DOC
Trade Position Study

Phase 1

August 2, 1985

The Canada Consulting Group Inc.

DOC TRADE POSITION STUDY - PHASE 1

A PROFILE OF THE ROLE AND PATTERN OF TRADE

In

Telecom
Computers
Broadcasting
And
Culture

August 2, 1985

INTRODUCTION

The Department of Communications has jurisdiction and responsibility in a number of different sectors, including:

Telecom
- a. Equipment
- b. Services

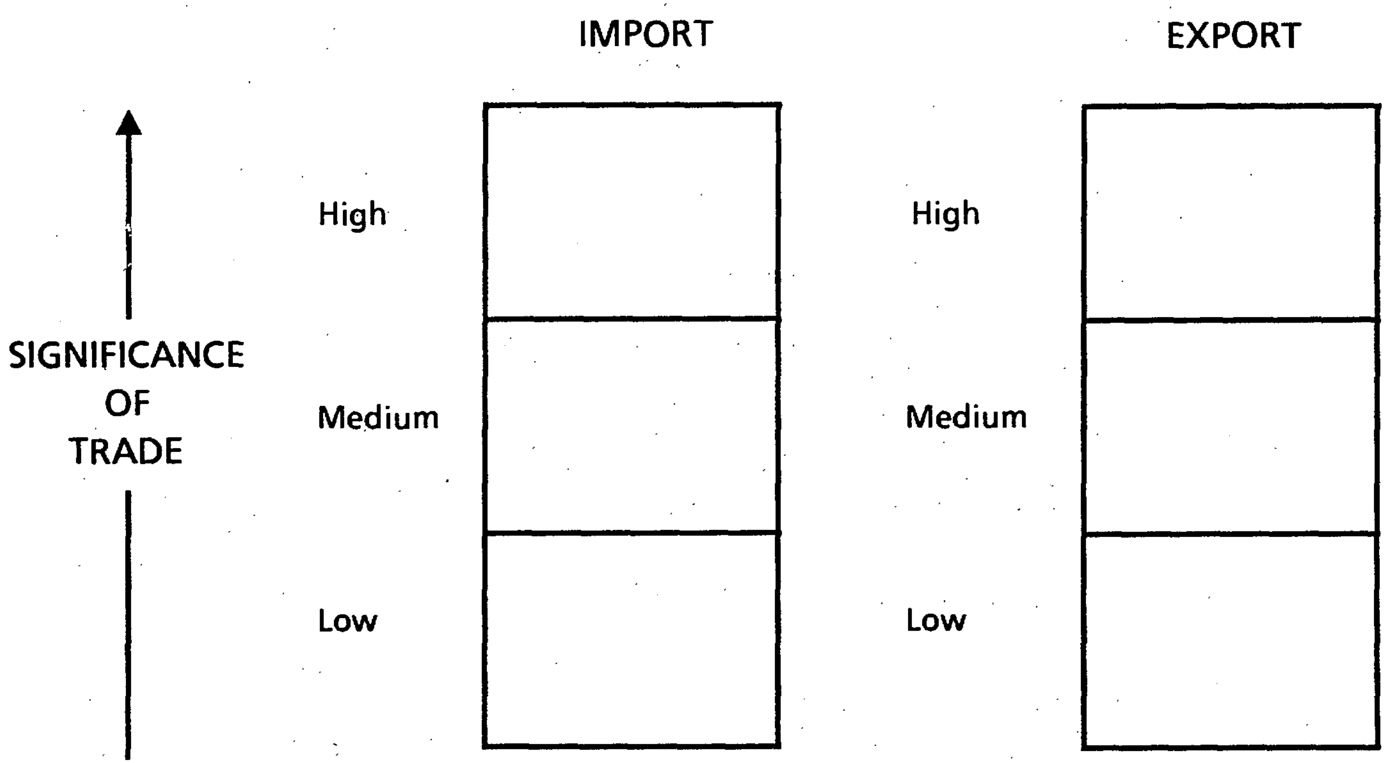
Computer
- a. Equipment
- b. Services (particularly Software)

Broadcasting
- a. Radio and Television
- b. Cable

Culture
- a. Film
- b. Printing and Publishing (Newspapers and Books)
- c. Sound Recording
- d. Advertising

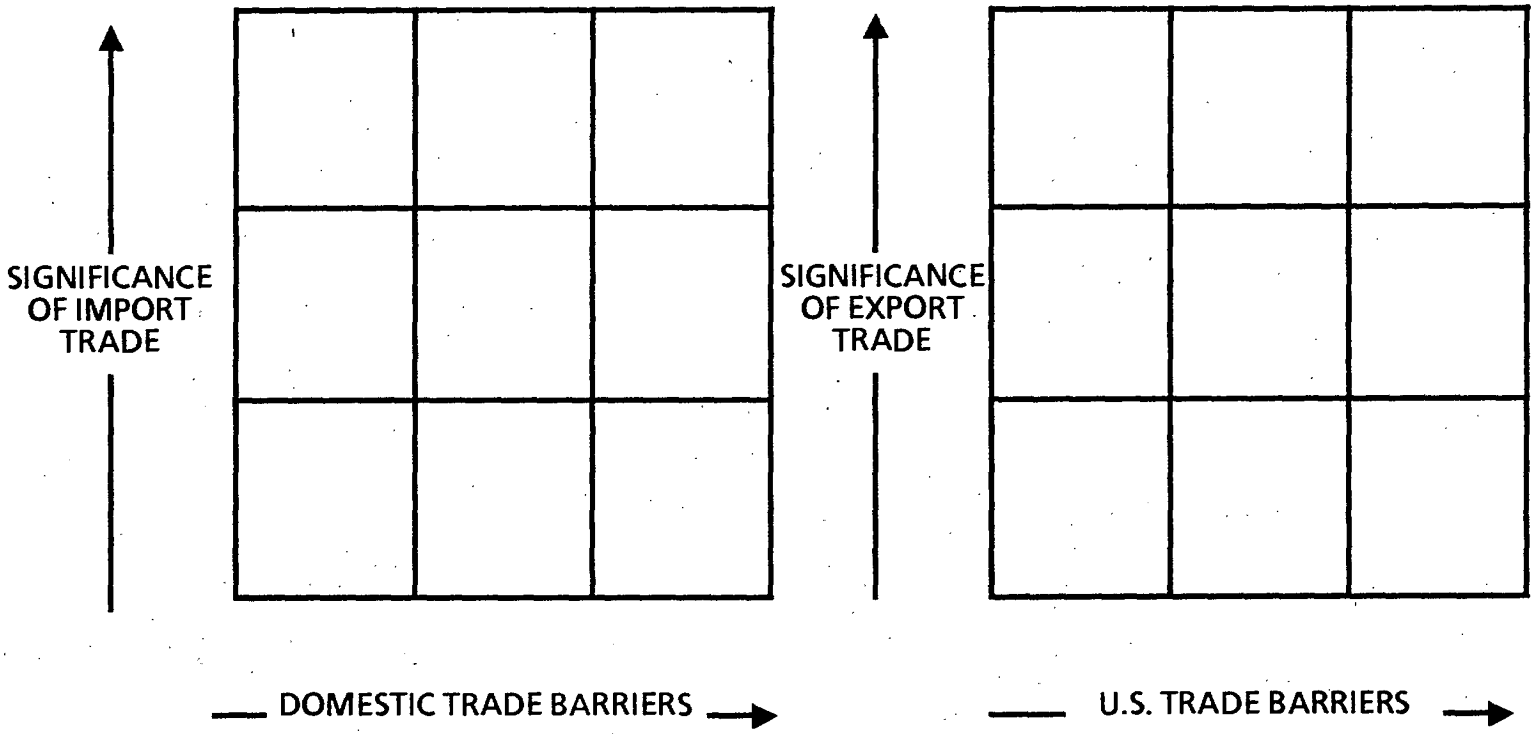
The purpose of this document is to provide a profile of each of those sectors with particular emphasis on the significance of import and export trade

IN THIS DOCUMENT WE POSITION DOC'S SECTORS OF RESPONSIBILITY IN TERMS OF THE SIGNIFICANCE OF IMPORT AND EXPORT TRADE TO DOMESTIC PRODUCTION AND CONSUMPTION



IN THE NEXT DOCUMENT WE WILL COMPLEMENT THIS ANALYSIS BY FURTHER POSITIONING EACH SECTOR IN TERMS OF DOMESTIC AND U.S. TARIFF AND NON-TARIFF BARRIERS

DOC TRADE POSITION STUDY



THIS DOCUMENT IS PRESENTED IN FOUR SECTIONS

I. BOTH TELECOM EQUIPMENT AND TELECOM SERVICES ARE MAJOR STRONG CANADIAN INDUSTRIES

II. COMPUTER EQUIPMENT AND SERVICES NEED TO BE WIDELY AVAILABLE TO ENSURE CONTINUING PRODUCTIVITY GAINS

III. TRADE ISSUES IN BROADCASTING INVOLVE MORE THAN DOLLARS BECAUSE THE PRODUCTS REFLECT NATIONAL IDENTITY

IV. TRADE IN CULTURAL PRODUCTS IS PARTICULARLY SENSITIVE WHERE THERE IS CONCERN ABOUT ENGLISH CANADA'S CULTURAL ASSIMILATION BY THE U.S.

TELECOM

I. BOTH TELECOM EQUIPMENT AND TELECOM SERVICES ARE MAJOR STRONG CANADIAN INDUSTRIES

A. TELECOM EQUIPMENT IS VITAL TO CANADIAN TRADE

B. TELECOM SERVICES TRADE UNDER INTERNATIONAL TELECOM EXCHANGE AGREEMENTS

A. TELECOM EQUIPMENT IS VITAL TO CANADIAN TRADE

1. TELECOM EQUIPMENT IS A LARGE CANADIAN INDUSTRY WITH 1984 SHIPMENTS OF APPROXIMATELY $3.5 BILLION

2. THE U.S. ACCOUNTS FOR ROUGHLY THREE QUARTERS OF CANADIAN TRADE IN TELECOM EQUIPMENT AND THE OVERALL BALANCE IS NEGATIVE

3. NORTHERN TELECOM HAS NO DOMESTIC COMPETITOR WITH A BROAD PRODUCT LINE

4. BOTH IMPORTS AND EXPORTS OF TELECOM EQUIPMENT RANK HIGH IN SIGNIFICANCE TO CANADA

1. TELECOM EQUIPMENT IS A LARGE CANADIAN INDUSTRY WITH 1984 SHIPMENTS OF APPROXIMATELY $3.5 BILLION

Telecom equipment manufacturers produce an array of apparatus, components and instruments

Telecom equipment appears to be strengthening, following a plateau

The telecom industry is concentrated in Ontario

TELECOM EQUIPMENT MANUFACTURERS PRODUCE AN ARRAY OF APPARATUS, COMPONENTS AND INSTRUMENTS

DOMESTIC PRODUCTION BY PRODUCT, 1982
SIC 335 Telecommunication Equipment Manufacturers

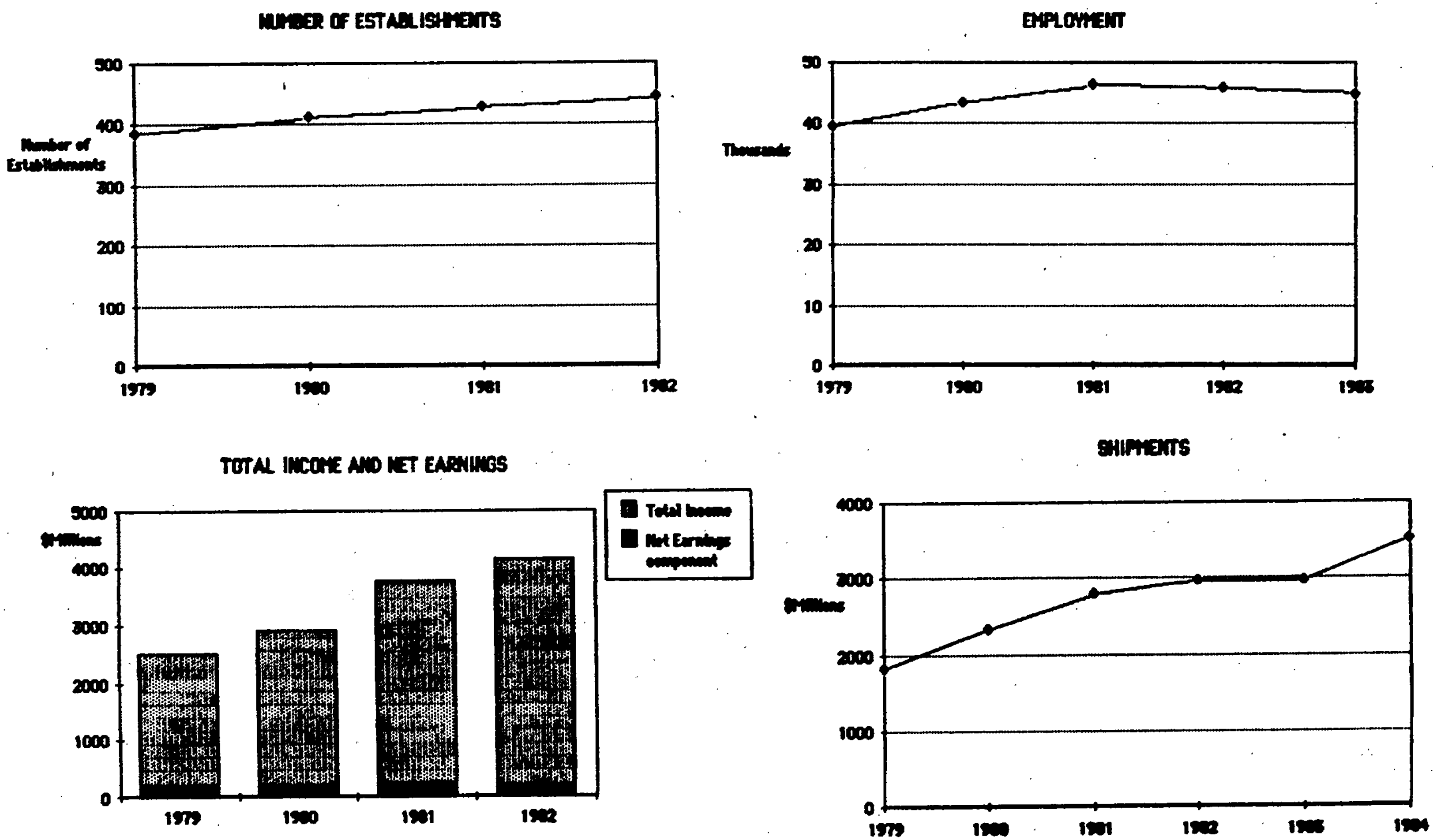
Products	Shipments* ($000's)	Percent
Electronic equipment components	551,293	18.8
Telephone apparatus, equipment and parts	410,790	14.0
Broadcasting transmitting/receiving equipment	336,618	11.4
Customer switching apparatus	230,000**	7.8
Instruments	96,457	3.3
Commercial telecommunications equipment	80,621	2.7
Semiconductors	33,000**	1.1
Receiving antennae	17,531	0.6
Items not detailed for confidentiality	1,185,072***	40.3
Total	$2,941,382	100.0%

