Strategic Gears
Management Consultancy

The Future of the Saudi Film Industry

Contents

Summary

The Saudi government is seeking social and economic development by using the untapped potential of the non-oil economy. Lifting the 35-year ban on the cinema industry, as part of the overarching Quality of Life program, was one of the actions taken by the government to achieve related Vision 2030 objectives, opening up prospects for domestic, regional, and global cooperation and investments in the cinema industry.

This report aims to explore the future of the industry in the Kingdom through desk research and one-on-one interviews conducted with stakeholders in the Saudi film industry. We examine the potential of the industry in Saudi Arabia, the support it receives, industry patterns, challenges and factors that will drive growth. The report also discusses incentive schemes for film production, such as tax credits and rebates, by highlighting worldwide experiences/evidence.

We summarise insights gathered through our interviews with Saudi stakeholders in the industry in the areas of film production, screenwriting, and academic research.

These interviews offer additional insights and perspective into the future of Saudi film industry.

Saudi Film Industry Overview

Introduction

From a socioeconomic standpoint, lifting the cinema ban represented a significant step forward, allowing the country to boost its entertainment sector. Following the lifting of the ban, the move was welcomed across Saudi Arabia and tickets for the first public screening of "Black Panther" in April 2018 by AMC Theatres (the first to open in Saudi Arabia) sold out in just 15 minutes.

When it comes to assessing the possible socio-economic implications of the nascent cinema industry in Saudi Arabia, there is not yet publicly available information regarding the sector's direct economic impact. This can be justified by the fact that the industry in Saudi is still in its infancy, and even the structure of government reports does not yet break down cinema as a separate economic activity.

Nonetheless, the Saudi authorities are committed to encouraging both local and foreign firms to establish new theatres in Riyadh, Jeddah, and other cities. While the majority of the new theatres are anticipated to show more international films, the development of the industry is projected to boost local filmmaking. The industry receives support from the government and other stakeholders within the ecosystem, which in turn is helping to accelerate production, as well as the marketing of Saudi films domestically and internationally, and consequently encouraging investment and growth.

Saudi Film Industry Overview

The Saudi Film Industry Ecosystem

There are many forces within the ecosystem that serve to propel the Saudi film industry forward, ranging from government entities to production companies and other industry-related bodies.

Government

Production, Distribution & Content Creation Related Companies

Consumers

Other Key Film Players & Activities

Film Education & Training

Regulatory and Financial Support

The Saudi Film Commission, which is part of the Ministry of Culture, unveiled its strategy in November 2021, laying out major pillars and activities that would help the Kingdom establish itself as a world-class film centre. The strategy focuses on six areas: ensuring a world-class talent pipeline; creating a film sector that can compete in terms of services, offerings, and incentives; boosting domestic film production; attracting more international production houses; embedding a regulatory framework that facilitates the sector's rapid development; and promoting and distributing Saudi films in regional and international markets.

Key regulatory support has included:

- New regulation exempting local films from any financial compensation for tickets in various galleries in the Kingdom's regions (April 2021).
- Reduction of the fees deducted from each ticket to be three categories according to regions 15%, 10%, and 5%, instead of the previously deducted financial compensation of 25% (April 2021).

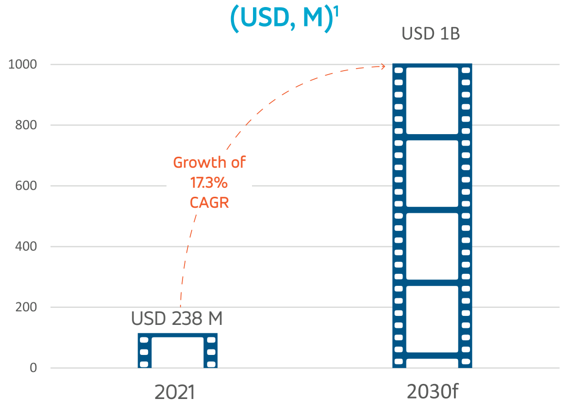
As for financial support, some of the recent announcements include:

- An incentive scheme that gives both domestic and foreign producers who film in the Kingdom financial reimbursements of up to 40%.
- The Red Sea Fund – The first 14 recipients of the USD 14M fund were announced in September 2021, and the second cycle of the Red Sea Fund opened for submissions for features, documentaries, and animation projects in April 2022.
- The Ministry of Investment declared in December 2021 during the Red Sea Film Festival in Jeddah that the Kingdom will sponsor the creation of 100 films by 2030.
- The Cultural Development Fund (CDF) unveiled its "Film Sector Financing Program" in February 2022, with a budget of SAR 879M, to improve the Saudi film sector's infrastructure and promote production. The funding for the initiative will be split 70% for content development, production, and distribution, with the rest dedicated to infrastructure development.

