REARRANGING THE DECK-CHAIRS ON THE TITANIC:

AN ENQUIRY INTO CHANGES IN THE NON-THEATRICAL FILM AND VIDEO MARKET IN CANADA, AND A LOOK AT FUTURE TRENDS

FINAL REPORT

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A PROJECT SPONSORED BY THE DEPARTMENT OF COMMUNICATIONS AND ADMINISTERED BY THE EDUCATIONAL MEDIA PRODUCERS AND DISTRIBUTORS ASSOCIATION OF CANADA (EMPDAC)

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INTRODUCTION

The Educational Media Producers and Distributors Association of Canada (EMPDAC) came into existence in 1972. It represents the views of film, video, and A-V media producers and distributors, across Canada, working in the non-theatrical field. Members of EMPDAC come from both the public and the private sector. The organization has been active in providing a forum to discuss and to act on issues common to its members including:

- government surveys and task forces studying the non-theatrical industry in Canada.
- production funds established at both the federal and provincial levels.
- decreased levels of funding for non-theatrical product in the educational field.
- changes in the Copyright legislation in Canada.
- recognition of outstanding media buyers on an annual basis.
- government legislation which may have an impact on the non-theatrical industry, e.g. Free Trade, Goods and Services Tax.

In order to obtain a clearer picture of the rapid changes which have overcome the non-theatrical industry in the last three years, EMPDAC approached the Department of Communications for funding. It was decided that a questionnaire of the membership might provide a useful method of collecting background data for the enquiry. Confidentiality would be maintained by the use of a blind questionnaire, which could be returned to the EMPDAC office in Toronto, rather than directly to the consultant. In an effort to ensure a large enough sample (approximately 50%), the questionnaire was kept as brief as possible. A copy of the questionnaire which was distributed to the membership in early January, 1990 is appended to this report as Appendix A.

The data from the questionnaires was collected, compiled, and summarized in order to assess the value of the results. Unfortunately, the questionnaire was prepared and distributed, without the benefit of time to test the instrument; a situation which is reflected in the results. Subsequently, a number of the EMPDAC members were approached for and interview, either by telephone or in person. This process greatly enhanced the data obtained in the questionnaire and provided the membership with an opportunity to have further input to the enquiry. Additional data was obtained from Statistics Canada, previous EMPDAC educational surveys and the Ontario Ministry of Culture and Communications.

BACKGROUND TO THE NON-THEATRICAL MARKET

As the extensive bibliography attached to this report would indicate, we are hardly breaking new ground by studying the non-theatrical market place. Over the last twenty years the Department of Communications library has been filling up with studies of the problems of the theatrical and non-theatrical markets. Many of these reports are dated in terms of their observations and findings but they still provide a useful background to this enquiry.

In a particular thorough 1977 distribution study by Intendes Group, the following observation was made by an unnamed distributor: "By this time you must have enough studies to wallpaper the department and probably a few others as well. Instead of another study, why doesn't the department made some decisions for a change? Let's get on with it. What we want is action, not more facts".

On the production side of the non-theatrical market the Department of Communications acted relatively quickly to follow-up on the recommendations of the Non-Theatrical Production Fund, administered by the Film and Video Group at Supply and Services Canada (DSS), to assist in the production of films and videotapes designed primarily for the non-theatrical market.

However, many of the recommendations in the Task Force report related to the distribution of non-theatrical materials have not been acted upon.

Recommendation #1

...a rebate to users and purchasers to encourage them to increase their purchases of Canadian non-theatrical material and duplication rights.

To date this premier recommendation has not been implemented by either the federal government or any provincial agency. In the late 1970's, the Ontario Lottery Corporation launched the very successful Wintario Halfback rebate plan which encouraged the purchase of a wide range of Canadian cultural materials by the public. However, the Task Force specifically earmarked this rebate program for educational institutions, libraries, and video retailers. The major buyers in the non-theatrical market would receive a refund when they purchased independently-produced Canadian material from a private Canadian distributor. The money for the program would be allocated on a provincial and regional basis.

Unfortunately, the responses to EMPDAC's Audio-visual Materials Funding Survey, December 1988 indicate that the need for this type of rebate program has become more critical. The most recent survey indicated that less than 40 percent of Canadian Boards of Education have a "Buy Canadian" policy for audio-visual material. The Task Force report points out that the rebate program for the Canadian non-theatrical market would have the same kind of positive effect that the Canadian content regulations have had on the broadcast and recording industries.

Recommendation #3

...the establishment of a marketing, promotion and advertising program for Canadian non-theatrical films and videos...

It appears that this proposal for up to 50% of the cost of brochures, support material, preview prints and related costs was never acted upon.

Recommendation #4

...that FORMAT (the NFB's audio-visual database) be expanded and enhanced to respond more effectively to the non-theatrical industry's needs.

This is one recommendation, related to the distribution sector, which has been acted upon by FORMAT. The database is currently available on-line through QL Systems, a legal database vendor which has expanded into the cultural area. In addition, Film and Video Canadiana (formerly a publication of the Canadian Film Institute) has been incorporated into the FORMAT system to provide a broader base of information. However, many audio-visual buyers are either unaware of FORMAT or find the method of access too costly. This is a particularly troubling gap in the information cycle, which could be compensated for by greater publicity or partial subsidization of the FORMAT service. In Canada, there is an expanding market for databases on CD-ROM, particularly in academic and school libraries. There are two audio-visual databases, A-V Online from the U.S. vendor SilverPlatter and DAVID (French-language AV) from SDM in Montreal, currently available on CD-ROM discs. Don Bidd, the NFB Librarian in charge of FORMAT, indicated recently that the NFB is exploring the possibility of a CD-ROM version of the database which would make it more accessible to the buyers. This would be a very positive move on the part of the NFB to expand the market for FORMAT and provide timely information to the buyers in the non-theatrical market.

Recommendation #5

Statistics Canada should review the information it currently gathers on the film and video industry to ensure that the questions and answers are adapted to the needs and interests of the non-theatrical industry.

Statistics Canada is now attempting to provide a more detailed breakdown of the non-theatrical market, based on the information gathered in the annual questionnaire "Film, Video and Audio-Visual Distribution and Videocassette Wholesaling Survey". However, a recent OFDC study of the Ontario non-theatrical market was forced to provide a supplementary set of questions to the Statistics Canada survey. A situation which indicated that there is still room for improvement. The major problem of any questionnaire-based survey is the low rate of return or a less than complete response. Since the Statistics Canada questionnaire consists of five legal size pages, it seems unlikely that the length of the instrument would be a factor in discouraging respondents. Statistics Canada also needs to publish the information collected in a more timely fashion, possibly through on-line access on their CANSIM database.

Recommendation #7

CBC Enterprises should not repackage broadcast material...they should reduce their in-house distribution capacity and use private distribution companies...CBC Enterprises should not distribute non-CBC Canadian material.

Not implemented. Although there seems to be some question about the fate of CBC Enterprises, following the latest round of federal budget cuts.

Recommendation #10

...Private Canadian distribution companies should be invited to tender for the distribution of all NFB films. The NFB should review its pricing policies in order not to undercut private distributors.

Not implemented. The NFB has signed 600 contracts, mainly with public libraries across the country to distribute NFB product at a reduced rate, thereby undercutting the market.

Recommendation #12

...that the government support a high-profile public information campaign to sensitize the public to the importance of copyright, the meaning of intellectual property, and the need to respect the law on this matter.

On June 7th, 1988 the First Phase of the revised Copyright Act received royal assent. However, sections 12 to 15, 17, 20 and 25 of the law dealing with the Copyright Board and collectives did not come into force by Proclamation until February 1st, 1989. Phase II of the Copyright Act is wending its tortuous way through the legislative process. Clearly computer software and video technology have received much greater protection than was afforded under the antiquated 1924 Copyright Act. As comforting as this may seem, there is still a need to make the public aware of both the moral obligation to conform to the law and the severe penalties for not doing so. While there has been extensive publicity about efforts to curb the abuse of photocopiers, in the publishing realm, there has not been a corresponding effort for video. In the U.S., the Association for Information Media and Equipment (AIME) is providing a toll-free hot line which offers speedy clarification of the 1976 Copyright Law as it applies to film and video. This might be a very effective method of disseminating the information in Canada.

