



# *The Economic Impact of Canada's Copyright Industries – Sectoral Analysis*

*A Presentation to the Society for Economic  
Research on Copyright Issues (SERCI)  
Singapore, June 2006*

*Presented by Rizak Abdullahi*

# *Presentation Outline*

## *The Impact of Canada's Copyright Industries*

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- Background and Methodology
- Overall contribution of core Copyright Industries to GDP, Employment and Trade
- Analysis and key findings by sector: *Press and Literature; Theatrical and Music Productions/Opera; Motion Picture and Video Industries; Radio and Television; Software and Databases; Advertising Services; Sound Recording*
- Recommended Research

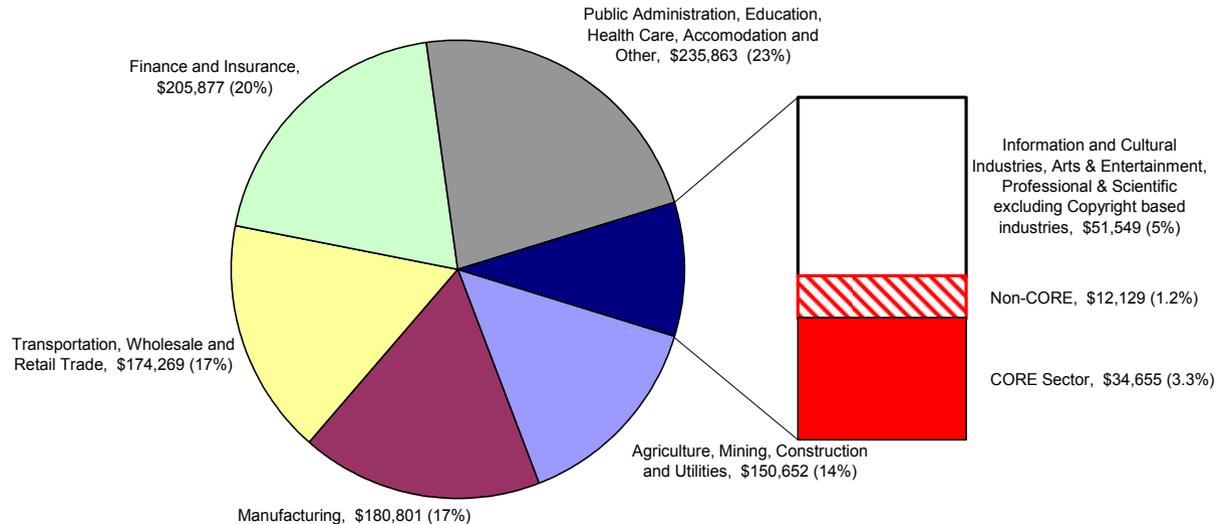
## *Background and Methodology*

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- The study produced a quantitative analysis of Canada's core Copyright Industries in terms of their contribution to GDP (value-added), Employment and Trade
- Study supported by significant qualitative data, to explain findings and identify future trends
- Industry categories based on WIPO-mandated categories, mapped onto the North American Industry Classification System (NAICS); gathered data from Statistics Canada
- Conducted one-on-one interviews with 12 associations and 19 participants; consulted with Copyright Policy Branch, Sound Recording Policy and Programs Directorate and WIPO
- Conducted an e-mail survey of an additional 30 organizations, achieving a 20 percent return

# Core Copyright Industries: Contribution to GDP

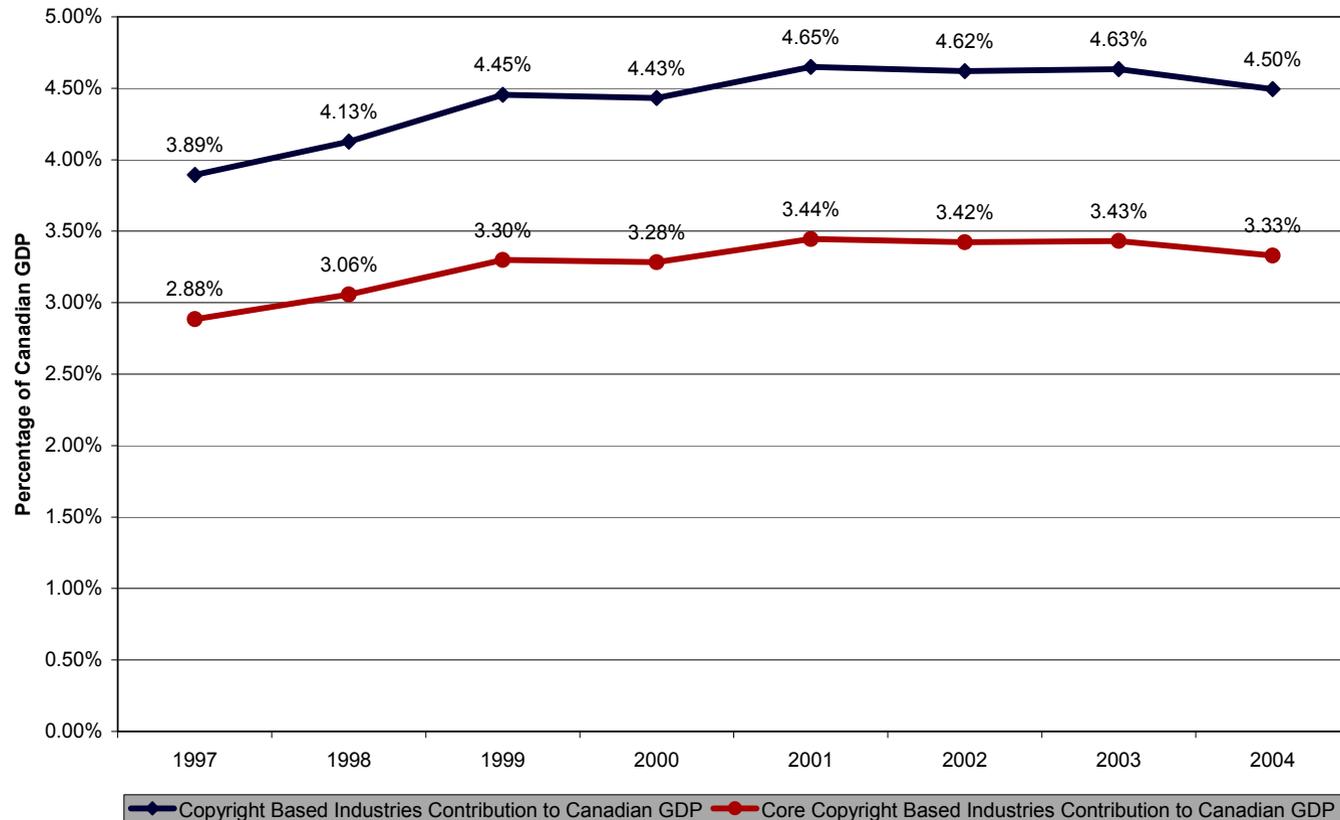
GDP - Copyright Based Industries in the Canadian Context  
(2004 - \$millions)



**Contribution to GDP: \$46.8B, 4.5 percent of GDP**

# Contribution to GDP (cont'd)

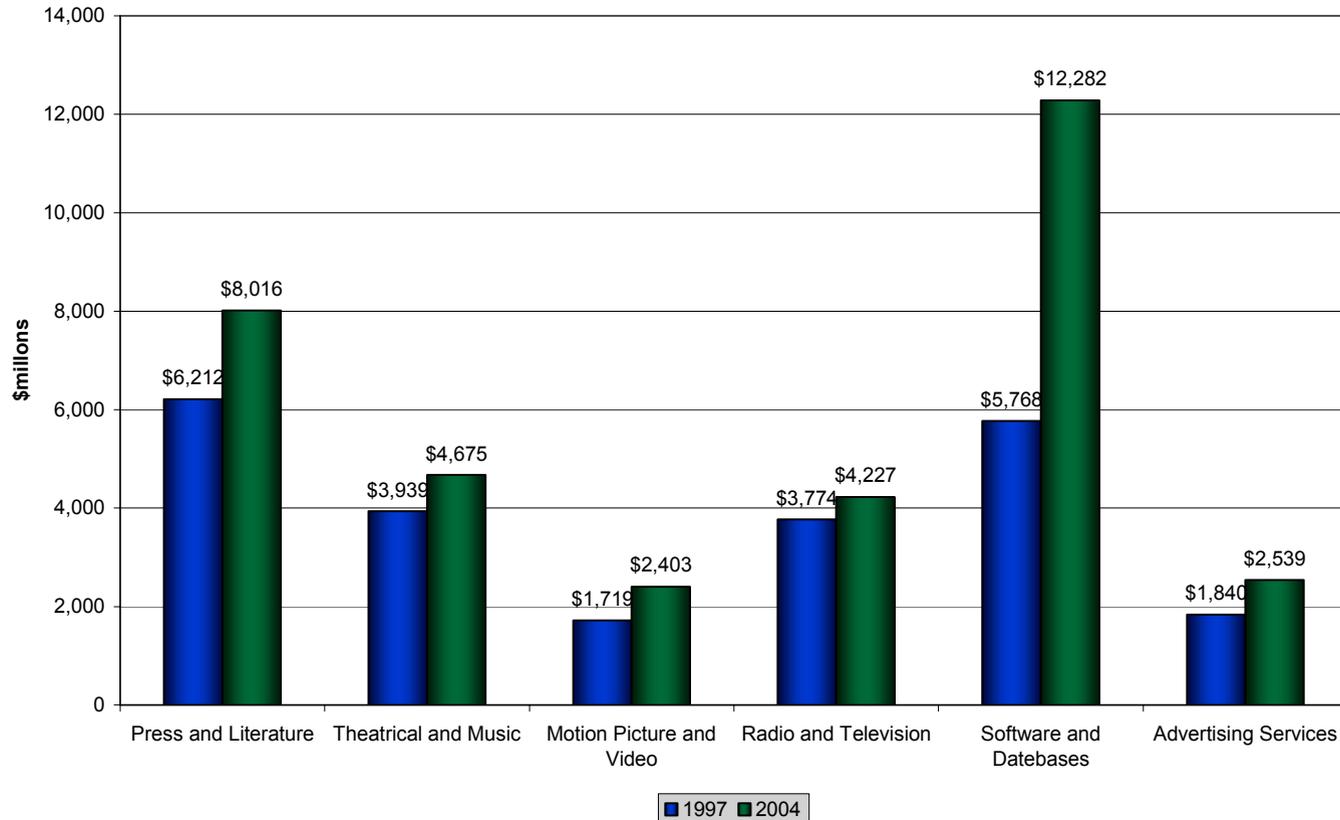
## GDP: Copyright Based Industries - Contribution to Canadian GDP