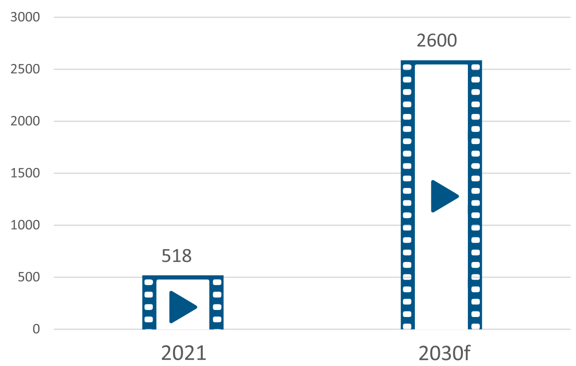
Saudi Arabia Film Industry Trends

Industry at a Glance

The Projected Size of The Saudi Film Industry (USD, M)[1]



Number of Movie Screens[2]



~231 new screens per year to meet the 2030 target

Number and Growth of New Cinemas since 2018[2]

Current Number of Cinemas	By 2030
56 cinemas ~14 cinemas per year over the last four years (i.e ~9 screens per cinema currently)	**350** cinemas (i.e ~7 screens per cinema as per Vision 2030 targets)

~32 new cinemas per year to meet 2030 target

Projected Household Spending on Entertainment as a Share of GDP[3]

2018/2019	By 2030
3% of GDP (GDP estimated at over SAR 2T)	**6%** of GDP (GDP estimated at over SAR 6T)

1- Comscore
2- Film Commission, Ministry of Culture, Saudi Arabia.
3- Saudi Vision 2030.

Saudi Arabia Film Industry Trends

Box Office Hits in Saudi Arabia in 2021

Saudi Arabia has seen a significant increase in moviegoing and box office hits since the resumption of movie screening in the KIngdom in 2018. In the last four years, Saudi cinema box office ticket sales have exceeded

30 Million

(6.6 million in 2020 & 4 million in 2019).

Box office hits in Saudi Arabia in 2021 by distributor, gross and percentage of total top ten gross box office hits in the Kingdom in 2021 are outlined below:

Distributor & % of Top 10 Gross Box Office Hits in KSA, 2021 | ■ Gross

Empire 24%

■ $15.1M

■ $5.9M

Sony 24%

■ $11.2M

■ $6.7M

Disney 11%

■ $9.1M

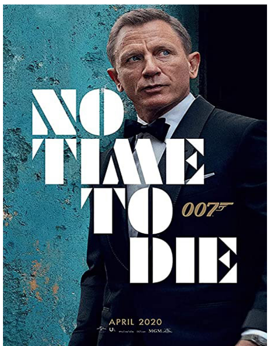
Eagle Films 10%

■ $8.3M

N Stars 9%

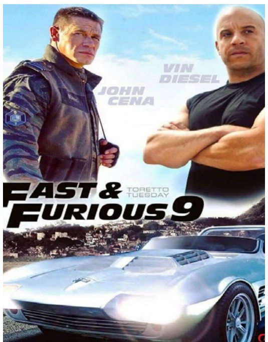
■ $8.2M

Phars 9%



■ $8M

Universal 9%



■ $7.8M

Paramount 7%

■ $6.1M

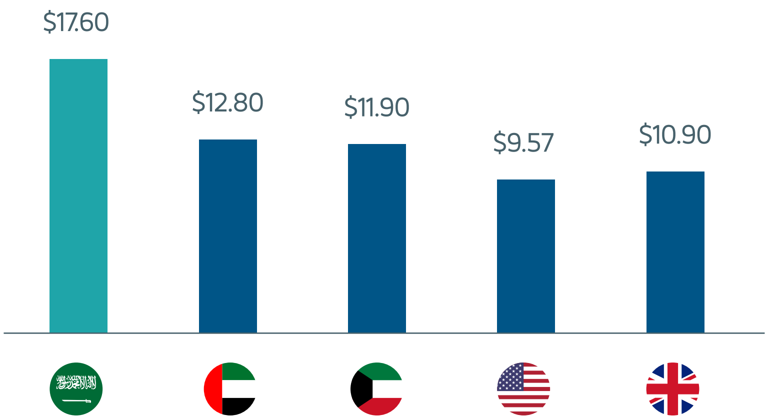
Saudi Arabia Film Industry Trends

Other Industry-Related Trends

Other industry-related trends include:

- Cinema box office sales have exceeded over 30 million tickets since 2018, according to a recent update from the Saudi Press Agency (April 2022). To get a sense of the magnitude, data shows ticket sales in Saudi cinemas reaching more than USD 73M (overtaking the UAE which grossed USD 51M) in the first 9 months of 2020, and an increase of USD 2M in revenue box office compared to the same period in 2019.
- The Saudi share of the cinema market in the Middle East represents almost 20% of the total, versus over 40% for the UAE).
- A monthly average of 59,000 ticket buyers visit Saudi Arabian cinemas, with 77% of them being families, according to the General Commission for Audiovisual Media (GCAM), the government agency in charge of fostering and regulating the country's audiovisual sector.
- Since 2018, the cinema sector has contributed to the employment of 4,439 young Saudi men and women, according to the Film Commission (part of the MoC).
- The average cinema ticket price in Saudi Arabia is higher than in other countries in the GCC and globally such as the US and UK. The level of demand and high sales tax factor into the higher prices.

Average Cinema Ticket Price[4]



It is also worth noting that COVID broke out during this era of expansion during the last four years, limiting the industry's growth, to a certain extent. Due to the pandemic outbreak, all cinemas in Saudi Arabia were forced to close from early spring until late summer 2020. Controls were partially lifted in the fall of 2020, when the government allowed theatres to run at a 20% occupancy rate until March 2022, when they were allowed to operate at 100% capacity.

4- Variety, Penske Media Corporation.

Future of the Industry

Challenges Facing the Sector

Financing

According to a 2019 survey by the British Council in Saudi Arabia (of 422 respondents, 40% of whom were filmmakers), 43% of the participants said that financial funding is one of the biggest challenges facing the film industry. This generally mirrors the qualitative interviews conducted by Strategic Gears (pages 11–12).

