussels International Independent Film Festival,²⁴ film actor Cesar Montano bags the Grand Prix Special Du Jury in the Competition International category, the third highest award. The award is in recognition of the overall performance of Mr. Montano as actor and director of the movie *Panaghoy sa Suba*.

In addition to talented directors, actors and scriptwriters, exhibitors are also one of the strengths of the industry since a bulk of the revenues of the producers comes from box office or from theatrical receipts. For instance, Star Cinema, one of the major production studios, earn about 60 percent of its revenue from cinema, 30 percent from video and 10 percent from television.²⁵ As discussed in the previous section, there are several cinemas in the country and most of the cinemas are located in Metro Manila. These cinemas are a great way for the producers to feature their films.

Weaknesses. Ironically, even with these strengths, the industry's survival is in doubt due to several problems. The industry's problems can be divided into two major divisions. First are the problems in production and second are the problems in the distribution.

Problems in Production. Filipino filmmakers labor under huge production costs. To break even, a producer must gross P12 million from a P4 million film budget. Two-thirds

²⁴ This was held from November 1-6, 2005 at the Centre Cultural Jacques Franck in Brussels, Belgium.,

²⁵ Interview with Ms. Marizel Martinez, head of video production of Star Cinema.

(2/3) of the gross goes to the theater owners and taxes, and the remaining one-third (1/3) to the producer. However, with the gloomy economic situation coupled with the continuous increase in prices, film rolls and other materials, producers are facing difficulties in making films. The star system is also plaguing the production process since some superstars charge as much as P3-P4 million in addition to ancillary rights and other fringe benefits. These eat up a big chunk of an average production budget of P15 million. Furthermore, these superstars, more often than not, cause delays in taping of the film, thus further jacking up production cost. In terms of the availability of digital facilities such as laboratories for processing and synchronizing pictures with sound and sound studio, the country has no such facilities; thus, local companies have to do these processes in other countries.²⁶

Problems in the Distribution. The number one problem in distribution is film piracy. High-tech film pirates deprive legitimate producers of potential income. Piracy forms include unauthorized airing, exhibition, and distribution of films in CAT-TV networks, video theaters, buses, hotels, restaurants, ships and video reproduction and retail establishments. In addition to film piracy, local movies are losing out to bigger-budgeted foreign films. As presented below, the local film industry is plagued by foreign films. These foreign films are mostly produced by major producers in United States and has allocated huge amount of money for the film advertisements. Usually, trailers and other advertisements for foreign films are shown months before the showing date, thus creating greater public awareness and curiosity about the film. However, for the local films, trailers are shown only weeks before the showing date due to the delays in the shooting of film.

The industry is also among the heavily taxed entertainment industry in Asia²⁷. Among such taxes is the amusement tax which the local government imposed on the theater owners. This tax amounts to 30 percent of the gross receipts from the ticket sales. Aside from the amusement tax, there are also 10 percent VAT on film shares and post-production costs; P0.25 per ticket for cultural tax; P8,000 to 10,000 classification fee per film by the MTRCB, custom duty on imported unexposed films needed for filming and exhibition; and 32 percent corporate tax. In addition, there are also taxes for importing equipment and machineries needed for shooting films and printing the advertisements. On average, importing these machineries is subject to 6 percent tax rate but since these equipments cost thousands of pesos, the import costs sum up to a significant amount. To be a certified box office hit, a movie has to make more than PhP20 million in its Metro Manila run alone. If a movie costs P20 million to produce, it has to gross P60 million for the producer to at least break even.

²⁶ Ibid.

²⁷ Philippines is next to India which impose 14-167 percent amusement tax depending on the location. Other Asian countries impose lower amusement tax: 3 percent in Japan and Singapore; 0 percent in Hong Kong; 7 percent in Thailand; 8 percent in Taiwan; 17 percent in Korea; 25-30 percent in Indonesia.

The skyrocketing production cost is one important cause for the decline in the number of domestic film production. The downward trend of the industry is evident based on the statistics from MTRCB. In 2003, the country has only produced 109 films compared to 266 foreign films that penetrated the local market. More than half of the films reviewed are foreign produced films. As early as 1983, local films only occupy 30.3 percent of the total films reviewed by the Board. The yearly average of local films is 157 while the yearly average of foreign films is 442.

Table 3.3: Statistics of Theatrical Films (Prints) Reviewed by the MTRCB, 1983-2003

Year	Total	Foreign	Percentage to Total	Local	Percentage to Total
1983	465	324	69.68	141	30.32
1984	402	250	62.19	152	37.81
1985	428	270	63.08	158	36.92
1986	408	228	55.88	180	44.12
1987	426	259	60.80	167	39.20
1988	442	288	65.16	154	34.84
1989	427	285	66.74	142	33.26
1990	377	233	61.80	144	38.20
1991	358	226	63.13	132	36.87
1992	415	294	70.84	121	29.16
1993	425	293	68.94	132	31.06
1994	454	317	69.82	137	30.18
1995	456	299	65.57	157	34.43
1996	443	269	60.72	174	39.28
1997	456	236	51.75	220	48.25
1998	425	234	55.06	191	44.94
1999	565	379	67.08	186	32.92
2000	591	411	69.54	180	30.46
2001	520	374	71.92	146	28.08
2002	429	253	58.97	176	41.03
2003	375	266	70.93	109	29.07
Total	9,287	5,988		3,299	
Average	442	285	64.27	157	35.73

Source of Basic Data: MTRCB

In addition to this downward trend in film production, the local industry also experienced deterioration of film quality. Because of high production cost, producers created low-budget, low-class, usually lewd films. Consequently, MTRCB classified many local films into R (Restricted) category, which means that the film is limited for adults viewing only. In 2003, out of the 109 films, 42 or 38.53 percent were rated as R. This was followed by PG-13 rating with 31 films or 28.44 percent.

Table 3.4: Statistical Distribution of Local Films Based on Rating, 2003

Rating	No. of Films	Percentage to Total
G*	19	17.43
PG – 13	31	28.44
R – 13	9	8.26
R	42	38.53
X	8	7.34
Total	109	100

Source of Basic Data: MTRCB

*G=General Patronage; PG=Parental Guidance
Recommended; R = Restricted

Opportunities. Opportunities for the film industry lie on the moviegoers and potential markets that can be divided into two: the local and the international viewers, especially, the overseas Filipino contract workers as well as Filipino immigrants. Industry experts believe that the way out of the problems in the industry is to export beyond the Philippine market. Production costs are escalating, but the local market remains stagnant. In addition, film companies can also grab the opportunity in increasing their revenues that can be brought about by the breakthrough in the internet connections as well as in the cellular mobile telephone.

Philippine Demographic Profile. The domestic market has a large consumer market based on the sheer size of its population, which stood around 76.5 million in 2000 with a growth rate of 2.36 percent. The country's population is predominantly young in which about 83.76 percent of the total are below 45 years old. Out of the 83.76 percent, 42.44 percent is composed of male population while 41.32 percent is composed of female population. Producers tend to focus on the young population who, more than other age groups, patronize movie-going.

International Viewers. The international market can be the country's neighboring nations with similar culture and somehow can understand Asian lifestyle. Some of these countries are Taiwan, Korea, Singapore, Malaysia, or Hong Kong.

In addition, the overseas contract workers (OCW) can be considered as viable target consumers of Filipino films, in the same way that overseas Indians are the main buyers of Indian films. Based on the 2000 figures of the Philippine Overseas Employment Administration (POEA), Asia has the highest number of Filipino OCW with 292,296 or 45.4 percent followed by the Middle East with 283,291 or 44 percent. These two continents, including North America, can be a feasible market for Filipino films.

Lastly, the Filipino immigrants in different countries mostly in North America can also be viable viewers of Filipino films. The number of immigrants in North America since 1820 until 2003 reached 1,673,400. Filipino immigrants to the US are mostly located in

California. In Canada, there are also Filipino immigrants that are potential viewers. The latest statistics showed that there are around 232,670 Filipino immigrants for 2001. Europe, especially in Italy, is also home to thousands of Filipinos.

Internet Connections and Cellular Mobile Telephone. Aside from the moviegoers from the local and international markets, film companies can also tap the local market through internet (either through the dial-up or the broadband connections) as well as through mobile telephone. Through internet connections, online distribution of films is a cinch; through the wireless technology, downloading of movie clips, movie-based wallpaper, and ring tones, is very convenient. In these ways, film companies can have an additional income on top of the cinema ticket sales.

These two connections have an increasing trend in terms of the number of subscribers. As reported by National Telecommunications Commission (NTC), the number of internet providers reached 43 in 2004 with 1.2 million subscribers. Broadband connection is also on its way in providing services all over the country. The increase in internet users provides a potential upside for film viewing via the internet too.

Table 3.4: Number of NTC-Registered Internet Services Providers and Estimated Subscribers, 1996-2004

Year	Number of NTC-Registered Internet Service Providers	Estimated Number of Subscribers	Growth Rate (in %)
1996	24	100,000	-
1997	17	200,000	100
1998	23	300,000	50
1999	31	350,000	16.7
2000	34	400,000	14.3
2001	64	500,000	25
2002	53	800,000	60
2003	41	1,000,000	25
2004	43	1,200,000	20

Source: www.ntc.gov.ph

Threats. The general impression is that Filipino films are generally watched only by the “baduy” or low class viewers, except for a few films that get the attention of Class A and B viewers²⁸. As discussed previously, many Filipino films shown in cinemas are rated R, which already limits the number of potential viewers. Also, they tend to have very similar themes, e.g. love triangle relationships, poverty-stricken or martyr stories, etc., such that the adage applies: you see one, you see them all. As a consequence, foreign film penetration is considered one of the threats facing the film industry, even though, admittedly, it had been so, even in the hey-days of Philippine cinema.

²⁸ Generally, the high-income and educated class.