# Contribution to GDP (cont'd)

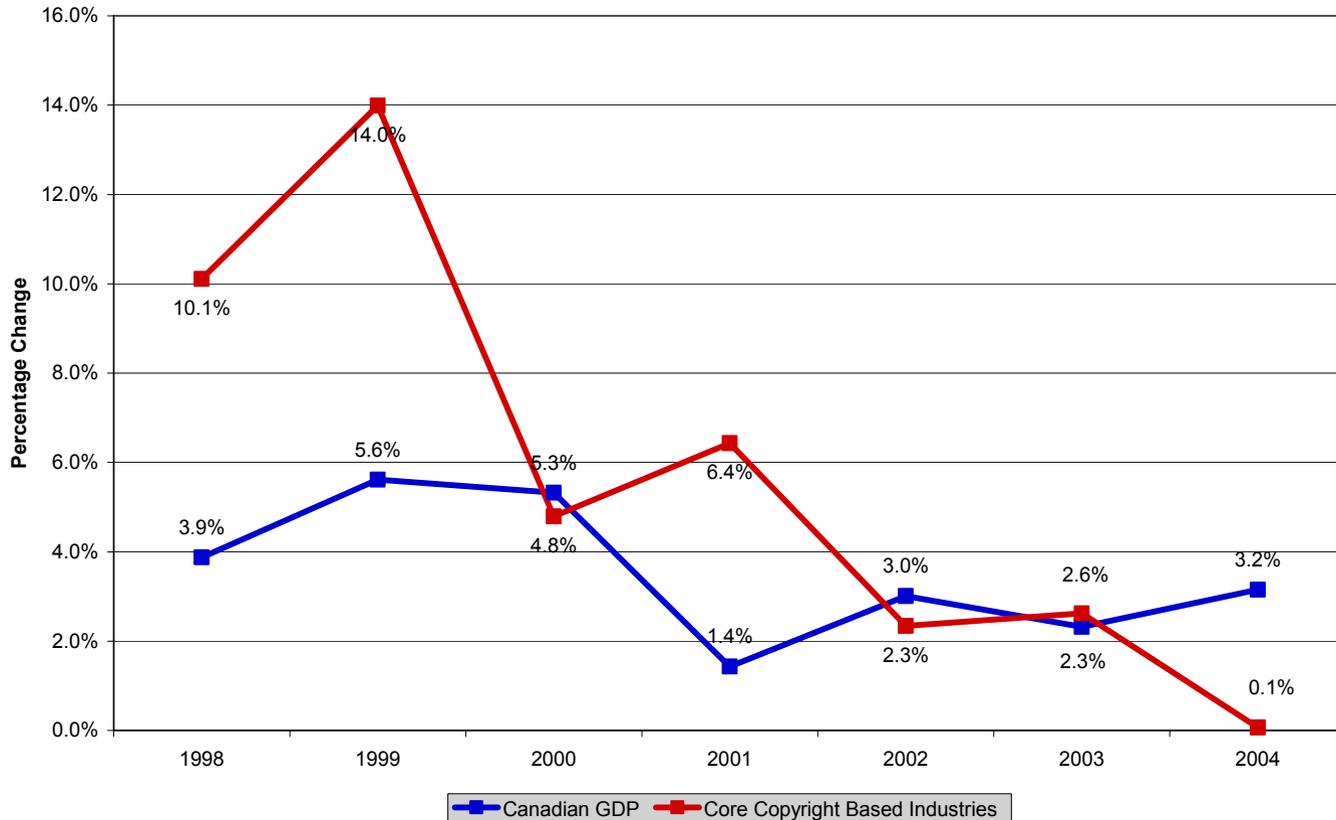
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GDP by Sector - 1997 and 2004



# Contribution to GDP (cont'd)

## GDP Copyright Based Industries - Comparative Annual Growth



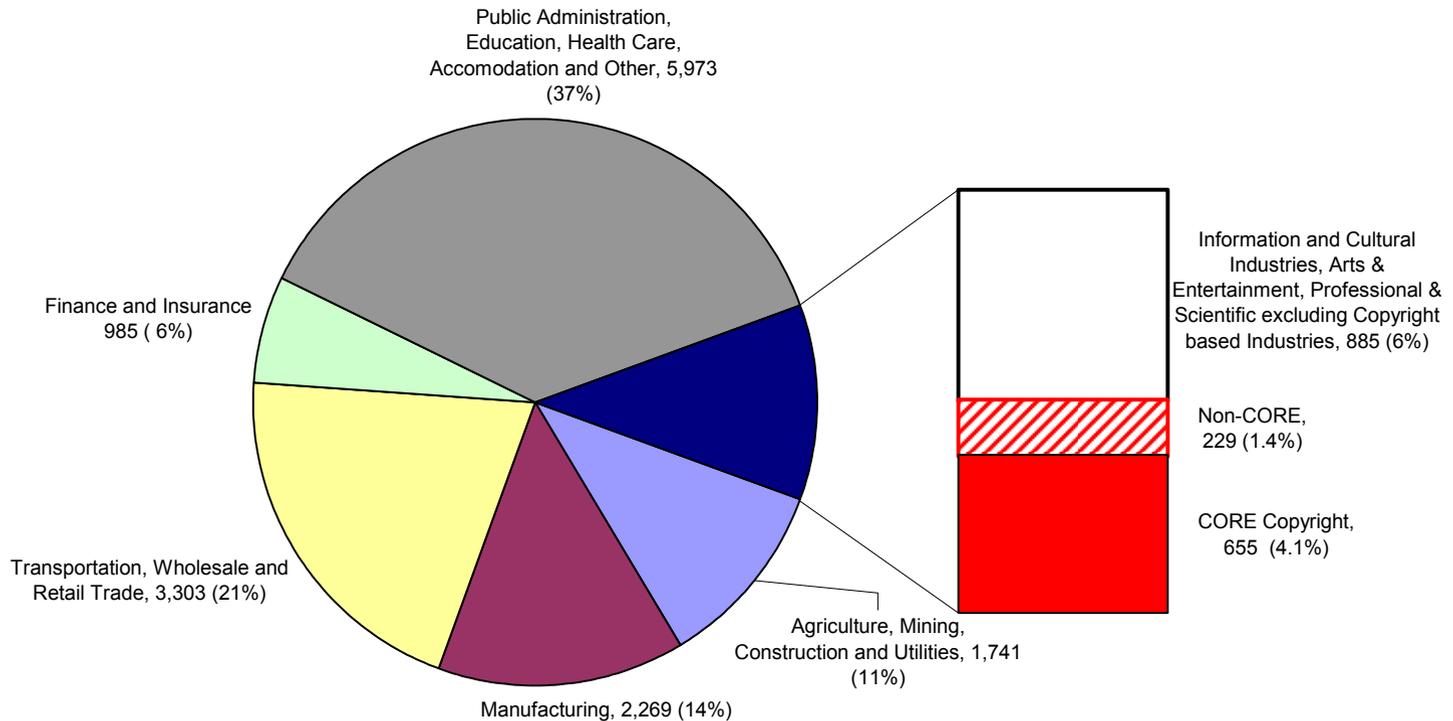
## *Contribution to GDP – Key Findings and Trends 1997 – 2004*

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- Copyright Industries grew at a faster rate than the Canadian economy between 1997 and 2004 (5.7 percent compared to 3.5 percent)
- Key driver: *Software and Databases* at 11.4 percent
- Widely perceived period of softening in 2003 and 2004 – but not viewed as problematic by stakeholders
- *Software and Databases* has matured, taken on a cyclical pattern
- Developments in technology have stakeholders in 'wait and see' mode
- Skills shortages and lack of sufficient access to capital are continuing concerns

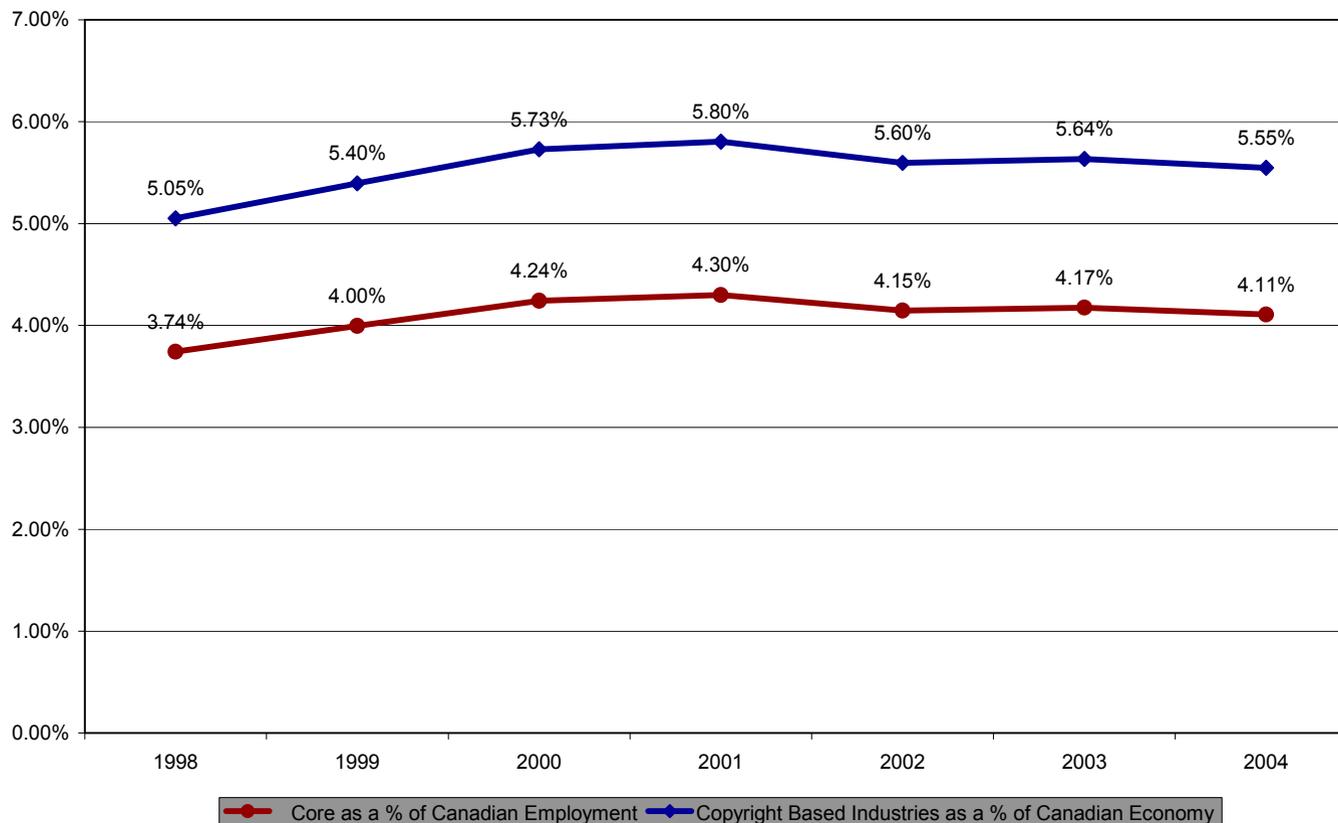
# Core Copyright Industries – Contribution to Employment

**Employment: Copyright Based Industries in the Canadian Context**  
(2004 - 000s)



# Contribution to Employment (cont'd)

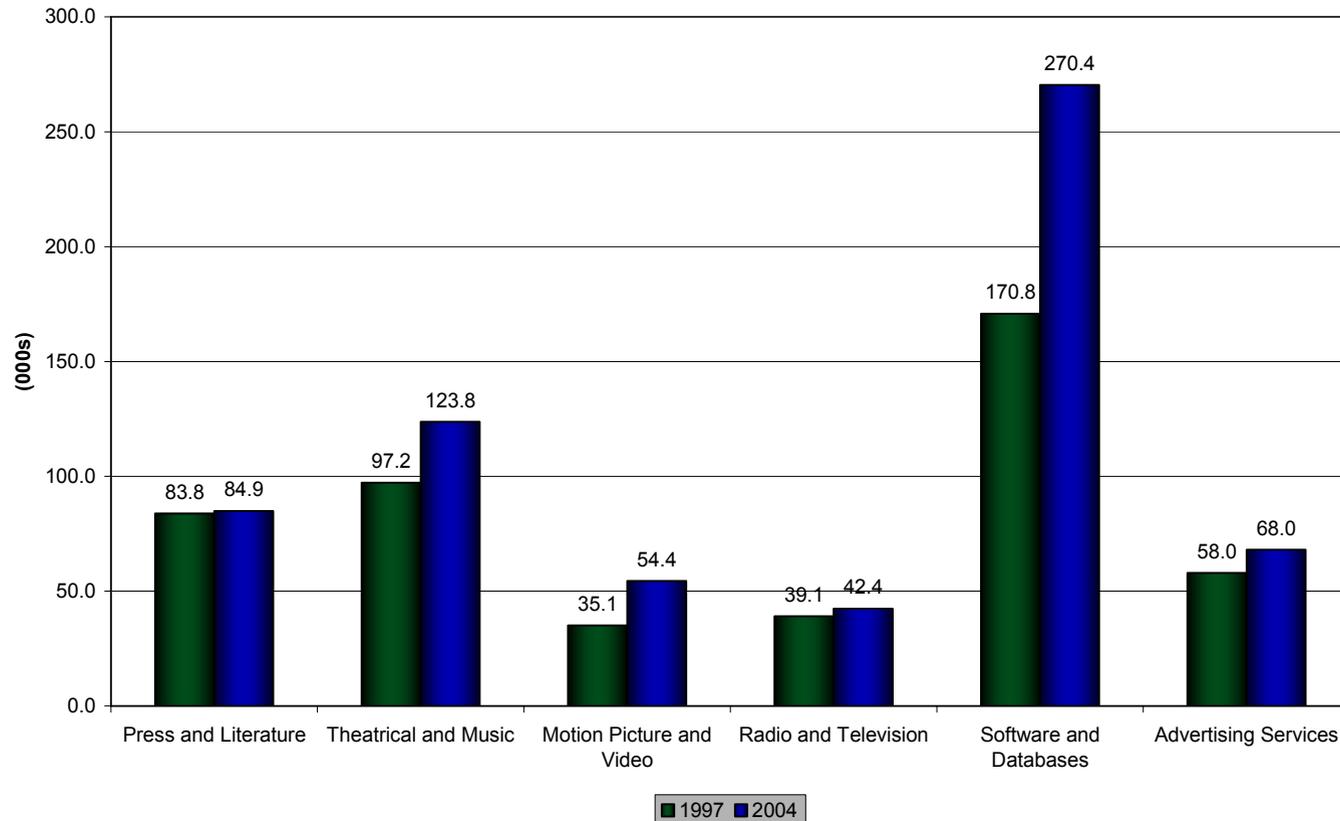
Employment: Copyright Based Industries - Contribution to Canadian Employment