* Net selling value of goods manufactured
** Estimated by Maclean Hunter Research Bureau
*** Includes central office switching equipment, navigation equipment, electronic tubes, transformers

Source: Canada Consulting based on Statistics Canada and Maclean Hunter Research data

TELECOM EQUIPMENT APPEARS TO BE STRENGTHENING, FOLLOWING A PLATEAU

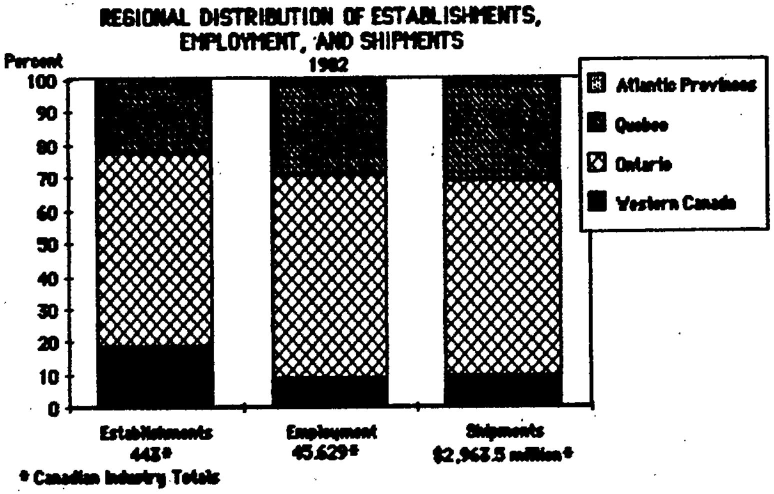
THE DOMESTIC INDUSTRY: TELECOMMUNICATIONS EQUIPMENT

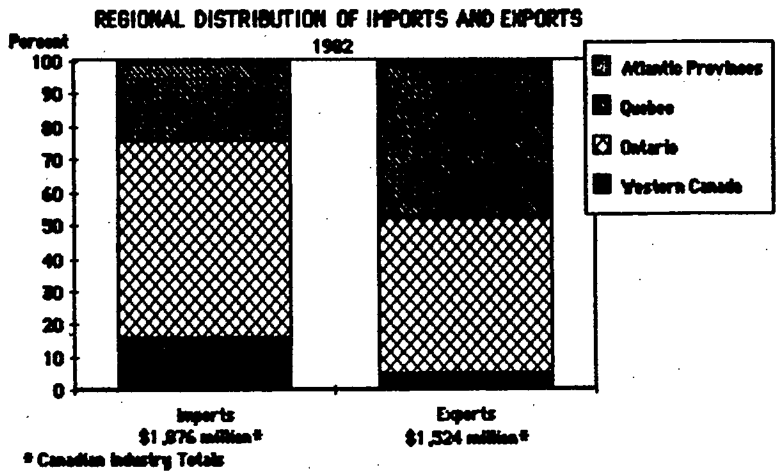


Source: Canada Consulting based on Statistics Canada

THE TELECOM INDUSTRY IS CONCENTRATED IN ONTARIO

REGIONAL BREAKDOWN[1]: TELECOMMUNICATIONS EQUIPMENT





1. For comparative regional breakdown charts based on industry aggregates see Appendix

Source: Canada Consulting based on Statistics Canada

2. THE U.S. ACCOUNTS FOR ROUGHLY THREE QUARTERS OF CANADIAN TRADE IN TELECOM EQUIPMENT AND THE OVERALL BALANCE IS NEGATIVE

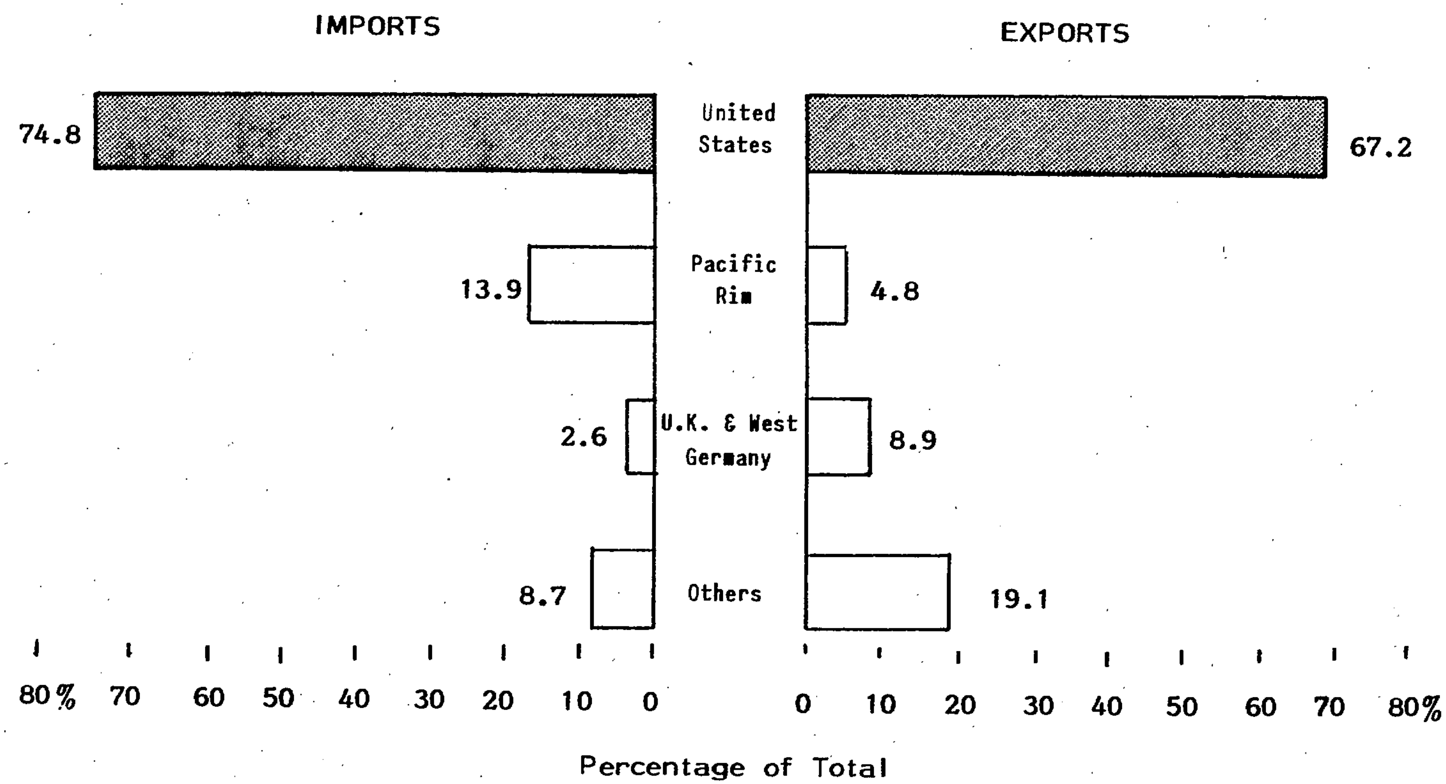
The U.S. dominates Canadian trade in telecommunications equipment, but Pacific rim imports are also important

Exports buffer Canadian manufacturers when domestic consumption weakens

Imports of telecom equipment account for more than half of domestic consumption

THE U.S. DOMINATES CANADIAN TRADE IN TELECOMMUNICATIONS EQUIPMENT, BUT PACIFIC RIM IMPORTS ARE ALSO IMPORTANT

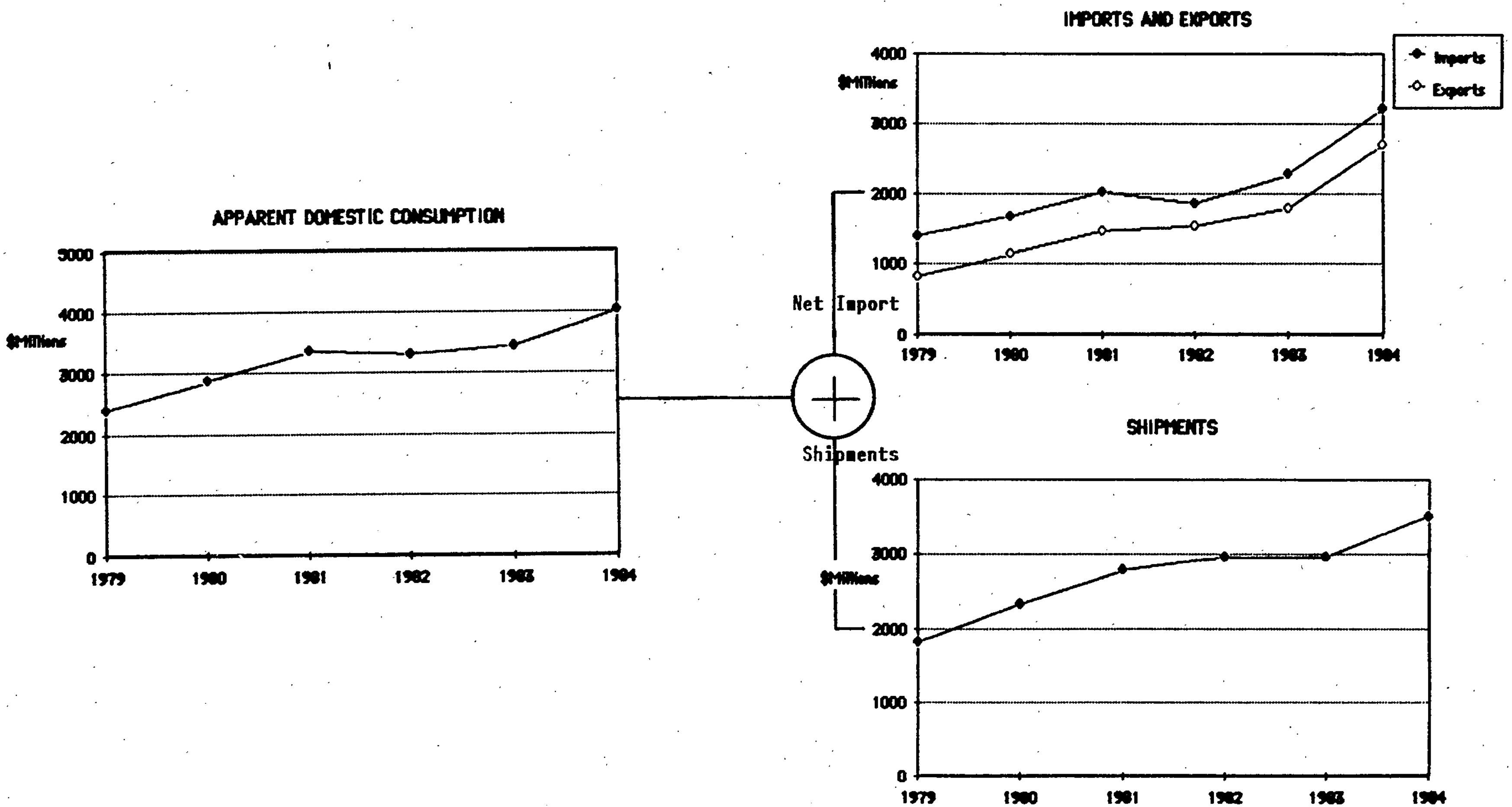
TRADING PARTNERS, 1983
Telecommunications Equipment, SIC 335



Source: Canada Consulting based on Statistics Canada

EXPORTS BUFFER CANADIAN MANUFACTURERS WHEN DOMESTIC CONSUMPTION WEAKENS

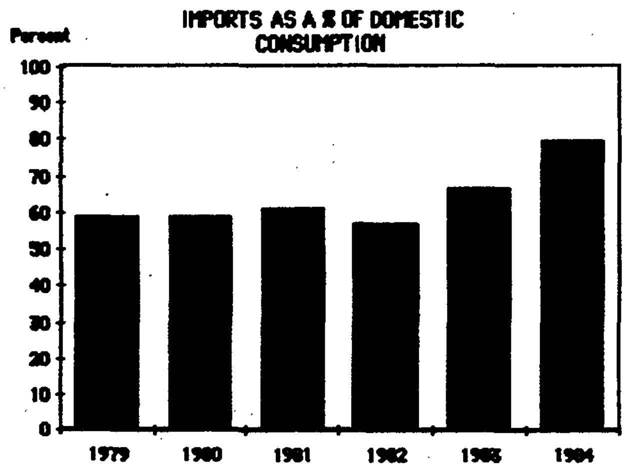
INDUSTRY TRADE DATA: TELECOMMUNICATIONS EQUIPMENT

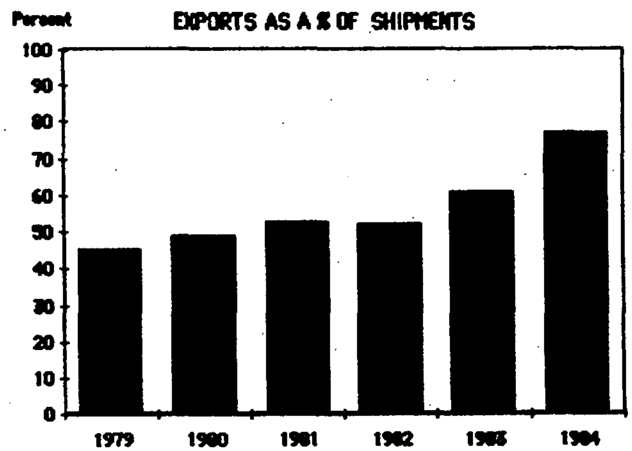


Source: Canada Consulting based on Statistics Canada

IMPORTS OF TELECOM EQUIPMENT ACCOUNT FOR MORE THAN HALF OF DOMESTIC CONSUMPTION

INDUSTRY TRADE RELATIONSHIPS: TELECOMMUNICATIONS EQUIPMENT





Source: Canada Consulting based on Statistics Canada

3. NORTHERN TELECOM HAS NO DOMESTIC COMPETITOR WITH A BROAD PRODUCT LINE

The Canadian telecom equipment industry is comprised of over 80 individual companies