Recommendation #13

The federal government should...propose to the provinces the creation of a joint federal-provincial initiative to develop the necessary programs...designed to improve the use of audio-visual material in education and other non-theatrical markets.

This initiative was intended to increase the media literacy of teachers, librarians, trainers and other non-theatrical users. Given that most teacher education faculties, library schools and library technician programs offer courses in audio-visual methods only as an option, this is a very sound proposal. Quite recently, a major Canadian urban public library filled the dormant position of audio-visual department head for the first time in more than a decade. Rather than looking externally for a candidate with appropriate qualifications and experience, the library chose to hire from within the institution. The position is now occupied by a librarian with absolutely no audio-visual or media experience and not the slightest amount of training. In fact, there now seems to be a popular misconception both within the library community and the educational field that media specialists are not longer necessary.

The shift from media specialists to administrative generalists has taken place precisely at the point in time when audio-visual experience would have been most valuable. For instance, the rapid shift from film-based non-theatrical market to a video dominated market (detailed in a subsequent section of this report) should have been accompanied by clear guidelines and explanations to library patrons and teachers respectively. Very few media librarians stepped forward to provide this kind of leadership or support for dwindling media resources. The March 1988 EMPDAC study, entitled An Industry Profile, recommended the establishment of a College of Media Managers which would attempt to rectify this situation by providing continuing education courses.

In conclusion, it appears that the distribution sector of the non-theatrical market has seen little tangible benefit from the recommendations of the Non-Theatrical Film Industry Task Force of 1986. It is not within the scope of the current EMPDAC enquiry to discern why the production sector received such rich benefits, while the distribution side did not. However, the current state of the non-theatrical distribution market clearly indicates that something substantial must be done in order to ensure its long term survival.

THE SHIFT FROM 16MM FILM TO VIDEO

The dramatic transition from a film-based to a video-based market for non-theatrical audio-visual materials has taken place over a relatively short period of time. In contrast, the use of 16mm film evolved from a home movie gauge in the 1930's to semi-professional documentary status during WWII and culminating in the establishment of the non-theatrical market of the 1950's, 1960's and 1970's. As a distribution format, film has had a long and successful career. However, the video formats now prevail and with the potential for HDTV in the next decade, video may one day provide the same high definition image as the technically superior medium of film. The Other Film Industry report of the Non-Theatrical Film Industry Task Force (1986) concluded "that video will predominate in the non-theatrical market by 1990". While the rapid change in distribution formats may have been obvious at that time, the full consequences of this transformation were not as evident.

As most useful method of illustrating this change is through the use of charts, depicting the process in the library and educational components of the non-theatrical market in Canada. These charts are based on data found in Statistics Canada's publication Cultural Statistics, Public Libraries in Canada (87-205) as well as data from the Ontario Ministry of Citizenship and Culture pertaining to libraries and EMPDAC surveys.

The search for data on the educational component of the non-theatrical market has been more difficult. Unfortunately, neither Statistics Canada for the Association of Universities and Colleges in Canada compiles audio-visual information on the educational side of the non-theatrical market. However, EMPDAC publishes the Survey of Canadian Educational Material Sales which provided the most useful information available. The ongoing trends in the market place are clearly visible.

THE LIBRARY COMPONENT

The following charts summarize the library holdings for 16mm film and video as reported to Statistics Canada and the Ontario Ministry of Citizenship and Culture by Canadian libraries, based on their annual surveys. Figure 1 demonstrates the pattern for all Canada public libraries from 1979 to 1988. The trend toward increasing video collections began in 1982 and culminated with a rapid acceleration in 1986 and 1987 when video holdings outstripped 16mm film for the first time.

While it is true that Ontario comprises almost 50% of the non-theatrical market, there are certain unique factors in the province which make it difficult to generalize about the non-theatrical market based on these observations. Figure 2 illustrates the effect of the disintegration of the unique Ontario version of the regional library concept on film and video holdings in Ontario.

The chart indicates a sharp drop in 16mm film holdings in 1984, the year in which the number of regional libraries decreased from fourteen to eight. While the decline is more apparent than real; depicting some confusion about responsibility for reporting rather than actual loss of prints, it does mark the point of decline in regional level, as the 3/4 inch U-matic videocassette collections were phased out. In sharp contrast the video holdings of Ontario public libraries soared (Figure 3).

Figure 4 illustrates the respective expenditures for film and video by both public libraries and regional libraries. The Ontario government shifted funding from the regional level to the municipal level, with the creation of video funds for public libraries. In turn this fuelled the fires of change.

Figure 1
Holdings of 16mm films and video reported to Statistics Canada by Canadian public libraries, 1979-1988

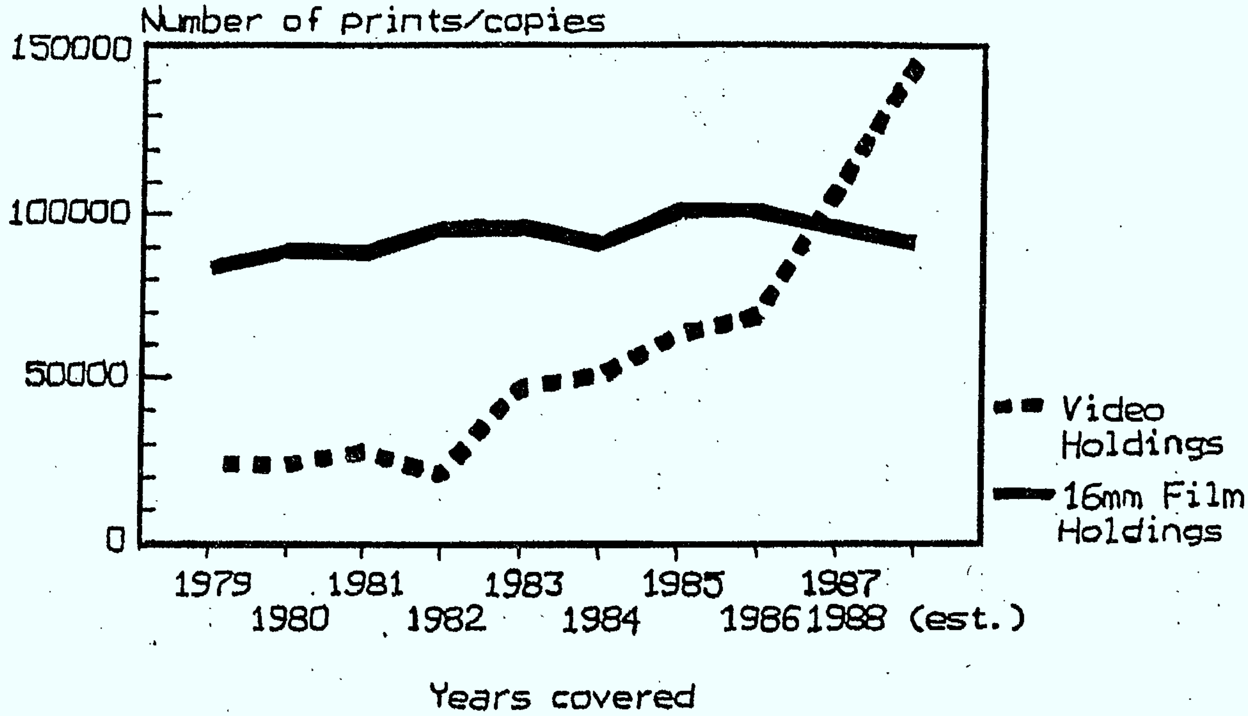


Figure 2
Holdings of 16mm films and video reported to Statistics Canada by Ontario regional library HQ, 1979-1988