Skills Shortage

Another pressing challenge highlighted by the British Council survey was recruitment, particularly the lack of qualified candidates. The largest obstacle in recruitment, according to Saudi film producers, is a lack of job-specific skills, education, or experience, followed by the cost of labour. Other reasons such as competition from other businesses and a lack of soft skills were minor concerns. This also generally mirrors the view from the stakeholders that Strategic Gears conducted qualitative interviews with (pages 11–12).

Future of the Industry

Challenges Facing the Sector – Insights from SG Interviews

Market Security: This comes in 2 layers:

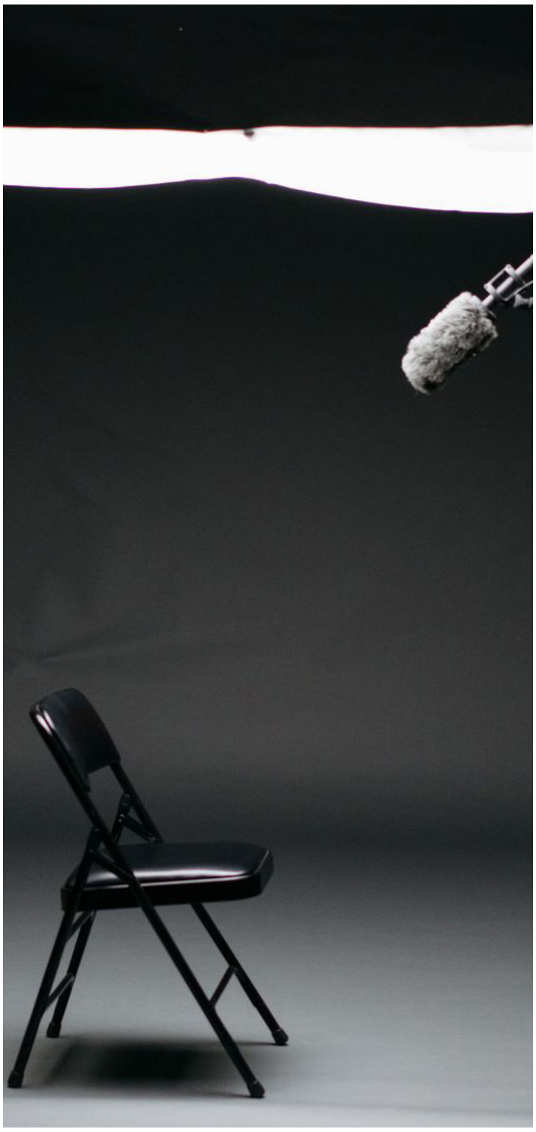
1. Audience Development: The current audience in Saudi is generally open to Saudi film but still doesn't think of the cinema experience as going to see a local film, but rather to see international films (for the average consumer, cinema is Hollywood films). Few Saudi films have however broken through such as Had Al Tar, but that takes time.
2. Security of Marketplace: This needs certain government regulations that would allow producers and production companies access to the market; so far it is an open market, but local producers/production companies are hindered from accessing the market because of limited funding, resources, foreplanning and even forecasting.

Saudi Screenwriter & Film Market Researcher

On the topic of Audience Development raised above by the screenwriter interviewed, there are several solutions available in this respect according to the British Council study, including (1) pop-up screenings and outdoor theatres, which might allow a larger audience to attend screenings and build a wider movie culture; (2) events and festivals, particularly those organized in partnership with international actors and stakeholders; (3) film screenings at schools and linking those to skill development or recruiting efforts; and (4) cinema legacy and preservation – giving the impression that film in Saudi Arabia is based on tradition.

Future of the Industry

Challenges Facing the Sector – Insights from SG Interviews



As an emerging market, the greatest barrier currently facing filmmakers and film production companies is the structural weaknesses in the Saudi film industry, especially the lack of talent pool supply and diversity (from above the line and below the line crew), as well as the increased demand for them, for various advertisements and TV dramas production projects in the country. This could lead to disincentivising investments from new and small players in the film industry.

Saudi Academic Researcher in Media & Cinema Studies

There must be legislation that contributes to supporting the Saudi film for a longer period on the cinema screens, which will contribute to supporting local films. Local films are always produced with low budgets and there is no great budget for marketing, and thus depend on word-of-mouth marketing strategy.

Saudi Filmmaker & Researcher

One of the obstacles is a lack of talent – local producers and others are a limited pool in Saudi. Funding is another challenge.