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Northern Telecom is more than 10 times bigger than its major Canadian competitors

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Northern Telecom's worldwide R&D expenditures are comparable to those of selected U.S. hi-tech companies, but represent a much larger commitment in terms of percent of sales

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Although Northern Telecom dominates the Canadian industry, the many other companies, large and small, competing in the industry make a contribution to Canadian employment

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3. NORTHERN TELECOM HAS NO DOMESTIC COMPETITOR WITH A BROAD PRODUCT LINE

The proportion of domestic consumption supplied by Northern Telecom and Mitel is much lower than shipments

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Northern Telecom has a more diversified product line than does Mitel

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In general, Northern Telecom has been trending upward while Mitel has been comparatively flat

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Canadian suppliers other than Northern Telecom and Mitel absorbed the market decline in 1983

In particular, among the major manufacturers, Microtel, Electrohome and to a lesser extent Spar Aerospace have seen a contraction in sales in recent years

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THE CANADIAN TELECOM EQUIPMENT INDUSTRY IS COMPRISED OF OVER 80 INDIVIDUAL COMPANIES

1982 CLASSIFICATION OF CANADIAN COMMUNICATIONS EQUIPMENT INDUSTRY

Major Manufacturers*	Medium Sized Manufacturers**	
Northern Telecom	AEI Telecommunications (Canada)	Novatel
Mitel	Amphenol Canada	Phillips Cables
Microtel	Andrew Antenna	Pirelli Cables
Canadian Marconi	Automoltec	Plessey Canada
Electrohome	Canada Wire & Cable	Positron Industries
Gandalf Technologies	Canadian Astronautics	Raytheon Canada
Spar Aerospace	CGE	Rockwell International
	Canstar Communications	SED Systems
	Central Dynamics	Siemens Canada
	Com Dev	SR Telecom Inc.
	Delta-Benco-Cascade	Triple Crown Electronics
	ESE Ltd.	Varian Canada Inc.
	Farinon Canada	WR Communications
	Glenayre Electronics	
	ITT Communications	
	Linear Technology	
	Litton Systems	
	MA Electronics	
	Motorola Canada	
	Nabu Manufacturing	
	Norpale Corporation	

* - Revenues exceeding $50 million

** - List excludes an additional 42 firms classified as small manufacturers

Source: Department Of Communications data

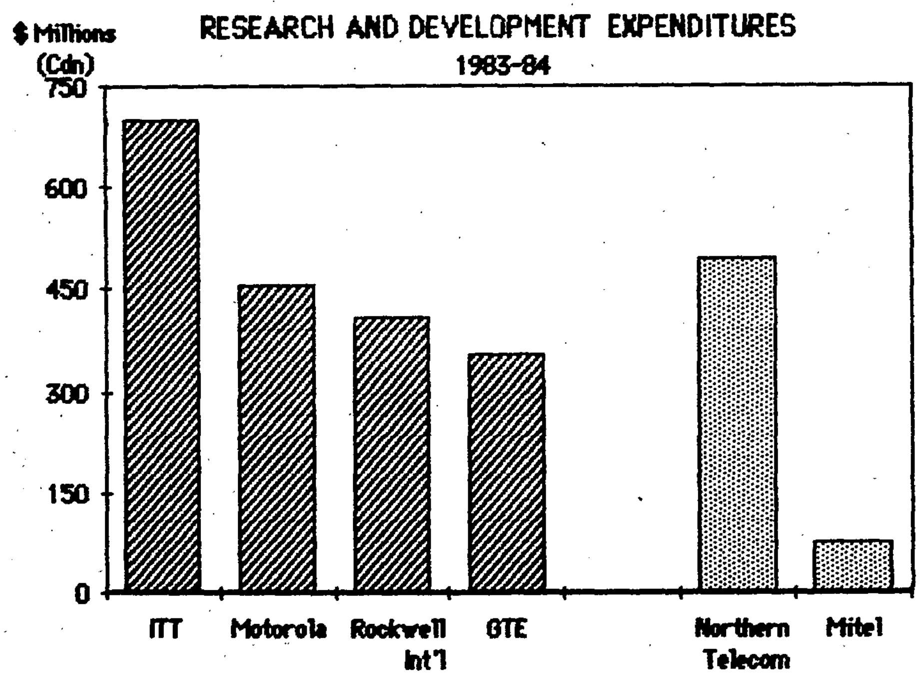
NORTHERN TELECOM IS MORE THAN 10 TIMES BIGGER THAN ITS MAJOR CANADIAN COMPETITORS

1984 PERFORMANCE OF MAJOR CANADIAN TELECOMMUNICATIONS EQUIPMENT COMPANIES

	Total Revenues	Net Canadian Revenues	Net Income (loss)	Return On Equity	Debt to Total Capitalization	Ownership/ Nationality of Major Shareholder
	($ mill)	($ mill)	($ mill)	%	%	%
Northern Telecom	4,379	1,357	334	23	41	51% Cdn.
Mitel	343	79	(32)	negative	29	U.K. pending
Canadian Marconi	249	47	38	38	29	52% U.K.
Spar Aerospace	190	61	15	34	47	51% Cdn.
	5,161	1,544				

Source: Canada Consulting based on Canadian Business 500 and Report on Business 1000 data

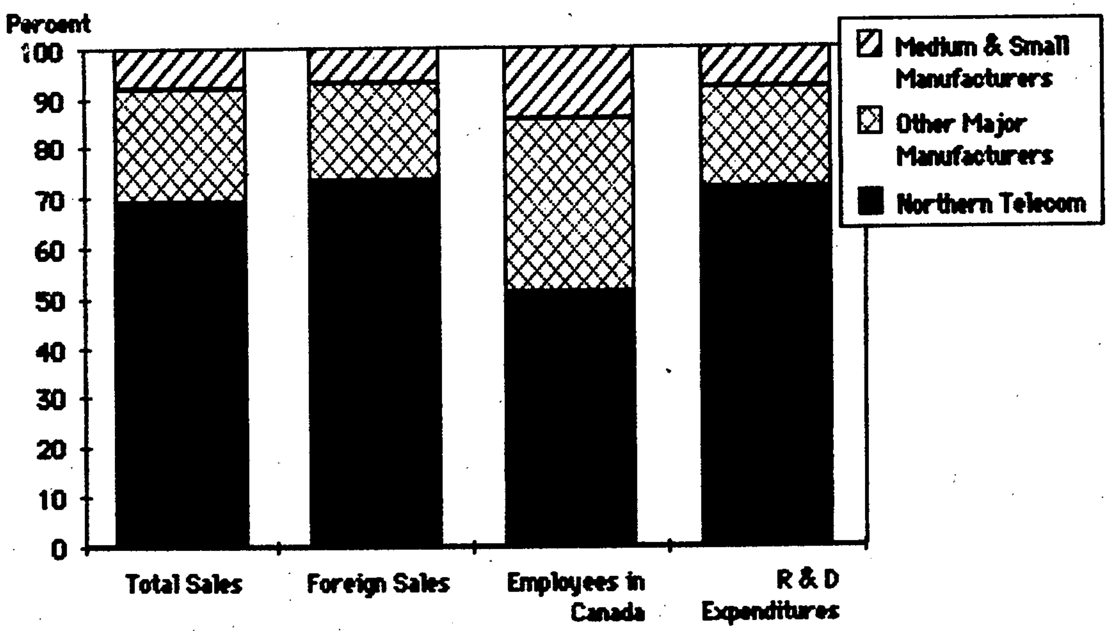
NORTHERN TELECOM'S WORLDWIDE R&D EXPENDITURES ARE COMPARABLE TO THOSE OF SELECTED U.S. HI-TECH COMPANIES, BUT REPRESENT A MUCH LARGER COMMITMENT IN TERMS OF PERCENT OF SALES



	U.S. COMPANIES				CANADIAN COMPANIES	
R&D as % of Sales (%)	3.7%	7.8%	3.2%	2.0%	11.3%	21.9%

Source: Canada Consulting based on annual reports and Business Week data

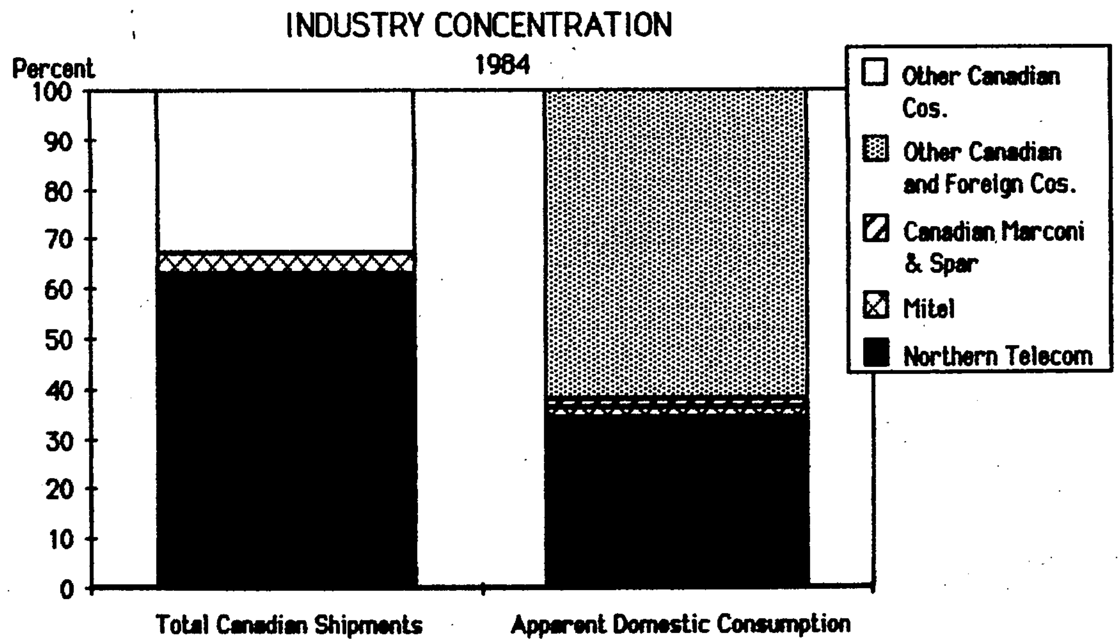
ALTHOUGH NORTHERN TELECOM DOMINATES THE CANADIAN INDUSTRY, THE MANY OTHER COMPANIES, LARGE AND SMALL, COMPETING IN THE INDUSTRY MAKE A CONTRIBUTION TO CANADIAN EMPLOYMENT



Source: Canada Consulting based on Department of Communciations data

THE PROPORTION OF DOMESTIC CONSUMPTION SUPPLIED BY NORTHERN TELECOM AND MITEL IS MUCH LOWER THAN SHIPMENTS

INDUSTRY CONCENTRATION: TWO DIFFERENT PERSPECTIVES



Source: Canada Consulting based on data from Canadian Business 500, Report on Business 1000 and Statistics Canada

NORTHERN TELECOM HAS A MORE DIVERSIFIED PRODUCT LINE THAN DOES MITEL

1984 Revenues by Product Area

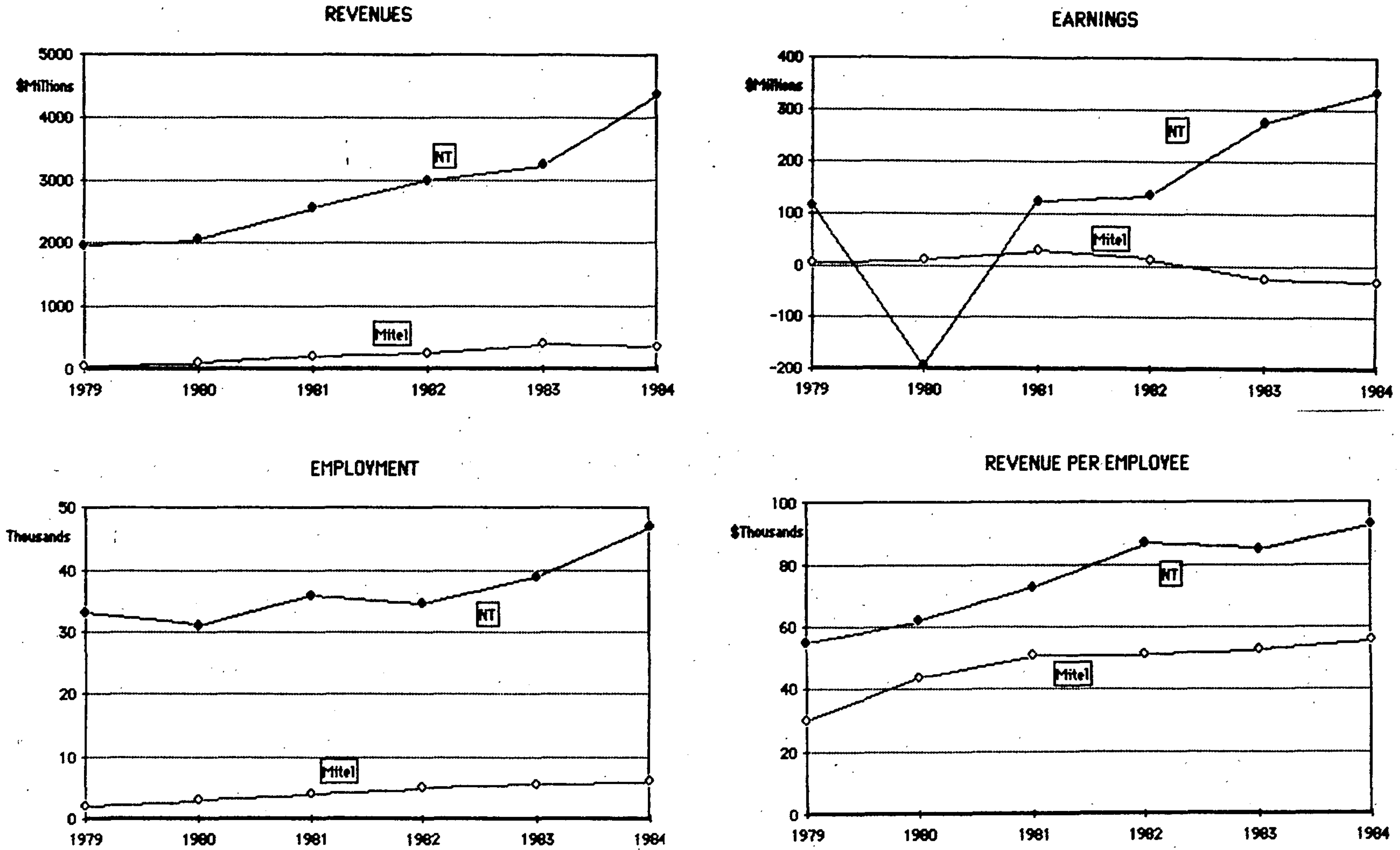
	Northern Telecom %	Mitel %
Switching equipment and branch exchanges	63	78
Telephone apparatus, terminals and equipment	15	4
Transmission equipment	14	
Cable and outside plant equipment	6	
Semiconductors		5
Other*	2	13
	100	100