# *Contribution to Employment (cont'd)*

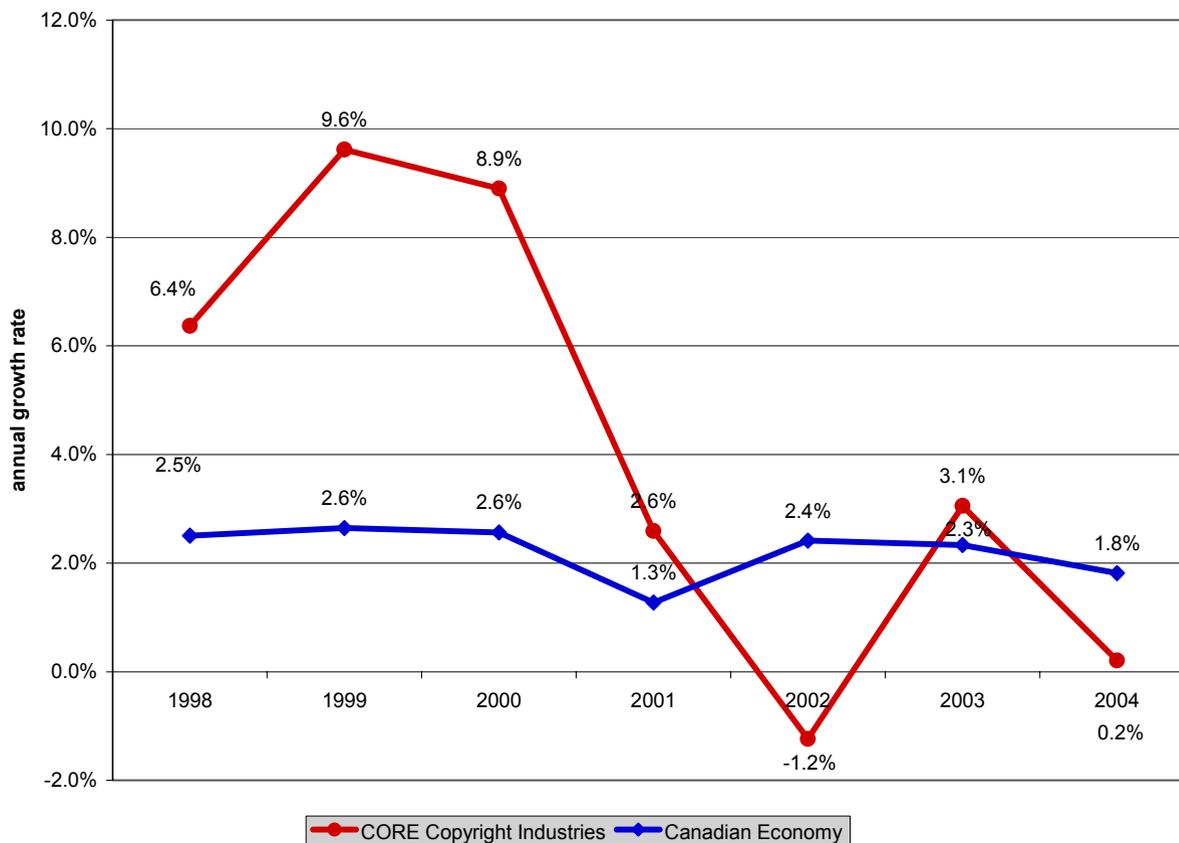
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**Employment by Sector - 1997 and 2004**



# Contribution to Employment (cont'd)

Employment Copyright Based Industries - Comparative Annual Growth



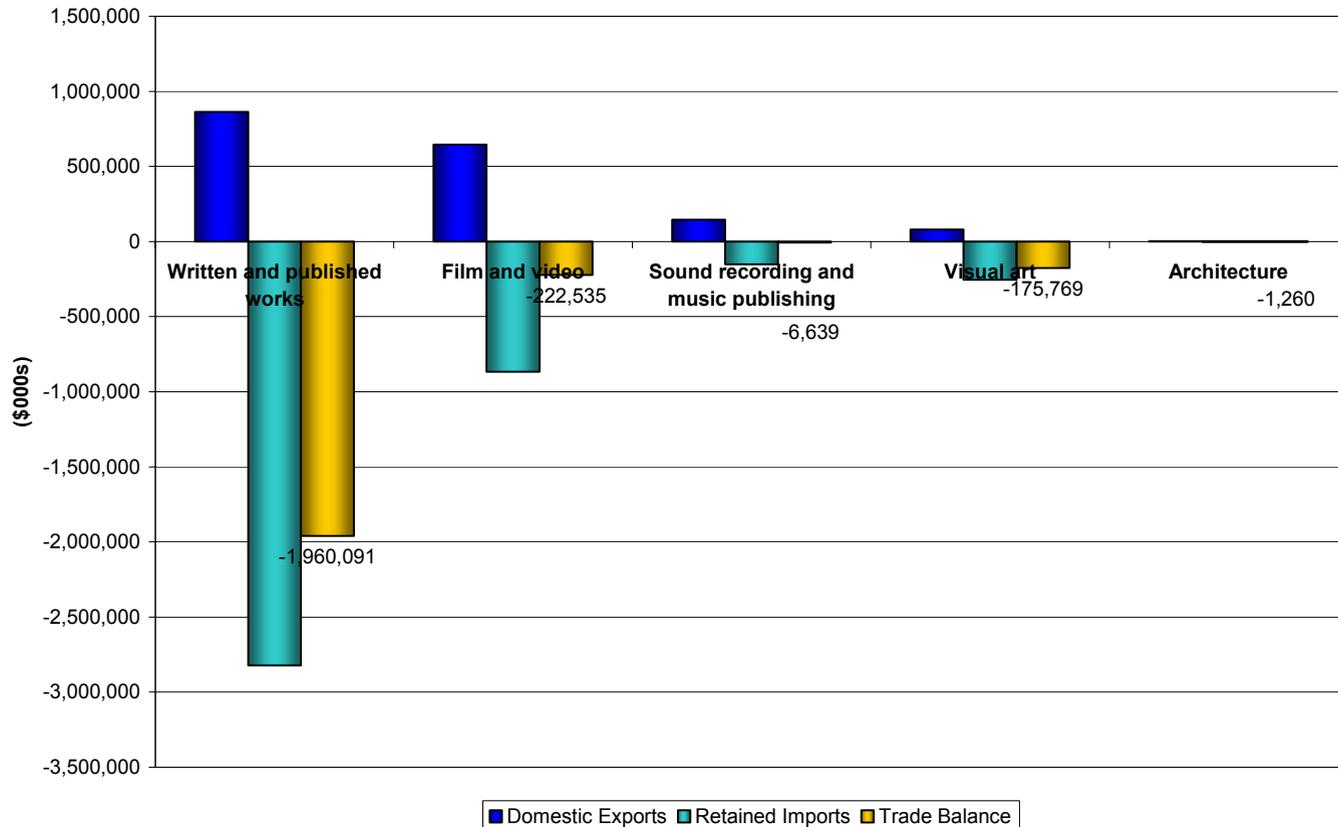
## *Contribution to Employment – Key Findings and Trends 1997 – 2004*

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- Employment in the core Copyright Industries has remained relatively stable in the 1997 to 2004 period; peaked at 4.3 percent in 2001, currently at 4.1 percent
- Cyclical pattern similar to GDP trending is evident; similar softening in 2003 and 2004 also evident
- The impact of technology, shortage/concern over skills sets and lack of access to capital all cited as factors by stakeholders
- Similar to views about GDP, period of softening in employment is not expected to persist

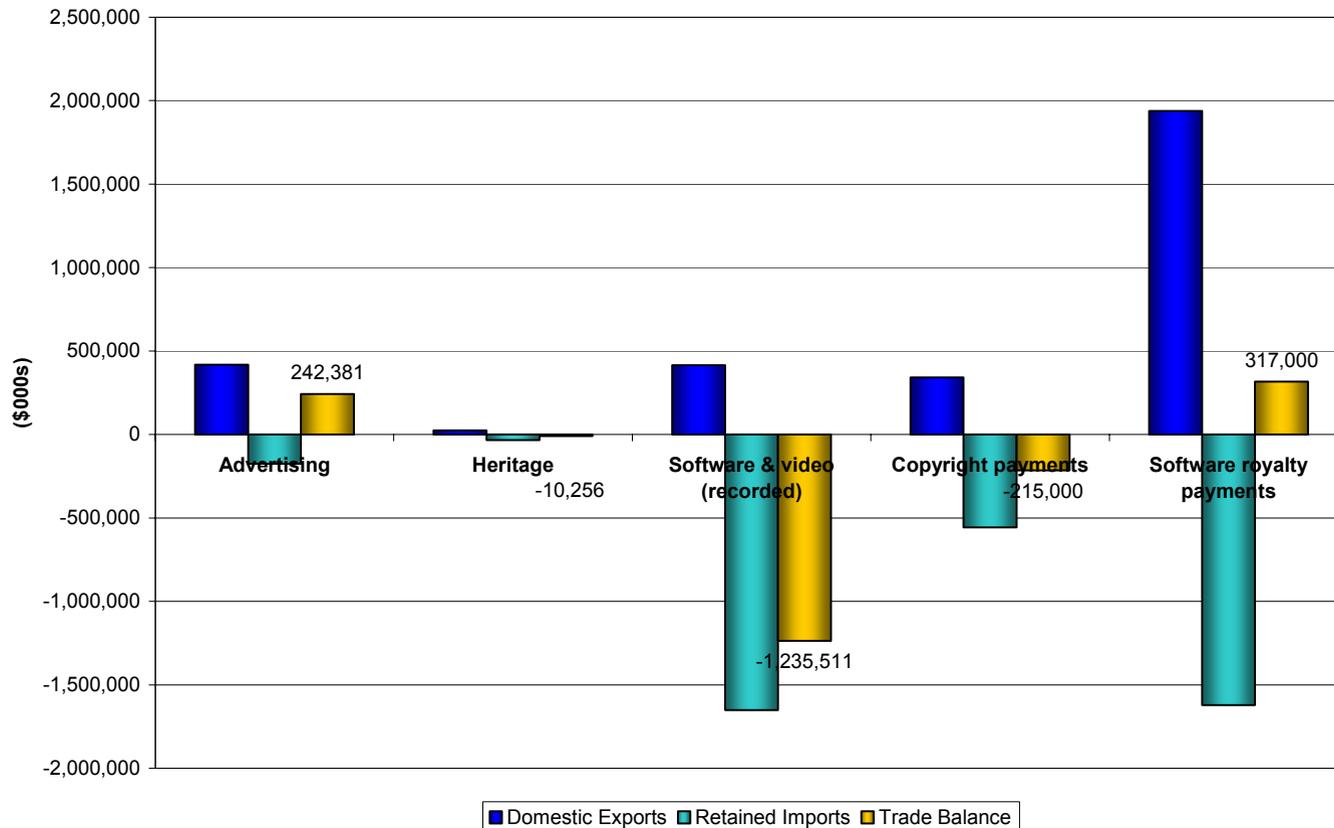
# Core Copyright Industries – Contribution to Trade