F. Conclusion

How can the Philippine film industry be helped? There are several ways that can be done in order to uplift the current situation of the country's film industry. One way is through the promotion of films in the global market through: 1) having a Philippine booth in major international film festivals; and 2) ensuring that high-quality Filipino films could participate in these film festivals. In this way, global distributors can view Filipino films and could be interested in buying and distributing them to different countries.

Co-production with international production companies can be another option for the local industry. Co-production will increase the investment and capital that will be allotted in making films as well as in marketing them. Recently, Sony Pictures Entertainment, a leader in co-production of Chinese language films, is extending its co-production in India. The partnership offers Indian producers a chance for greater exposure of their films outside the local market and to a global audience. The same may be done for Philippine films, if these sufficiently attract foreign distributors interest.

Trainings, seminars and festivals for the people in the industry particularly for directors, scriptwriters, production staff and technical people are actually being carried out. An example of these activities is the Cinemalaya Philippine Independent Film Festivals. This festival aims to discover, encourage and honor the cinematic works of Filipino filmmakers that boldly articulate and freely interpret the Filipino experience with fresh insight and artistic integrity. It also aims to invigorate the Philippine film industry by developing a new breed of Filipino filmmakers. This and other contests that discover future directors as well as scriptwriters and improve the quality of Filipino films in all cinematographic aspects should be continuously supported by the government.

In addition to these options, digital technology will help solve the problems that are plaguing the production as well as the distribution difficulties. For the production side, the problem with the increasing cost will be addressed. Films are hundred of times more expensive than digital video. The raw video alone is extremely cheap, and there is virtually no processing involved before the editing stage. Filmmakers on a real shoe-string budget can even re-use the tape multiple times. Flexibility of digital video is also one of the benefits of going digital. For the filmmakers, the most exciting element of digital technology is the ease in using it. Most filmmakers have already switched to digital editing systems because they make it so much simpler to put a movie together. In the current process, filmmakers actually convert the film footage to a digital format for post-production and then back to film again for its theatrical release. The conversion process is costly, it ends up degrading the image quality and takes time. Digital video does not have to go through this conversion process. As soon as they shoot digital footage, filmmakers can immediately play it back and start the editing. With film, they have to send the footage off for processing before they know what

they have. A director might spend all day shooting only to discover the lighting was off and the footage is totally unusable. Additionally, the crew does not have to get extensive coverage (repeated takes) in case something looks wrong. They know right away if there were any problems.

For the business side of the movie industry, the most compelling aspect of digital technology is distribution. In today's system, production companies spend a lot of money producing film prints of their movies. Then, working with distribution companies, they spend even more money shipping the heavy reels of film to theaters all over the world, only to collect them again when the movie finishes its run. Since distribution costs are so high, production companies have to be extremely cautious about where they play their movies. Unless they have a sure-fire hit, they take a pretty big risk sending a film to a lot of theaters. If it does not sell, they might not make their money back. With digital technology, on the other hand, the cost of distributing films will be significantly reduced. Digital movies are basically big computer files and can be sent through broadband cable or be transmitted via satellite. There are virtually no shipping costs, and it does not cost the production company much more to show the movie in 100 theaters than in one theater. With this distribution system, production companies could easily open movies in theaters all over the world on the same day. The technology does not only aid the producers and the distributors but also the individual theaters. If a movie sells out, a theater could decide to show it on additional screens on the spur of the moment by simply connecting to the digital signal.

To the audience, the most important aspect of digital technology is the projection system. This is the final piece of technology that controls how the movie actually looks at the end of the line. Everybody agrees that a good film projector loaded with a pristine film print produces a fantastic, vibrant picture. The problem is, every time one plays the movie, the film quality drops a little. When one goes to a movie that has been playing for a few weeks, he will probably see hundreds of scratches and bits of dirt. Many critics hold that a projected digital movie is inferior to a pristine film print, but they recognize that while a film print gradually deteriorates, a digital movie looks the same every time one shows it.

Going digital requires a lot of investment in terms of the acquisition of equipments and machineries as well as the development of infrastructure that will house digital projectors. This is where the participation of the government will be mostly needed. These machineries will be imported and there will be custom duties. If the government wants to support the film industry, it can reduce or exempt these equipments from taxes, at least for a temporary period of time, while the industry is starting to cope with the changes. In addition to tax reduction, the government can also provide tax incentives for the investors and theater owners in upgrading their cinemas. The Indian government did these measures precisely to help its domestic industry. With the advent of digital technology and the identification of

Bollywood as a priority export sector, the Government reduced the basic import duties on certain digital studio equipment, benefiting the content producers and other media companies in India. The government also initiated various tax incentives to investors investing in multiplexes in the rural areas. Bank and institutional funding was made available to single screen owners to upgrade their existing theatres to multiplexes. Over 100 cinema halls have been converted into digital theatres over the past 2 years.²⁹

²⁹ Entertainment and Media. Indian Brand Equity Foundation.

A. Industry Definition and Contribution to the Economy

Based on the 1994 Philippine Standard Industrial Classification (PSIC) Code, the television industry is classified under the radio and television activities (9213) which is further divided into television broadcasting and relay stations and studios including closed circuit television services (92132); and radio and television program production (92133).

Table 4.1: Summary of Statistics for Radio and Television Broadcasting*
(in thousand PhP)

Industry	Number of Establishments	Number of Employees		Gross Value Added	Total Revenue	Total Cost
		Total	Paid			
Radio and Television Broadcasting	300	10,036	9,951	4,715,215	7,157,999	3,028,100
Radio Broadcasting	220	4,975	4,904	1,152,719	1,826,599	805,319
Television Broadcasting	62	3,833	3,823	3,259,122	4,588,483	1,750,738
Radio and Television Production	18	1,228	1,224	303,373	742,917	472,043

Source: 1994 Census of Establishments

Note: This table only includes establishments with an average employed person of 10 and more.

Based on the table, it can be observed that the television broadcasting industry is contributing most of the gross value added, total revenue and total cost with 69, 64 and 58 percent share to radio and television broadcasting, respectively. In terms of the number employees, the television industry contributed 38 percent.

B. Industry Participants and Competition

Television Broadcasting Firms

At present, there are 21 local television stations in Metro Manila³⁰ and the five pioneering broadcasting firms are (1) Alto Broadcasting System-Chronicle Broadcasting Network (ABS-CBN 2); (2) Associated Broadcasting Network (ABC 5); (3) Republic Broadcasting System, Inc. (GMA 7); (4) Radio Philippine Network (RPN 9); and (5) Intercontinental Broadcasting Corporation, Inc. (IBC 13). However, there are only two local television companies that are vigorously competing and capturing most of the viewers. These two companies are the ABS-CBN 2 and GMA 7 with a combined market share of 90.1; ABS-CBN has a market share of 65.34 percent while GMA has a market share of 24.76 percent.

³⁰ For a complete list of television stations in Metro Manila, please refer to Appendix D.

Competition

Basically, the competition in the television industry lies in capturing the most number of viewers or the highest percentage of people watching the program. Increased viewership is the intermediate goal of the broadcasting companies because it is their way of strengthening viability as well as attracting advertising agencies. These agencies place advertisements in programs that have a wide base of viewers.

Aside from competing with each other, broadcasting companies also have to compete with other means of advertising such as print media, radio broadcasting and the like. While television remained to be the dominant medium of advertising, the threat of these substitutes is always imminent. FM stations have been creating alternative way of relaying advertisements to particular niches in the market and a number of magazines as well as newspapers continue to be a viable alternative for advertisements.

There are four areas where television broadcasting firms compete among themselves and with other advertising media or substitutes. These areas are: (1) television programming and merchandising; (2) image building; (3) technological innovations; (4) pricing.

Television Programming and Merchandizing. Television stations develop television programs that will entice viewers in order to increase viewership and market share. Some of these television programs are self-produced or purchased externally either from local or foreign and they are called “merchandized” programs.

Self-produced programs may be produced by the network itself. Producing programs can also be done under joint ventures or co-production wherein cost-sharing agreement between parties is involved. Under this agreement, the television company has either full or partial control of the production of particular programs. With this type of source, the network may directly deal with the suppliers as well as with the talents, performers, television rights and others.

Programs may also be bought from three other sources: local distributors, foreign distributors and independent producers. Some of the major suppliers of local television programs are Viva Production, Inc., Viva Television Corporation, Star Cinema Production and Unitel Production. On the hand, some of the sources of foreign programs are Warner Brothers, Inc. and Twentieth Century-Fox Philippines, Inc.

Television programs can be classified into four basic types based on content and form. These types are:

1. Foreign programs presented in their original complete form – These are those programs that are imported like C.S.I., Monk, Ed, Sex in the City and most of the time shown in foreign channels such as Star World, AXN, HBO and others.
2. Hybrid foreign-produced programs partly modified to enhance local reception – Good examples of this kind of program are those Mexican telenovelas like “Marimar” and Chinovelas like “Meteor Garden” that are dubbed in Filipino so that the viewers can understand the programs.
3. Hybrid locally produced programs largely imitative of foreign formats or based on key foreign content input or elements – An example of this is “Tabing Ilog” which somehow copied the concept of “Dawson’s Creek.” Tabing Ilog is locally produced with local talents and performers but the format and the story about friendship is based on the foreign television series Dawson’s Creek.
4. Locally produced programs with local content or content espousing local values – These are those teleseries and television programs that feature local talents with Filipino values.

Success of the Second Type of Program

The second type of program – the hybrid foreign-produced programs partly modified to enhance local reception – has been successfully penetrating the local market. One of its archetypes is the Mexican telenovela as well as the Chinese and Korean telenovelas dubbed in Tagalog. The success of this soap opera genre can be attributed to four combined qualities of the series: (1) it is dubbed in Filipino which can easily be understood by the masses; (2) it features mestizos and mestizas actors, fulfilling the colonial fancy of Filipino viewers; (3) it depicts pre-modern, folk themes and settings³¹; and (4) it cost lower for the television companies than to produce their own television series since they only need to dub the series in the local language.