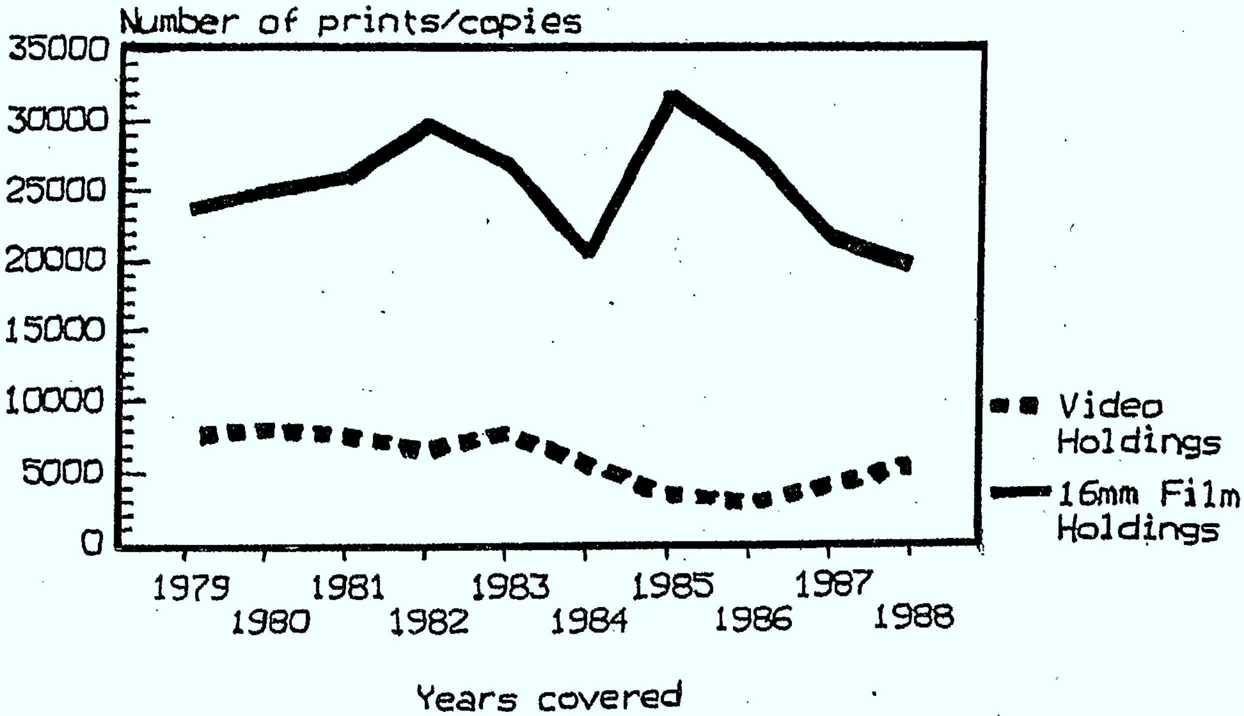


Figure 3
Holdings of 16mm film and video reported to Ontario Ministry by Ontario public libraries, 1981-1989

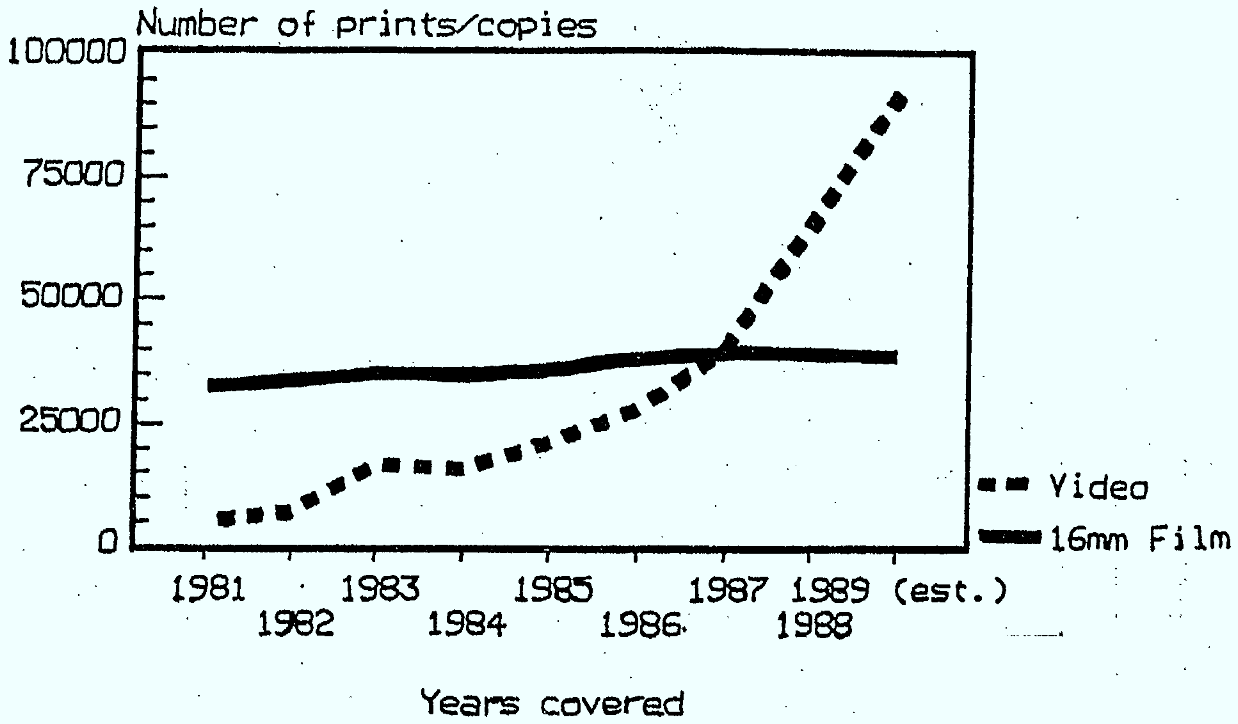
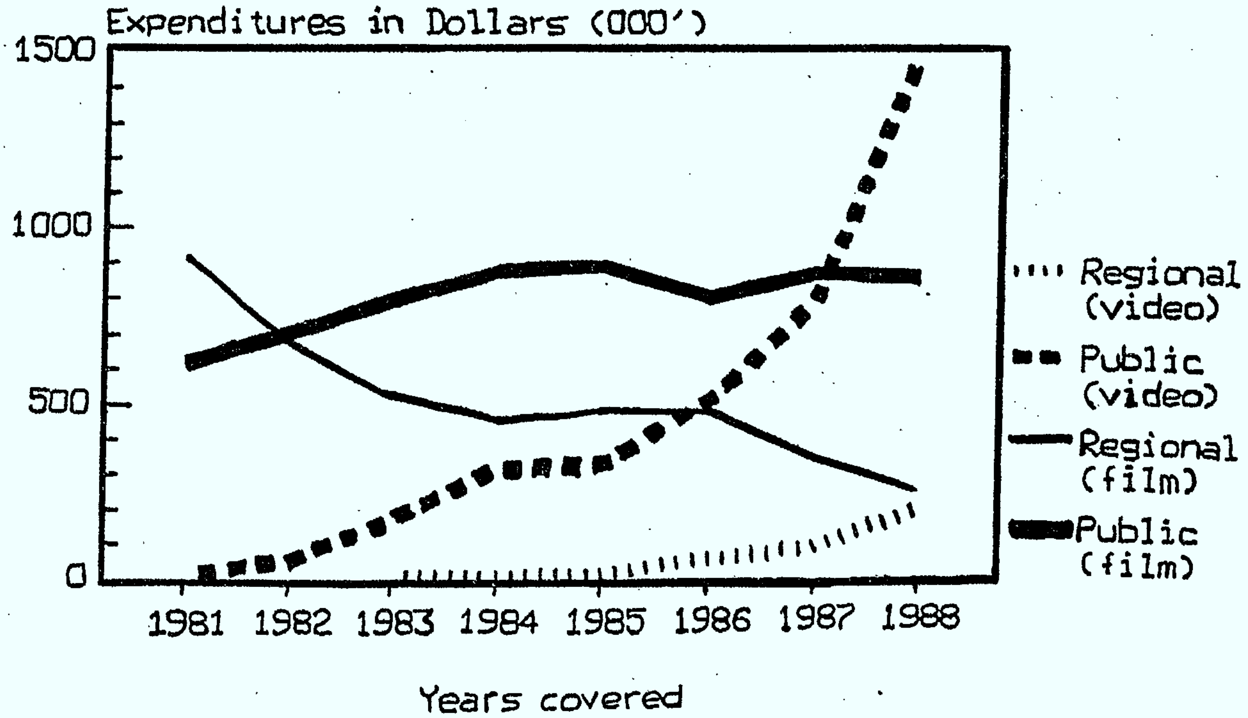


