*Humanities and Social Sciences Review,*
CD-ROM. ISSN: 2165-6258 :: 04(03):297–304 (2015)

# MONOPOLY IN MALAYSIA TELEVISION MARKET: EFFECT ON MALAYSIAN FILM PRODUCERS

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The emergence of television in Malaysia has created new market opportunity for local production companies to sell products or television shows they have produced. Television has now become a bigger market compared to the film market for cinema screening. This is contributed by the increasing number of television channels in Malaysia which has eight free television channels i.e. TV1, TV2, TVi, TV3, NTV7, 8TV, TV9 and TV Al-Hijrah. Paid television network named ASTRO satellite television which serves more than 170 television channels has also provided new market opportunity through the channels of Astro Ria, Astro Prima and Astro Mustika. ASTRO also provides market opportunity for producers to broadcast recent films premiered in cinema through the pay per view channel known as Astro First. However, the ownership of television channels by particular company is feared to prompt monopoly in television market. This article discusses the effect on Malaysian film producers or production companies in Malaysia television market. Among issues being discussed are procedure to purchase television programme by government television network i.e. Radio dan Televisyen Malaysia (RTM), issue of low price purchase, ownership of products copyright by private television network and continually increment in subscription price by the first satellite television in Malaysia, ASTRO.

**Keywords:** Television market, Monopoly, Film, Producer, ASTRO, RTM, Media Prima, TV3.

## Introduction

Malaysia Local television era started on December 28th, 1963 when the first television network known as Televisyen Malaysia launched by Tunku Abdul Rahman Putra Al-Haj, of which took place at the temporary studio in Dewan Tuanku Abdul Rahman, Jalan Ampang, Kuala Lumpur. During the early stage, the emergence of television was also one of the factors that contributed to the deterioration in local filming industry. New attraction via television channels that had been broadcasted for free caused society to prefer watching television at home rather than going to watch Malay film in cinema.

However, nowadays, television has become an ancillary market resource to local film producers. This happened when Radio Televisyen Malaysia (RTM) introduced private drama production in mid 1984. This move had given new breath in drama and film production industry in Malaysia. This effort by RTM has helped in making filmmakers. This was stated by Yusof Haslam (2002:19)

> Everything has started from the making of RTM private drama of which I consider as a platform to gain experience and to find a base to step further. More accurately to say RTM is like a film school for people like me and Aziz M. Osman.

Ancillary market through RTM television network has also helped local producers to continue to exist and survive in production industry. As an example, when private television network of TV3 reduced the purchase of local drama programme and uncertainty of response from films audience in cinema during the economy recession era in 1997, television slots in RTM had largely helped to save production companies from being closed. Banks for example, would only receive guarantee letter or offer issued by RTM for factoring purpose (Azman Ismail, 2003).

## Television Market

Though it was only as ancillary market during the early stage, however current development indicates that television market has become main source income for local production companies. This is because the earning from production for television is way larger than the earning from fiction film. As an example in 2002, television production amount was at RM350 million a year compared to RM20 million a year for earning from fiction films (Rosli Manah, 2002). Even the revenue income from ticket sales of local films in cinema increased to RM100 million in 2011, it was still unable to compete the value of local television market as that is currently estimated to value more than RM400 million.

Television market has become main market source because of low investment risk and guaranteed return. Hence 90% of local producers depend on television market of which it is less risky. Local producers only have to provide the production cost when the paperwork for the production of a television programme is accepted by the television company or network. After the programme has been completed, the television network will broadcast it as early agreement via contract has been done. This is different with the production of fiction film of which it is very risky. An investment of RM1.2 million sometime does not guarantee a breakeven return. For example, several films premiered in 2014 such as *Muka Surat Cinta, Supersquad The Movie,* and *Misi Tawan Baby* merely gained return below RM100 thousand (FINAS, 2014). Thus, as compared to many production companies in Malaysia, only few of those production companies are brave enough to invest in filmmakings for cinema broadcasting.

Up to 2014, there are eight free television channels in Malaysia i.e. TV1, TV2, TVi, TV3, NTV7, 8TV, TV9 and TV Al-Hijrah. Meanwhile there are three paid companies or television networks i.e. satellite television of ASTRO that provides more than 170 television channels comprising imported television channels or handled by its own brand. Besides ASTRO, Telekom Malaysia Bhd (TM) is also a service provider to paid television channel of HyppTV of which it is using Internet Protocol TV – IPTV. On June 8$^{th}$, 2013, another paid digital cable television named ABNExcess with 50 channels has been launched in Malaysia.