In contrast to the story on modern themes, the Mexican, Chinese and Korean telenovelas are attuned to the predominant Filipino folk psyche precisely because of its pre-modern, largely folk character. Filipinos of various classes identify with the character of the poor peasant woman who becomes a landlord-merchant or married a super rich man in the end – a fantasy and a happy ending in pre-modern social mobility and change.

The other model of this second type of program is the Japanese anime dubbed in Filipino. This anime has again captured the market in 1990s which exceeded the success of

³¹ Programs with pre-modern, folk themes and settings are those that are traditional as well as conservative. For instance, these programs still uphold the importance of family and the sanctity of marriage.

anime in 1970s. Different combinations of qualities are the reason for the success. One, the anime, like the telenovelas, is dubbed in Filipino, facilitating audience comprehension and acceptance. Two, the program has rich, attractive and dynamic visuals made possible by advanced and expensive animation technology. Lastly is the evocation of folk, pre-modern themes. Many of the Japanese animated characters most popular with Filipino children, such as Sailor Moon and Streetfighters, are not only technologically-oriented, but feature pre-modern themes in that they are endowed with supernatural and mystical powers.

It is to the first and second types of program that Philippine-based television productions offer either no real competition, or no competition altogether. In the first type, Philippine-based productions, even if local producers wanted to, simply cannot replicate the Caucasian actors and setting with credibility. The comparative advantage of the Mexican telenovela over Philippine television drama is the markedly mestizo features of its actors and actresses. In the case of Japanese animation, the Philippine entertainment business is still too socially 'underdeveloped' - pre-modern and technologically backward - to produce any local competition to it.

Currently, ABS-CBN 2 is the leading television network in the country although its position is being challenged by GMA 7, the second largest network in the country. Channel 2 has captured most of the television viewers and it has been occupying the highest television rankings. The station has also garnered several awards and recently, the KBP acknowledged ABS-CBN as the best television station for 2004.

Premised on the fact that bulk of the viewers belong to C and D income class, ABS-CBN developed as well as purchased programs that appeal to the lower income class. Such strategy has effectively increased the viewership of ABS-CBN. Consequently, the station's evening programs have occupied most of the top ten programs for 2004. However, for the daytime programs, GMA has captured most of the viewers.

Based on the telemonitor of AGB, the top program for 2004 is the television series *Marina* with an audience share of 51 percent and it is followed closely by two more ABS-CBN telenovelas - *Sana'y Wala Nang Wakas* and *Basta't Kasama Kita* with an audience share of 51 percent and 50 percent, respectively.³² Out of the top 10 programs for 2004, 70 percent is produced and aired in Channel 2 and the remaining 30 percent is aired in Channel 7.

³² This is done through Television Audience Monitor (TAM) Methodology by AGB Nielsen Media Research. For a more detailed discussion of TAM Methodology, please refer to Appendix E.

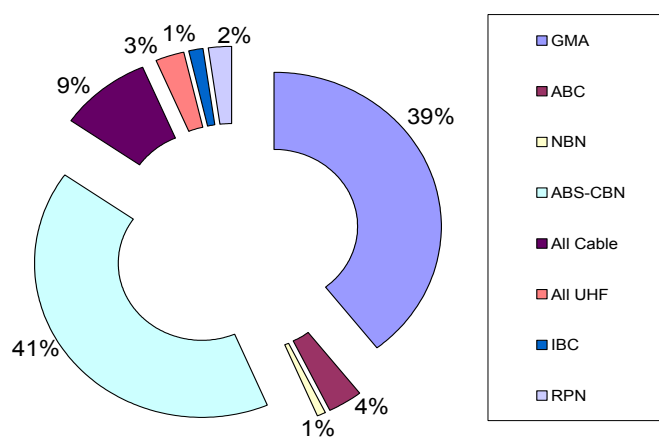
Table 4.2: Top 20 Television Programs (Mega Manila)³³

Rank	Programs	Channel	Ratings* (in %)	Audience Share* (in %)
1	Marina (TV-Series)	2	38.6	51
2	Sana'y Wala Nang Wakas (TV-Series)	2	37.4	51
3	Basta't Kasama Kita (TV-Series)	2	36.7	50
4	Mulawin	7	34.1	45
5	It Might be You	2	32.7	49
6	Hiram	2	31.8	45
7	Extra Challenge	7	31.8	45
8	Lovers in Paris	2	30	45
9	Bitoy's Funniest Home Video	7	29.5	47
10	Imbestigador	7	29	45

Source: 2004 ABS-CBN's Annual Report

*Ratings are the viewing statistics. It is the average number of people watching the program at any given minute. Also, ratings are the universal Audience share is the number of people watching the program at a specific time slot. It measures the competitiveness of the program against its rivals.

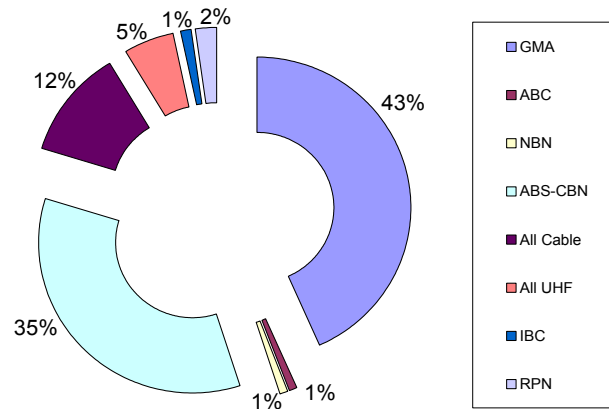
By the end of 2004, on the average, ABS-CBN has captured 41 percent of the market for its evening program followed by GMA that captured 39 percent. Other networks are far behind from these two networks.

Figure 4.1: Average Channel Shares for Evening Programs: 2004

However, a different scenario is evident for daytime. If ABS-CBN has captured most spectators for its evening program, GMA has captured most viewers for its daytime program. On the average, GMA has captured 43 percent of the viewers and ABS-CBN has captured 35 percent. Again, other television networks are left behind.

³³ This is for Mega Manila only from January to December 2004 except Holy Week (April 4-10, 2004). This was monitored by AGB Philippines Telemonitor for Mega Manila TV households.

Figure 4.2: Average Channel Shares for Daytime Programs: 2004



The strategy of ABS-CBN in programming is complemented by its new approach in television merchandising. The station pioneered in advertising television programs (both local and foreign) using Filipino as medium of communication. This strategy of Channel 2 was followed by other stations like ABC 5 and GMA 7. On the other hand, other television stations developed programs in order to explore market niches.

Image Building. Image is vital for every network station. Image is what the audience as well as the advertisers remembers about the station. Along with the image, the broadcasting firms also develop slogans like “In the Service of the Filipinos Worldwide” and “Kapamilya” for Channel 2 and “Where you belong” and “Kapuso” for Channel 7.

Each broadcasting company tries to establish an identity through associating themselves with the social classes or through featuring particular kind of entertainment. For instance, PTV 4 is often patronized by sports fanatics. Furthermore, they also established their image through advertising their technological capability. An example is the “Rainbow Network” of GMA 7 which signifies the wide coverage of the network.

Technological Innovations. Coping with technological advancements has been one of the major areas of competition in the television broadcasting industry. RPN 9 started the technological race through its domestic satellite broadcasting. This advancement was followed by GMA 7’s installation of a tower which enabled it to have the widest broadcast reach. Meanwhile, ABS-CBN is expanding its provincial facilities and has acquired satellite news gathering facilities to maintain its dominance in news and public affairs.

At present, the competition is moving towards broadcasting of certain programs to Filipino communities abroad. ABS-CBN has been successful in reaching to those Filipino

communities³⁴ while GMA 7 is at the forefront in the exploration of business opportunities in the international market.

Pricing. Television commercials are usually placed for 30 and 60 seconds. The rate charged for a commercial varies depending on the time the commercial is aired.

Advertising time slots are classified into two: 1) the primetime slots and 2) the non-primetime slots. Primetime slots are the most productive hours for advertisers because these are the time slots when audience level is at its peak (usually between 6:30 and 10:30 p.m.). Since viewership level is high, television stations charge higher rates. Non-primetime slots, on the other hand, refer to the hours other than primetime. These time slots usually command a lower price because of low viewership.

At present, ABS-CBN 2 and GMA 7 charge the highest ad placement rate mainly because of the high television ratings of their programs. The ad placement rate for a 30 second commercial in ABS-CBN is Php 150,000 and Php 120,000 in GMA.

Apart from competing with each other in pricing, TV broadcasting firms also compete with other advertising media, i.e., radio broadcasting and print media. At present, the indicative advertising rates in these three media are as follows: Php 100,000 to Php 150,000 for a 30 second commercial in television; Php 4,000 to Php 5,000 for a 30 second commercial in radio; and Php 185 per column centimeter in newspapers.

C. Industry Association

The major industry association is the Kapisanan ng mga Brodkaster ng Pilipinas (KBP). The association was organized on April 27, 1973 by the country's major radio and television networks. The KBP was organized to unify broadcast practitioners to achieve common goals in relation to allied industries and government agencies. It serves as the formulator of broadcast policies and standards. In addition, KBP is like any other association representing people who engage in broadcasting on a national scale. It serves as a spokesman for the broadcast industry in policy matters, government regulation and in the establishment of acceptable industry practices.

Ordinarily, government plays the role of watchdog over private enterprise. However, in the case of the broadcast sector, regulations are from within, among its own rank and file which has been proven to be more effective. This type of self-regulation essentially involves a consultative process wherein the broadcasters are asked about the practicality and applicability of proposed rules and regulations. Self-regulation in KBP was reiterated by a

³⁴ A more detailed discussion about the success of ABS-CBN's "The Filipino Channel will be in part D: Industry's Opportunities.

Memorandum of Agreement dated September 24, 1991 between the Secretary of Transportation and Communications, the National Telecommunications Commissioner (NTC), and the KBP President. All three recognized “the self-regulatory principle of the KBP to police its members on matters relating to the enforcement of broadcast rules and regulations, including the KBP radio and television codes.”