Figure 4
Expenditures for 16mm film and video reported to Ontario Ministry by public/regional libraries, 1981-1988



What these figures can not tell is the qualitative shift which took place with the "video revolution". Many large urban public libraries began to shift the content of their audio-visual collections in the direction of commercial feature films. In the 16mm film era, this would have been prohibitively expensive, but with the advent of cheap video the lure of higher circulation statistics at a lower cost was too irresistible. To draw a parallel with the book budget, it would be as if the library decided to buy "best-selling" fiction exclusively. One Ontario regional library jumped on the ill-fated C.E.D. videodisc bandwagon just as it headed for oblivion, and two large municipal-based libraries opted for laser vision (LV) optical disc which now comprise some 1500 titles. Virtually 99% of these titles were theatrical feature films with no Canadian content. On the positive side, libraries generally avoided the Beta Video fiasco. However, the shift from a traditional non-theatrical content mix to strictly entertainment seems to be continuing. There is no data to back up this assertion, but an informal survey of the video lists from a number of libraries suggest that this may be true. A questionnaire-based survey could be undertaken to assess the validity of this assumption, in conjunction with a comparison of 16mm catalogues and current video lists.

THE EDUCATIONAL COMPONENT

As mentioned previously, data on the largest segment of the non-theatrical market is more difficult to collect. No national agency, other than EMPDAC, seems to be interested in educational media statistics. The Media Directors of Ontario at the post-secondary level conduct a confidential internal survey of audio-visual funding, but the results were unavailable for this study.

Figure 5 graphically represents the educational sales patterns in the non-theatrical market from 1983 to 1988 based on figures supplied by the distributors in the annual EMPDAC survey. Here again, the rapid shift to video after 1986 is apparent, with a counterpart drop in film sales and a corresponding jump in leasing and rentals. A different perspective on educational sales by region is provided in figure 6. Ontario seems to have a fairly consistent 49% share of the market (taking into account the unspecified component of the original survey results), with the Western provinces at slightly more than 30% and the East (including Quebec) at a very stable 10%.

Figure 5
Educational sales by product, 1983-1988
based on EMPDAC Survey of Canadian
Educational Material Sales (annual)

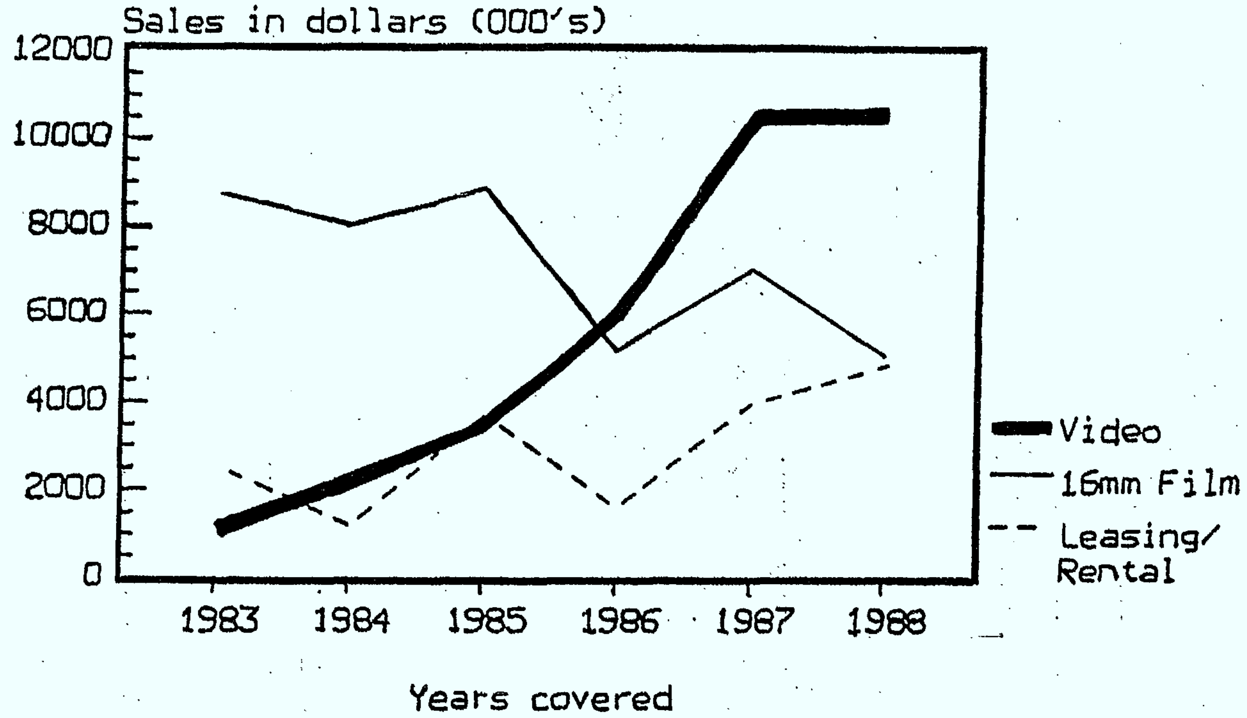
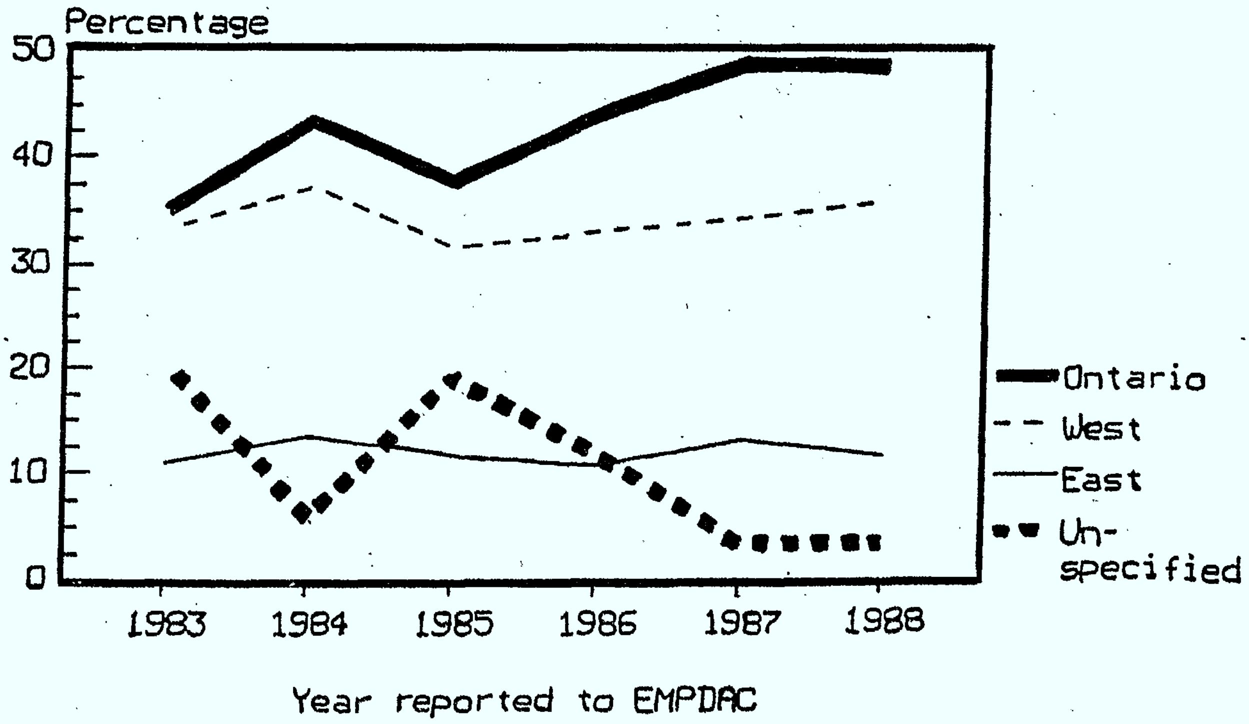