* – Product details not available

Source: Canada Consulting based on Northern Telecom and Mitel annual reports

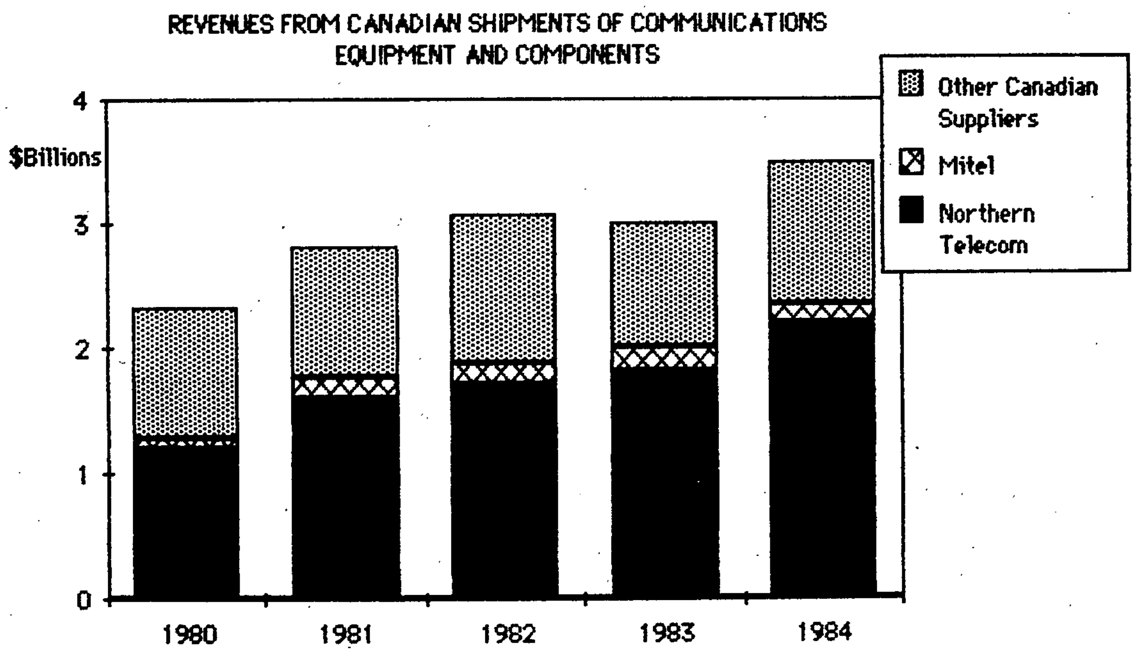
IN GENERAL, NORTHERN TELECOM HAS BEEN TRENDING UPWARD WHILE MITEL HAS BEEN COMPARATIVELY FLAT

INDUSTRY DATA: NORTHERN TELECOM AND MITEL



Source: Canada Consulting based on Northern Telecom and Mitel annual reports

CANADIAN SUPPLIERS OTHER THAN NORTHERN TELECOM AND MITEL ABSORBED THE MARKET DECLINE IN 1983



Source: Canada Consulting based on Statistics Canada and Northern Telecom and Mitel annual reports

IN PARTICULAR, AMONG THE MAJOR MANUFACTURERS, MICROTEL, ELECTROHOME AND TO A LESSER EXTENT SPAR AEROSPACE HAVE SEEN A CONTRACTION IN SALES IN RECENT YEARS

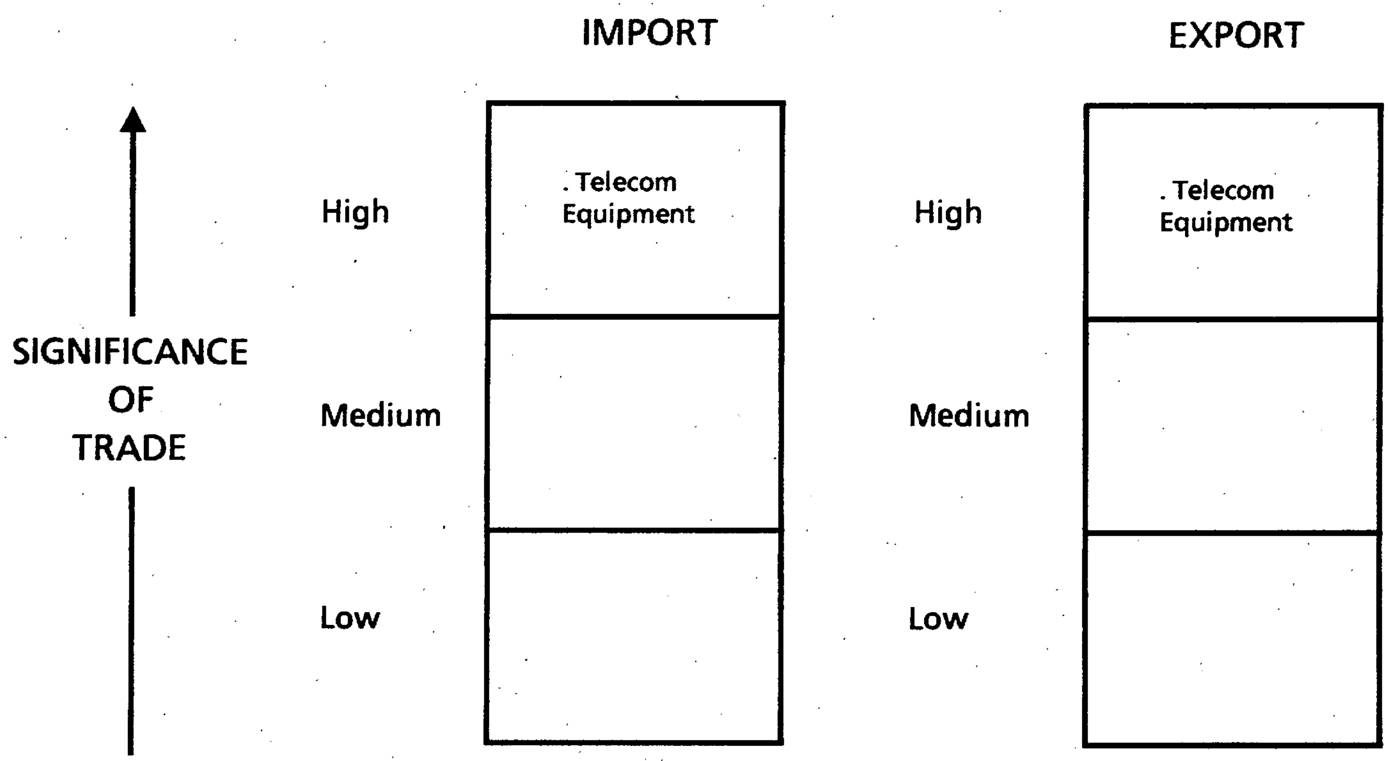
Revenues ($ Millions)

	1982 $	1983 $	1984 $
Northern Telecom	3,036	3,304	4,378
Mitel	204	255	342
Canadian Marconi	146	190	249
Spar	177	215	190 ↓
Microtel	243		170 ↓
Electrohome	196	142	135 ↓
Gandalf	53	59	69

Source: Canada Consulting research

4. BOTH IMPORTS AND EXPORTS OF TELECOM EQUIPMENT RANK HIGH IN SIGNIFICANCE TO CANADA

TELECOM EQUIPMENT



B. TELECOM SERVICES TRADE UNDER INTERNATIONAL EXCHANGE AGREEMENTS

1. THE TELECOM SERVICES INDUSTRY IN CANADA IS MORE THAN TWICE THE SIZE OF TELECOM EQUIPMENT

2. TELECOM SERVICES ARE TRADED THROUGH PAYMENTS AND RECEIPTS OF FUNDS FROM FOREIGN TELECOS FOR LONG DISTANCE CALLS

3. TELECOM SERVICES ARE NOT YET SIGNIFICANT IN TERMS OF CANADIAN TRADE

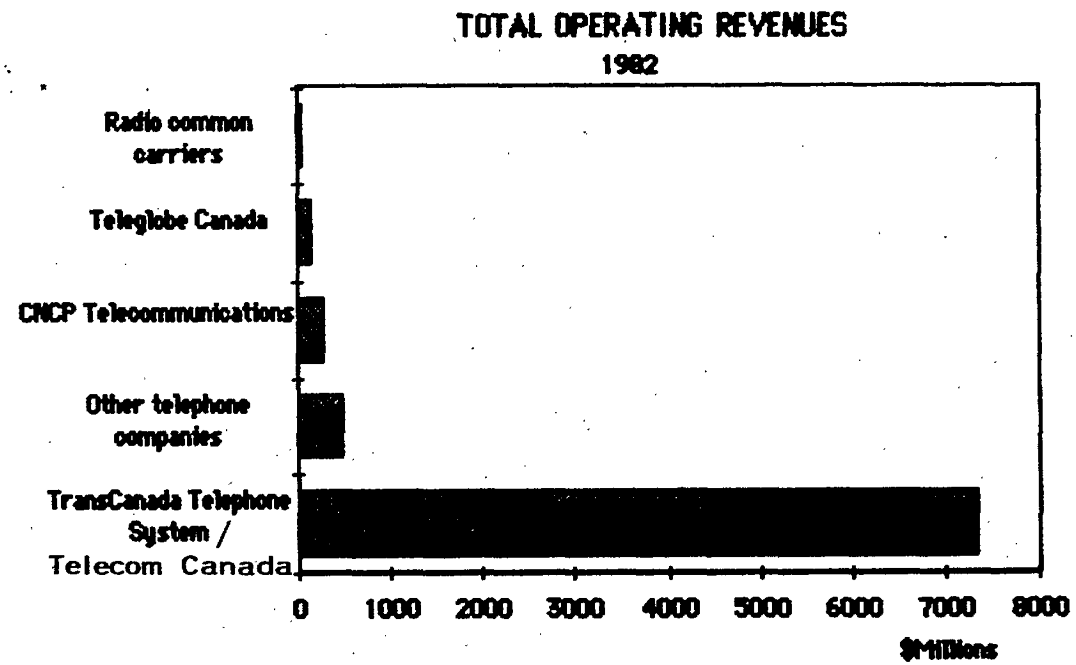
1. TELECOM SERVICES INDUSTRY IN CANADA IS MORE THAN TWICE THE SIZE OF TELECOM EQUIPMENT

In the telecom service market, Telecom Canada dominates

Telecom services are a $10 billion dollar business, employing over 110 thousand people in Canada

Western Canada accounts for a large share of telecom services employment

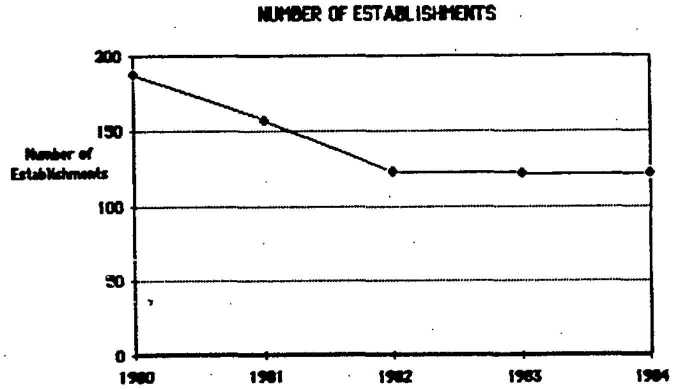
IN THE TELECOM SERVICE MARKET, TELECOM CANADA DOMINATES