The increase of television network should have caused the market size for production companies to enlarge. However, it does not happen. Local production companies are continually facing challenge in their effort to sell and marketing their products to the television network. Among them, the increase of production companies has caused the share of television market becomes smaller. Production companies have to compete with each other. From time to time, the number of new production companies keeps on increasing to seize big opportunities of television market especially via RTM. According to the president of the Malaysia TV Producers Association (PTVM) Jurey Latif Rosli, there are 752 production companies who are competing to get broadcasting slots in local television station (Mohd Ifqdar Abdul Rahman, 2012).

## Monopoly in Malaysia Television Market

Monopoly is no longer referring to sole company. Even in the market that is considered as ‘open’, the existing of two companies (duopoly) and few companies (oligopoly) can also cause a monopoly to happen. According to Friedman (1962), monopoly exists when a specific individual or company (business) has sufficient control on particular product or service to determine absolute conditions. Even though in the same time there is another individual or company that definitely can join or participate. However, because of monopoly, hence only the company that has control (power) can determine the conditions. Bowles and Edwards (1985) also stated that if a firm or several firms can push aside the other parties then monopoly power has existed.

Thus, although several companies or television networks exist in television market, monopoly has also occurred. If scrutinised, television market was once monopolized by only certain company. History had proved that monopoly system in television market had happened once ago. The emergence of HVD merged with Solid Gold in 1992 is among the best examples of how a monopoly formed. With government share through Kurnia Padu Sdn Bhd that is Minister of Finance (Incorporated) amounted 30% and another 70% by individual shareholders, HVD was given the privilege to monopolize RTM slots (Parliament Official Statement, 1994). Even in 1997, HVD recorded profit of RM28 Million until the company successfully built a studio in Cheras.

The issue of HVD monopolising television market in RTM led to few local companies forming a consortium. Among them were such as Consortium of Malay Film and Video Producers (Keris Motion) which was established in 1995 and followed by Consortium of Rumpun Usaha Sdn. Bhd (Rumpun Usaha). The forming of those consortiums had reduced the monopoly of HVD. RTM had allocated slot hours to Keris Motion and Rumpun Usaha. Although each consortium only acquired 200 hours compared to HVD which had acquired 1500 to 2500 hours a year, nonetheless the monopoly of HVD had reduced continually. Issues that shackled HVD had ultimately caused the contract of HVD terminated by RTM in year 2000. The principle of RTM to allocate slots according to hours via consortium caused those artists who involved in entertainment field to also established their own production companies. Among them were Siti Nurhaliza, Erra Fazira and KRU who came into the wing of Consortium of Gagasan Perdana which had also obtained production slots allocated by RTM (Utusan Malaysia, 2003).

The allocation system of RTM which led to the fear of monopoly occurrence had continually become an issue hence causing the supply allocation system of RTM to be changed for several times. In 2002, Minister of Information, Tan Sri Khalil Yaakob introduced Tender System with 2,800 hours to be bidded. However this system was not completely implemented. Under the new Minister of Information Datuk Seri Abdul Kadir Sheikh Fadzir, the system of allocating slots to consortium was continued. For example, Consortium of Telemal Productions Sdn. Bhd. (TPSB) which had eight local film and drama production companies still got 150 hours of RTM slots in that year.

Aware about the weakness of the system that gave effects on the quality and the claim that some companies sold their acquired hours to other companies caused RTM under the Minister of Information Datuk Zainuddin Maidin to introduce the New Method of Supply Procurement for TV Programme. The announcement was made on December 2$^{nd}$, 2006. Through the Limited Tender System, every production company was required to register with the Ministry of Information to classify these companies into category A, B and C. This recommendation was a follow-up submitted by The Malaysia Film Producers Association (PFM) in 2002. This supply procurement system did not last longer either. Under the new Minister of Information, Datuk Ahmad Shabery Chek, this limited tender system had been altered into the system of proposal and pitching submission.

Actually the issue of slot allocation and purchase causing a monopoly issue is not only happened in RTM. It also involved the free private television network which had been dominated by Media Prima. As an example, Grand Brilliance which is a branch company of Media Prima was also given a priority to produce their own television programme whether a telemovie programme or drama series. This became clearer with the establishment of Primeworks Studios Sdn. Bhd. (Primeworks) which was launched in August 2008. Through Primeworks, the domination was more obvious because the brand had embellished every other productions of TV3. This was proven true because the amount of hours produced in a year exceeded 5000 hours making this company the biggest production company ever established in Malaysia after HVD.