Figure 6
Canadian educational media sales
by region, 1983-1988



DEFINING THE NON-THEATRICAL MARKET

The EMPDAC survey certainly covers the core distributors in the market but a number of distributors do not participate, and so there should be a word of caution in interpreting the results. In addition, the figures supplied to EMPDAC through its annual survey do not distinguish between sales to the educational market and public/regional libraries. The two are lumped together as "educational media" when they are, in fact, two distinct markets serving two separate but not exclusive communities. In the film-base market public libraries never comprised a very large share of the non-theatrical market, at the best of times and some distributors appear to have written off the library part of the market. For an industry with a shrinking revenue base, increasing external competition and the threat of higher taxes, most non-theatrical distributors are not in a position to ignore any aspect of their market. As public libraries made the transition from film to video they may have lost sight of the original objective to build a balances audio-visual collection. This is not to say that, given the right kind of promotion and encouragement, they might not still provide increased sales to the non-theatrical market. Statistics Canada indicates that there are only 1014 public libraries in Canada, with 3101 service points, but their total materials budget is double that of the 7528 centralized school libraries across the country.

The EMPDAC surveys provided a breakdown of educational sales by distinct materials (film/video, rental/leasing) and building level materials (filmstrips, slides, audio, ect.) until 1986. Traditionally, some 250 central or district AV centres across the country purchased the most expensive media and distributed it to individual schools at the "building level". The following year the EMPDAC survey abandoned this distinction; providing a clear acknowledgement of the elemental changes in the market. As video prices continued to fall, the individual teachers, department head and teacher-librarians began to purchase their audio-visual materials directly. The role of the media specialist at the district level, became less certain. By 1988, when James D. Miller and Jarvis Stoddart conducted the <u>Audio-visual Materials Funding Survey</u> for EMPDAC, 45% of video purchases took place at the individual school or building level. Unlike the content shift in public library video collections, the schools generally continued to purchase the same type of curriculum related material in the video format.

Clearly, the shift from centralized "district level" purchasing to "building level" in the educational sector has altered the basic structure of the non-theatrical market. The Canadian non-theatrical distributors must now market their products directly to the 10,000 centralized school libraries across the country. While the number of potential buyers has increased substantially, the unit price has fallen to a commercially competitive range, and the direct-mail costs have risen dramatically.

Another major wrinkle in the non-theatrical equation is the threat from U.S. catalog suppliers who see the Canadian non-theatrical market as a new territory to exploit. They do not seem to be deterred by the simple fact that they do not always possess Canadian rights to the domestic product in their catalogues. Most of the distributors interviewed for this study suggested that this is a serious problem for the long-term stability of the Canadian non-theatrical market. American distributors do not have to pay Canadian taxes, overhead salaries, etc. and yet they are able to exploit the market. In most cases, the foreign distributors are able to undercut the Canadian video price due to the size of their own domestic market. Cultural industries may not have been part of the Free Trade Agreement, but the implementation of the FTA seems to have created an open border mentality on the part of many U.S. businesses.

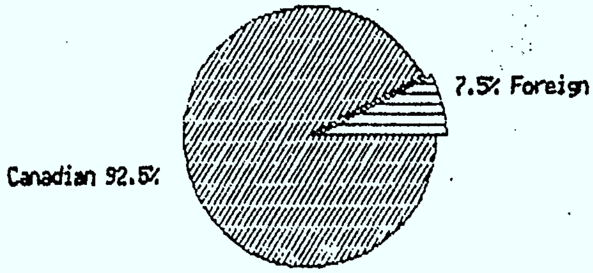
In the past, EMPDAC members have attempted to sell into the foreign non-theatrical markets with various levels of success. The following pie charts (Figure 7) depict the relationship between Canadian and foreign sales from 1983 to 1988. As you can see the foreign sales reported in 1985/86 reached 25% of total sales, but dropped to 16% in 1988. Canadian-owned non-theatrical distributors are in a unique quandary because much of what they distribute in the Canadian market is foreign product. Figures 8 and 9 demonstrate the ration of foreign production to Canadian production in the Canadian non-theatrical market as reported to EMPDAC and Statistics Canada. I appears that the Canadian component of the market has been loosing ground, particularly in the last three years.

The most difficult aspect of defining the non-theatrical market has been in establishing an accurate total sales figure in Canadian dollars. Figure 10 illustrates the market picture for the last ten years based on data supplied by EMPDAC. These figures were in turn converted into 1977 constant dollars, with a conversion factor based on the Consumer Price Index. On the surface it would appear that the Canadian producers have been falling further behind each year, as the inflation rate consumed their gross sales figures.

However, the subsequent chart (figure 11) based on Statistics Canada's assessment of the size of the market, compared with the EMPDAC surveys, seems to bring this assumption into question. For the years 1983, 1984, 1985 both EMPDAC and Statistics Canada seem to be in agreement about the size of the market. Then the market appears to explode in 1986 and 1987 (the two most recent years for which data is available). Since both sets of data are based on annual surveys there might be a problem with the rate of return on the questionnaire. However, the rate of response to the Statistics Canada survey was relatively stable during those years, at about 50 companies with EMPDAC survey reporting 20-25 replies.

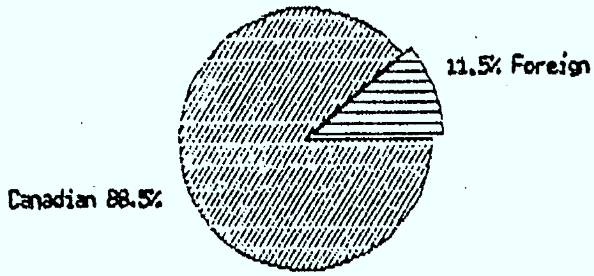
Figure 7

Canadian and foreign sales as a percentage of total sales



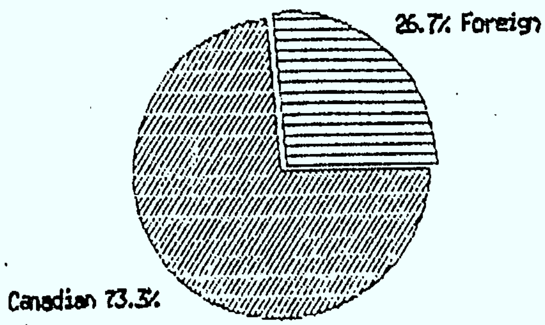
Total sales by EMPDAC members, 1983

Canadian and foreign sales as a percentage of total sales



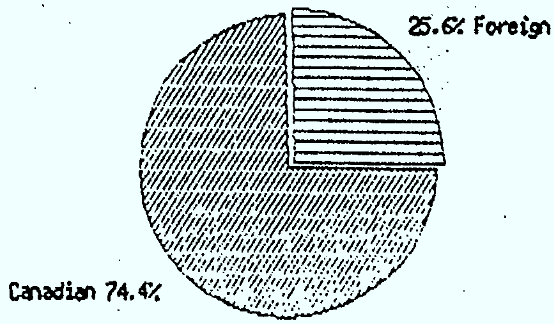
Total sales by EMPDAC members, 1984

Canadian and foreign sales as a percentage of total sales



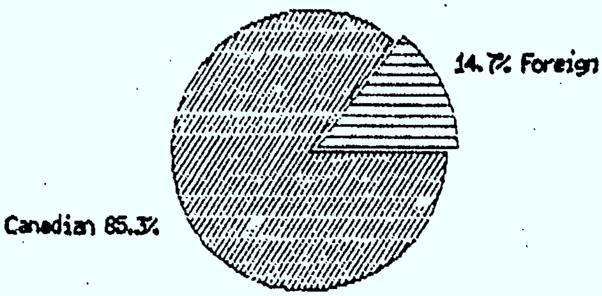
Total sales by EMPDAC members, 1985

Canadian and foreign sales as a percentage of total sales



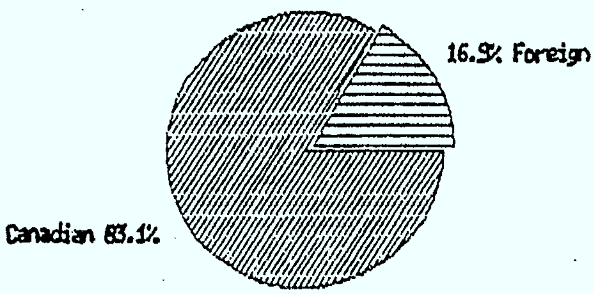
Total sales by EMPDAC members, 1986

Canadian and foreign sales as a percentage of total sales



Total sales by EMPDAC members, 1987

Canadian and foreign sales as a percentage of total sales



Total sales by EMPDAC members, 1988

Figure 8
Canadian non-theatrical market 1983-88
by origin of the productions sold
reported to EMPDAC by distributors