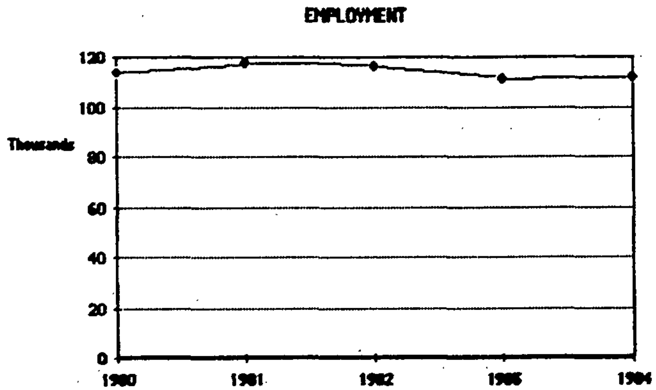


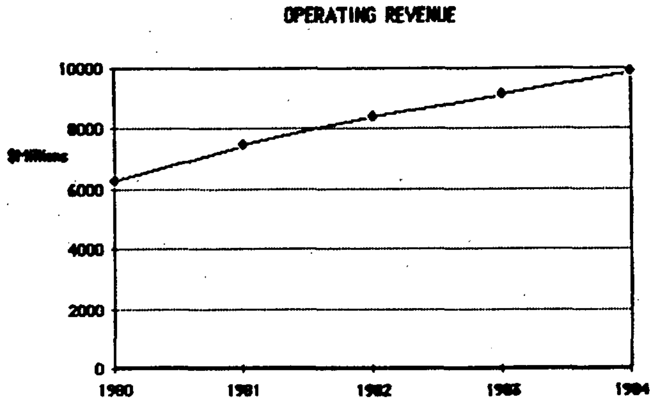
Source: Canada Consulting research

TELECOM SERVICES ARE A $10 BILLION DOLLAR BUSINESS, EMPLOYING OVER 110 THOUSAND PEOPLE IN CANADA

THE DOMESTIC INDUSTRY: TELECOMMUNICATIONS SERVICES



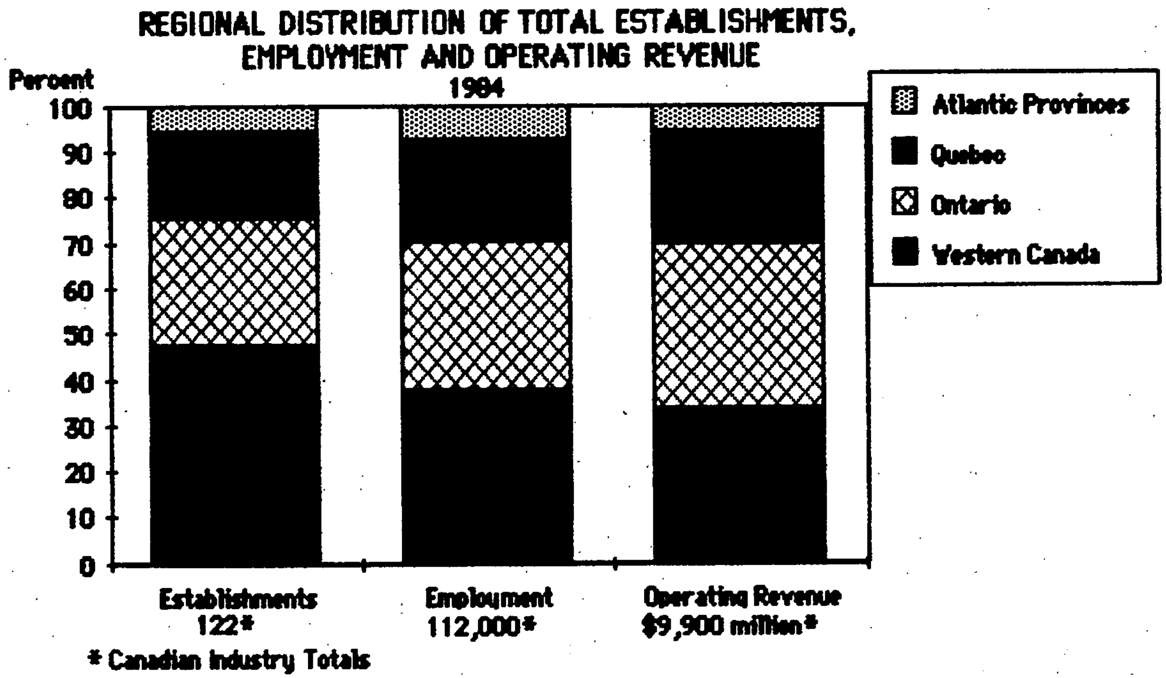




Source: Canada Consulting based on Statistics Canada

WESTERN CANADA ACCOUNTS FOR A LARGE SHARE OF TELECOM SERVICES EMPLOYMENT

REGIONAL BREAKDOWN[1]: TELECOMMUNICATIONS SERVICES



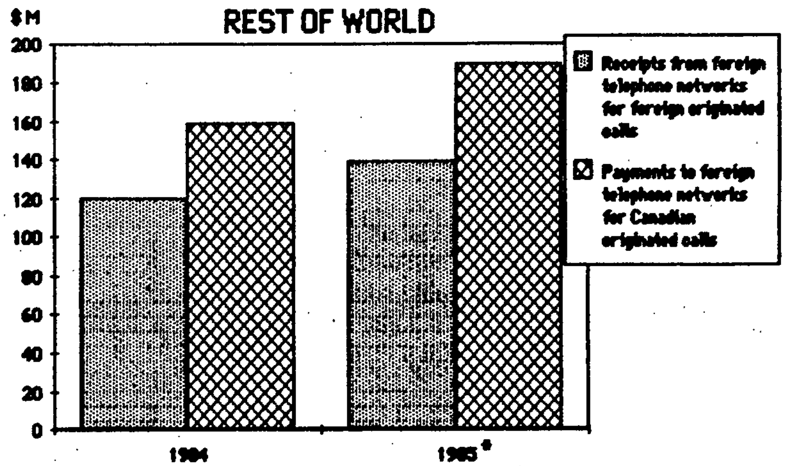
1. For comparative regional breakdown charts based on industry aggregates see Appendix
Source: Canada Consulting based on Statistics Canada

2. TELECOM SERVICES ARE TRADED THROUGH PAYMENTS AND RECEIPTS OF FUNDS FROM FOREIGN TELECOS FOR LONG DISTANCE CALLS

INTERNATIONAL TELEPHONES CALLS

U.S.A. AND MEXICO

DATA NOT YET AVAILABLE

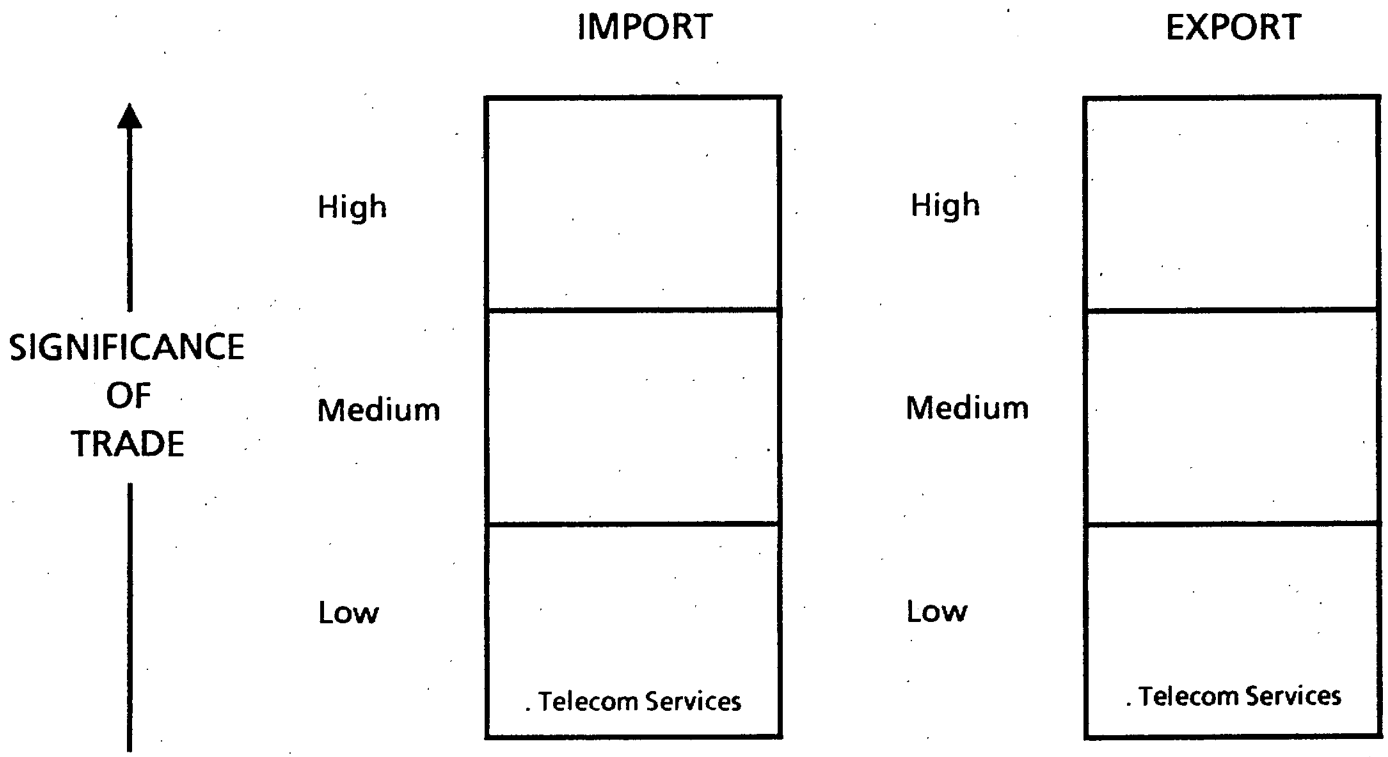


* forecast, based on Teleglobe Canada estimates

Source: Canada Consulting research

3. TELECOM SERVICES ARE NOT YET SIGNIFICANT IN TERMS OF CANADIAN TRADE

TELECOM SERVICES



COMPUTER

II. COMPUTER EQUIPMENT AND SERVICES NEED TO BE WIDELY AVAILABLE TO ENSURE CONTINUING PRODUCTIVITY GAINS

A. CANADA NEEDS BOTH IMPORTS OF COMPUTER EQUIPMENT AND IBM

B. SOFTWARE ACCOUNTS FOR THE BULK OF TRADE IN COMPUTER SERVICES

A. CANADA NEEDS BOTH IMPORTS OF COMPUTER EQUIPMENT AND IBM

1. DOMESTIC COMPUTER PRODUCTION HAS NOT YET REACHED $1 BILLION

2. AMERICAN IMPORTS ACCOUNT FOR ALMOST ALL OF CANADA'S NEGATIVE TRADE BALANCE IN COMPUTER EQUIPMENT

3. FOREIGN-OWNED MANUFACTURERS, AND IBM IN PARTICULAR, DOMINATE THE CANADIAN MARKET

4. COMPUTER EQUIPMENT IS A VITAL IMPORT AND DOMESTIC ASSEMBLY OPERATIONS MAKE IT AN IMPORTANT EXPORT AS WELL

I. DOMESTIC COMPUTER PRODUCTION HAS NOT YET REACHED $1 BILLION

Peripheral equipment accounts for the largest share of domestic computer equipment production

After slowing in 1983, shipments of computer equipment picked up in 1984

Ontario dominates the regional distribution of computer equipment establishments, employment and shipments

PERIPHERAL EQUIPMENT ACCOUNTS FOR THE LARGEST SHARE OF DOMESTIC COMPUTER EQUIPMENT PRODUCTION

DOMESTIC PRODUCTION BY PRODUCT, 1983

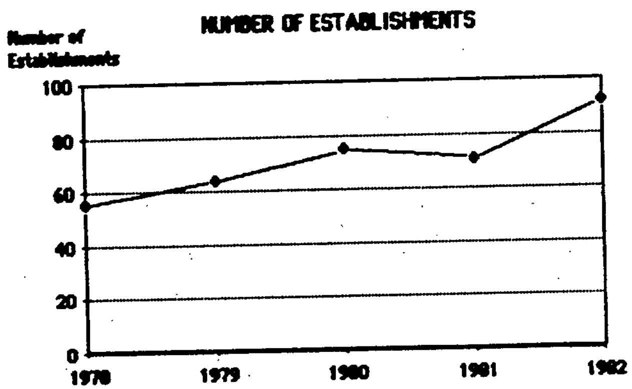
SIC 318 Office and Store Machinery

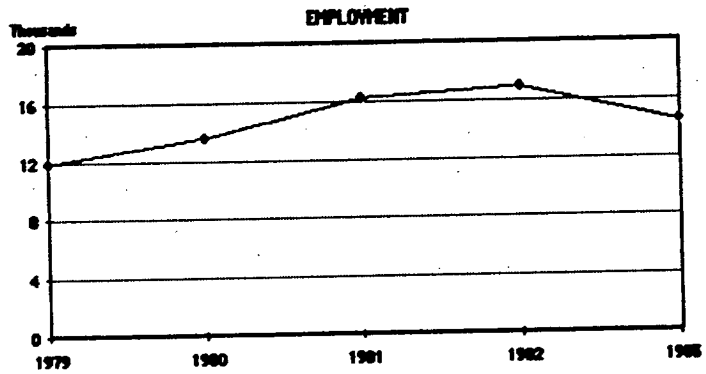
Products	Shipments ($000's)	Percent
Computer peripherals and auxillary equipment	416,899	36.3%
Business machines and equipment, including word processing	224,432	19.5%
Parts and sub-assemblies, computer equipment	199,478	17.4%
Computer communications interface equipment	76,622	6.7%
Central processing units and single package computers	60,825	5.3%
Data terminals, intelligent	26,680	2.3%
Parts and accessories, business machines	25,856	2.3%
Microcomputers, digital	23,519	2.1%
Scales and balances	23,186	2.0%
Printers; on line	11,331	0.9%
All others	59,100	5.2%
	1,148,072	100%

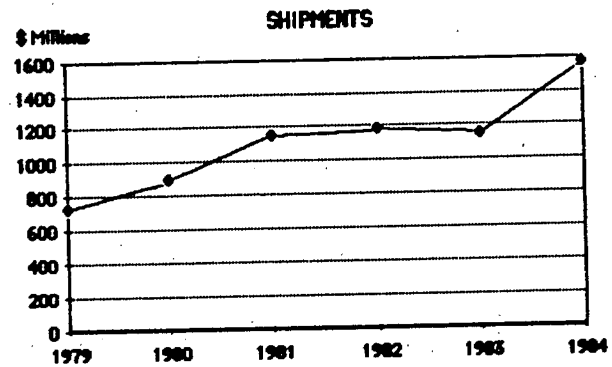
Source: Canada Consulting based on Statistics Canada