In order to enforce the said code, the KBP has a Standards Authority (SA) division which handles all complaints relating to violations of the Radio and Television Codes as well as program and technical standards. It regularly monitors broadcast activities and makes periodic inspection of radio and television stations. The SA decisions are enforced through a system of fines and expulsions of members as well as banning of delinquent advertising accounts. In addition, the SA determines the capabilities and sense of responsibility of all on-air personalities through an annual accreditation process, involving written examinations and performance evaluation by the station management. Advertising agencies also undergo yearly accreditation.

D. Industry’s Opportunities and Threats

Opportunities. Like the film industry, one of the opportunities in the television industry lies on expanding their television viewers. The television viewers can be divided into two: the local viewers and the international viewers most especially those overseas Filipino contract workers as well as those Filipino immigrants. Another opportunity lie on increasing their revenues through short messaging service (SMS) or famously known as “text messaging.”

Televiewers

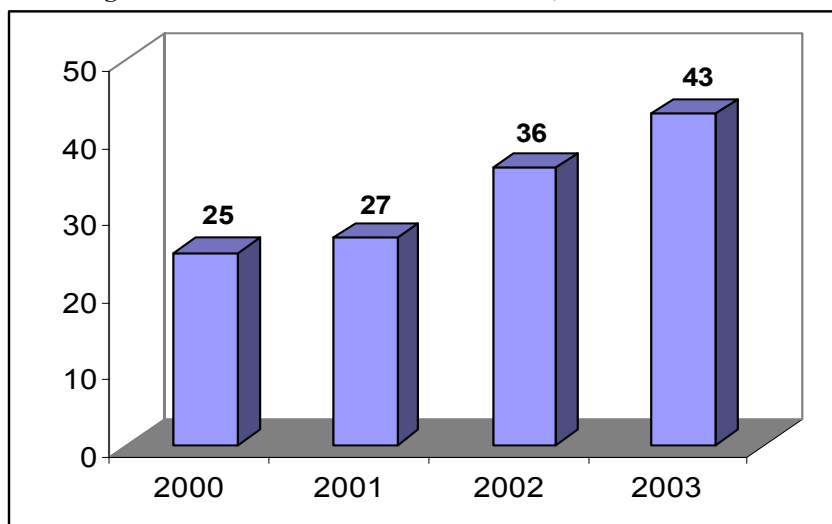
Philippine Demographic Profile. As discussed in the previous section, the huge Philippine population, which is composed of many young people, provides a major opportunity for film as well as television industry. Aside from these young people, those low income class earners (Class C, D and E) are also viable target market.

International Viewers. As was done by Korea, with its “Hallyu”³⁵ or “Korean Fever”, capturing the Asian market, with its similar culture and traditions, also provides another business opportunity. The same demographic features of the Filipino overseas contract workers as discussed earlier, likewise, provides the same opportunity for the television industry.

³⁵ 'Hallyu' refers to the phenomenon and the impact of popularity of Korean media and cultural products, from films, TV dramas, K-pop, fashion, cosmetics, accessories, to electronic appliances, mobile phones, and cars. While its popularity mainly concentrates in the Asian and South East Asian region, some of the products reach as far as Europe and Latin America.

In tapping the Filipino viewers in North America, Middle East, Asia Pacific and Europe, ABS-CBN Global³⁶ has been most successful. The net sales of ABS-CBN Global has been increasing since 2000 and by 2003, it reached \$43 million.

Figure 4.3: Net Sales of ABS-CBN Global, 2000-2003



The worldwide subscribers have also been increasing in different continents and currently, the subscribers have reached 1.39 million in March 2004 from 550,000 in 1999. Most of the subscribers are from North America and Middle East. Furthermore, subscribers of The Filipino Channel (TFC) are also responsive to ABS-CBN's interactive polls. ABS-CBN made history recently when over a million television viewers sent text messages to influence the ending of its hugely popular drama series, *Sanay' Wala Nang Wakas*, a love rivalry involving four popular TV and movie idols – Kristine Hermosa (as Ara in telenovela), Jericho Rosales (as Christian), Diether Ocampo (as Leo) and Angelika dela Cruz (as Mary Anne).

ABS-CBN Global offers wide range Filipino channels such as 24-hour ABS-CBN News Channel, Cinema One movie channel and Pinoy Central TV – the source of regional, travel and sports programs. In addition to these channels, the network also offers two radio stations: DZMM for AM news and commentary and DWRR for FM music. This bundle is known as the TFCDirect! and this is a direct-to-home (DTH) satellite service delivering all six channel in digital broadcast quality.

In terms of the net sales and services of ABS-CBN Broadcasting Company, "ABS-CBN Global continued to be the biggest contributor...with its net revenues accounting for 71% of total net sales and services. ABS-CBN GlobalTM net sales and service increased by a vigorous 29% to P3,048 million from the year ago. Bulk of ABS-CBN GlobalTM revenues

³⁶ This company is part of the ABS-CBN Broadcasting Corporation and handles the international services of the mother company.

came from subscription revenues of its cable and direct-to-home service with an estimated viewership base of 1.6 million worldwide by the end of 2004, up to 22% from a year ago”(BizNews Asia, p.31)³⁷.

Cellular Mobile Telephone

In addition to expanding viewers, broadcasting firms can also tap the millions of Filipinos who have subscribed to different cellular mobile telephone companies. Television companies can make promos and programs that will involve short messaging service (SMS) or popularly know as “text messaging” provided by the mobile operators. Through this, firms can increase their revenues.

Based on the National Telecommunications Commission (NTC), there are 32.9 Filipino people who have subscribed to the different cellular operators in 2004, a growth rate of 46.32 percent. The Cellular Mobile Telephone System (CMTS) Density is 39.85 which showed a growth rate of 43.5 percent.

Table 4.3: Number of Cellular Mobile Telephone Subscribers, 2003-2004

OPERATORS	2003	2004	Growth Rate (in %)
DIGITEL	732,467	1,200,000	63.83
EXTELCOMM	29,896	13,670	(54.27)
GLOBE	8,800,000	12,513,973	42.20
PILTEL	2,867,085	4,612,450	60.88
SMART	10,080,112	14,595,782	44.80
TOTAL	22,509,560	32,935,875	46.32
Population	81,054,329	82,652,033	1.97
Cellular Mobile Telephone System (CMTS) Density	27.77	39.85	43.50

Source of Basic Data: NTC (www.ntc.gov.ph)

Again, ABS-CBN is successful in capturing the mobile users through its promos and programs. ABS-CBN’s other broadcasting revenue which is mainly consist of SMS or text based revenue amounted to P224 million, 8 percent higher than last year.³⁸ The growth in SMS revenues arose from the popularity of ring tone downloads connected with cable music channel MYX as well as from the program promos such as voting for your favorite candidate in *Star Circle Quest* or a desired ending in the soap opera *Sana’y Wala ng Wakas*.³⁹

Threats. Like the film industry, competition from foreign programs is plaguing the television industry. Recently, more and more Mexican telenovelas and Chinese as well as Korean soap operas are occupying the primetime of the television networks especially ABS-CBN 2, GMA 7 and ABC 5. This action of the stations may be based on the success of

³⁷ Lopez, Antoio. (April 4-11, 2005). “2004 airtime revenues up 2% to P11B; P10.13B or 93% came from Channel 2.” *BizNews Asia*, pp. 30-33.

³⁸ 2004 ABS-CBN’s Annual Report

³⁹ Star Circle Quest was one of ABS-CBN’s reality show while Sana’y Wala ng Wakas was one of ABS-CBN’s soap opera.

Mexican telenovela during 1997 with the hit “Marimar”. Afterwards, viewers shifted their preference for the so-called Chinovela. This is evident with the “Meteor Garden” craze which featured the phenomenal Taiwanese boy group named F4. Also, as opposed to producing local telenovelas or teleserye, airing these foreign programs only need low budget for the stations need only dub the programs and translate them into Tagalog. For ABS-CBN, the station shows foreign produced programs for 27-29 hours a week which is about 19-21 percent of the total air time of the station. On the other hand, GMA 7 airs foreign produced program for 30-32 hours a week which is about 25-27 percent of the station’s total airtime. For ABC 5, less than 10 hours a week are allotted to foreign produced programs but the station shows the popular American series *Friends*, *Lizzie McGuire* and the reality show *Fear Factor*. More often than not, these foreign television shows are shown during primetime.⁴⁰ For ABS-CBN and GMA, both networks allot about an hour of foreign television series during primetime from Mondays to Fridays.

Substitutes

Besides competition from foreign programs, there are also threats from substitutes to television viewing.

Home Theaters and Devices. Through the video storage media, information can now be found on videocassette recorders (VCRs) and prerecorded videodiscs such as VCD or DVD. Often, especially the upscale type of viewers, television broadcasts are hardly watched except for, perhaps, news and sports. Rather, for their entertainment, they would rather watch DVD cassettes of movies. Or else, through these devices, consumers have the opportunity to self-program shows they would want to watch at a certain time and at their own convenience, omitting commercials and advertisements in the process.

Video Games and Other Computerized-Entertainment Software Offering. These video games and other computer games have been diverting the attention of viewers from watching television programs. They rather play games than watch television since playing gives them more satisfaction and entertainment.

Cable Television and Other Distribution Media. Cable television is another innovation for the industry. It is an alternative distribution system that has the ability to carry over-the-air signals to customers on its own wires. Cable companies import the television program in the form of a VHS tape or what they call decoder and feed the program to their subscribers via satellite. Currently, there are 1,421 cable operators in the country and 5 percent or 69 cable companies are located in Metro Manila.⁴¹

⁴⁰ Primetime is from 6 until 10 in the evening.

⁴¹ For a regional distribution of cable television companies, please refer to Appendix E.