Saudi Filmmaker & Assistant Professor at Zayad University

Future of the Industry

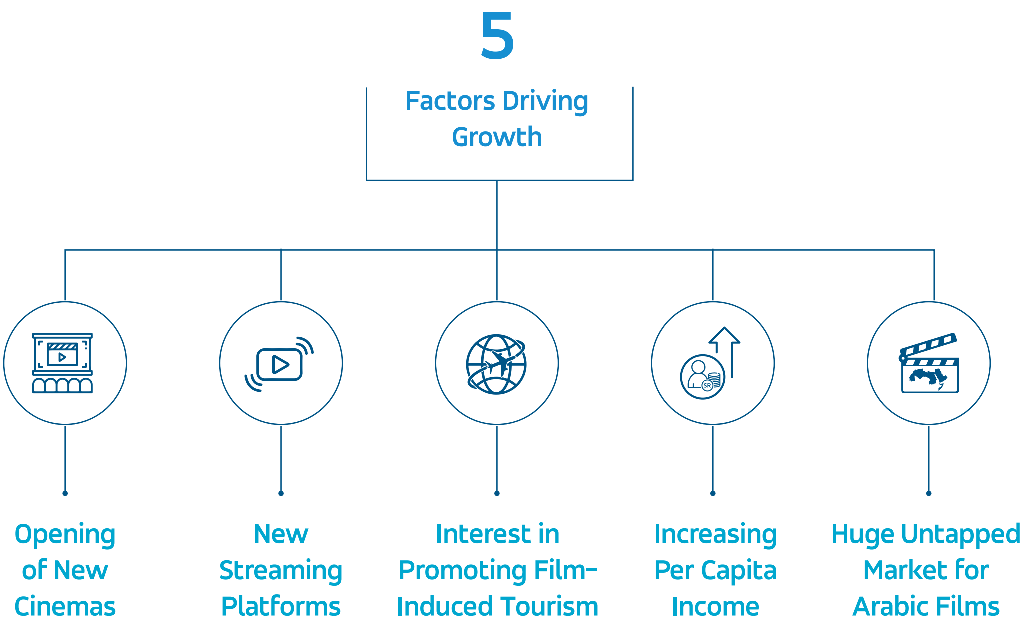
Looking Ahead – Key Themes

Looking ahead, we explore two key themes:

1. The factors that will drive film industry growth in Saudi Arabia.
2. Economies of Scale, including incentives and investment returns, and global experiences on the impact of film incentive schemes.

1. Factors that Will Drive Growth of the Industry in Saudi Arabia

Opportunities abound in the Saudi film industry. We highlight and discuss some of the key factors that will drive growth of the industry in the Kingdom.



Looking Ahead - Key Themes

Factors Driving Growth of the Industry

Opening of New Cinemas: With the rising demand for movie tickets across the country, cinema owners in the Kingdom are looking to grow considerably by opening theatres around the country, both in major cities and in rural areas. According to Vision 2030, the Kingdom wants to have 350 cinemas by 2030, with an average of 7 screens per cinema. This compares to around 56 now (i.e. 9 screens per cinema) and represents an annual increase of 14 cinemas over the previous four years. The Kingdom has to open at least 32 new cinemas every year to fulfil the 2030 target. Saudi-owned Muvi Cinemas, Dubai-based Vox Cinemas, American theatre chain AMC, Lebanon's Empire Cinema, and Mexican-owned Cinépolis are among the current cinema players in the Kingdom. Expansion plans in Saudi Arabia include: Muvi Cinemas 670+ Screens by 2025, AMC 50 cinemas by 2025 and Vox 334 screens by 2024.[5]

New Streaming Platforms: Several local entertainment platforms (film streaming) have grown in popularity over the years, presenting new growth and investment opportunities to promote Arab films. Regardless of the COVID outbreak, individuals in the Middle East and North Africa were recognized for their high daily television viewing hours. Subscription video-on-demand has become increasingly popular and has increased the need to create original content for Arab consumers and build distribution arrangements with regional pay-TV as avenues of growth.

BRITISH COUNCIL

77% of respondents believed that video-on-demand platforms will be the largest way to watch Saudi productions, according to a British Council survey in February 2019.[6]

MPA
MEDIA PARTNERS ASIA

Saudi Arabia is leading the way as streaming platforms gain momentum in major Arab countries, making up more than 50% of the 2021 SVOD industry revenue in MENA of USD 453M.[7]

GCC SVOD sector revenue is forecast to reach[7] USD 667M by 2026 (CAGR of 8%)

digital TV research

Netflix presently leads the SVOD market in the MENA region with more than 6.8 million customers. Amazon comes in second with 1.4 million, followed by Starzplay with a little under 2 million. Forecasts by Digital TV Research highlight that Netflix and Disney+ will dominate the MENA region's SVOD market by 2027, despite Disney+ only launching in a few countries in 2022.[8]

By 2027, of the USD 4B expected revenue from SVOD in MENA,

Netflix will account for USD 1.9B and 11 Million subscribers, followed by Disney+ with an expected USD 589M and 6.5 Million subscribers.[8]

5- Cinema Build KSA Report, GM Events.
6- British Council "Saudi Film Skills" Report, March 2020.
7- Media Partners Asia.
8- Digital TV Research.

Looking Ahead - Key Themes

Factors Driving Growth of the Industry

Interest in Promoting Film-Induced Tourism: Many studies show that visitor numbers increased in places shown in movies, such as the US, UK, Australia, Italy, and New Zealand. For example, five years following the debut of the first Lord of the Rings film, tourist numbers in New Zealand increased by 40%; over one in five tourists still name The Lord of the Rings trilogy as a reason they choose to visit New Zealand, nearly two decades after the first film was published, according to Tourism New Zealand. In the MENA region, Egypt, Jordan and more recently the UAE are good examples of countries benefiting from film-induced tourism. In Saudi Arabia, short films, in particular, are projected to help promote the Kingdom's image to more local and international tourists. This endeavour is also being supported by the authorities. For example, the Saudi Tourism Authority (STA) has launched the "Saudi Winter for Media Excellence" award, with the goal of increasing the visibility of young artists in the "Tourism Media".

Increasing Per Capita Income: The expansion of the media and entertainment sector in Saudi Arabia will be fuelled further by rising per capita income as well as the increase in consumer expenditure. Forecasts of growing per capita income have ranged from Invest Saudi's prediction of a CAGR of 3.4% until 2025 to Citi Group's prediction that Saudi Arabia will overtake Canada, the UK, and Switzerland to become the world's sixth richest country in terms of per capita GDP by 2050.