AFTER SLOWING IN 1983, SHIPMENTS OF COMPUTER EQUIPMENT PICKED UP IN 1984

THE DOMESTIC INDUSTRY: OFFICE AND STORE MACHINERY, SIC 318





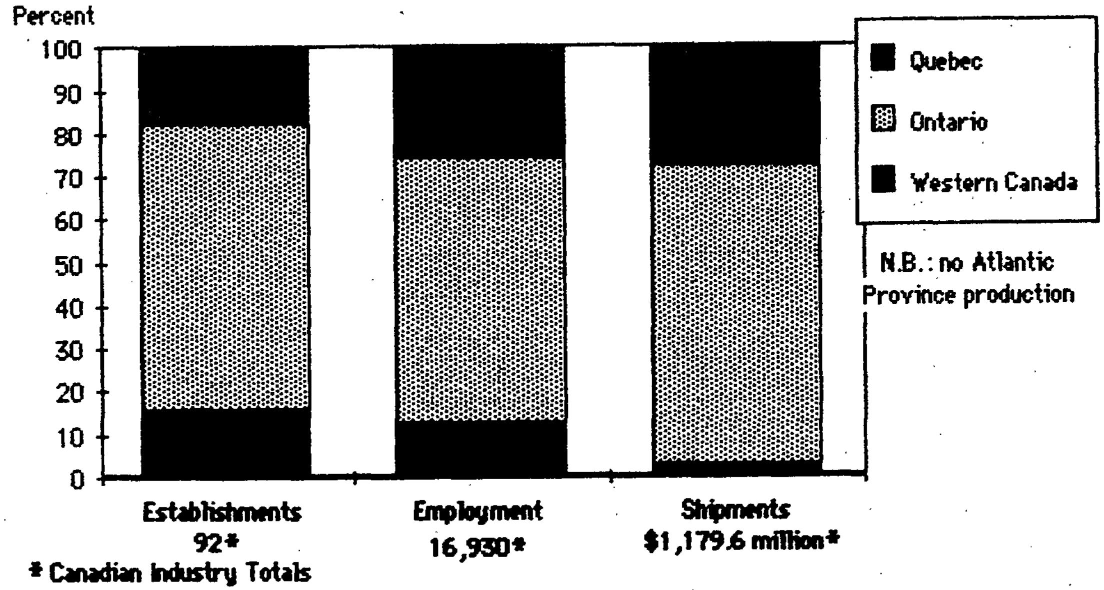


Source: Canada Consulting based on Statistics Canada

ONTARIO DOMINATES THE REGIONAL DISTRIBUTION OF COMPUTER EQUIPMENT ESTABLISHMENTS, EMPLOYMENT AND SHIPMENTS

REGIONAL BREAKDOWN[1]: OFFICE AND STORE MACHINERY

REGIONAL DISTRIBUTION OF ESTABLISHMENTS, EMPLOYMENT AND SHIPMENTS



1. For comparative regional breakdown charts based on industry aggaregates see Appendix
* - Office and Store Machinery comprises SIC code 318 and includes electronic computing & peripheral equipment
Source: Canada Consulting based on Statistics Canada

2. AMERICAN IMPORTS ACCOUNT FOR ALMOST ALL OF CANADA'S NEGATIVE TRADE BALANCE IN COMPUTER EQUIPMENT

Very little computer equipment is sourced from or sold to countries other than the United States

A rise in imports rather than in domestic shipments satisfied the strong 1984 increase in apparent domestic consumption of computer equipment

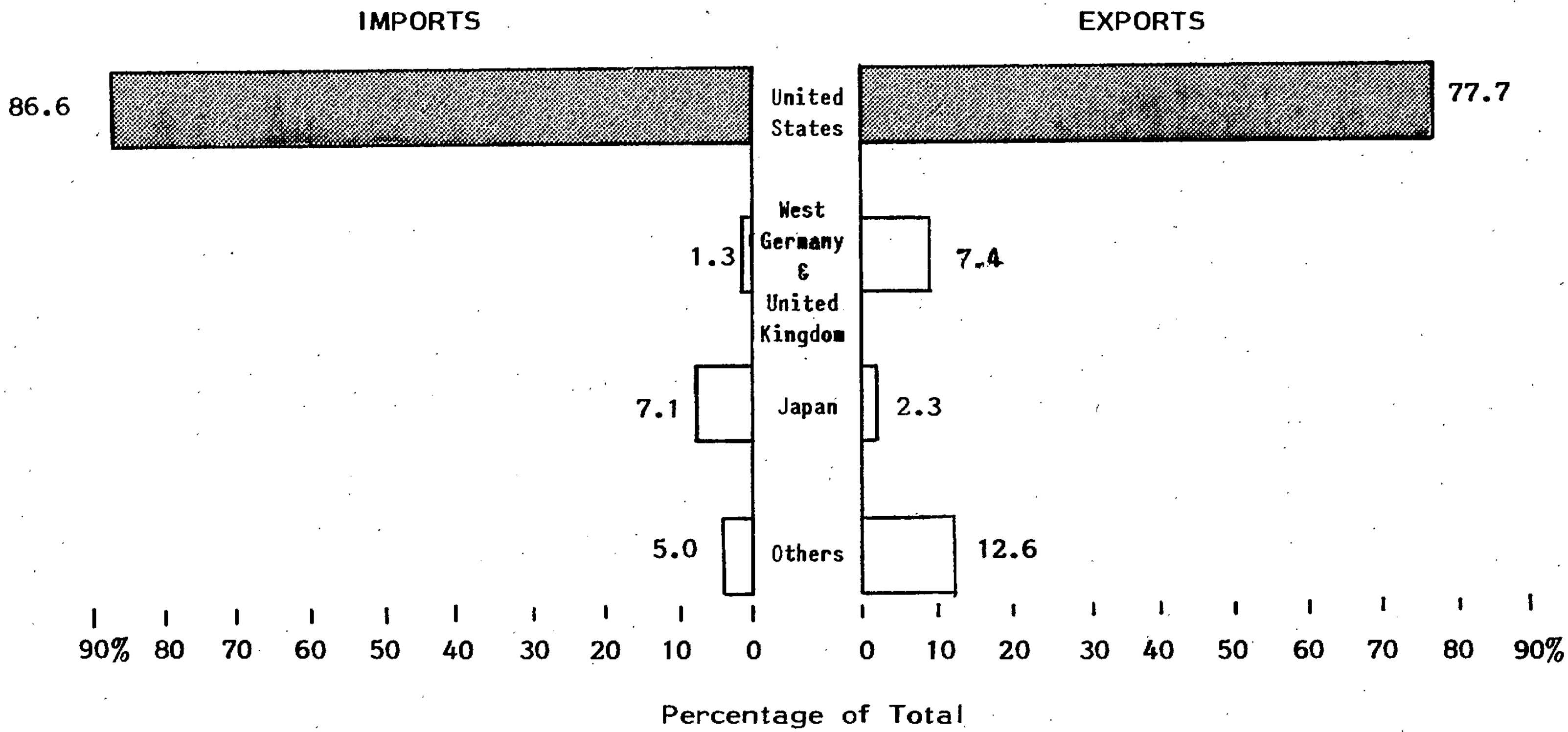
Canadian imports of computer equipment are five times the level of domestic shipments and also are higher than total domestic consumption

Canadian industry shipments of terminal equipment account for only about one-third of the domestic market and less than 1% of the world market

Canada's overall trade position in terminal equipment is significantly worse than that of our major trading partners

VERY LITTLE COMPUTER EQUIPMENT IS SOURCED FROM OR SOLD TO COUNTRIES OTHER THAN THE UNITED STATES

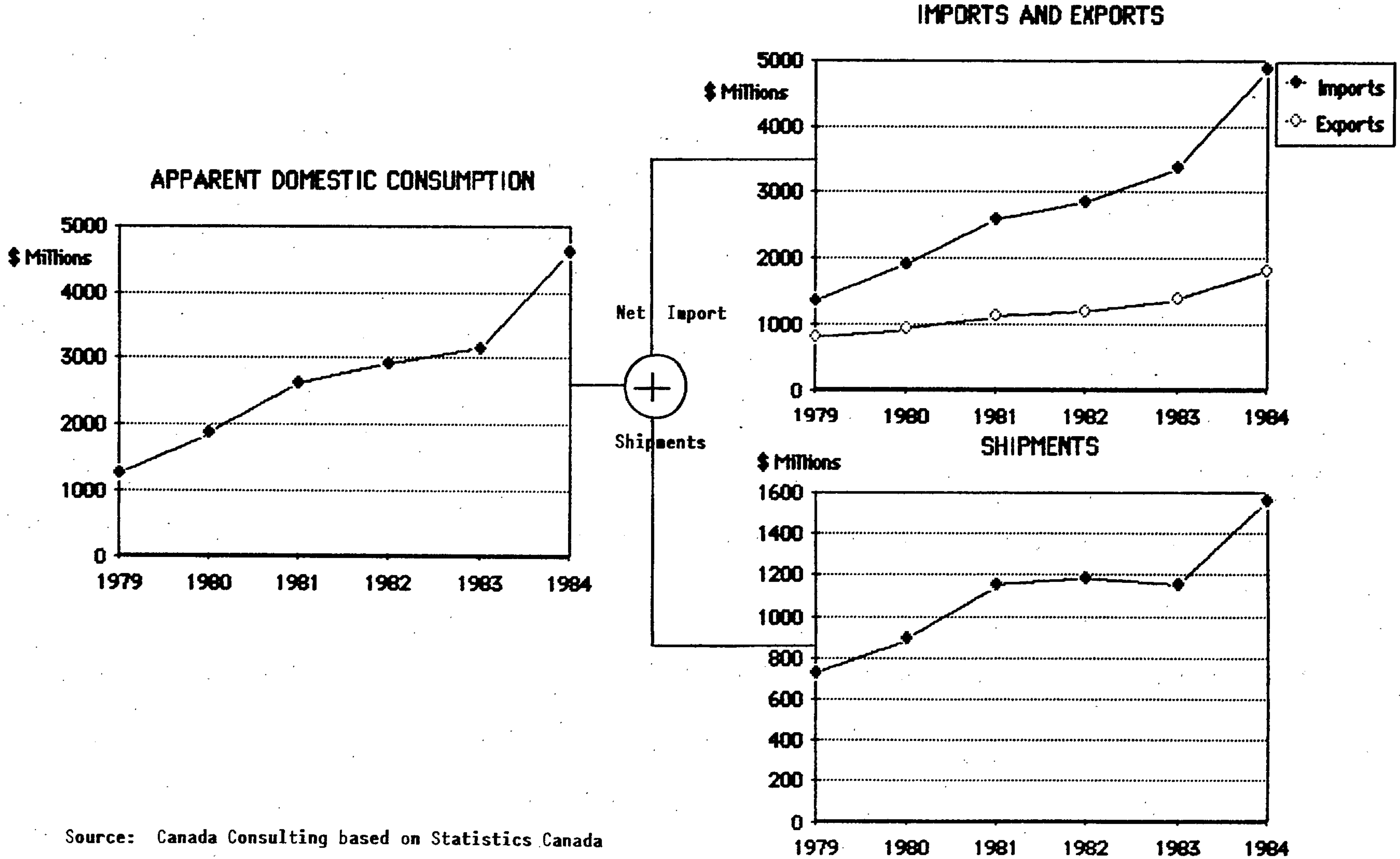
TRADING PARTNERS, 1983
Office and Store Machinery, SIC 318



Source: Canada Consulting based on Statistics Canada data

A RISE IN IMPORTS RATHER THAN IN DOMESTIC SHIPMENTS SATISFIED THE STRONG 1984 INCREASE IN APPARENT DOMESTIC CONSUMPTION OF COMPUTER EQUIPMENT

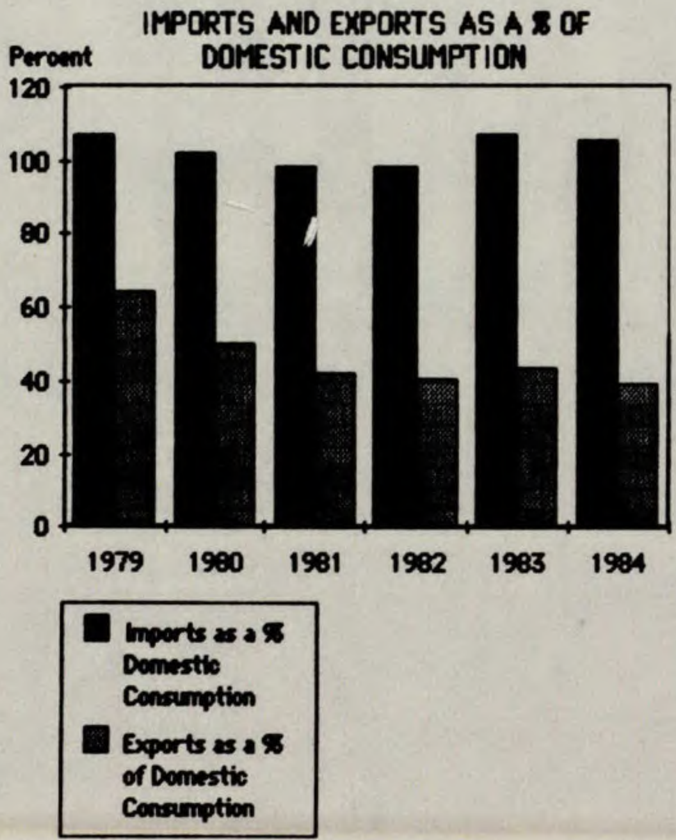
INDUSTRY TRADE DATA: OFFICE AND STORE MACHINERY, SIC 318

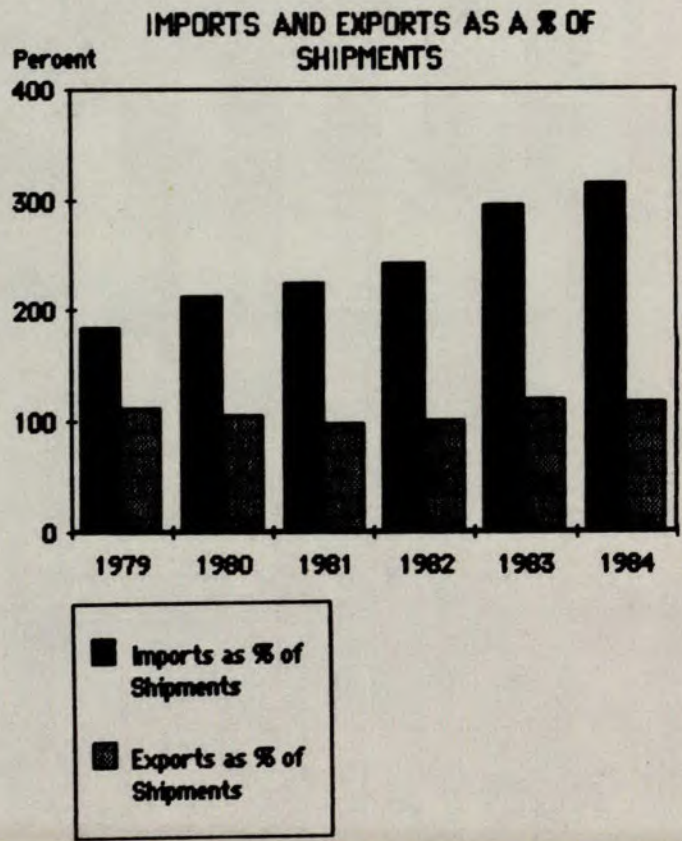


Source: Canada Consulting based on Statistics Canada

CANADIAN IMPORTS OF COMPUTER EQUIPMENT ARE FIVE TIMES THE LEVEL OF DOMESTIC SHIPMENTS AND ALSO ARE HIGHER THAN TOTAL DOMESTIC CONSUMPTION