Imports & Exports by Sector 2004 - Page 1 of 2



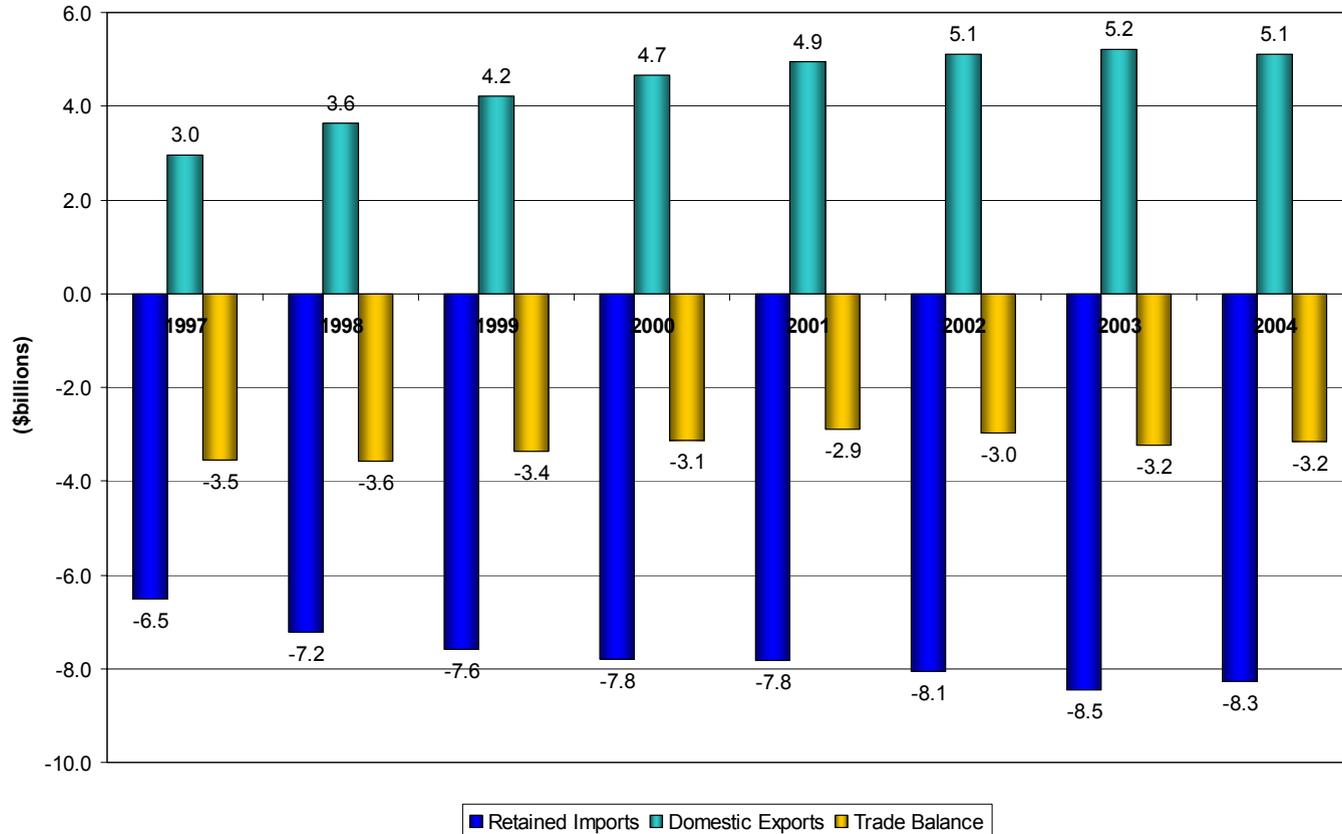
# Contribution to Trade (cont'd)

Imports & Exports by Sector 2004 - Page 2 of 2



# Contribution to Trade (cont'd)

Imports & Exports - Total for Core Sectors by Year



## *Contribution to Trade – Key Findings and Trends*

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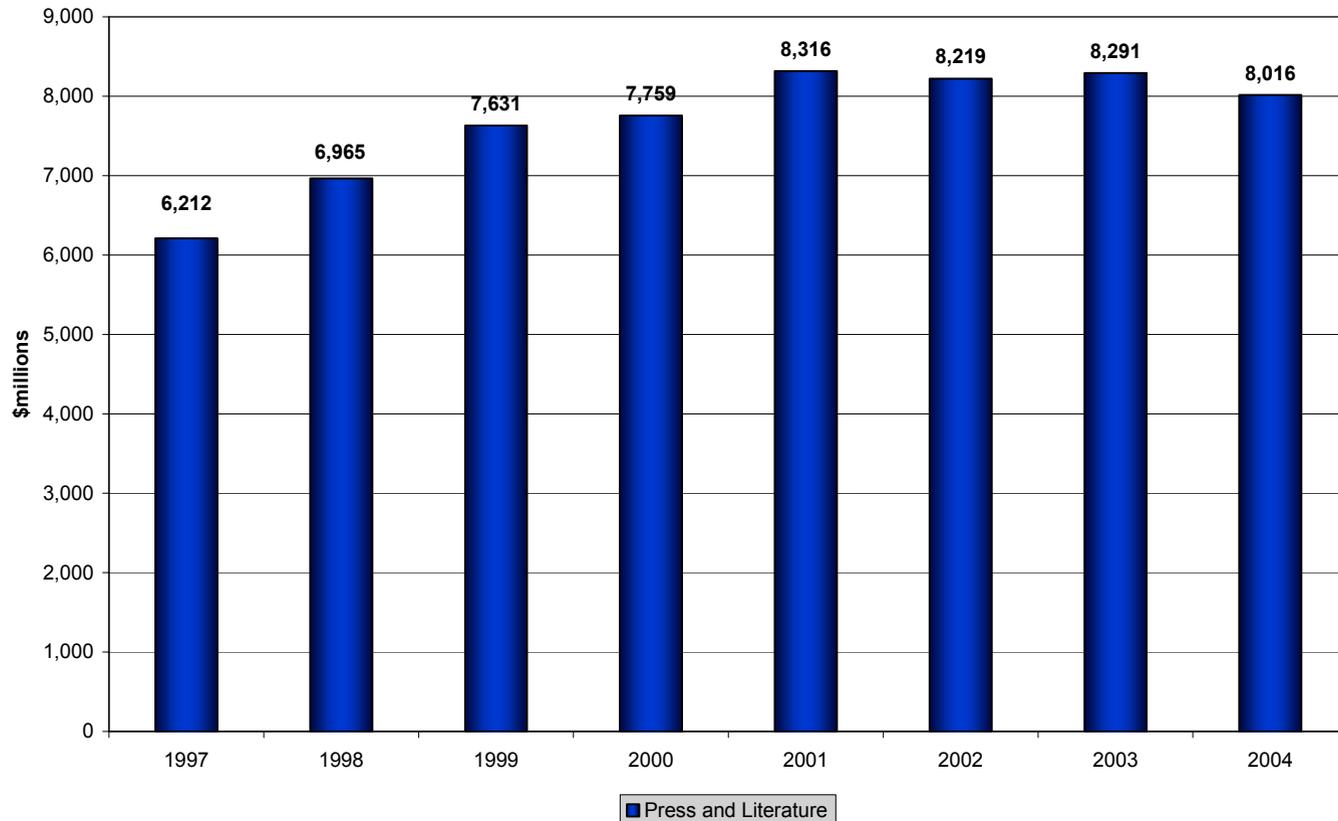
- Given proximity to the U.S., Canada remains a net importer of Copyright Industry goods
- Overall balance of trade deficit in the Copyright Industries for 2003 and 2004: \$3.2B
- Trade deficit in the Copyright Industries has eased slightly over the 1997 to 2004 period, having peaked at \$3.6B in 1997 and 1998
- *Software Royalty Payments* and *Advertising Services* show the strongest surpluses at \$317M and \$242M respectively
- Prevailing view: trade deficit is extremely difficult to reduce, healthier export sector in the Copyright Industries is mandatory

# *Analysis by Sector*

## *Press and Literature - GDP*

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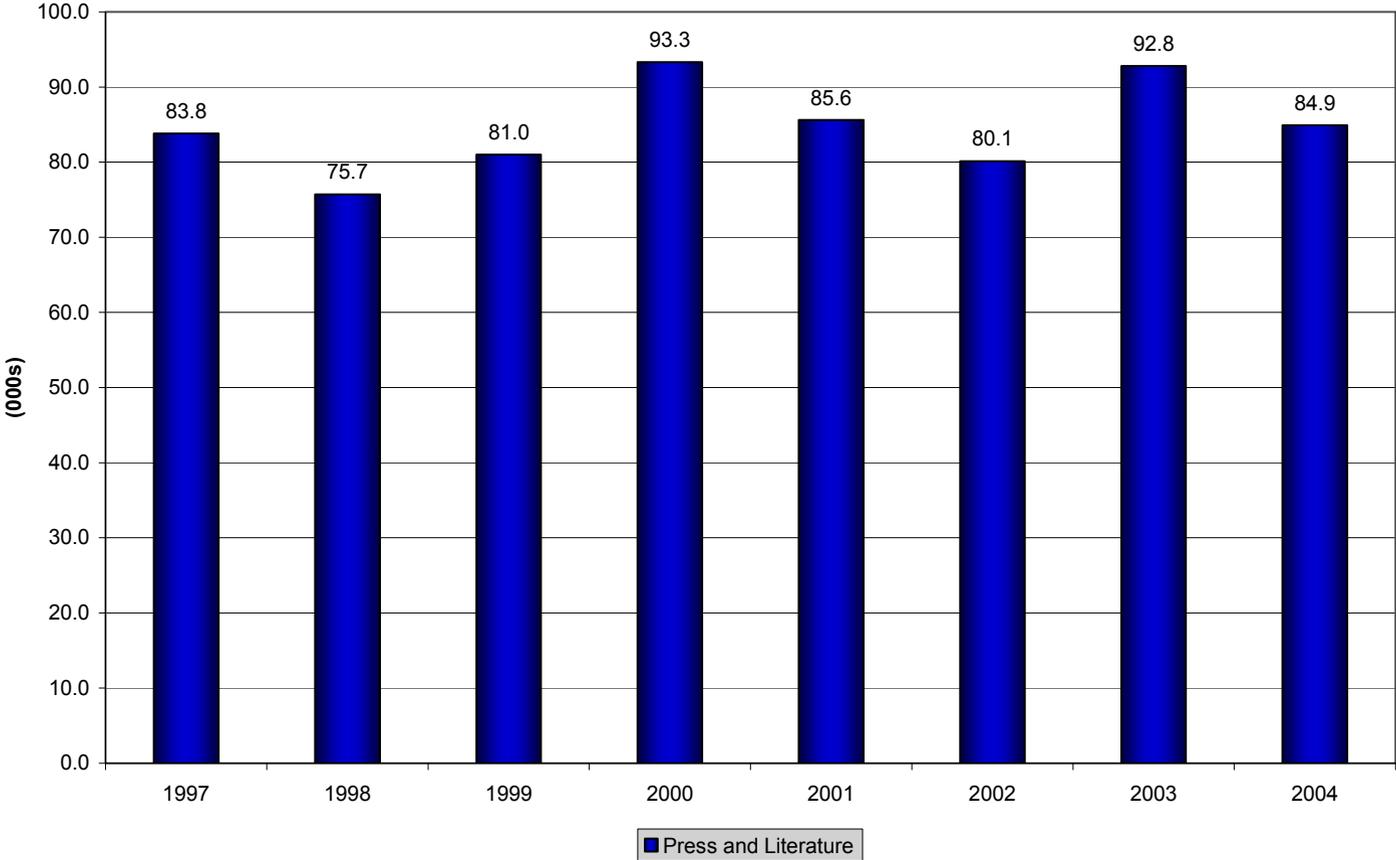
**GDP - Press and Literature**



# *Press and Literature - Employment*

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**Employment - Press and Literature**