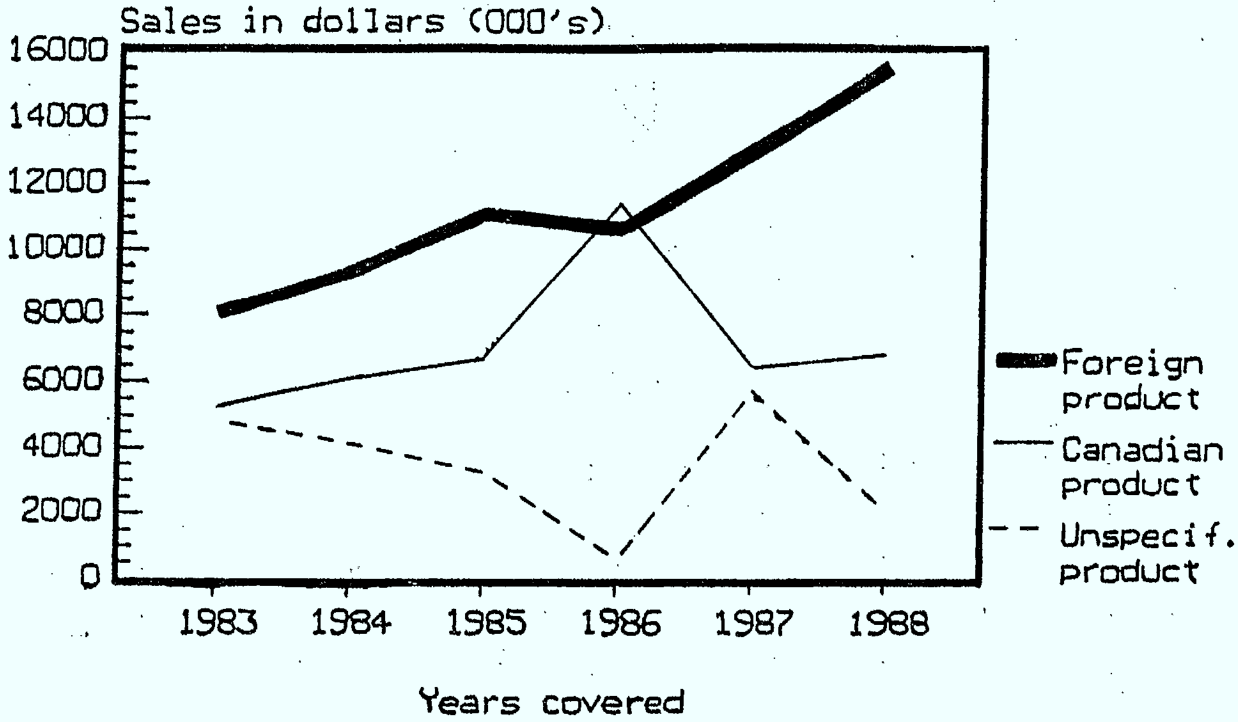


Figure 9
Canadian non-theatrical market 1982-87
by origin of the productions sold
as reported to Statistics Canada

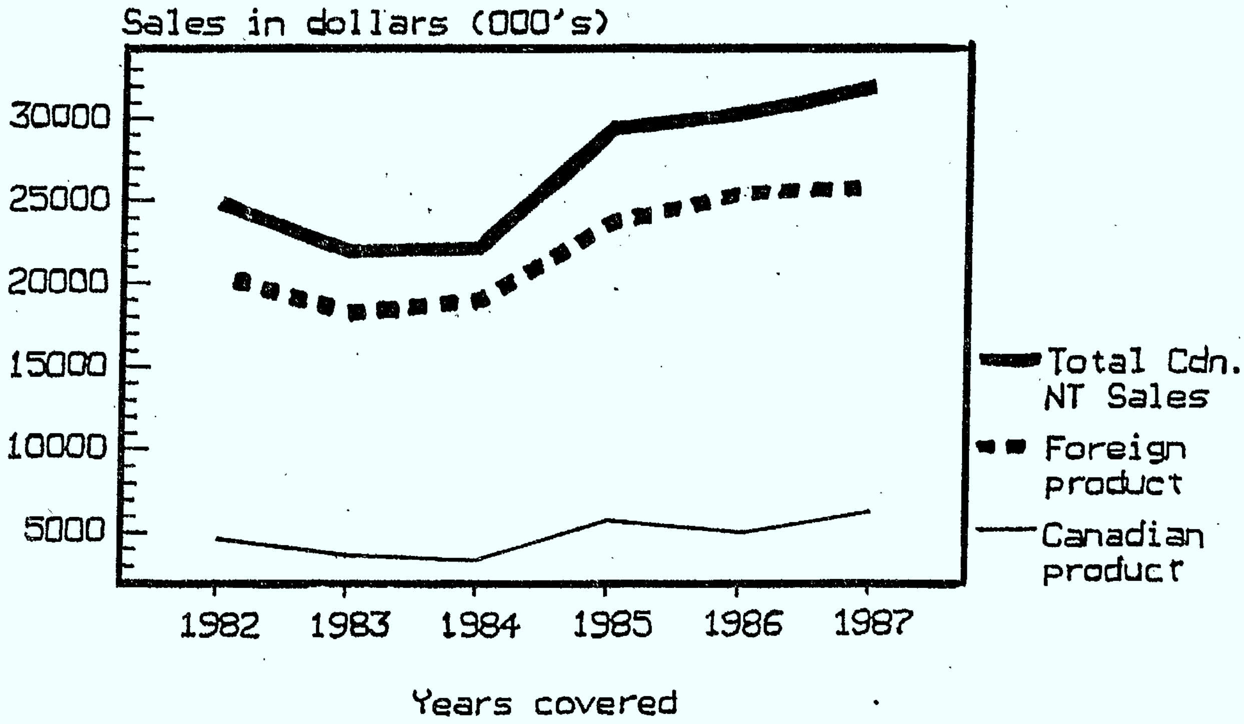


Figure 10
Total Sales reported to EMPDAC, 1978-88
and factored in 1977 constant dollars
using the Consumer Price Index