Foreign investors venturing into cable television is attracted to Philippines since the country is the third largest-English speaking country in the world. The Lopez family has once again taken the lead in investing and venturing into cable television business and created the Sky Cable, the largest cable company in Metro Manila. The company has captured 60,000 cable subscribers in Metro Manila. The cable system offers more than 50 channels including the five STAR TV channels, Asian Business News, Australian TV, several non-English and non-Tagalog channels and six local channels. This “basic package” costs subscribers about P800 pesos per month. Sky Cable also offers a “premium package” of channels, such as STAR Movie Channel, HBO Asia, ESPN Asia and the Discovery Channel. Although most of the cable channels appeal to upscale market, the company is also targeting the middle-income group with a Tagalog movies channel. This programming strategy is first done by its sister company, ABS-CBN which has won the network a huge share of television audience.

With the broadening of the traditional definition of cable services, categories of cable TV include: basic, pay, pay-per-view and home shopping.

Basic cable channels earn income from advertising and from the subscriptions. On the other hand, pay cable offers premium program services such as uncut, commercial-free movies, sports, made-for-cable music and other special features. Thus, pay cable services are more expensive than the basic cable for this service carry no advertisements and use their portion of monthly fees to finance their programming.

Pay-per-view is the type of channel wherein subscribers pay for individual programs rather than a monthly subscription fee. For the home shopping channels, shoppers are usually shown a series of products which are demoed and narrated by the commentator. Shoppers choose from the products shown and place their orders through telephone.

In addition to these kinds of services, cable channels have developed the so-called “narrowcasting” which has an objective of airing a particular type of entertainment and targeting specific viewers as well as advertisers. Examples of this are ESPN, Star Sports and Solar Sports (sports channels) and the Music Television (MTV). Other forms include the broadly-based programming.

E. Conclusion

As discussed earlier, the Korean fever, through the success of its dramas is making waves in the international market. This accomplishment was made possible by the cooperation of the government and the industry players.

For the part of the government, efforts into strengthening Korea's cultural industries can be seen in the sophisticated set up of political infrastructure. The Ministry of Culture and Tourism, to start with, has different divisions that oversee the various aspects involved in the development of media and culture: from a policy level, to the technology and technical logistics, to the development of cultural contents, and to the strategies for promoting these cultural contents. There is a special section elaborating the weight the government places on fostering cultural industries, that the government pledges to strengthen capacities for cultural creativity, foster cultural industries based on cultural creativity, and promote information and knowledge worldwide.

Also, the Korean National Tourism Organization (KNTA), in association with the different travel agencies, offers tour packages that focus on soap opera shooting locations. Travel agencies were successful in doing this strategy and were able to attract tourists mainly from Taiwan, Hong Kong and Singapore.

For the part of the industry players, they are making sure that the television programs they are producing do not only have local appeal but an international appeal as well. Companies deliberately develop good storylines, hire famous actors and produce good quality of programs through their high technology cameras and other modern equipments.

Consequently, there are several factors why Korean dramas are successful in the international market. One is its urban appeal. Most of the dramas are shot in the cities. Beautiful settings and background music also helped the programs penetrate the international market. For instance, *Endless Love* was commended for the luscious/lavish use of music (including Western classics such as *Romance d'amour*), which makes the drama even more unforgettable. The more poetic and imaginative ways of expressing love also makes Korean romance dramas outstand other dramas. Almost all Korean dramas circulated around the overseas market are romance dramas. Romance stories have been a universal genre in TV dramas, reflecting the appeal of fantasized love relationship in audience's everyday life, and the relationship between TV dramas and viewers. Many viewers seem to prefer Korean dramas in that they deal with romance in a way that stands them out from other counterparts. The melodramatic effect of the Korean dramas also captured the viewers. Whereas other romance dramas tend to spoil the audience with happy ending, many Korean dramas are infused with unrequited love, rivalries between families, and failed romance. Tragedy seems to be a defining feature especially in Korean dramas, in which the male and female leads often suffer from sickness, and even death.

Taking into account the success of Koreans through the help of their government, what can the network companies and the government do? Considering that the main weakness of Philippine TV shows is its lack of cultural content and taste, the government and

concerned private sector might best help by providing incentives for good scripts, and sponsoring trainings and scriptwriting contests. This is vital in the development of creative programs and sensible storylines that depict not only Filipino characteristics, culture, and daily realities but also, preferably, allow other countries to have a more favorable impression of the Filipino people, just as a few excellent Iranian films had done. By far, there are scriptwriting contests for films; it will be of great help for the television industry if the companies with the support of the government, likewise, conduct annual scriptwriting contest for television viewing.

Continuous expansion and modernization of a television network is very critical in the industry. Technology in broadcasting has been improving throughout the years and coping with this development is vital in light with the regional dispersal of economic growth. As advertisers penetrate regional markets, television stations with a wider reach will have an edge in attracting advertising agencies. Also, as the television companies consider exporting their programs, the programs should be at par with the foreign programs in terms of graphics, sounds and other aspects of the visual effects. This will entail a modern camera and other equipments that will be used in shooting the Filipino dramas.

Doing these suggestions will require a lot of investment requirement and this is where the intense participation and support of the government will be needed. In upgrading the television companies' equipment and machineries, the companies will need to import and there will be custom duties. If the government wants to support the television industry, it can reduce or exempt these equipments from taxes, at least for a short period of time, while the industry is adjusting with the developments. In addition to tax reduction, the government can also allow foreign investors to invest in the industry. In this way, television companies will have additional capital for the modernization. Currently, no foreign investors are allowed to invest in the mass media sector including the television industry.

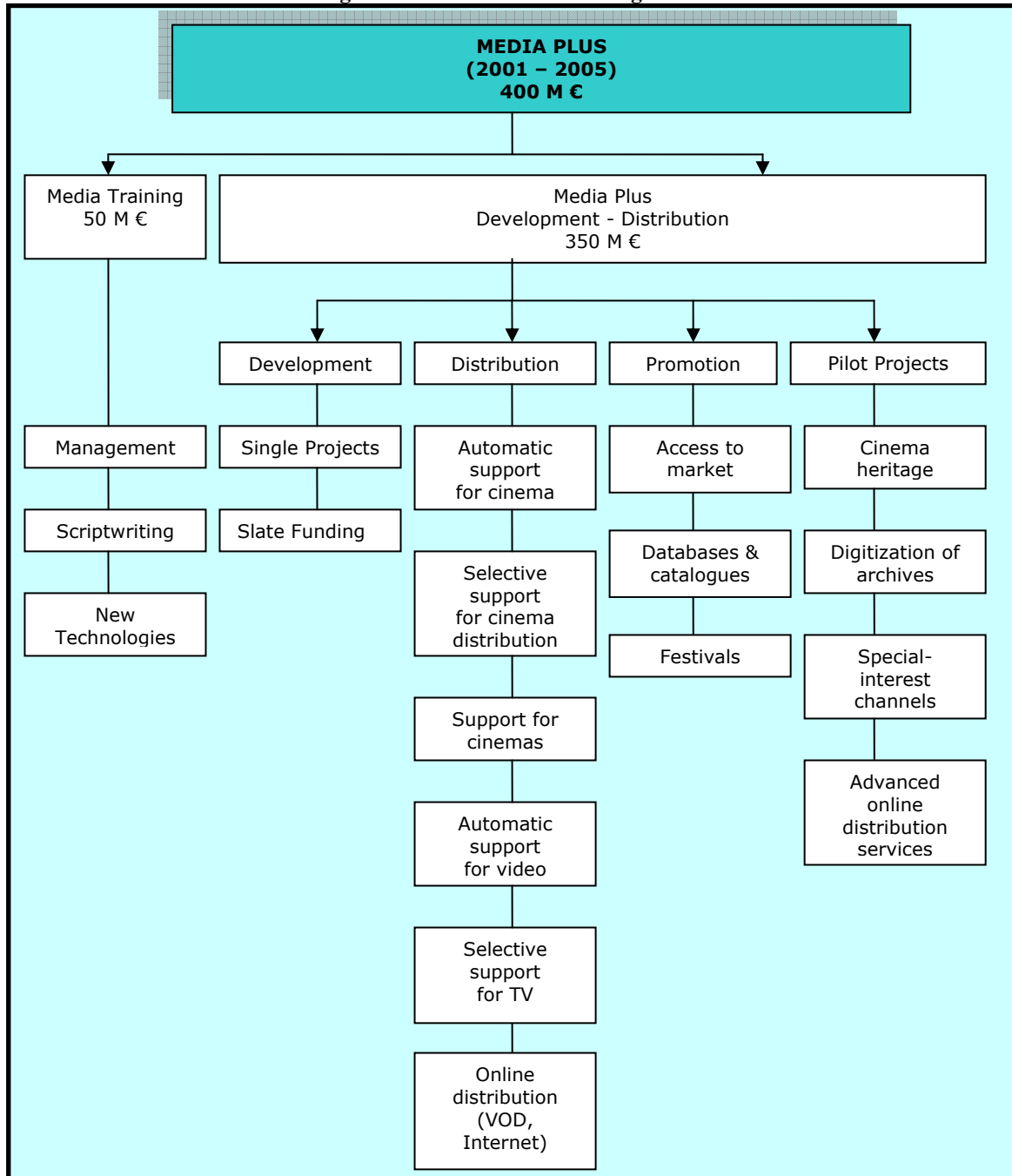
The paper discussed the audio-visual sector, focusing, in particular, on the film and television industry. It notes its strengths and opportunities – Filipino creativity, continuing Filipino diaspora abroad creating potential foreign markets for Philippine shows – as well as weakness and threats like poor storylines of many shows, growing domestic penetration not only by US shows but also other countries, e.g. Mexican, Korean, and Chinese telenovelas. In addition, there are technological changes, particularly the growing use of digital products which, not only affects changes in the consumption pattern but also the production process or filmmaking. Considered an opportunity as it promises to make film production easier and cheaper, the industry requires government help in the form of lower tariffs for the importation of such equipment. Other government support for this sector could be in the form of more incentives to promote better storylines and scripts that are not only artistic but also have edifying contents. The experience of countries like Iran that have managed to produce films that changed the perception of other people of their country and of their people, as opposed to its political side that are read in newspapers, is a trail that can be followed by Philippine artists, considering the consistently bad press which the Philippines receive abroad.