Huge Untapped Market for Arabic Films: The Arabic film business is mostly untapped and has great potential, with a total audience of over 400 million people spread over 22 countries. The quality of Arab films has also improved significantly, but getting Arab audiences to view them remains a difficulty. Film festivals in the region, for example, play an important role in this regard. For example, in Jeddah, Saudi Arabia recently held the first edition of the Red Sea International Film Festival. With 138 films from over 60 nations, the festival offered world premieres of selected films created by the Kingdom's up-and-coming talent. Authorities and regulators may also help to increase the visibility of Arab cinema and ensure that a greater choice of high-quality films is available.

In Saudi Arabia, the Kingdom has intentions to develop a local film industry and build the infrastructure necessary to produce

100 Domestic Film by 2030

(27 Saudi films debuted at the Red Sea International Festival in December 2021).

Factors Driving Growth - Insights from SG Interviews

Saudi is a unique market for several reasons – take the role of the country for film production in general, if we look at places like the UAE, their success was through film commissioning (allowing international productions to come to the country, using Dubai as a hub and driving tourism). While this could be a thing in Saudi, it's not where the focus is today – there is a bigger focus on national productions and national talents – the Kingdom wants to develop an entire industry. As such, I see co-production as the best infrastructure (the best way to merge business and education), and where Saudi could for instance be supplying acting/writing talent, shooting locations, etc. This of course needs to be regulated and governed well.

The Kingdom offers great typography of natural landscapes including deserts and valleys among others, as well as unique historical architecture in various parts of the country, which needs to be supported and marketed well. The country also has a lot to offer when it comes to talent and stories that are untold, and unheard of, and there are great efforts from educational institutions supporting the industry.

Saudi Screenwriter & Film Market Researcher

Saudi Arabia still has a lot of room for creating and developing new stories that would offer a fresh perspective on the Kingdom and its popular and undiscovered fairy tales. There is a huge amount of intellectual property (IP) that has not been exploited yet, and the greatest opportunity is to make an impact through the content we put on screen, especially with the abundance of digital streaming services that could accelerate the production rate and enhance the quality of Saudi stories.

Looking Ahead - Key Themes

Factors Driving Growth - Insights from SG Interviews

Saudi Arabia has a plethora of undiscovered locations for filming that are ideal for those looking for urban, historic, and more rural settings. Embracing Saudi Arabia's unique geography, cultures and locations should lead to considerable investment in core infrastructure and production services, which would primarily benefit the film industry (along with the growing international co-productions in the region), creating jobs, recurring economic activity, and income opportunities.

Saudi Academic Researcher in Media & Cinema Studies

Saudi Arabia provides great opportunities for local filmmakers and film production with the support of the public sector and the interest of public institutions, through support funds. This includes providing an infrastructure for film production, and empowering Saudi talents and capabilities of local production. Through public institutions, under the umbrella of the Ministry of Culture and the Film Authority, education and training, a professional awareness program, talent acquisition and development, film programs, a network of regional production studios, exhibitions for the film industry, and others are provided to stimulate the private sector. Among these initiatives is the Cultural Development Fund under the umbrella of the Ministry of Culture (MoC), which provides a program to finance the film sector through the Fund with a budget of SAR 879M. It is one of the initiatives of a program that aims to contribute to stimulating the local film sector.

Saudi Arabia owns filming sites that attract international filmmakers, including seas, mountains, historical sites, beaches and deserts. In addition, incentives are provided by the MoC, The Film Commission, and Film AlUla, such as covering the expenses that come with production projects, expenses of producers, directors, actors and scriptwriters, as well as the expenses of crews, production locations and equipment rental expenses.

The Kingdom also offers cash rebates worth up to 40% in qualifying costs, which is above the 30% that neighbouring UAE is providing. There are also support funds provided by the Red Sea International Film Festival for a number of regional and international films.

Saudi Filmmaker & Researcher

Every country has its own regional entertainment and the voices of its audience, and this is where Saudi needs to start creating its own content. If we looked at the past and saw how Youtube took off, I think the film industry can very much take off in the same way. So there is definitely a huge potential there, especially since it's growing, it's new, and there are skills available, they just need the opportunities.

And when it comes to shooting, the first thing that people think about is great location, and a lot of filmmakers are looking for new landscapes and Saudi has that including beaches, desert terrain and mountains. Other things that international producers care about are incentives for production, and costs among others. This is where Saudi has to also focus on, including also providing crew and cast.

Saudi Filmmaker & Assistant Professor at Zayad University

Economies of Scale - Film Incentive Schemes

2. Economies of Scale – Film Incentive Schemes

Rebates, tax credits and tax shelters are examples of popular film incentive schemes globally at various points in time, each with its own regulations and features.

Rebates are paid directly from the state budget and are based on production expenditure rather than investment levels, compensating producers a percentage of their eligible budget items according to a set of criteria. The payment is generally disbursed when the production expenditure has been finished and audited (although some systems allow partial payments earlier) and, more importantly, after the nation's treasury has collected a variety of taxes from the activity itself.

Tax credits, like rebates, are intended to reimburse a portion of qualified production expenses based on a pre-determined formula. Rather than being paid from a designated fund, the incentive is applied to the producer's tax liability when the company files its annual report. The incentive will lower the amount of tax payable, and any surplus that remains after the liabilities have been settled, which is usually the case, will be paid in cash.

Unlike rebates and tax credits, tax shelters are intended to entice investment from high-net-worth individuals and high-tax-paying businesses by allowing them to deduct investments in qualifying production from their taxable income – while still being able to realize any long-term profits generated by the project, though these would be taxed when received.

While different nations' schemes differ, as do other factors such as the size of the economy and the size of this sector, knowing the experiences of various countries on how incentives work may give insight and inspiration for increasing the effectiveness of existing or planned programs.