INDUSTRY TRADE RELATIONSHIPS: COMPUTER EQUIPMENT



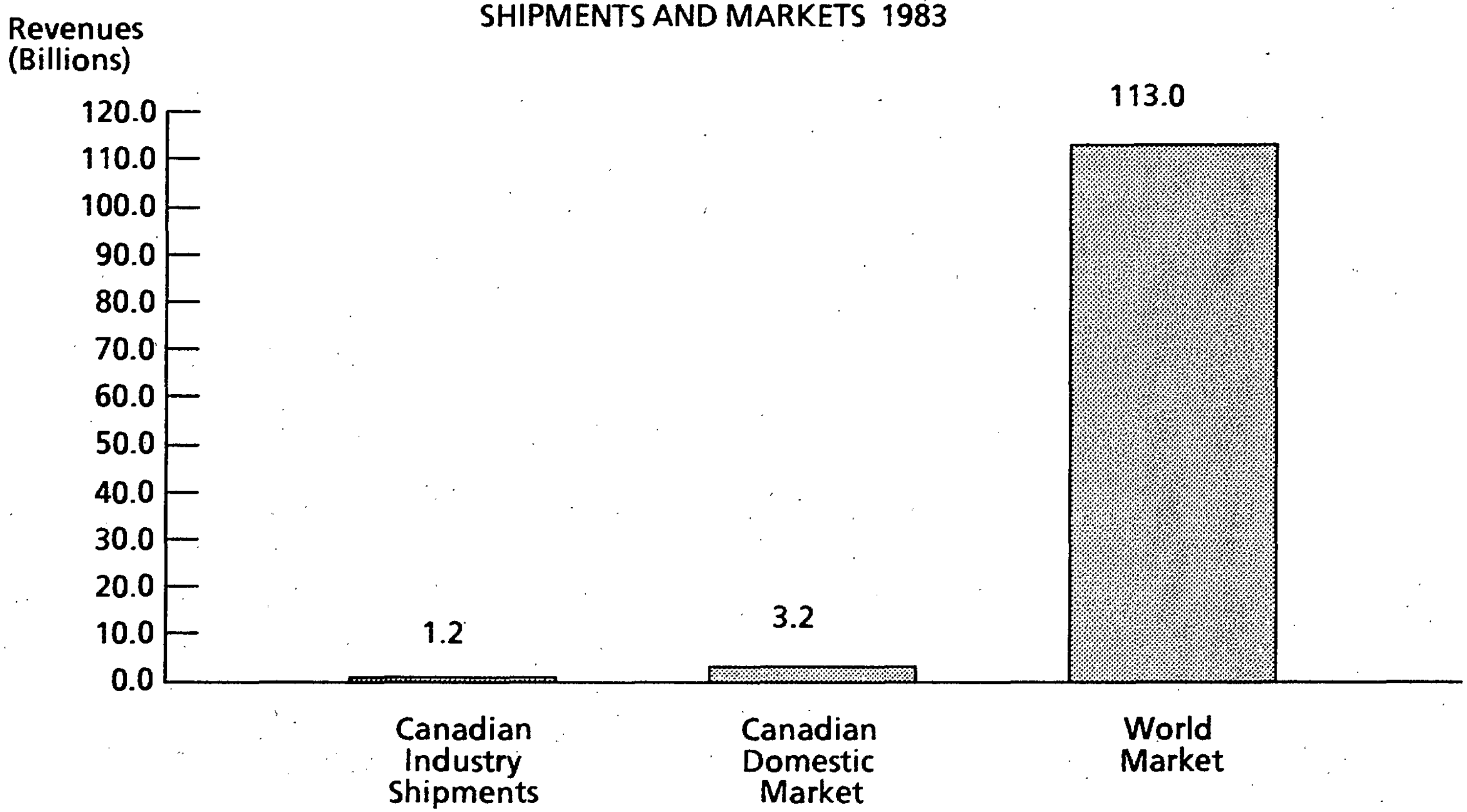


N.B. Includes re-exports

Source: Canada Consulting based on Maclean Hunter Research Bureau data

CANADIAN INDUSTRY SHIPMENTS OF TERMINAL EQUIPMENT ACCOUNT FOR ONLY ABOUT ONE-THIRD OF THE DOMESTIC MARKET AND LESS THAN 1% OF THE WORLD MARKET

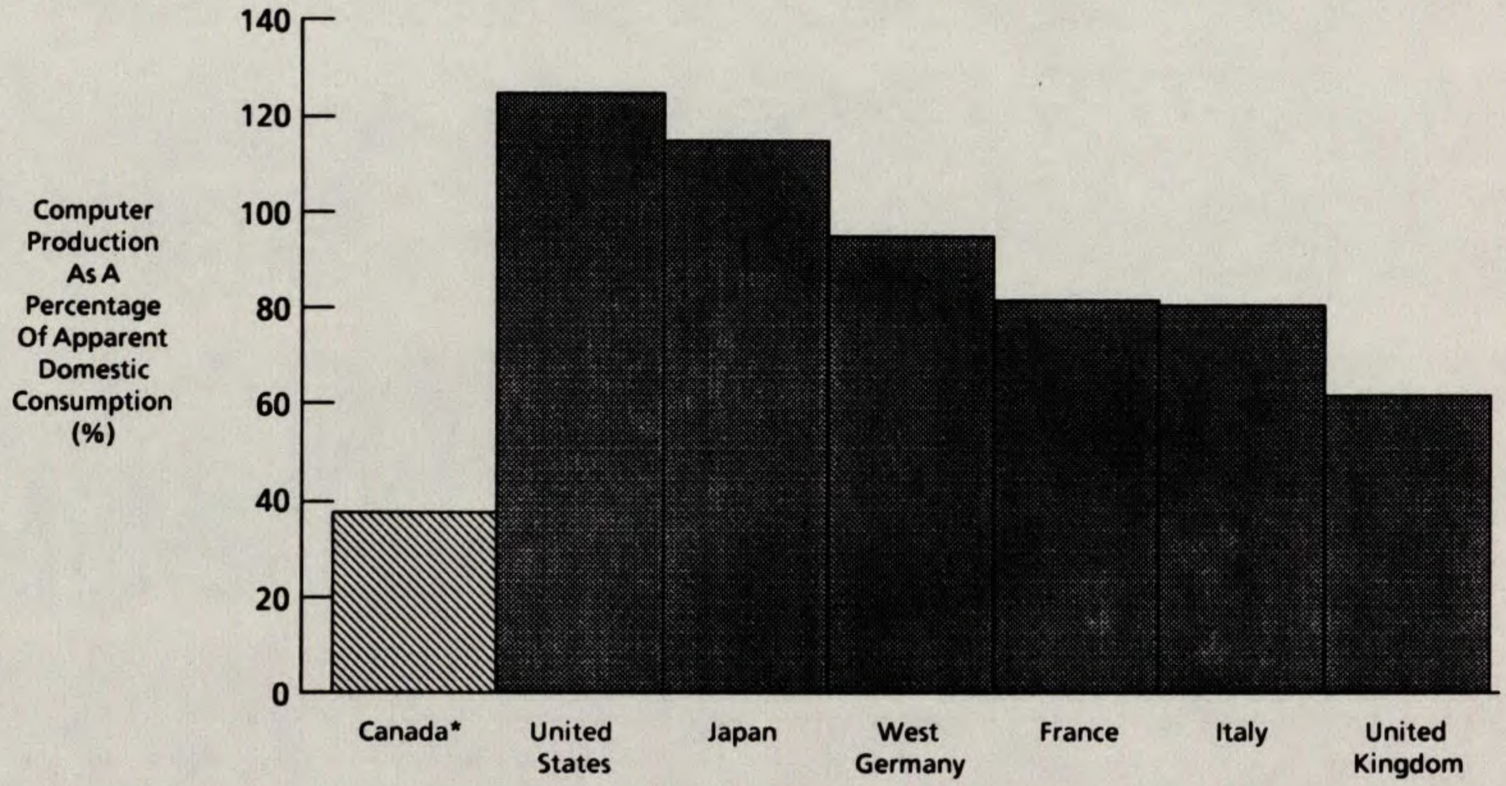
TERMINAL EQUIPMENT
SHIPMENTS AND MARKETS 1983



Source: Canada Consulting based on data from Statistics Canada and the U.S. Department of Commerce

CANADA'S OVERALL TRADE POSITION IN TERMINAL EQUIPMENT IS SIGNIFICANTLY WORSE THAN THAT OF OUR MAJOR TRADING PARTNERS

COMPUTER PRODUCTION AND APPARENT DOMESTIC CONSUMPTION, 1982



* - Office and Store Machinery

Source: Canada Consulting based on data from Statistics Canada and the U.S. Department of Commerce

3. FOREIGN-OWNED MANUFACTURERS, AND IBM IN PARTICULAR, DOMINATE THE CANADIAN MARKET

No Canadian-owned firm figures among the leading computer equipment manufacturers, which together hold an 82% share of the Canadian market

IBM Canada dwarfs Canadian-owned computer industry participants

NO CANADIAN-OWNED FIRM FIGURES AMONG THE LEADING COMPUTER EQUIPMENT MANUFACTURERS, WHICH TOGETHER HOLD AN 82% SHARE OF THE CANADIAN MARKET

REVENUE & MARKET SHARE OF THE TOP U.S. COMPUTER COMPANIES IN CANADA

Major Industry Partcipants	U.S. Ownership	Canadian Subsidiary: Revenues (millions) 1981	1982	1983	1984	Market Share 1983	Market Share 1984
	%	$	$	$	$	%	%
IBM	100	1,845	2,210	2,462	3,067	54	48
Sperry	100	347	267	326	455	7	7
DEC	100	253	322	327	420	7	7
Honeywell	100	309	341	334	354	7	6
Hewlett-Packard	100	163	180	195	261	4	4
Control Data	100	181	231	240	258	5	4
NCR	100	179	190	199	212	4	3
Burroughs	100	105	155	130	187	3	3
		3,382	3,896	4,213	5,210	93	82
Combined Canadian Market Share		91%	95%	93%	82%		

Source: Canada Consulting research

IBM CANADA DWARFS CANADIAN-OWNED COMPUTER INDUSTRY PARTICIPANTS

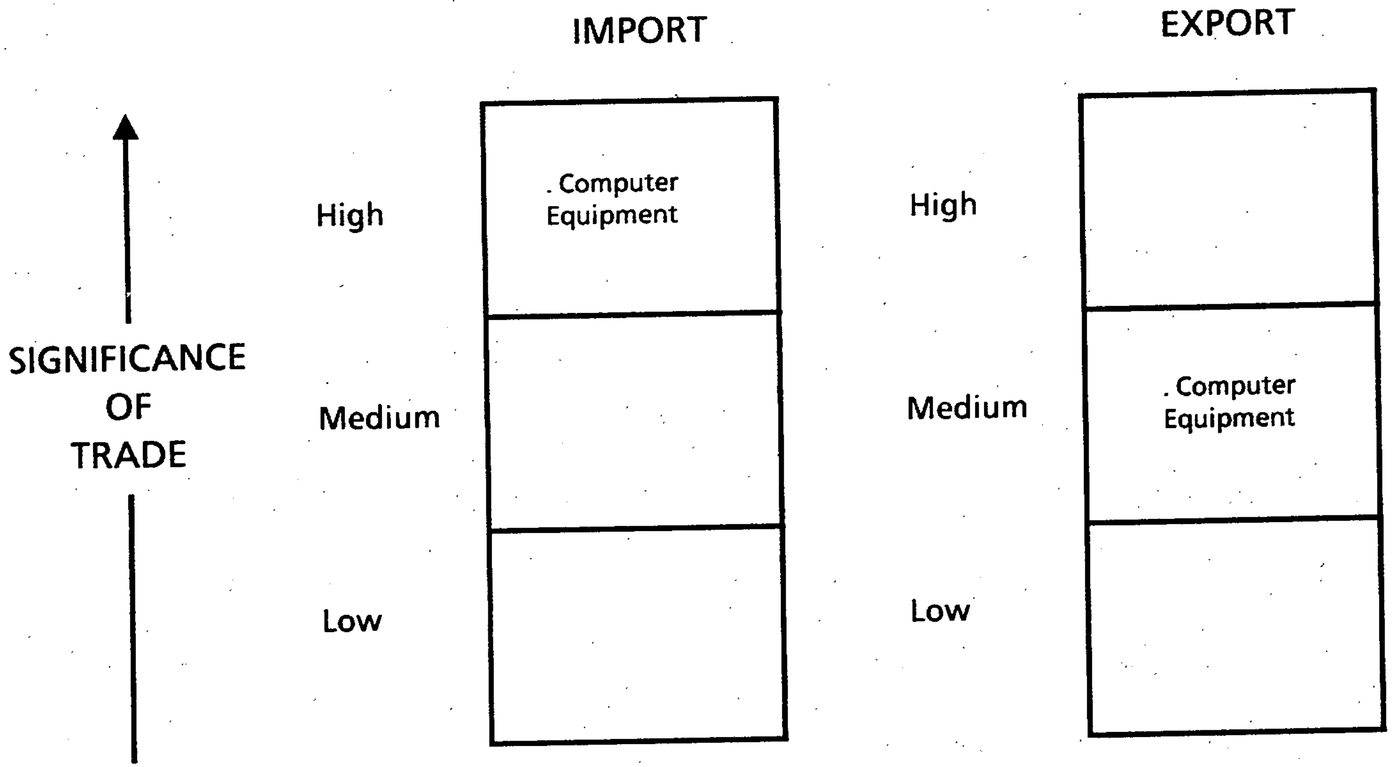
CANADIAN-OWNED COMPUTER COMPETITION IN PERSPECTIVE:
IBM CANADA VS. CANADA SYSTEMS GROUP AND AES DATA
1984

	IBM Canada	AES Data	Canada Systems Group
Ownership	100% U.S.	100% Canadian	100% Canadian
Revenues ($ millions)	3,067	145	132
Major source of revenues	Equipment	Equipment	Service Bureau (services)
Net Income ($ millions)	316	Data	3
Return on equity (%)	38	Not	17
Debt to Total Capitalization (%)	29	Available	55
Employees	11,725		1,500