## *Press and Literature – Key Findings*

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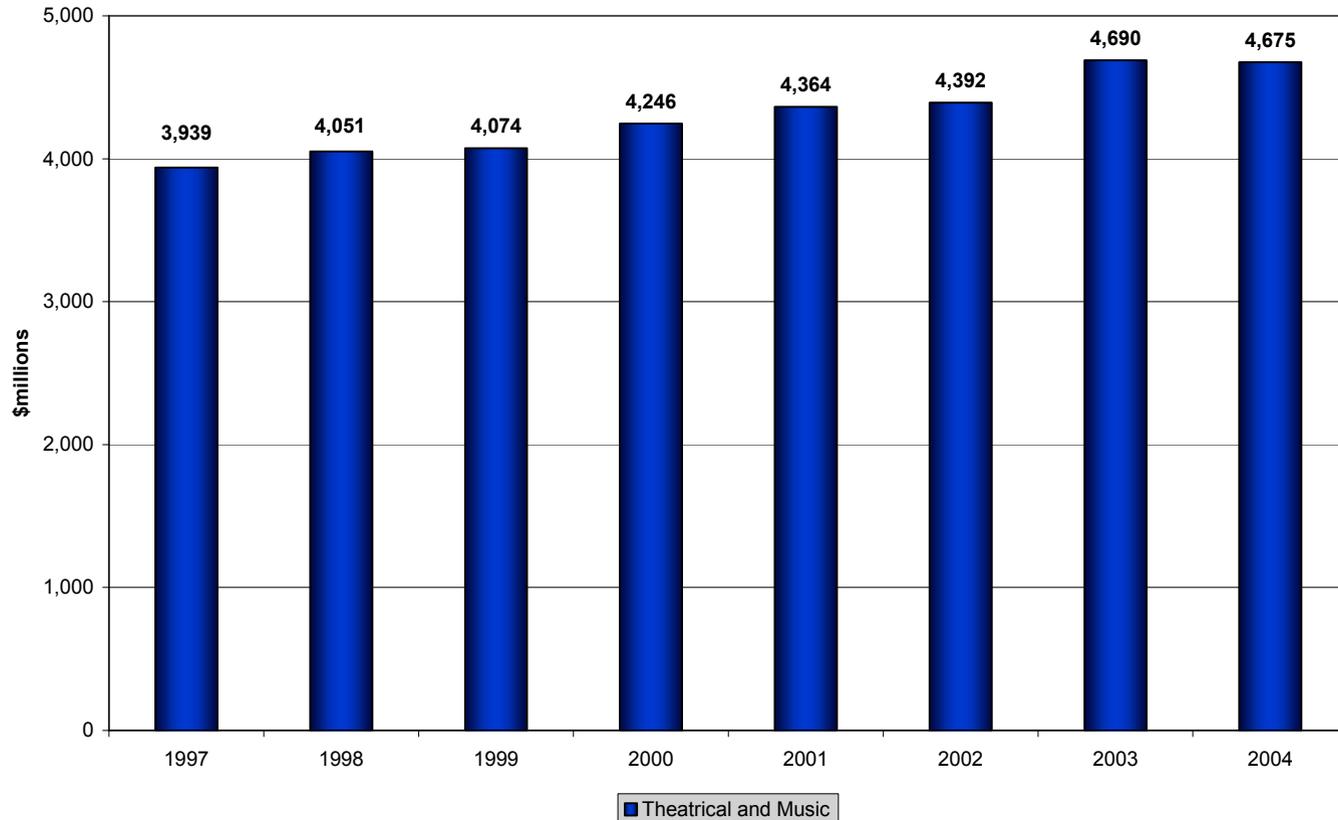
- Cyclical trend and softening in 2003 and 2004 are evident
- Difficulties in accessing capital, changes in book publishing industry structure (concern over succession), and technology all viewed as key influences
- Tendency in industries to 'wait' on best available and efficient technologies
- Digital content development and potential new streams of revenue are top of mind, but so is developing predictable rights for digital content

# *Analysis by Sector*

## *Theatrical and Music - GDP*

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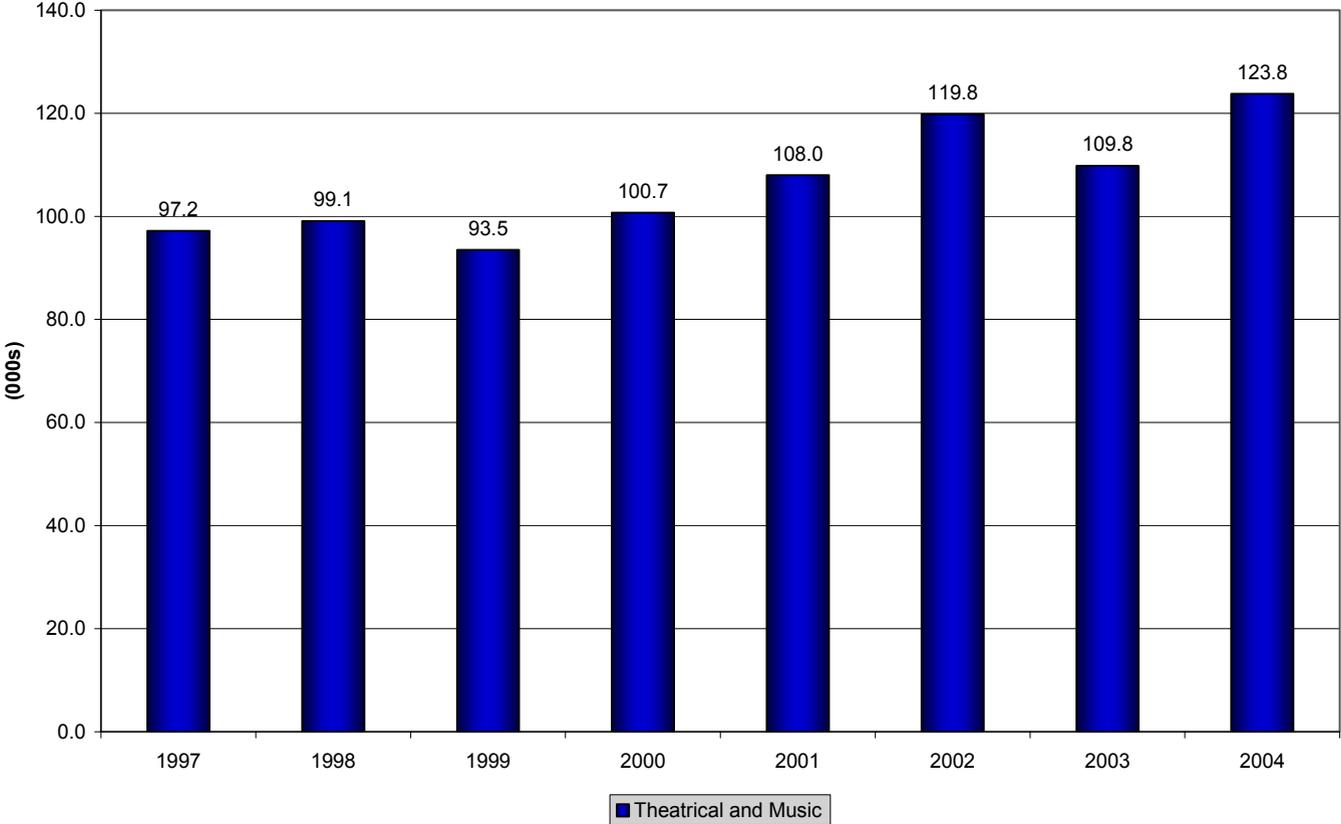
**GDP - Theatrical and Music**



# *Theatrical and Music - Employment*

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**Employment - Theatrical and Music**



## *Theatrical and Music – Key Findings*

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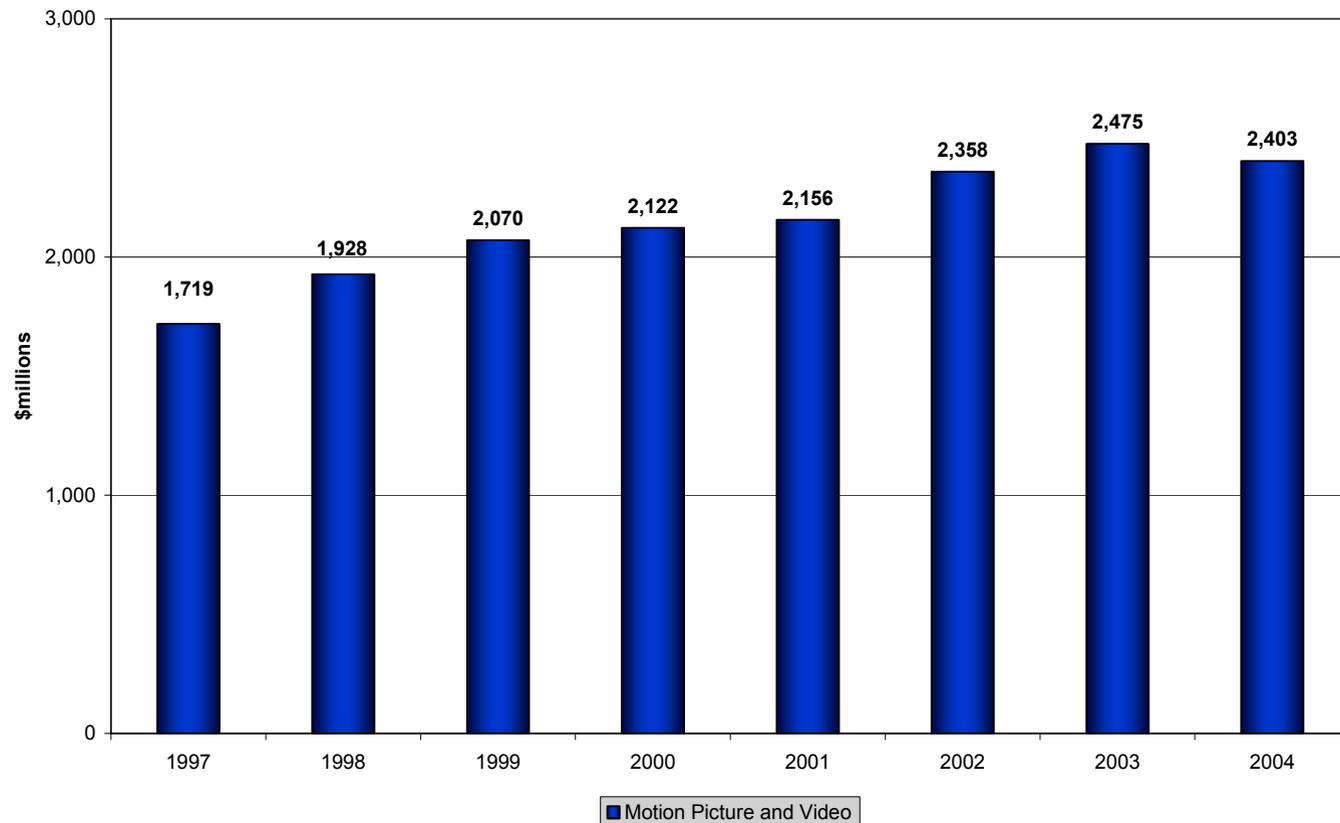
- 'Wave-like' trend evident in GDP and Employment
- Low profit margins contribute to difficulties in accessing financing
- Technology has both added costs (e.g. stage production) and added efficiencies (e.g. marketing strategies)
- No-smoking by-laws viewed as having some temporary effects in venue attendance

# *Analysis by Sector*

## *Motion Picture and Video - GDP*

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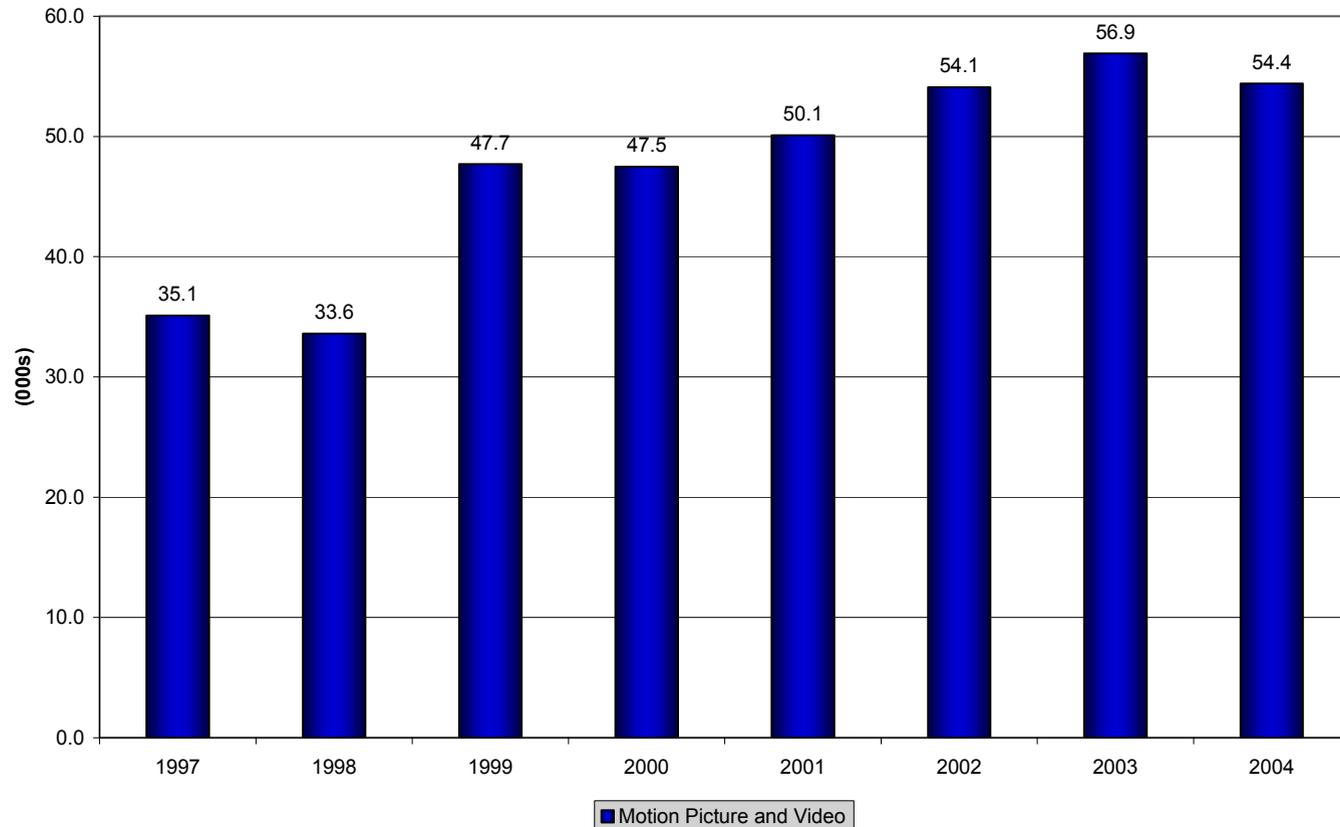
**GDP - Motion Picture and Video**