Looking Ahead - Key Themes

Economies of Scale - Film Incentive Schemes

Global Best Practices

There is a clear preference for rebate-style arrangements over other schemes in Europe. This is mostly due to the growing recognition of the self-funding nature of rebate-style fiscal incentive schemes. Though slightly outdated, according to European country evaluations published in 2014 by European Audiovisual Observatory to evaluate fiscal incentive schemes supporting film and audio, almost all incentive structures provided a greater return on investment in tax revenues to the government than they costed to operate, while also providing standard trickle-down benefits to the broader economy, including tourism and exports. The return on investment was strong, particularly in nations where incentive systems have been in place for some time. For example, for every EUR 1 of incentive offered in France, EUR 12.8 was invested in the sector. The UK demonstrated that for every GBP 1 of tax relief, an extra GBP 12 of GVA was generated. European governments continue to pay close attention to film incentive programs, ensuring that they are updated, enlarged, and amended as needed. This is in line with a larger trend in Europe toward the adoption of such structures as part of a comprehensive creative sector support environment.

In an effort to promote production and develop a viable film industry in each US jurisdiction, film tax credits have been used in over 30 states. Incentives schemes' popularity in the US has varied by state; some have thrived while others have faded.

- In states such as Colorado, Maryland, and Texas, funding available for film incentive programs were lowered in 2018. Oklahoma's yearly program cap was lowered from USD 5M to USD 4M. And most notably, Louisiana, the pioneer of state film incentives, set a limit of USD 150M per year on the number of credits that can be granted.
- California also recently increased its credit to a maximum of USD 330M per year. Unless the governor and legislature extend it, the program will expire in 2025. According to research released in March 2021 by Alec Workman in the Economic Development Quarterly on the influence of tax incentives on film in California, 19% of films would have filmed in the state even if there was no incentive, but granting an incentive raised the likelihood of a film being made in California by 16 percentage points. In response to the tax incentive, both production expenditures and the number of cast and filmmakers employed rose. In California, for example, the budget spent climbed by 267%, while the number of cast and filmmakers hired increased by 123%.
- Arkansas also voted to continue its program for another ten years in June 2019.

Economies of Scale - Film Incentive Schemes

Global Best Practices

The federal government in Canada offered the first incentive, the Canadian Film or Video Production Tax Credit (CPTC), in its 1995 budget. In 1997, a second incentive was introduced: the Canadian Film or Video Production Services Tax Credit.

- Since the federal government first introduced these tax benefits, all provinces, as well as the Yukon, have followed suit, establishing similar tax incentives to encourage investment in their respective areas. The CPTC offers qualifying productions a fully refundable tax credit of 25% of qualified labour expenses.
- For every USD 1 spent on tax credits in Alberta, for example, USD 4 is re-invested in the province's economy. As a result, Alberta announced in March 2022 that it would eliminate the cap that limited film and television productions to a maximum tax credit claim of USD 10M to attract larger films to the province.

In Australia, incentive schemes include:

(1) The Producer Offset – a 40% rebate on production expenditure in Australia for local films released theatrically, and a 30% rebate for other eligible formats.

(2) The Post Digital and Visual Effects (PDV) Offset – a 30% rebate on production expenditure in Australia for any PDV production undertaken in Australia (including those filmed overseas).

(3) The Location Offset – a 16.5% rebate on production expenditure in Australia for any PDV production undertaken in Australia (including those filmed overseas).

(4) The Location Incentive grant program, which is a merit-based grant program that allows for funding of up to 13.5% of a production's cost to international screen productions that commit to filming in Australia and perform well against the assessment criteria.

- The Location incentive alone, according to Australia's Bureau of Communications, Arts and Regional Research, may generate approximately USD 4.3B in production expenditure in Australia by foreign film and television productions through to 2027. If all the incentive's USD 540M is used, the scheme is expected to create at least USD 4B in production spending in Australia by 2027. The incentive has already attracted up to USD 1.5B in production spending in Australia from companies that have begun operations in Australia between 2020 and 2021.
- The incentive has also created over 39,000 jobs over the period from 2018–19 to 2020–21.

Looking Ahead - Key Themes

Economies of Scale - Film Incentive Schemes

Below, we outline comparable country film tax incentive programs:

40% cash rebate of total qualifying spend for local & international productions in Saudi.

30% cash rebate on productions in UAE territory.

10% to 25% cash rebate on qualified expenses in Jordan.

32% tax credit on local Irish expenditures

40% cash rebate in Greece with no cap per project.

25% cash rebate & up to 80% tax relief in UK; Production must pass a cultural test.

30% tax rebate on qualifying expenditures in France.

Up to 35% cash rebate for film productions & 30% for high-end TV-series in Netherlands.

A system of grants that cover up to 50% of production costs in Poland.

Up to 25% cash grant of approved production costs in Norway.

Up to 30% cash rebate for film productions in Estonia.

25% tax incentive on eligible expenses in Hungary.

A system of grants that cover up to 50% of production costs in Croatia.

20% of qualified production spend in South Africa.

16.5% tax rebate for production of large budget film & television projects in Australia, 30% tax rebate for post-production, digital & visual effects, regardless of where the project is shot.

Filmmaking incentive of 20-25% to producers of feature films, television series, and documentaries financed by at least 80% foreign capital in South Korea.

40% cash rebate, plus 10% business tax rebate of qualifying production expenditures in China's Qingdao Region.