> *Primeworks Studios Sdn Bhd is Malaysia's biggest production company, producing TV content since 1984 and feature films since 1994, generating over 5,000 hours of TV content and 10 movies annually. Primeworks' content reaches a varied audience across multiple language, ethnic and age groups throughout Malaysia and has also been aired abroad.*
>
> (Source: http://www.primeworks.com.my)

With all opportunities and chances to broadcast every television programme they produced through all networks of TV3, NTV7, 8TV and TV9 which was owned by its' own main company i.e. Media Prima Group, it had created a monopoly system in free private television market. This was proven when the three aspects which were frequently applied in a production i.e. making, distributing and broadcasting were fully controlled by Primeworks. Total control of free private television market caused Media Prima to dominate largest audience numbers that was 47% of audience total.

**Monopoly Effects on Production Companies**

According to Adam Smith (1776) in McKenzie and Lee (2008), monopoly enables producer to control over supply and price. In the issue of selling TV programme to the private television network, there was issue of pricemaking being solely determined by the television companies. Local production companies and even the government could not solve the issue of low buying price of the product by the private television companies. This was obvious when the price recommended by the Malaysia TV Producers Association (PTVM) to television network was not given proper attention (Amirah Amaly Syafaat, 2012). The price set by Media Prima had never changed in 19 years. For example, buying price of a drama by TV3 was only around RM80,000 to RM85,000 compared to RTM who had raised it to RM90,000 up to RM110,000 (Abd Aziz Itar, 2012). Although TV3 stated that the pricemaking is still flexible and subjected to the discussion between them and the production companies yet this concept of pricemaking still could be discussed from a monopoly aspect or antitrust-law economy which ultimately refers to the pricemaking that is giving advantage to only one side.

Besides that, copyright of products made by the production companies became a full proprietary right to the television network could also be interpreted as an effect of a price making monopoly. It becomes the foundation to the monopoly concept and effects in which the company involved could determine any market decision regardless there is an agreement labeled as 'mutual consent' on the paper. Jurey Latif Rosli, the president of PTVM said that local producers did not possess the copyright of TV programmes sold to private TV station (Jurey Latif Rosli, 2012). The fully takeover of product copyrights by private TV station also proved that injustice had occurred. This was the proof that monopoly effects created business pressure onto local production companies, hence creating an unhealthy business environment. Even a competition law in United Kingdom (UK) i.e. the 1998 Competition Act also stated that abuse of dominant power means that a firm can 'behave independently of competitive pressures.

In long term, there is a concern that monopoly will curb the development of film and production of television programme industry in overall. A dependency to single big market and dominated by a company or few companies will reduce competition. This causes business aspect of a country and entrepreneurship of other production companies not going to grow. In the other words, competition to develop an industry is very important. It stated by Malaysia Competition Act (2010) :

> *…the process of competition encourages efficiency, innovation and entrepreneurship, which promotes competitive prices, improvement in the quality of products and services and wider choices for consumers.*

In a production of television programme as an example, monopoly will cause a programme broadcasted to be low in quality and it is worried that they will have no innovative values. Audience will be served with typical and similar dramas. This is because the ideas presented through pitching session will be controlled and determined by the company who controls the market. In the field of filming and producing a television programme, it definitely refers to the selection of actors and actresses, idea and theme of a programme.

A monopoly system will repeat the history of studio system in Singapore and the system practiced by the HVD Company when the owner had a list of star actress to be given priority to play as starring or co-starring. They also could not determine the payment they receive because everything was determined by the studio owner through the contract given.

Despite the situation is different and it is not sealed through a contract, this scenario has actually happened in the film and television market nowadays. It is common when actors speak out their dissatisfaction regarding payment rate, their chance to land a role in the production is going to decline. Moreover the tendency to employ the same actors for television programme broadcasted is going to be higher. Even though it is so obvious because of the large amount of slot hours and plenty television channels, yet this scenario has actually happened in the production of local private television programme. In particular season and time, actors line for programme or slot being broadcasted consists of the same actors. Even some of the artists are bonded by contract as the television resident artists. Slots and trend of the programme being broadcasted by the production companies also tend to follow the flow. The repetition of theme and introduction montage for the broadcasted programme are also worried to be a repetitive. Whether the production company has failed to look for new ideas in the making of the product or monopoly has actually made impacts on innovation and freedom for creativity.

It has also become a concern that the step taken by Media Prima Berhad of building a new brand in its television network especially for animation would give long term effect on the development of animation industry as a whole. At early stage, on the factor of incapability to produce animation products, absolutely Media Prima is still depending on the animation products from local companies. However, it is worried that because of the brand reinforcing strategy done by this company, a monopoly in animation industry is going to happen. This is obvious when Media Prima has also established its own animation studio known as *Bananana! Studios*. The Chief Executive of Operation of *Bananana! Studios*, Ahmad Izham Omar also targets to be the main player in the local animation industry through Prime Works Studios (Rajina Dhillon, 2012).