# *Motion Picture and Video - Employment*

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**Employment - Motion Picture and Video**



## *Motion Picture and Video – Key Findings*

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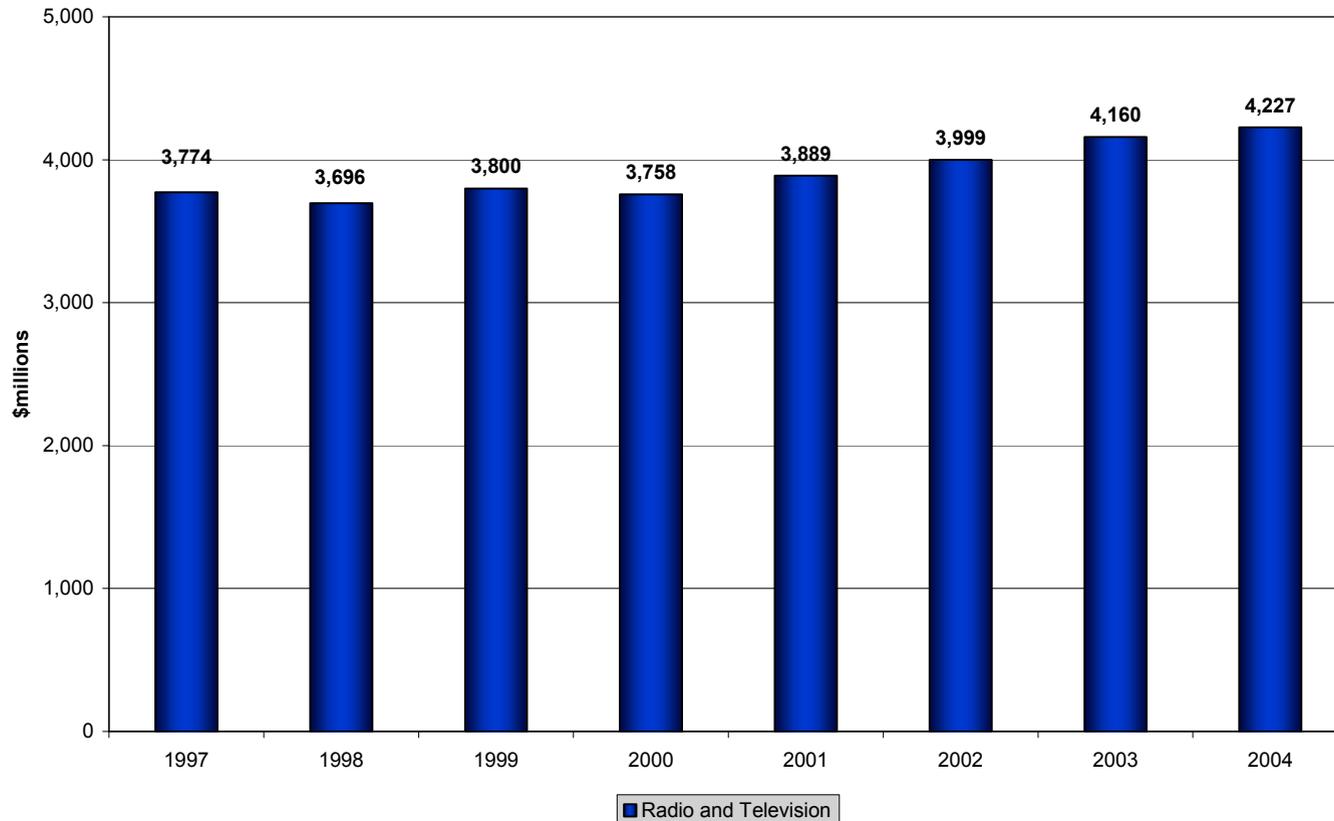
- Overall upward trends between 1997 and 2003, slight downward trend in 2004
- Perception by stakeholders that the financial sector lacks understanding about the value of rights ownership
- Access to export markets has declined (more domestic production), more international capital required
- Technology is having a major impact – new platforms for content delivery, increases in cost of dramatic productions in High Definition
- Skills development is a high priority – more training opportunities required

# *Analysis by Sector*

## *Radio and Television - GDP*

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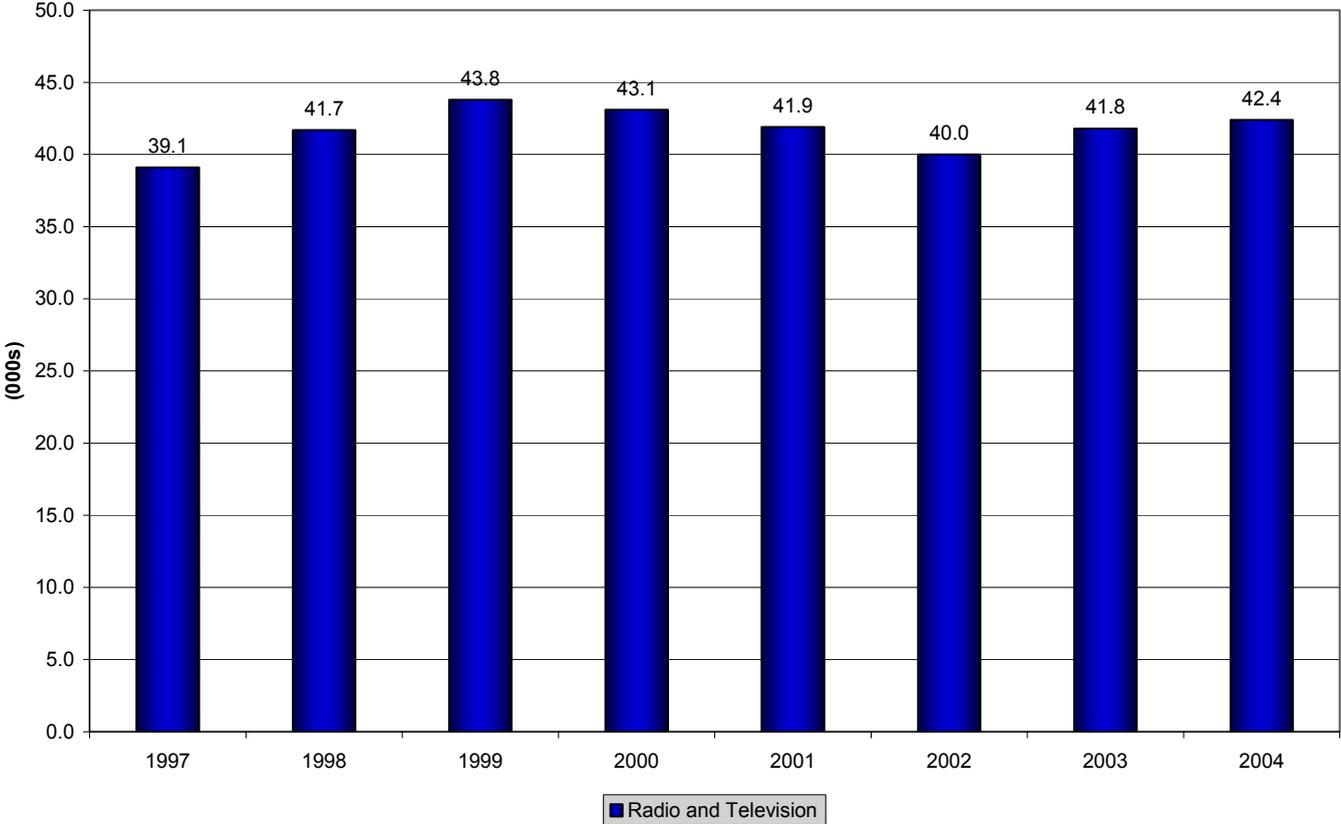
**GDP - Radio and Television**



# *Radio and Television - Employment*

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**Employment - Radio and Television**



## *Radio and Television – Key Findings*

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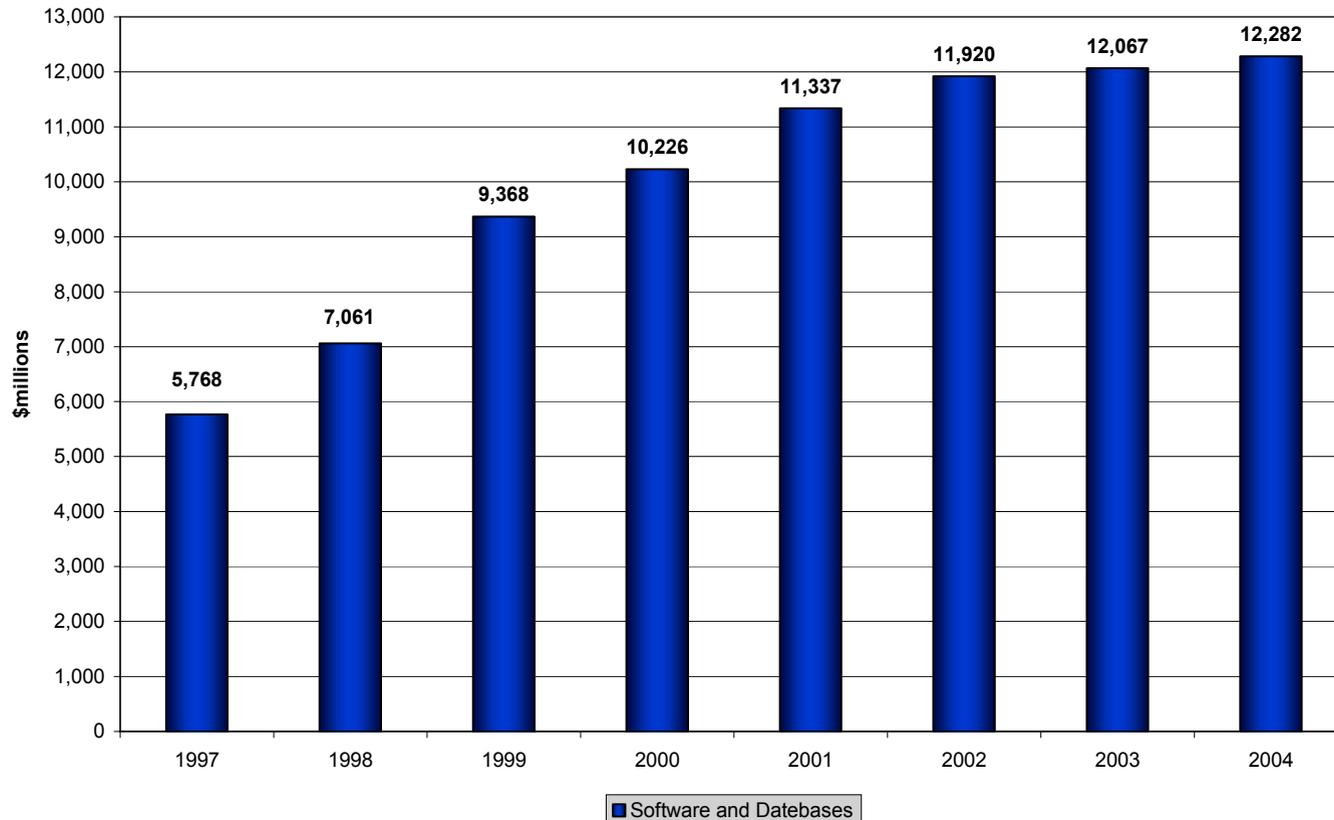
- Very stable sector, cyclical trending over time, modest increases in value-added and employment 2001 to 2004
- Major transformation in business models – new, unregulated competitive platforms, increasing market fragmentation, movement of audiences away from conventional broadcasting services
- Major technology investments required in the next decade (HD and DRB)
- Access to capital less problematic but major investment still an issue due to profit margins; policy review of Commercial Radio underway; television review will occur in near term