16% federal tax credit for resident labor, plus tax credits issued by the various Canadian provinces, including the following: British Columbia: 33% tax credit & Alberta: (1) 25% grant (26% if shoot more than thirty (30) days in Alberta) if Alberta owns less than 50% of the production company or (2) 29% grant (30% if shoot more than thirty (30) days in Alberta) for resident labor and vendor services, if Alberta company owns more than 50% of the production company.

Film incentives are plenty across the USA and vary greatly state by state. Incentives paid in the form of tax rebates or transferable tax credits can range from 5% to 40%.

Looking Ahead - Key Themes

Film Incentive Schemes - Insights from SG Interviews

When it comes to incentives from the government, an interesting comparison is South Korea and the KPOP and KDRAMA industry, where the government there wanted to invest in its own culture and wanted its culture to travel globally, so what they did among other things was introduced a quota system for distribution and production companies (for instance, if you produce 10 local films a year, you get to bring 2 Hollywood films in that year) and this gave time to audience development. The other incentive for local directors and international producers in the Saudi context is the potential of the market – the ticket buyers and the consumers.

Saudi Screenwriter & Film Market Researcher

Saudi Arabia is a different case from the US when it comes to incentives schemes, as the Kingdom's necessity for financial incentive programs for the film sector is based on two national priorities: the global competitive advantage that the Kingdom wants to achieve by relying on the need for international high-budget productions for financial support with regard to taxes and spending returns, as well as the logistical and service facilities provided by the government. Second, the Kingdom needs to target international films to improve its image and develop soft power through the diversity of filming locations and benefit from the high-end hospitality options, which in turn highlights the professional quality of the industry and the ability of local companies and talent to meet global needs and create a reliable and sustainable business.

Saudi Academic Researcher in Media & Cinema Studies

Looking Ahead - Key Themes

Film Incentive Schemes - Insights from SG Interviews

Incentives in the film industry have different strategies and goals globally. Some countries may hope to achieve economic mobility that achieves financial profits for the place, contribute to creating a brand image and market the location as a cultural tourist destination, contribute to developing the local industry through participation and development of local talents by involving them in the international production, or attract global investors and increase the private sector's contribution to meet domestic demand and encourage production. In Saudi Arabia, the Kingdom wants to be a hub in the film industry in the region and attract the largest amount of global and regional production and enhance its brand image.

What distinguishes Saudi Arabia is that the Kingdom is not only focusing on incentives regardless of financial returns and services but also the Film Authority, the Ministry of Culture and Film AlUla aim to achieve goals that combine the development of talents and local companies through participation in the international film industry, in addition to being a hub for production as a filming location, as well as branding the image of Saudi Arabia as a cultural tourism hub to attract global and regional investors.

Despite this, these incentives are covered by some ambiguity and lack of clarity on the part of the legislator. From my point of view, incentives will not achieve future sustainability. What we need is to achieve a balance between the global and the regional to create a hybrid that contributes to supporting local production. We do not only give money, but there needs to be participation in the recruitment of Saudi talents.

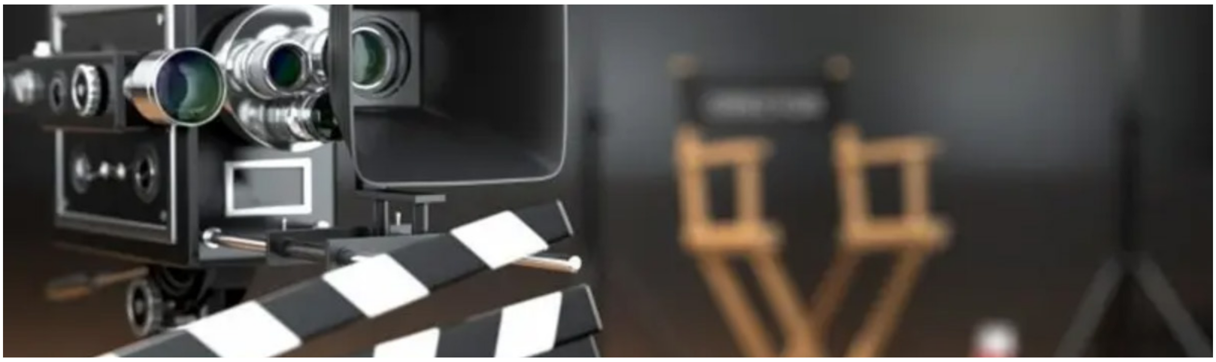
There may be requirements for financial returns for the state from film income at the box office or increase in the private sector's contribution to meeting domestic demand and encouraging production.

Saudi Filmmaker & Researcher

It definitely represents an important factor that supports producers who are looking for good locations and get cheaper rates to produce film. Being based now in the UAE, for instance, I get a lot of people recommending shooting in cheaper locations.

Saudi Filmmaker & Assistant Professor at Zayad University

Conclusion



All of the major initiatives aimed at promoting the film industry are part of a larger plan to broaden Saudi Arabia's cultural and economic prospects by pursuing modernisation and diversification. The opportunities are plenty, and stakeholders can capitalize on the government's attempts to establish Saudi Arabia as a regional film hub for both local and foreign films, as well as the development of a film marketplace.

To conclude, we asked the stakeholders interviewed regarding their thoughts on what Saudi Arabia can learn/benefit from the main successes, or even failures within the film industry globally, and summarise their views and recommendations below:

> One of the biggest mistakes in the film industry globally is looking at the industry as a consumer-oriented industry rather than a product-oriented industry – films are cultural products and as such timeless experiences. Countries have succeeded because they valued local production versus international when it comes to the cinema industry – a country succeeds when it becomes more about talent than just the consumer pool. In Saudi, for instance, when the ban was first lifted, all were focused on the economic impact more than the cultural impact. To be successful, you have to go back to the art of filmmaking.