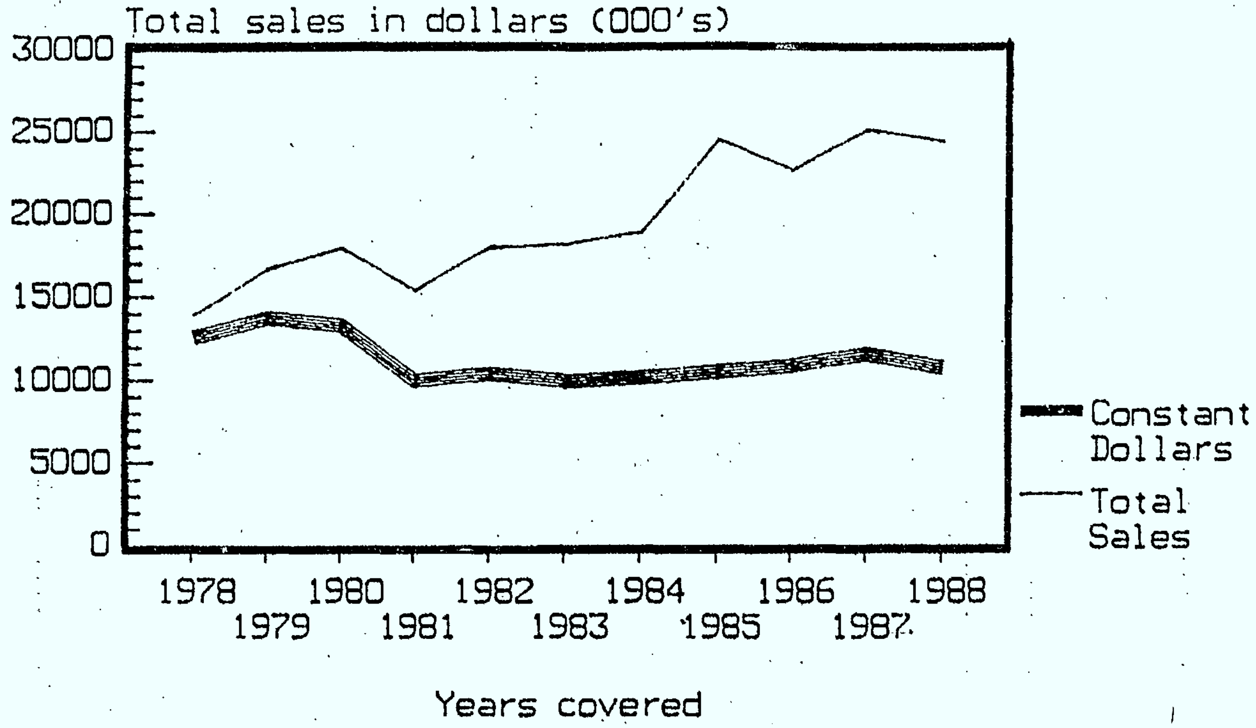


Figure 11
Comparison of non-theatrical market
estimates by Statistics Canada and
EMPDAC (both based on annual surveys)

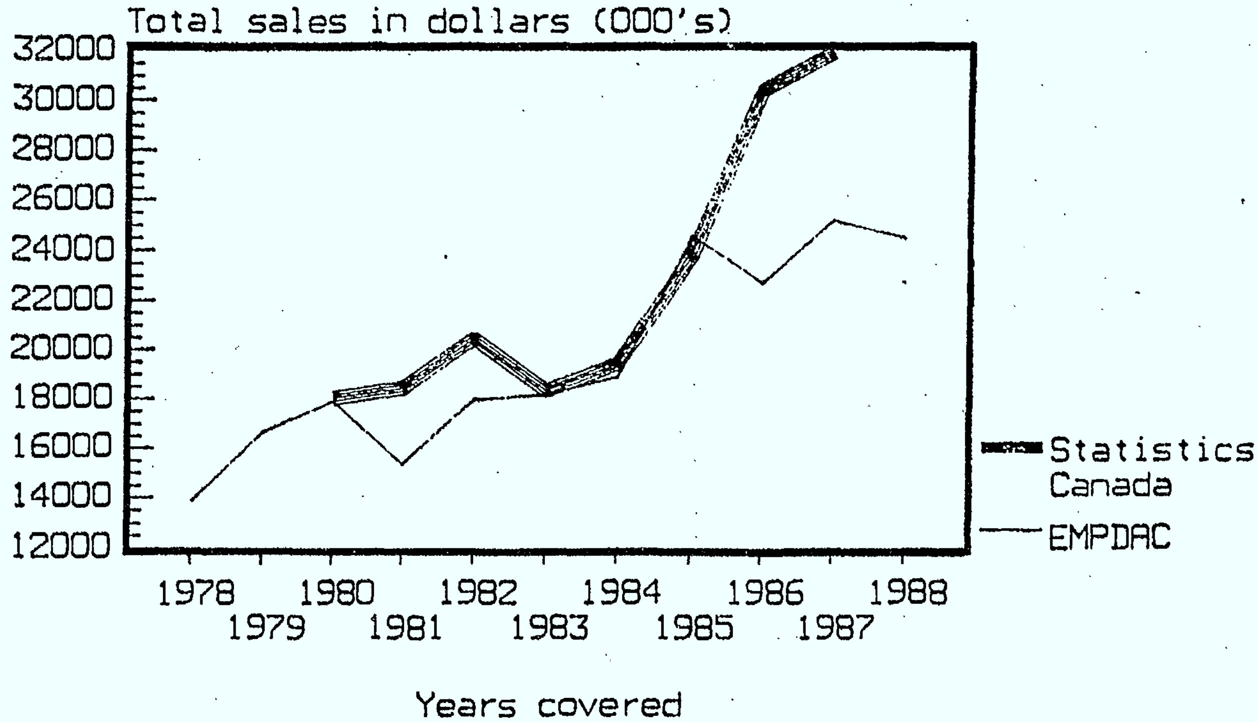


Figure 12 suggests that larger companies are starting to dominate the non-theatrical market. Alternatively, this could indicate that Statistics Canada is now including one or two very large companies which are responsible for the dramatic rise in its estimate of the scope of the non-theatrical market.

It would appear that the EMPDAC figures are low as an estimate of the total non-theatrical market and that the Statistics Canada estimate in figure 11 is far too high. Bob Anderson of Statistics Canada stated, in Culture Communique, Vol. 10, No.4 (1987) that "the $19 million earned by distributors (in 1984) is about on-third the value of the total non-theatrical market ($57 million). Virtually all of the $38 million difference represents Canadian content material by domestic producers". It seems that Statistics Canada is attempting to expose what it considered as a previously hidden share of the non-theatrical market.

RESULTS OF THE 1990 QUESTIONNAIRE TO EMPDAC MEMBERS

The design of the questionnaire itself reflects undue haste, with the result that there was a response rate of less than 50% and the quality of the information gathered is questionable at best. The members of EMPDAC and other non-theatrical distributors already fill out two major questionnaires per year. In light of this, I suspect that even the most carefully crafted questionnaire, of whatever length, would have been greeted with similar enthusiasm. Rather tan try to interpret the results, they are summarized as Appendix A at the end of this survey, by placing the compiled information back into the sample questionnaire.