People in the industry are asking for protection for the industry to flourish. However, protecting the industry would be a useless effort considering the minimal contribution to GDP of the industry and the lack of generally praiseworthy cultural content in many of its output. Instead of protecting and restricting the industry, the government would, perhaps, be better able to support the industry through an improved institutional framework that would be able to grant incentives and promote and develop true creative talents. The paper had already mentioned some of these in sections 3 and 4, but in addition, there are some lessons that can be learned in how other governments try to nurture this cultural sector.

EU: Media Support

EU has the Media Plus Programme (2001-2005) that aims at strengthening the competitiveness of the European audiovisual industry through a series support measures dealing with the five major aspects: 1) training of professionals; 2) financial support for development of production projects; 3) distribution support; 4) promotion of European cinematographic works and audiovisual programs through participation in international events; and 5) support for cinematographic festivals. The whole idea is to boost the competence and competitiveness of European AVS products in the global market.

Figure 5.1: The Media Plus Program



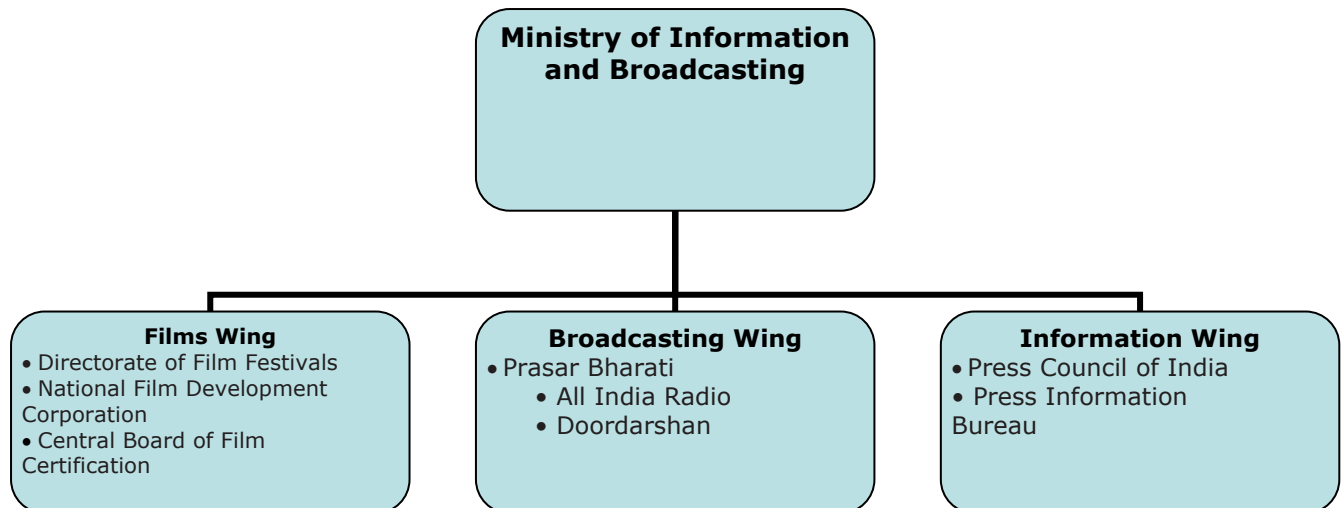
Source: Media, The European Commission. http://europa.eu.int/comm/avpolicy/media/tab_en.pdf

India and Korea: Institutional Focus

The success of Hindi films in penetrating the international market can be associated to the support by the government through its institutional framework. A cabinet ministry is on top of the film industry - Ministry of Information and Broadcasting (MIB), a proof of the importance which the government places on the industry. The Ministry of Information and Broadcasting (MIB) is the apex body of the Government of India that formulates and administers policies for the Indian entertainment & media industry. It is also responsible for

international co-operation in the field of mass media, films and broadcasting and interacts with its foreign counterparts on behalf of the Government of India.

Figure 5.2: Institutional Framework of India



Source: Entertainment and Media, A Report of PricewaterhouseCoopers for India Brand Equity Foundation

MIB is divided into three major subdivisions. The Films Wing is divided into three which are the Directorate of Film Festivals (DFF), National Film Development Corporation (NFDC) and the Central Board of Film Certification (CBFC). DFF was set up by the Government of India to organize International and National Film Festivals within the country. It facilitates India's participation in festivals abroad, arranges programs of foreign films in India, or of Indian films abroad and holds the National Film Awards function. On the other hand, NFDC fosters excellence in cinema. Its main activities include financing and producing films with socially relevant themes, distributing and disseminating films through various channels. Lastly, CBFC is responsible for certifying the films produced in India as well as outside the country suitable for public exhibition. The last two are similar to the Philippines' MTRCB and Film Development Council, respectively. The difference is that, by being put under the same government ministry, there is presumably better coordination and focus in supporting the industry in India. In addition, by being placed under a government ministry, its concerns would have easier resonance in the highest policymaking levels. This set up would be an interesting example to think about as the Philippines embark on a spun-off Department of Communication from the present Department of Transportation and Communication (DOTC) structure.

Similarly, Korea's efforts into strengthening its cultural industries can be seen in the sophisticated set up of its political infrastructure. Korean government has the Ministry of Culture and Tourism oversee the various aspects involved in the development of media and culture. Under this ministry, there is the cultural industry bureau which oversees the industry from a policy level, to the technology and technical logistics, to the development of cultural

contents, and to the strategies for promoting these cultural contents overseas.

Korea's strategy is a combination of both the EU and India strategies. It has a focused institutional structure and well-instituted ways of supporting their culture industries. For instance, under the Ministry of Culture and Tourism, the Cultural Industry Bureau concentrates on the implementation of policies aimed at enhancing national competitiveness, supports efforts by culture industries to enter overseas markets, develops high value-added cultural products and fosters specialized human resources for the culture industries.⁴²

Of these three models, the institutional focus appears a realistic and advisable one to consider further. Subsidies, à la EU's Media Programme, may not be very attractive, nor realistic considering the current financial predicament of the government and competing areas that call for attention. But providing clear institutional focus that shows the government's clear intent on making this sector a dollar-earning one deserves consideration in further studies.

⁴² This bureau is divided into six divisions and each division has its own duties and responsibilities in making the cultural industries competitive in the international market. First, the cultural industry policy division has the following responsibilities: (a) formulate policies for the promotion of culture industries; (b) support culture industry projects, one of which is the building of infrastructure; (c) conduct research for the promotion; (d) development and popularization of Korean cultural products; and lastly, (e) handle matters of coordination and cooperation related to culture industry with international organizations and foreign governments.

Second is the film, animation and video distribution. The division establishes and implements comprehensive plans for the visual industry including movies, animation and video articles. It also supports and improves production activities of visual industries and related organizations as well as the distribution structure of visual works.

Third is the content promotion division. This division establishes and promotes a master plan for promoting the industries of multimedia contents, digital culture contents, characters, comics and animation. It conducts research studies and develops new policies in response to the current environmental changes. Furthermore, the division supports the industries' productions and related organization as well as trains the industry professionals. It supports the affairs related to designs, standardization and active distribution of the digital cultural contents; and affairs related to distribution structure improvement. Lastly, it supports the contents sales promotions and the related international exchange activities and supervises the related cooperative activities with international commerce organizations, foreign governments and overseas organizations.

Appendix A
Gross Revenue of Audiovisual Service Sector

	2001	Percentage to Class Sub-total
A. Motion picture and video production		
1. Studio 23, Incorporated	613,945	43.30
2. United International Pictures	228,225	16.10
3. Roadrunner Network, Incorporated	184,101	12.99
4. Philippine Animators Group, Incorporated	97,554	6.88
5. Film Experts, Incorporated	89,679	6.33
6. Star Cinema Productions, Incorporated	87,854	6.20
7. Optima Digital, Incorporated	70,234	4.95
8. Magnavision, Incorporated	46,152	3.26
Class Sub Totals:	1,417,744	100
B. Motion picture projection		
1. SM Cinemas, Incorporated	117,601	34.30
2. Gotesco Investments, Incorporated	104,392	30.45
3. West Avenue Theaters Corporation	64,306	18.75
4. Mayfair Theater, Incorporated	17,118	4.99
5. Ayala Theaters Management, Incorporated	13,733	4.01
6. Imperial Cinema, Incorporated	12,868	3.75
7. Rajah Broadcasting Network, Incorporated	12,860	3.75
Class Sub Totals:	342,878	100
C. Radio and television program production		
1. GMA Marketing and Productions, Incorporated	171,309	39.96
2. Unitel Productions, Incorporated	143,381	33.45
3. M-Zet TV Productions, Incorporated	37,399	8.72
4. FPJ Productions, Incorporated	23,058	5.38
5. GG Productions, Incorporated	19,476	4.54
6. Program Resources and International Markets Ent. Corp.	17,432	4.07
7. Interactive Broadcast Media, Incorporated	16,611	3.88
Class Sub Totals:	428,666	100

	2001	Percentage to Class Sub-total
D. Radio broadcasting and relay station and studios		
1. Consolidated Broadcasting System, Incorporated	206,290	26.21
2. Newsounds Broadcasting Network, Incorporated	90,806	11.54
3. Quest Broadcasting, Incorporated	88,577	11.25
4. Mareco Broadcasting Network, Incorporated	81,825	10.40
5. Audiovisual Communicators, Incorporated	64,176	8.15
6. HM Catv, Incorporated	62,904	7.99
7. Samson Enterprises, Incorporated	50,166	6.37
8. Radio Veritas Global Broadcasting System, Incorporated	44,653	5.67
9. Advanced Media Broadcasting System, Incorporated	39,962	5.08
10. Supreme Broadcasting System, Incorporated	31,368	3.99
11. Cable Box Office Shows and Systems, Incorporated	26,415	3.36
Class Sub Totals:	787,142	100