Saudi Screenwriter & Film Market Researcher

> You can look at the best directors in the world and even they have failures at some point. So, it is important to keep creating content even if there is a chance it will fail, because filmmaking is incredibly hard, and it is one of those investments that will not always get you the best return. It's the nature of the industry and those giving the money need to come to the realisation that not every single script will be that academy award winner, but it is necessary that filmmakers continue to produce films and learn from them. They just need to learn that failure is part of filmmaking and only 1 out of 10 films ends up being great.

Saudi Filmmaker & Assistant Professor at Zayad University

Conclusion

Film production around the world is structured into two main business models: conglomerate large corporations, where a few international large studios and production companies are able to move to sustainability because they have the technical know-how and financial stability; and majority of independent production companies that have difficulties accessing the finance they need to develop and scale up. The financial support and investment offered by most governments and private sources is commonly directed to individual film projects at the production stage and not to production companies and at the development stage.

In fact, there should be multiple sources of capital willing to take the high risk required to back indigenous film production companies at early stages. For instance, the UK government introduced the Enterprise Investment Scheme (EIS) in 2018, which is an entrepreneurial investment in the UK screen industries and high-risk companies in their early stages, especially those that have a clear plan for growth and development. Such initiative may contribute to supporting the Saudi film production sector and making it more sustainable and vibrant, towards a plan to focus on the growth of companies and not products. Thus, I believe that increase in the availability of financial support to film companies and development funding (as opposed to larger incentives for actual production spending) could make a big difference in enhancing the investment appeal and commercial performance of more Saudi film companies and films. It would also help the Saudi film industry grow its domestic and international market share over the long term.

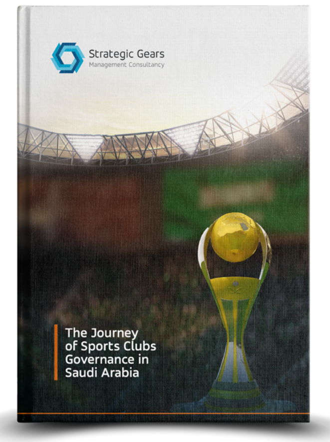
Saudi Academic Researcher in Media & Cinema Studies

- Netflix and video on-domain platforms and their openness to Saudi, Gulf, and Arab content and products, gave an opportunity for filmmakers and production companies in Saudi Arabia to adopt a mixed streaming model between video on-domain and box office, which gives them the opportunity to rethink the methods of distribution and marketing of content, especially with the dominance of global content at the box office and the weakness of marketing for the local product.
- Crises and disasters have their effects on the film business, especially after the world was exposed to the COVID-19 crisis, and the economic effects may have benefits for several countries in entering competitions. At the time of the crisis, Saudi production was increasing due to more flexibility in production in times of crisis, while in the world it was experiencing production delays and cancellations. And this is an opportunity in times of crisis, as the audience has become inclined to watch independent films.

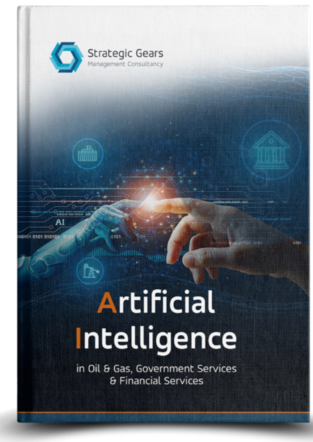
Saudi Filmmaker & Researcher

Other Publications

Strategic Gears prides itself in its ability to be a knowledge hub for the Saudi market. We release a range of reports on the current state of the Kingdom's economy as well as hot topics in both the public and private sectors. Below is a sample of our latest publications.

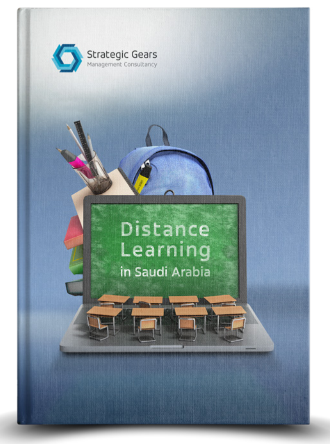


The Journey of Sports Clubs Governance in Saudi Arabia

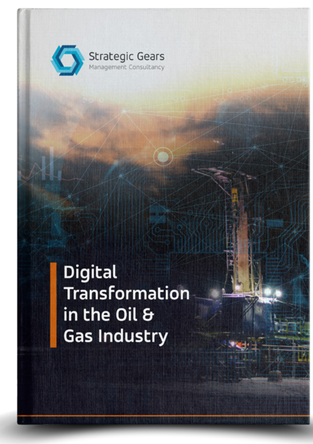


Artificial Intelligence

in Oil & Gas, Government Services& Financial Services



Distance Learning in Saudi Arabia



Digital Transforation in the Oil & Gas Industry

Strategic Gears
Management Consultancy

About Strategic Gears

Strategic Gears is a leading Management Consultancy based in Saudi Arabia, serving clients across the country. Strategic Gears's clients include the largest public and private sector organizations, including a number of ministries, authorities, financial institutions, and companies. The company utilizes its top notch local consultants, and global network of experts to offer strategic solutions in the fields of Strategy, Operations & Organizational Excellence, Marketing & Digital, and have a proven track record with multiple clients in each.

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