# *Analysis by Sector*

## *Software and Databases - GDP*

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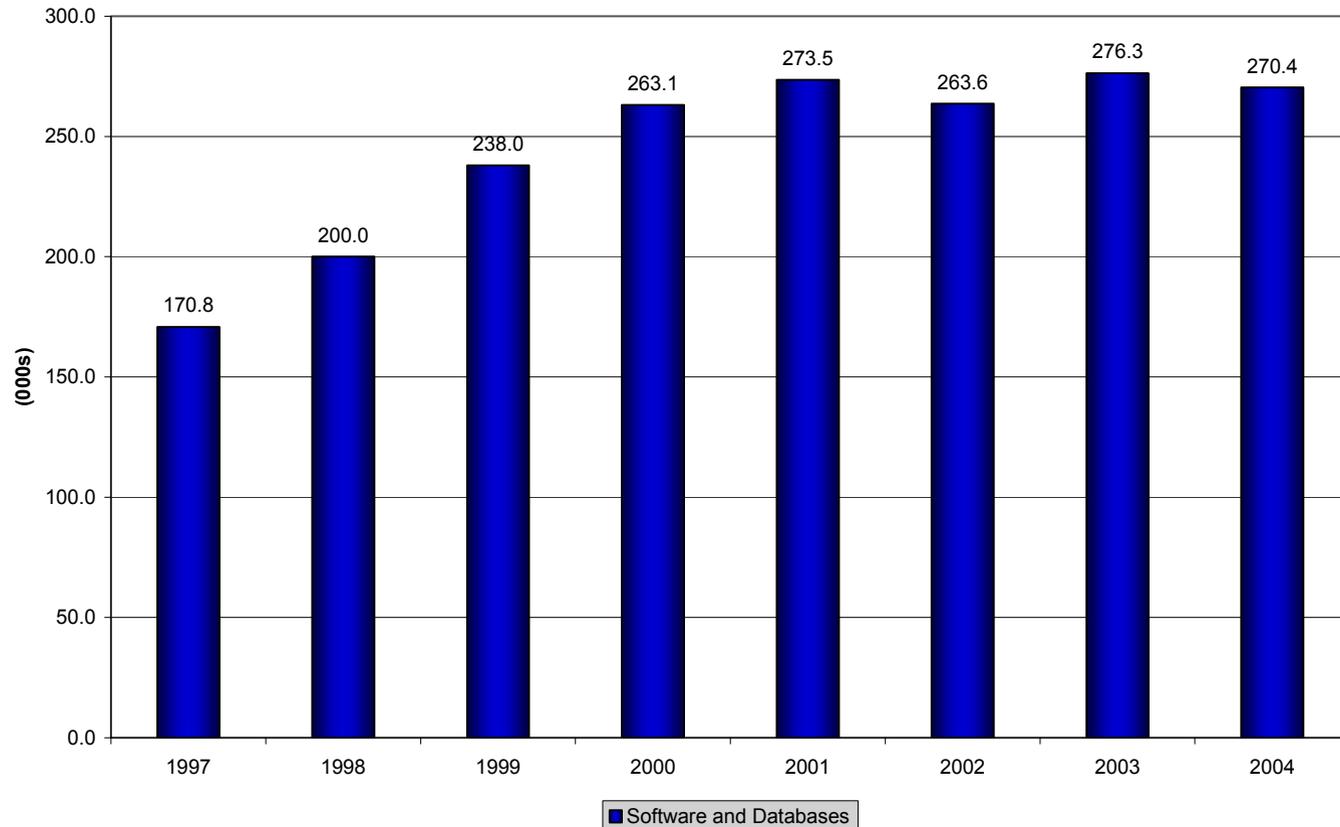
**GDP - Software and Databases**



# *Software and Databases - Employment*

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**Employment - Software and Database**



## *Software and Databases – Key Findings*

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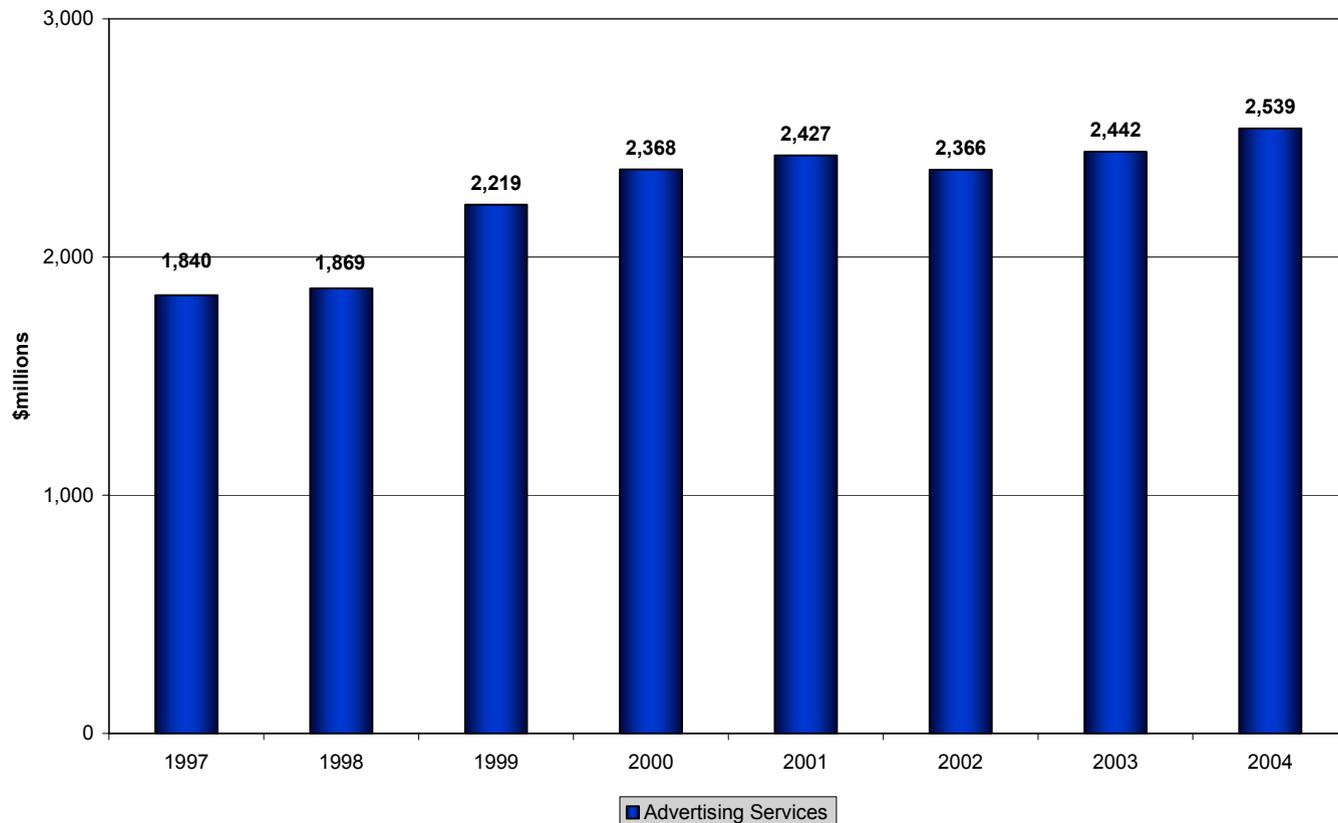
- Little question this sector drives growth in the Copyright Industries; steady growth to 2003, slight decline in 2004
- Number one concern is access to skills going forward, given shift from hardware to software/services focus in the industry
- Large scale enterprises of dot-com boom have given way to smaller more specialized firms and more targeted markets
- Concern over declining visibility of Canada as a global leader in technology; too few industry stars

# *Analysis by Sector*

## *Advertising Services - GDP*

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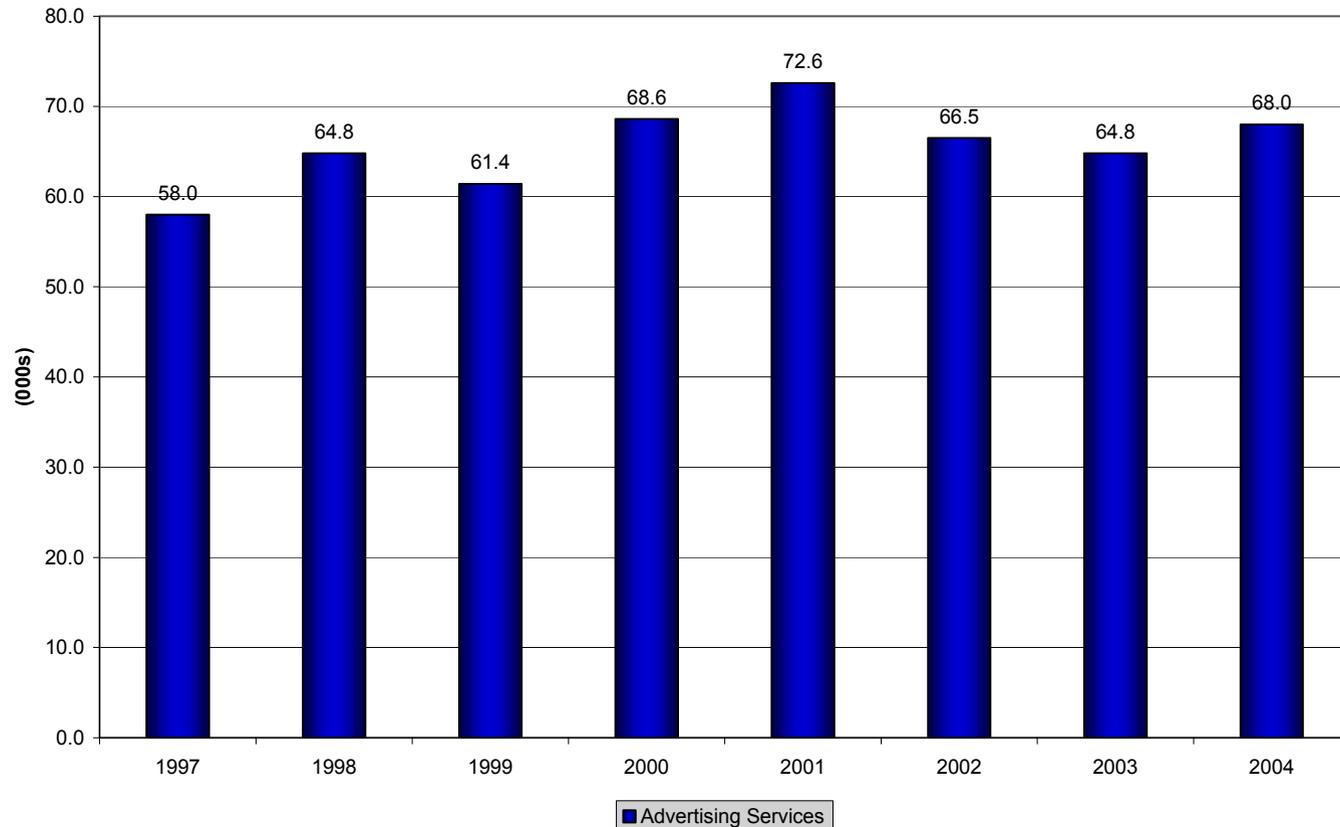
**GDP - Advertising Services**



# *Advertising Services - Employment*

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**Employment - Advertising Services**



## *Advertising Services – Key Findings*

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- Like *Radio and Television*, this sector has resisted recent declines experienced by other industries
- Sector tends to ride success waves of other sectors (e.g. dot-com boom); industry is highly diverse, firms move in and out of the sector, consolidation tends to cycle through the industry
- Tends to find new streams of revenue, e.g. Internet, product placement in programming, insertion of ads during live sporting events
- Major concern resides with trends affecting their clientele, since these influence advertising