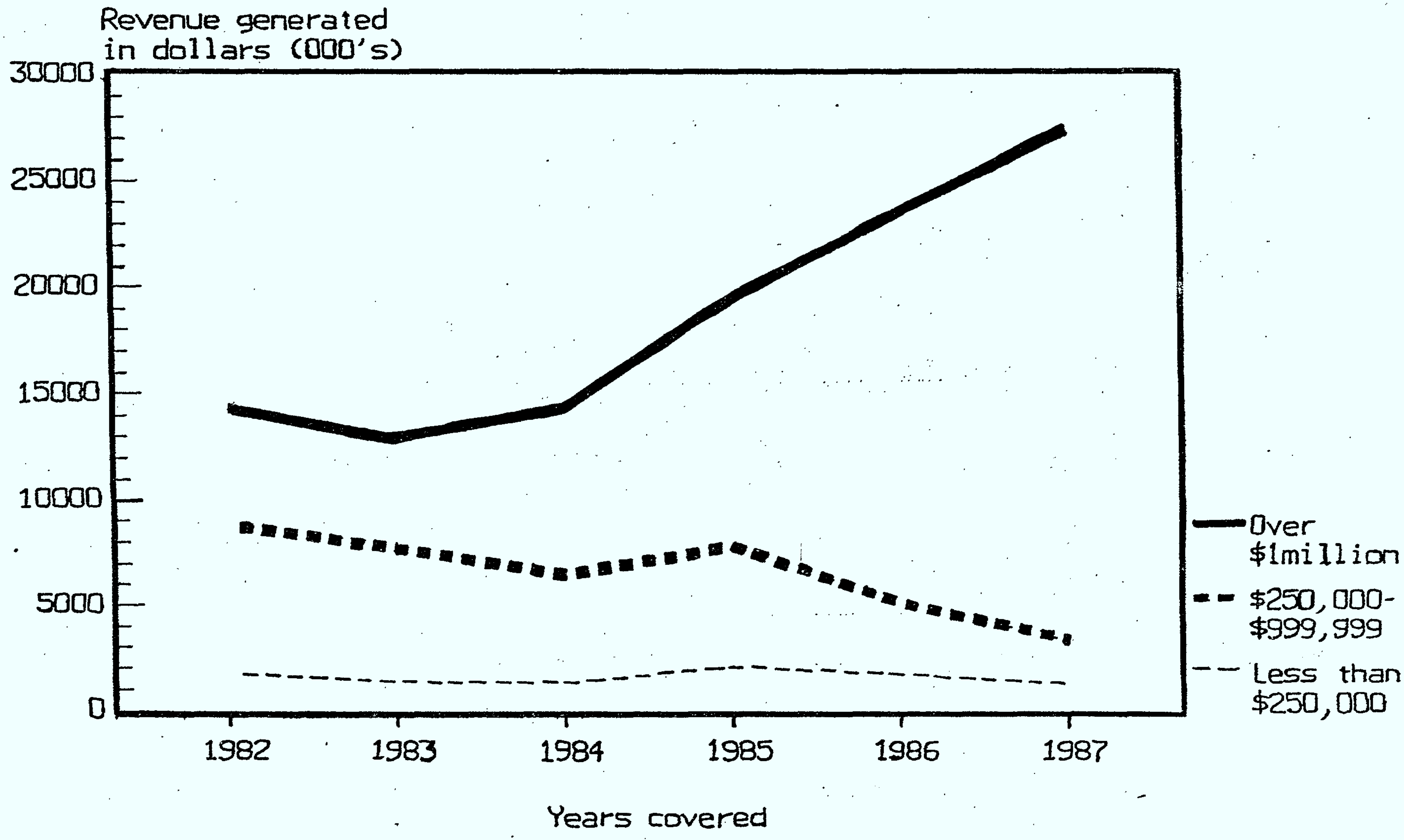
The interviews with distributors, as a follow-up to the questionnaire, provided much more concrete information. A list of those who were interviewed in Toronto is attached to this report as Appendix B.

The major concerns of the distributors could be summarized as follows:

1) U.S. marketeers selling into the Canadian market

Recently, there has been an influx of American companies producing catalogues of their product (including instructional video) for the U.S. market and then mailing it into Canada. Canada Post is aware of this situation but can not do anything about it. This seems to be a legal "grey area". One distributor suggested that there should be a 15% withholding tax applied to any transborder purchases by Canadians, which would be collected by Revenue Canada, Customs and Excise. In some cases, the sales representatives of these U.S. based companies are misrepresenting their product by reassuring teachers and librarians that they do in fact have Canadian rights and public performance rights for their products.

Figure 12
Canadian non-theatrical distribution market by size of company reporting to Statistics Canada, 1982-1987



2) Copyright Infringement

A majority of the distributors expressed interest in the idea of expanding the non-theatrical market by eliminating a minimum 20% of the current market lost to illegal video piracy. This will require more than simply an education program or moral persuasion on the part of the distributors. A number of out of court settlements have been reached with companies, community colleges, and even a police force. However, the costs of reaching a conviction through the courts is prohibitive. The major avenue of copyright infringement is through the use of illegal off-air programs and "home-use" videos in classrooms. One well publicized conviction under the new Copyright Law would go a long way to eliminating much of this abuse and expand the market at the same time. A distributor mentioned a recent survey of teachers where 10% responded that they taped a popular program off-air and used it in their classroom. Combined with the fact that Boards of Education buy huge quantities of blank video tape, indicates flagrant abuse by the educational segment of the non-theatrical industry.

3) **Continuing Education for Media Specialists.**

As mentioned previously in this report, a continuing education program was proposed by EMPDAC in 1988. Many media people do not possess the necessary skills, such as budgeting and marketing, to further the growth of the educational market place. A good consultant will lobby the superintendent effectively and defend the media budget in negotiations. An Association of Media Managers would provide specialized summer courses, in conjunction with a college or university, which would supplement the experience of the media specialist. The educational media consultants are uneasy about the decentralization of the market, and the reassessment of their role in the educational system. Continuing education courses would provide a venue for them to reappraise their place in the market.

In conclusion, the Canadian non-theatrical market is facing some serious challenges both externally and internally. The federal government could assist this transformation by implementing some or all of the recommendations of The Other Film Industry (1986) report as detailed at the beginning of this enquiry. If the forces which are currently shaping the market, particularly the foreign invasion by direct-mail marketeers, is left unchecked there may not be a Canadian presence in the non-theatrical market. In addition, there is uncertainty about the effects of the GST on small businesses and the long-range consequences of cuts in transfer payments to the provinces for education. The government must decide quickly whether it intends to defend this important segment of the Canadian film industry.

APPENDIX A (QUESTIONNAIRE)

Terms of Reference:

"To study through a poll of membership (EMPDAC) and other available data sources, the structural changes occurring in the Canadian non-theatrical market place over the past three years, examining the source of product, pricing and revenue patterns and other major trends".

Please complete the following sections as accurately as possible. If you have any problems with the wording of the questions or need clarification regarding the information requested please contact the Executive Director of EMPDAC. Final figures for the current fiscal year may not be available. Please provide an estimate where possible. The survey should include data on both 16mm film and video formats. We appreciate your assistance in participating in the survey (which has been designed to ensure the confidentiality of the information).

<u>All questionnaires should be returned by February 1st, 1990.</u>

Topics:

A) Cost of Products*	1989	1988	1987
Prints costs (film)	$238	N/A	N/A
Dub costs (video)	$ 31		
Average cost per sale (film)	$475		
Average cost per sale (video)	$171		

B) Source of Income

List top 10 income sources (i.e. business, education, libraries, govt.)

1) Boards of Education
2) Provincial Ministries of Education outside Ontario
3) Colleges and Universities
4) Public Libraries
5) Health Educators/Hospitals
6) Government Departments
7) Educational Broadcasters
8) Special libraries/Business
9) Correctional/Law Enforcement
10) Art Galleries/Festivals

* the figures in this section are a compendium of the estimates supplied by four respondents and may not be representative.

		1989	1988	1987
Total sales (film)	$	1.06M	1.13M	1.07M
Total sales (video)	$	2.26M	1.64M	4.75M
Total rentals (film)	$	N/A		
Total rentals (video)	$	N/A		
Total leases (film)	$	N/A		
Total leases (video)	$	N/A		

Average number of sales per client	8.4
Average number of rentals per client	2.5
Average number of leases per client	N/A
Number of electronic reproduction contracts	20
Average number of copies allowed per contract	"unlimited"
Average royalty per contract	"varies"

C) Cost of Sales

Travel	$14,585
Catalogues	$12,814
Print material	$ 4,500
Advertising	$ 2,683
Tele-marketing	$ 2,350
Miscellaneous	$25,625
Average cost per distributor reporting	$62,557

D) Type of product by subject

		1989	1988	1987
List top five titles by subject (e.g. 1 history 2 science, etc.)	1	science		
	2	language arts		
	3	health/guidance/family studies		
	4	environment		
	5	geography		
Number of copies of each title sold	1	N/A		
	2			
	3			
	4			
	5			

E) Other concerns of the industry
(Place you response on a separate sheet if necessary)

Low cost video.

Estimate the amount of piracy for non-theatrical product:

20% minimum of sales.

Has the new Canadian copyright law of 1988 helped this situation?

Yes.

Do you think that the U.S. has complete access and penetration of the Canadian non-theatrical market? If so why?

No.

Does your company invest in Canadian product? If so, please list the average amount for the last three years.

Yes. (figures N/A)

APPENDIX B

List of EMPDAC members interviewed in Toronto, Feb. 26-28th, 1990

Marie Baccari, CTV

Karyn Bower, Coronet

Doug Connolly, Magic Lantern

John Fisher, Visual Education Centre

Bob Graham, National Geographic

Stuart Grant, International TeleFilm

John McAlister, Omega

Jerry McNabb, McNabb and Connolly

Hilary Read, BBC

John Taylor, Marlin Motion Pictures

Tom Whyte, McIntyre Media Ltd.

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