E. Recording or taping of sound		
1. Universal Records	161,102	37.38
2. Viva Records Corporation	107,602	24.96
3. Alta Productions Group, Incorporated	59,121	13.72
4. Alpha Records Corporation	23,275	5.40
5. Neo Records, Incorporated	23,163	5.37
6. Studio One, Incorporated	22,185	5.15
7. Matthew Film Distributor, Incorporated	20,529	4.76
8. Maximedia International, Incorporated	14,049	3.26
Class Sub Totals:	431,026	100
F. Television broadcasting and relay stations		
and studios including closed circuit television services		
1. ABS-CBN Broadcasting Corporation	9,229,769	65.35
2. GMA Network, Incorporated	3,496,948	24.76
3. ABC Development Corporation	508,725	3.60
4. Television and Production Exponents, Incorporated	373,122	2.64
5. Radio Mindanao Network, Incorporated	352,015	2.49
6. Amcar Broadcasting Network, Incorporated	115,187	0.82
7. Southern Broadcasting Network, Incorporated	27,103	0.19
8. RJ Music City, Incorporated	19,709	0.14
Class Sub Totals:	14,122,578	100

A. Filipino movies produced by Star Cinema that received international recognition

1) Eskapo (Escape)

Cast:

- Richard Gomez
- Christopher de Leon

Director : Chito Roño

Awards:

1995 Toronto International Film Festival (Toronto, Canada)
1996 Nortel Palm Springs International Film Festival (USA)
1996 San Francisco International Asian American Film Festival (USA)
1996 Palm Beach International Film Festival (USA)
1996 Los Angeles Asian Pacific Film and Video Festival (USA)
1996 Philippine Festival Week in Atlanta, Georgia (USA)

2) Ipaglaban Mo (Redeem Her Honor)

Awards:

1996 International Film Festival of India (India)
1996 Asian Film Tour (NETPAC, 14 USA cities)
1998 10th Film Festival of Damascus (Syria)
1998 ASEAN Film Month (Jakarta, Indonesia)

3) Maalaala Mo Kaya (This Child is Mine)

Director : Olivia Lamasan

Awards:

1996 1st Aichi International Film Festival (Nagoya, Japan)
1997 3rd Shanghai International Film Festival (P.R. China)

4) May Nagmamahal Sa Iyo (Madonna and Child)

Director : Rory Quintos

Awards:

1996 Hong Kong International Film Festival (Hong Kong)
1996 Fukuoka Film Festival (Fukuoka, Japan)
1996 Ourense film Festival (Spain)
1997 3rd Shanghai International Film Festival (P.R. China)
1997 10th Film Festival of Damascus (Syria)
1997 Cairo International Film Festival (Egypt)

5) Lahar

Director : Mel Chionglo

Awards:

1996 Toronto International Film Festival (Toronto, Canada)
1997 1st Southeast Biennial Film Festival
1997 Newport Beach International Film Festival

6) Madrasta (Stepmother)

Director : Olivia Lamasan

Awards:

In United States

1997 Newport Beach International Film Festival (USA)

1998 Philippine Centennial Film Festival (New York, USA)

1998 Asian American International Film Festival (New York, USA)

In Asia

1997 1st Southeast Biennial Film Festival (Cambodia)

1997 3rd Shanghai International Film Festival (P.R. China)

1998 7th ASEAN Film Week (Hanoi, Vietnam)

1999 Asia Pacific Film Festival (Bangkok, Thailand)

7) Batang PX (PX Kid)

Awards:

In United States of America

1998 Philippine Centennial Film Festival (New York, USA)

1998 Hawaii International Film Festival (Hawaii, USA)

2000 Spring Film Festival (New York Film Archives) (New York, USA)

2000 Aurora Asian Film Festival (Denver Film Society, Colorado, USA)

2000 2nd Philippine Film Festival (Film Society of Lincoln Center, NY, USA)

In Asia

1999 Asia Pacific Film Festival (Bangkok, Thailand)

2000 3rd International Film Festival (Mumbai, India)

2000 9th Golden Rooster and Hundred Flowers Awards (Nanning City, P.R. China)

8) Bata, Bata... Paano Ka Ginawa? (Lea's Story)

Director : Chito Roño

Awards:

In United States of America

1999 Temecula Valley International Film Festival (California, USA)

1999 Chicago International Film Festival (Illinois, USA)

1999 Hawaii International Film Festival (USA)

In Other Countries

1999 Pusan International Film Festival (Korea)

1999 International Festival of Independent Film (Brussels, Belgium)

1999 Asia Pacific Film Festival (Bangkok, Thailand)

9) Anak

Awards:

In United States of America

2000 Temecula Valley International Film Festival (California, USA)

2000 Hawaii International Film Festival (USA)

2001 San Francisco Asian American International Film Festival (California, U.S.A.)

2001 Aurora Asian International Film Festival (Colorado, U.S.A.)

2001 Asian Pacific Film Festival of Florida (Florida, USA)

In Japan

2001 Fukuoka International Film Festival (Fukuoka, Japan)

2001 Tokyo Women's International Film Festival (Japan)

In Other Countries

2000 International Film Festival Bratislava (Slovak Republic)

2001 Film from the South Festival (Copenhagen, Denmark)

- **“Anak”** is the Philippines’ official entry to the 73rd Annual Academy (OSCARS) for the Foreign Language Film Award Category.

10) Tanging Yaman

Director : Laurice Guillen

Awards:

2001 Far East Film Festival (Udine, Italy)

2001 Hawaii International Film Festival

11) La Vida Rosa

Awards:

2001 3rd Annual Cinemania International Film Festival (Makati, Philippines)

2002 1st Filipino Film Festival (Abu Dhabi, U.A.E.)

2002 Far East Film Festival (Udine, Italy)

2002 Cinemaya International Film Festival (New Delhi, India)

2002 International Film Festival of Bratislava

12) Bagong Buwan

Awards:

In United States

2002 Asian Pacific Film Festival (New York, U.S.A.)

2002 22nd Hawaii International Film Festival (U.S.A)

2003 Aurora Asian Film Festival (Denver, Colorado)

In Japan

2002 Fukuoka International Film Festival (Fukuoka, Japan)

2002 Tokyo International Film Festival (Tokyo, Japan)

2003 Aichi International Film Festival (Aichi, Japan)

In India

2003 Cinemaya International Film Festival (New Delhi, India)

2003 Mumbai International Film Festival (Mumbai, India)

In Other Countries

2002 Sydney Asia Pacific Film Festival (Sydney, Australia)

2002 4th Annual Cinemania International Film Festival (Makati, Philippines)

2002 Pusan International Film Festival (Pusan, Korea)

2003 International Film of Bangladesh (Dhaka, Bangladesh)

13) Dekada '70 (The 70's)

Director : Chito Roño

Awards:

2003 Asian Pacific Film Festival (New York, USA)

2003 5th Cinemania International Film Festival (Makati, Philippines)

2003 The World International Film Festival of Montreal (Quebec, Canada)

2003 Quebec City International Film Festival (Quebec City, Canada)

2003 23rd Hawaii International Film Festival (USA)

2003 Palm Spring International Film Festival (California, USA)

- *Dekada '70* is the Philippines' official entry to the 76th Annual Academy Awards for the Foreign Language Film category.

B. Filipino movies produced by other producers that received international recognition

1) Jose Rizal: The Movie

Director : Marilou Diaz-Abaya

Award:

- 49th Berlin International Film Festival

2) Curacha, Ang Babaeng Walang Pahinga

Director : Chito Rono

Award/Recognition:

- Exhibited at the 1998 Toronto International Film Festival (Canada)

3) Rizal sa Dapitan

Award:

1998 Brussels International Film Festival Best Actor - Albert Martinez

4) The Sex Warriors and the Samurai

Awards:

- 1995 Best Documentary, Mondial de la Video, Brussels (Belgium)
- 1996 Special Jury Mention, Best Asian Documentary, Image Forum Festival, Tokyo (Japan)

5) Sa Pusod ng Dagat

Awards:

- Participated in the 1998 Berlin Film Festival (Germany)
- 1998 Netpac Award in the Singapore Film Festival

6) Badjao

Awards:

- 1957 Asian Film Festival Best Director (Lamberto Avellana); Best Screenplay (Rolf Bayer); Best Cinematographer (Mike Accion); and Best Editing (Gregorio Carballo)

7) Oliver

Award:

- 1989, Grand Prize and Gold Medal at the International Super 8 and Video Festival in Brussels

8) Malvarosa

Award:

- 1959 Asian Film Festival best supporting actress award - Rebecca del Rio

9) Sa Maynila

Award:

- 1992 Honorable Mention, The ASEAN Young Cinema Festival, Tokyo, Japan
-

10) Lucia

Director : Mel Chionglo

Screenplay : Ricardo Lee

Award:

- 1992 Best Film, London Environmental Film Festival

11) Damortis

Director : Briccio Santos

Awards/Recognitions:

- Featured in the 1987 Asian American International Film Festival, New York, USA
- Mannheim Film Festival, Germany
- Amiens Film Festival, France

12) Dreaming Filipinos

Director : Manny Reyes

Awards/Recognitions:

- The film is a light-hearted look at serious issues, such as the relationship between the United States and the Philippines, and the search for a national identity in a colonial society
- 1990 Hawaii International Film Festival Fringe Program paved the way for its exhibition at other international filmfests.