## *Employment in Copyright Industries – Relative Distribution by Province*

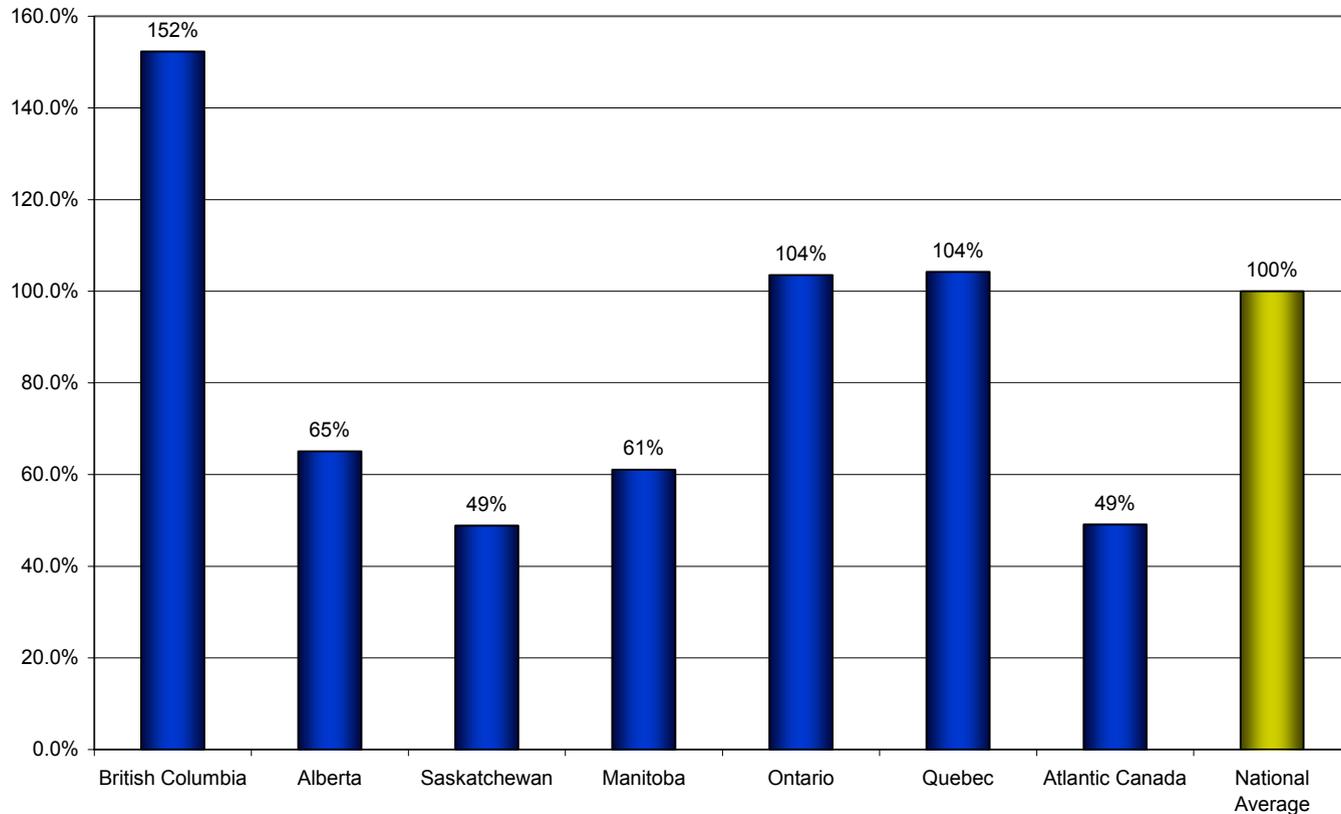
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- For each Copyright Industry, information on the relative distribution of employment by province was collected and illustrated
- Ontario, B.C. and Quebec lead in Copyright Industry employment numbers overall; somewhat surprisingly, B.C. had the largest relative distribution in three sectors (*Press and Literature, Motion Picture and Video, and Theatrical and Music*)
- The following illustrates *Motion Picture and Video* relative distribution of employment by province, and a comparative grouping of employment between Ontario, Quebec and the Atlantic Provinces

# *Employment – Relative Distribution by Province for Motion Picture and Video Sector*

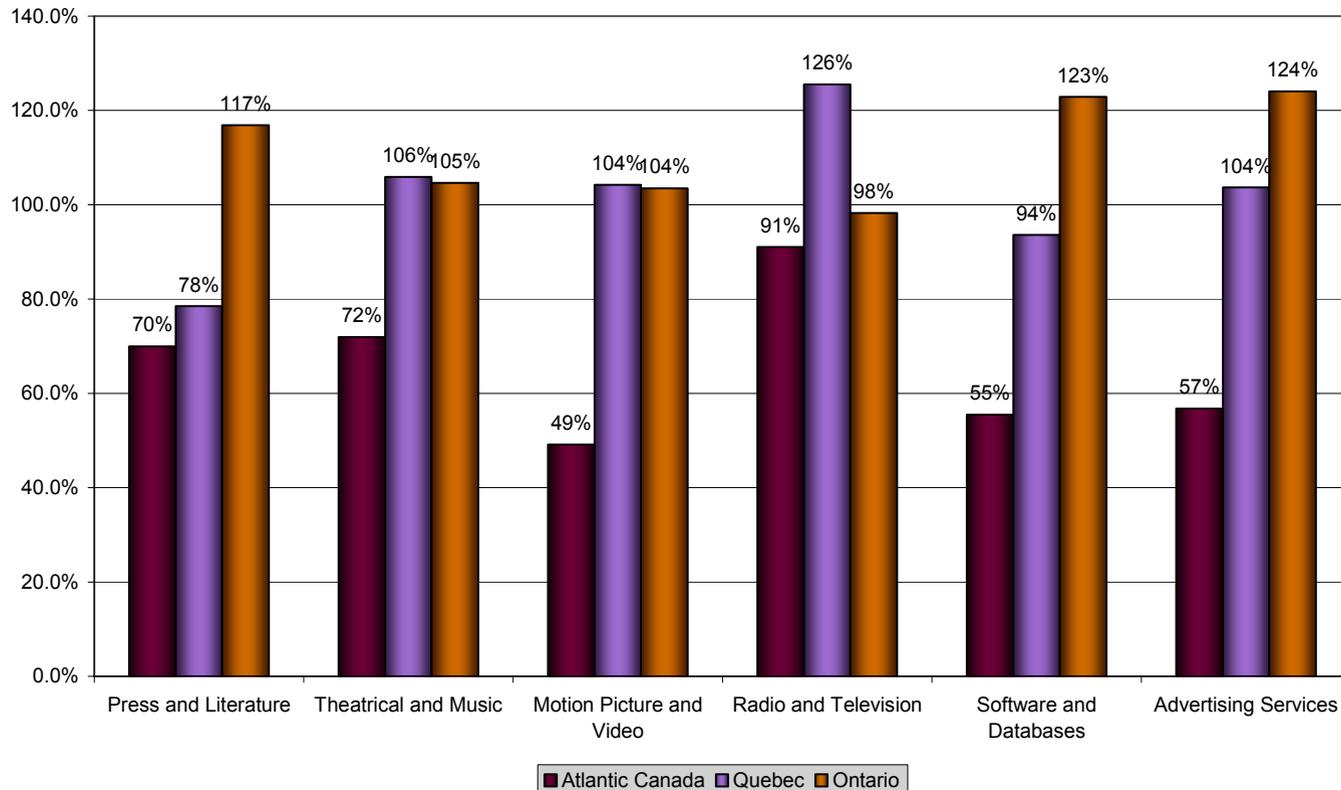
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**Motion Picture and Video - Relative Share by Province**



# *Distribution of Employment – Atlantic Canada, Quebec, Ontario*

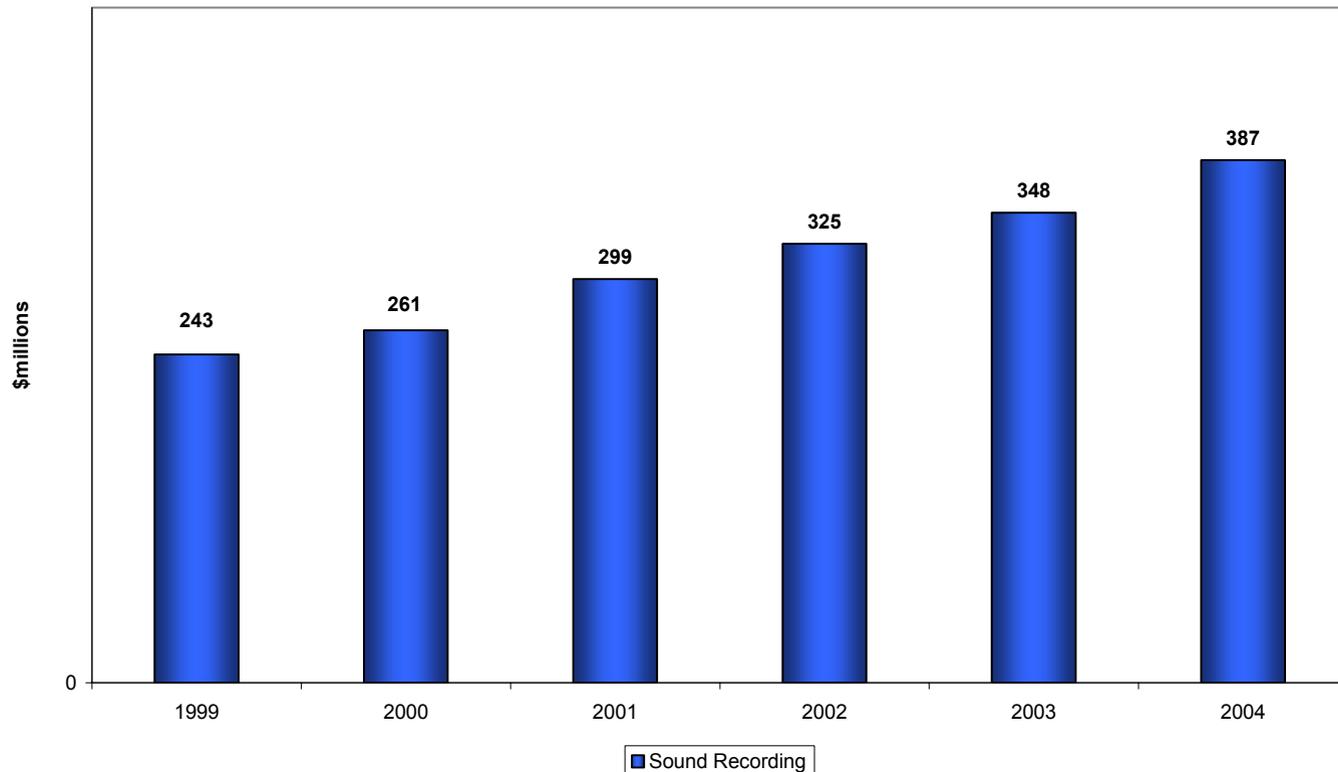
**Distribution of Employment - Atlantic Canada, Quebec and Ontario  
(relative to the national average of 100%)**



# *Focus on Sound Recording - GDP*

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**GDP - Sound Recording**  
(a subset of Motion Picture and Video)



## *Sound Recording - Employment*

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### **Employment Levels – Sound Recording Industry**

<b>1998</b>	<b>3,377</b>
<b>2000</b>	<b>3,305</b>
<b>2003</b>	<b>3,078</b>

## *Sound Recording – Key Findings*

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- Despite major losses in sales, *Sound Recording* shows an upward trend in GDP contribution between 1997 and 2004
- Consolidation, exit of inefficient firms from sector, reductions in employment and additional revenue to Music Publishers may account for this
- However, GDP figures should be treated with caution until replicated in the next study
- Stakeholders have serious concerns with access to capital, new ways of monetizing consumer behaviour via new technology, and skills – but in the area of business management, accounting and legal

## *Recommended Research*

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- The study points to several areas of potential future research:
- Conduct the study again in 2008 to cover 2005 and 2006
- Select another sub-sector for a special focus
- Difficulties in accessing capital by Copyright Industries is a major recurring theme (*A key reason for this is the reluctance of investors to duly consider the economic value of rights*). As a result, it warrants further investigation