With total control of the business system involving the producing, distributing and broadcasting aspects, this measure taken by Media Prima is worried to cause other animation production companies have to compete with bigger broadcasting companies in the future. Once again, the effect is Media Prima via its television network will have the power to set the price and purchasing policy. If this is going to happen, companies in animation field in Malaysia will face new challenge in marketing their product at local television network.

It is recognised that the making of television programme by in-house via its own subsidiaries will be able to reduce the company operational cost. However, this cost-reduction strategy also causes few follow-up steps to come up. Besides reducing the purchase of local programme, the television company is definitely going to turn the direction to outsource for cheaper products abroad. Overseas television programme can be purchased with lower price compared to television programme made by local producers. Compared to RM20,000.00 for one episode of a television drama series in RTM, television programme from Korea and Japan can be bought with a price lower than RM1,000.000 or up to only RM8,000.00 for each episode (Tengku Khalidah Bidin, 2003, Bernama 2006). Besides of price, the direction of consumers' interest who favoured overseas television soap opera or television series from Indonesia has led the local television network to set up new slots for those imported programme. This has affected market opportunity for local producers.

It is often that in monopoly market, a company will strive to think for a cost reduction strategy and in the meanwhile maximising the profit without giving a thought on the effects on consumers. Thus any decision made will refer to company benefits. Paid television network, ASTRO for example, has raised the subscription fee without taking into account the protest from existing consumers (Yulpisman Asli dan Arshad Khan, 2007, Sinar Harian, 2014). The dependency of other television networks in making ASTRO their broadcasting pathway has left the consumers with no other options. Moreover ASTRO is the only satellite television network that has been operated since 1996 with 62% households are using ASTRO. To date, total of ASTRO consumers is 4.3 Million people (Harian Metro, 2014).

Monopoly is undeniably bringing advantages to a television company. The dependency on a channel or television network is definitely going to raise the total of existing audience. For paid satellite television network which has existing consumers, ASTRO must have possess the advantages in terms of capital capacity to buy or bid television programmes from overseas. Even there are other bidders which consist of other paid network, but surely those paid networks do not possess equal competitiveness in placing bids. This is what happened in the issue of the purchasing of sports programme from overseas when ASTRO was claimed to monopolize in the broadcasting. Moreover through the guarantee of contract for procurement of those sports programme for few years, the monopoly of ASTRO has caused this company to increase the subscription fee in 2011. As an example, the price of a package that contains 2 Mini and Sports had increased from RM71.50 to RM87.00. This increment in 2011 occurred 2 years after the increment in 2009. Later in 2013, the subscription fee continued to increase. As example, ASTRO Family Pacakage had increment of RM2 to RM39.95, meanwhile ASTRO Sport Package went up for RM8 from RM74.95 to RM82.95 (www.mstar.com, 2013). In 2014, Astro had once again increase the subscription fee of RM2 for Family package and RM6 for Sports package (Sinar Harian, 2014).

Nevertheless, the appearance of ASTRO has also given new market opportunity to local producers. The emergence of paid television network in pay-per-view that has been done by ASTRO through showcase which later known as ASTRO Box-Office has also helped local producers. Films premiered in cinema is bought by ASTRO for a price of RM100,000.00 to RM200,000.00 (Jurey Latif Rosli, 2003). The establishment of ASTRO First on January 13$^{th}$, 2011, has prolonged the life period of a film in the market. By using a method of royalty with mutual consent, it enables producers to earn from the pay-per-view television market.

## Conclusion

There are benefits from the monopoly system especially if it involves large producing cost to produce or provide a product. The control on that product enables a company to fund their high production cost and then get a guarantee of investment return on existing consumers. With government control, this case could maybe adapted into certain business structure such as infrastructure and other industries. However, excessive control or monopoloy by a firm or television network is feared to give negative impacts on the development of local film industry in long term. All involved parties such as government through Malaysian Communications and Multimedia Commission (SKMM), PTVM and other associations shall study on this issue from various legal aspects. If it can be labelled as monopoly, hence a follow up shall be conducted.

If the government through FINAS Act 1981 (amended 1984) can enforce the anti-trust law which causes a company to only allowed to participate in two activities i.e. producing and distributing or only distributing and broadcasting, hence it is recommended that similar law being enforced in the industry of television programme production. It is possible that the case to curb monopoly system through anti-trust law which happened in the US through the case of U.S vs Paramount 1948 (Michael Conant, 1981) could be made as guideline to film associations in fighting for their rights. Under the anti-trust law, private television party in Malaysia which has control over three activities (production, distribution and broadcasting), for example, they must release the control over production business through their own subsidiaries.

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