Appendix C
List of Television Channels in Metro Manila

COMPANY	CALL-SIGN	CHANNEL	POWER	LOCATION
			(ERP) kW	
ABS-CBN Bctg. Corp.	DWWX	2	60 (346.2)	Mother Ignacia, Q.C.
People's TV Network	DWGT	4	50 (968)	PIA Bldg., Visayas Ave., Q.C.
ABC DEV. Corp.	DWET	5	40 (320)	Brgy. San Bartolome, Nov., QC
Republic Bctg. System	DZBB	7	100 (1000)	Brgy. Culiat, T. Sora, Q.C.
Radio Phil. Network	DZKB	9	50 (1000)	Panay Ave., Q.C.
Zoe Bctg. Network	DZOE	11	60 (829.8)	Antipolo City
Intercontinental Bctg. Corp.	DZTV	13	50 (973)	SFDM, Q.C.
Southern Bctg. Network	DWCP	21	20 (60)	Strata 200, Pasig
Amcara Bctg. Network	DWAC	23	50 (1126)	Mo. Ignacia, Q.C.
Eagle Bctg. Corp.	DZEC	25	50 (3948)	Bo. Sta. Cruz, Antipolo, Rizal
Republic Bctg. System	DWDB	27	30(613.27)	Brgy. Culiat, Q.C.
Rajah Bctg. Network	DZRJ	29	25 (1354.7)	Antipolo, Rizal
Radio Mindanao Network	DWKC	31	50 (4050)	Antipolo, Rizal
Zoe Bctg. Network	DZOE	33	10 (55)	Antipolo City
Delta Bctg. System	PA	35	10(100)	Mandaluyong City
Progressive Bctg.	DWAO	37	25(1029)	Antipolo, Rizal
Masawa Bctg. Corp.	DWBP	39	100 (3000)	Mandaluyong City
Nation Bctg. Corp.	P/PU	41	60 (5000)	Antipolo City
Mareco Bctg.	DWBM	43	10 (20)	Quezon City
Gateway UHF Bctg.	DWVN	45	5(103)	Antipolo City
ABC Dev. Corp.	DWTE	47	40 (1000)	Brgy. Bartolome, Nov., Q.C.
TOTAL NO. OF TV STATIONS IN NCR =		21		

Alto Broadcasting System-Chronicle Broadcasting Network. ABS-CBN 2, which used to be known for its Sarimanok logo, began serving the Filipino people in 1968. However, with the implementation of martial law, the broadcasting company shut down and discontinued its operation. Some of the company's equipments and facilities were used by other stations without any compensation. In 1986, after the success of ousting the presidency of Marcos, the company re-emerged to join the broadcasting industry. Since then, ABS-CBN has re-established its foothold in the industry. The television shows has been consistently ranking top in terms of the share of viewership. Thus, the company is one of the biggest and largest profitable networks in the country.

ABS-CBN now has a slogan "In the Service of the Filipino Worldwide." This slogan epitomizes the core of the network which is to focus on mass oriented programs as well as to promote Filipino values worldwide for the station has reached Filipinos throughout the globe may it be in Middle East, North America and Europe. The station has established its network in those areas where most of the Overseas Filipino Workers are located.

Associated Broadcasting Company. The original Channel 5, or Associated Broadcasting Corporation was first granted a Congressional franchise under Republic Act No. 2945 dated June 19, 1960. ABC operated as a radio and television broadcasting network from 1960 until September 21, 1972 when it was closed down upon the declaration of martial law for its courageous and critical stance against the implementation of martial law.

After the People Power Revolution and the installation of President Corazon Aquino, the late Don Chino Roces, founder and patriarch of ABC and a revered nationalist, made representations with President Aquino for the reopening of ABC.

With the reopening of the company in February 1992, new stockholders, led by broadcast veteran Edward U. Tan then, began the arduous task of resuscitating the network. One of the company's objectives is to broaden and enrich the choices of the viewing public through its variety of television programs. The station is committed to free, responsible and responsive network that aspires to be daring and inventive. In order to achieve these goals, the station has invested in state-of-the-art technology such as fiber optics technology and it has been able to efficiently and effectively store as well as retrieve videos tills through its magneto-optics digital store.

Intercontinental Broadcasting Corporation. On February 1, 1975, under the auspices of Benedicto Group of Companies, Filipinos were delighted with the birth of a television network that would bring light to the Martial Law era. IBC 13 brought forth DZTV Channel

13, a commercial television network that is based in Metro Manila and initially beamed to seven relay stations all over the archipelago. From a relatively unknown television network, the company became one of the high ranking network in the country through developing a strategic programming that appealed to mass audience. Thus, IBC 13 set a lot of first in the broadcasting industry. Showing full length Tagalog films and the introduction of one-of-a-kind program genres were first seen on Channel 13. Back then, when one speaks of television, it is only Channel 13. However, as years passed, IBC 13 lost its brilliance and was left behind by the television network giants.

Currently, the station is under the private hands of Mr. Emiliano D. Templo, whose foremost concern is for the firm to be competitive. This can be achieved through providing its personnel welfare as well as benefits and by renewed programming thrust which would cater to the biggest sector of society, the youth.

Radio Philippines Network, Inc. RPN 9 was formed in February 1960 with the objectives of instituting, installing, operating and managing a radio broadcasting and/or television station in the country. However, after its 16 years of operation, the station's assets, funds and records was sequestered by the Ministry of National Defense (now the Department of Defense) through the issuance of MND No. A-003 on March 2, 1986, along with its sister broadcasting companies, IBC 13 and Banahaw Broadcasting Corporation (BBC). The management, control and operation of the station was also assumed by the ministry. On April 8 the same year, President Corazon Aquino issued Executive Order No. 11, creating Board of Administrators (BOA) which managed and operated the business and affairs of the station as well as IBC and BBC, subject to the control and supervision of the Presidential Commission on Good Government (PCGG). In 1992, the stations revenue rose by 700 percent by cutting cost, marketing and programming mix among other. With this performance, BOA decided to privatize the station.

Republic Broadcasting System, Inc. Since its establishment on June 14, 1950, GMA Network, Inc. has continually kept in touch with the preferences of its viewers, which it considers as Kapuso. It is driven to enrich the lives of Filipinos everywhere with superior entertainment and responsible delivery of news and information.

"Kapuso Mo, Anumang Kulay ng Buhay," (One in Heart, Regardless of the Colors of Life) GMA delights its viewers with rib-tickling comedies, heartwarming dramas, action-packed animated series, value-laden educational and feel good true story programs, and comprehensive, balanced, and credible news and public affairs reports. By constantly augmenting its programs, GMA has set trends in the broadcast industry -- viewers can participate in polls, interact with other viewers on-air, and send feedback through text messaging in several GMA programs.

GMA has a network of 46 VHF stations and can be seen in a number of households in Asia, Australia and Hawaii via satellite. It can also be heard on the airwaves through dzBB-AM and dwLS-FM in Manila; dySS-AM and dyRT-FM in Cebu; and in 27 RGMA radio stations throughout the country.



Step 1. Each AGB operation begins with a large-scale study to determine the vital characteristics of the universe that affect viewing. Aptly called the Establishment Survey (ES), the results of this study will establish the composition of the viewing panel that we will eventually measure. The respondents of this study serve as a pool of possible recruits for the panel. Conducted regularly, this study is used to check the relevance of the existing panel against the universe through time.

Step 2. With the characteristics of the universe at hand, the next step is to build the panel and recruit families that are willing to collaborate. AGB then installs peplemeters in these households and train the family members in its proper use.

Step 3. Each working TV set in a household is fixed with a peplemeter and a remote control. Only one peplemeter is connected to the telephone line or GSM network for data downloading. This is the “master” peplemeter. The rest of the peplemeters in the household pass their data to the master, hence the name “slave” peplemeter. AGB Philippines uses the TVM 2 peplemeter - a modular nature device that allows for various data transmission techniques – via stationary phones, radio waves and cellular phones.

Step 4. Each night, data for the day from the meters are downloaded via telephone lines or GSM lines for households without landline connection, by the POLLUX located at the AGB Philippines offices.

Step 5. At the heart of the system is Pollux, AGB’s proprietary production software. Aside from assisting in panel management, Pollux prompts the retrieval of viewing data, which undergoes a series of fundamental processes of consolidating, validating and expanding the data, thus obtaining a viewing data of the highest quality.

Step 6. Our in-house TV events monitoring group takes care of this. This 24-hour operation makes sure that every event that took place in the TV is logged in the TelePad,

⁴³ www.agb.com.ph

another proprietary software for TV events monitoring. The events data are fed to Pollux for consolidation with the viewing data for a complete TV viewing behavior data.

Step 7. For viewing data analysis, we have also developed a proprietary software suit for users to maximize the potentials of our data. The AGB WorkStation is composed of three analysis tools: TeleMonitor for viewing behavior analysis; TeleSpot for Advertisement campaign and expenditure analysis, and AdPlan for Advertisement campaign planning. It is supported by the expertise of AGB Media Services, the corporate division of the group, and fueled by the feedback of thousands of users worldwide.

Appendix F
Number of Broadcast and CATV Stations by Region

NUMBER OF BROADCAST AND CATV STATIONS BY REGION											
(as of JUNE 2004)											
REGION	AM	FM	TV	TV RELAY	TV X' LATOR	PAY TV	TV Station @ 40 GHz	CATV	LMDS	MMDS	TOTAL
NCR	31	25	21	0	0	1	1	69	3	1	152
CAR	10	18	6	3	7	0	0	25	0	0	69
I	33	37	6	3	2	0	0	125	0	0	206
II	17	34	9	0	4	0	0	80	0	1	145
III	16	21	8	1	8	0	0	163	0	0	217
IV	32	68	23	4	4	1	1	293	0	1	427
V	33	60	25	3	8	0	0	125	0	0	254
VI	34	66	22	3	2	0	0	103	0	1	231
VII	27	46	19	2	6	0	1	89	0	1	191
VIII	23	27	8	7	0	0	0	103	0	0	168
IX	22	38	18	0	7	0	0	57	0	0	142
X	36	51	27	1	7	0	0	71	0	1	194
XI	37	71	25	1	1	0	0	58	0	2	195
XII	13	20	7	0	1	0	0	36	0	0	77
ARMM	9	4	5	0	0	0	0	24	0	0	42
TOTAL	373	586	229	28	57	2	3	1421	3	8	2710
									DTU/DBS =		4
									T O T A L =		2714

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