Source: Canada Consulting based on Canadian Business 500 data

4. COMPUTER EQUIPMENT IS A VITAL IMPORT AND DOMESTIC ASSEMBLY OPERATIONS MAKE IT AN IMPORTANT EXPORT AS WELL

COMPUTER EQUIPMENT



B. SOFTWARE ACCOUNTS FOR THE BULK OF TRADE IN COMPUTER SERVICES

1. THE CANADIAN SOFTWARE INDUSTRY HAS GROWN RAPIDLY IN THE EIGHTIES

2. SOFTWARE EXPORTS ACCOUNT FOR LESS THAN 20% OF TOTAL REVENUES

3. DESPITE IMPRESSIVE REVENUE GROWTH, CANADA'S DOMESTIC SOFTWARE COMPANIES ACCOUNTED FOR ONLY ABOUT ONE QUARTER OF TOTAL 1983 CANADIAN SOFTWARE SALES

4. AT PRESENT IMPORTS OF COMPUTER SERVICES, PARTICULARLY SYSTEMS SOFTWARE, ARE PREDOMINANT

1. THE CANADIAN SOFTWARE INDUSTRY HAS GROWN RAPIDLY IN THE EIGHTIES

Software revenues are divided fairly evenly amongst the three major types

However, systems and applications software have accounted for all of the growth in software revenues since 1981

The dramatic growth in software revenues is distributed evenly across all vendor types

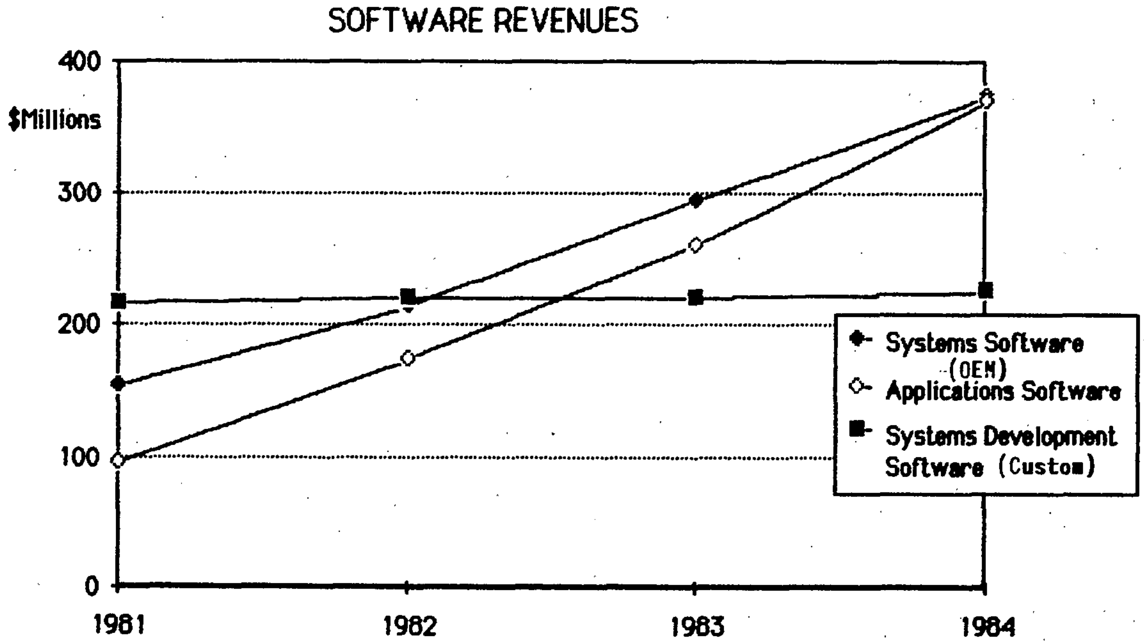
SOFTWARE REVENUES ARE DIVIDED FAIRLY EVENLY AMONGST THE THREE MAJOR TYPES

DOMESTIC PRODUCTION BY PRODUCT, 1983
(Software)

Products	Revenues ($000,000)	Percent
Systems (OEM) Software – Programs that govern the fundamental operations of the computer, including operating systems, language compilers, data base management systems and other utility programs	295	38
Applications Software – "Keyboard level" programs that instruct the computer to perform tasks for the end-user	260	34
Systems Development (Custom) Software – Both applications or systems software custom developed for specific needs	220	28
	$755	100%

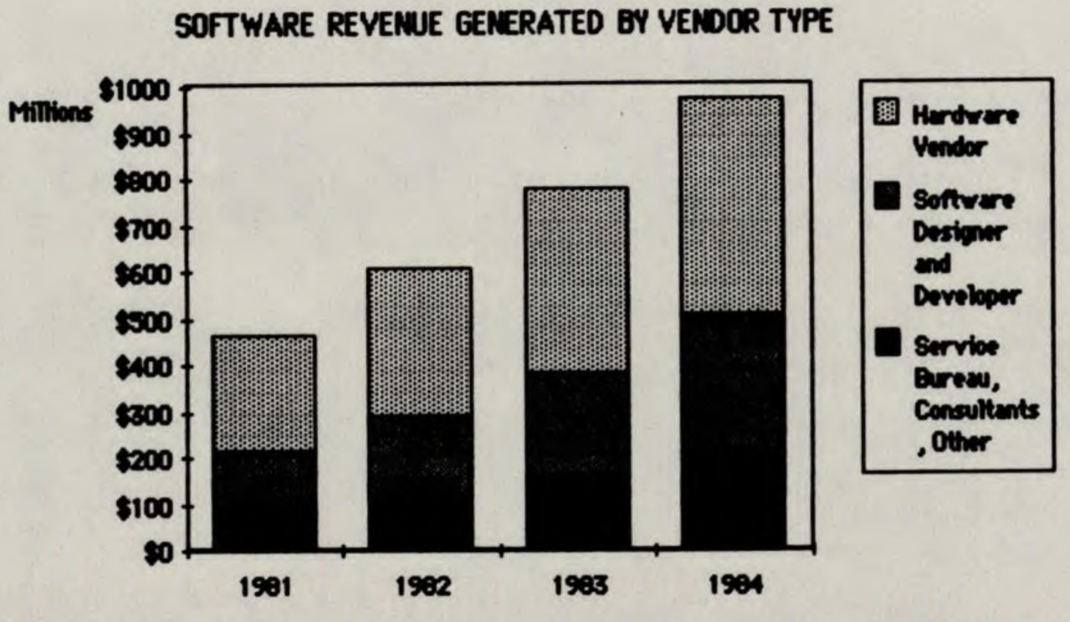
Source: Canada Consulting based on Evans Research data

HOWEVER, SYSTEMS AND APPLICATIONS SOFTWARE HAVE ACCOUNTED FOR ALL OF THE GROWTH IN SOFTWARE REVENUES SINCE 1981



Source: Canada Consulting based on Evans Research data

THE DRAMATIC GROWTH IN SOFTWARE REVENUES IS DISTRIBUTED EVENLY ACROSS ALL VENDOR TYPES



Source: Canada Consulting based on Evans Research data

2. SOFTWARE EXPORTS ACCOUNT FOR LESS THAN 20% OF THE REVENUES

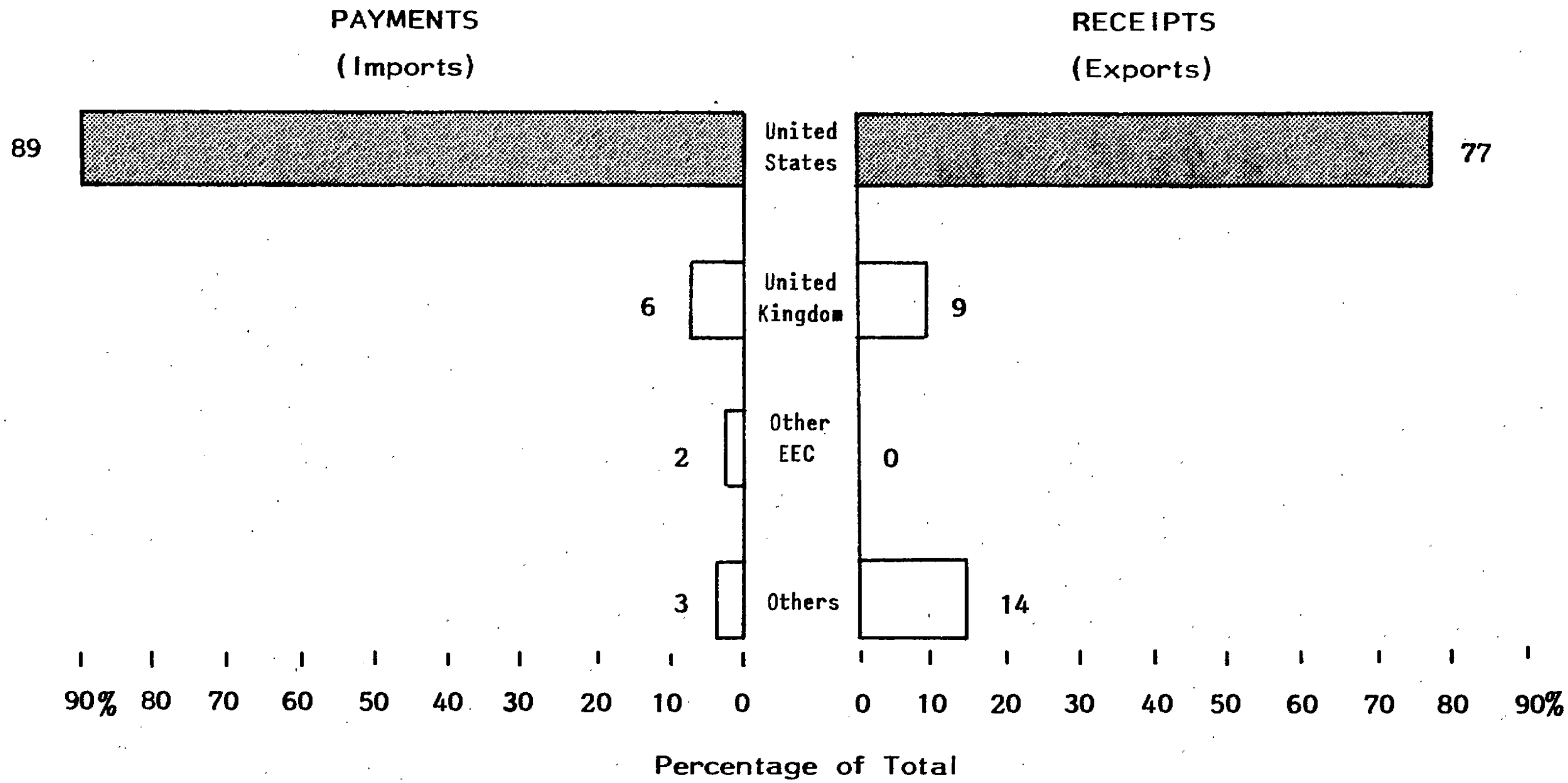
The vast majority of Canada's trade in computer services is with the United States

Increases in export sales have been led by growth in applications and systems software

THE VAST MAJORITY OF CANADA'S TRADE IN COMPUTER SERVICES IS WITH THE UNITED STATES

TRADING PARTNERS, 1981

Computer Services*

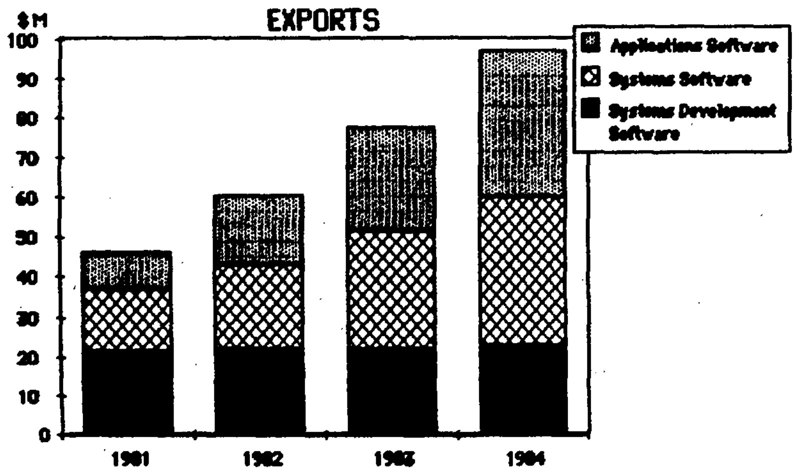


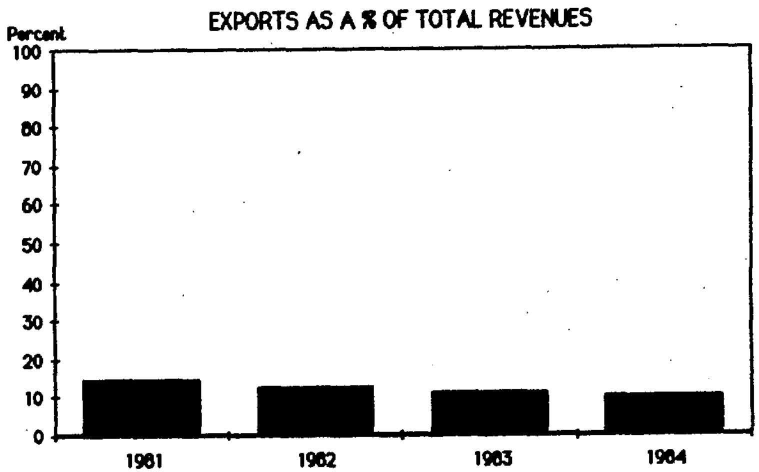
* % Computer services including software, training and related services

Source: Canada Consulting based on Statistics Canada data

INCREASES IN EXPORT SALES HAVE BEEN LED BY GROWTH IN APPLICATIONS AND SYSTEMS SOFTWARE

COMPUTER SOFTWARE EXPORTS





Source: Canada Consulting based on Evans Research data

3. DESPITE IMPRESSIVE REVENUE GROWTH, CANADA'S DOMESTIC SOFTWARE COMPANIES ACCOUNTED FOR ONLY ABOUT ONE QUARTER OF TOTAL 1983 CANADIAN SOFTWARE SALES

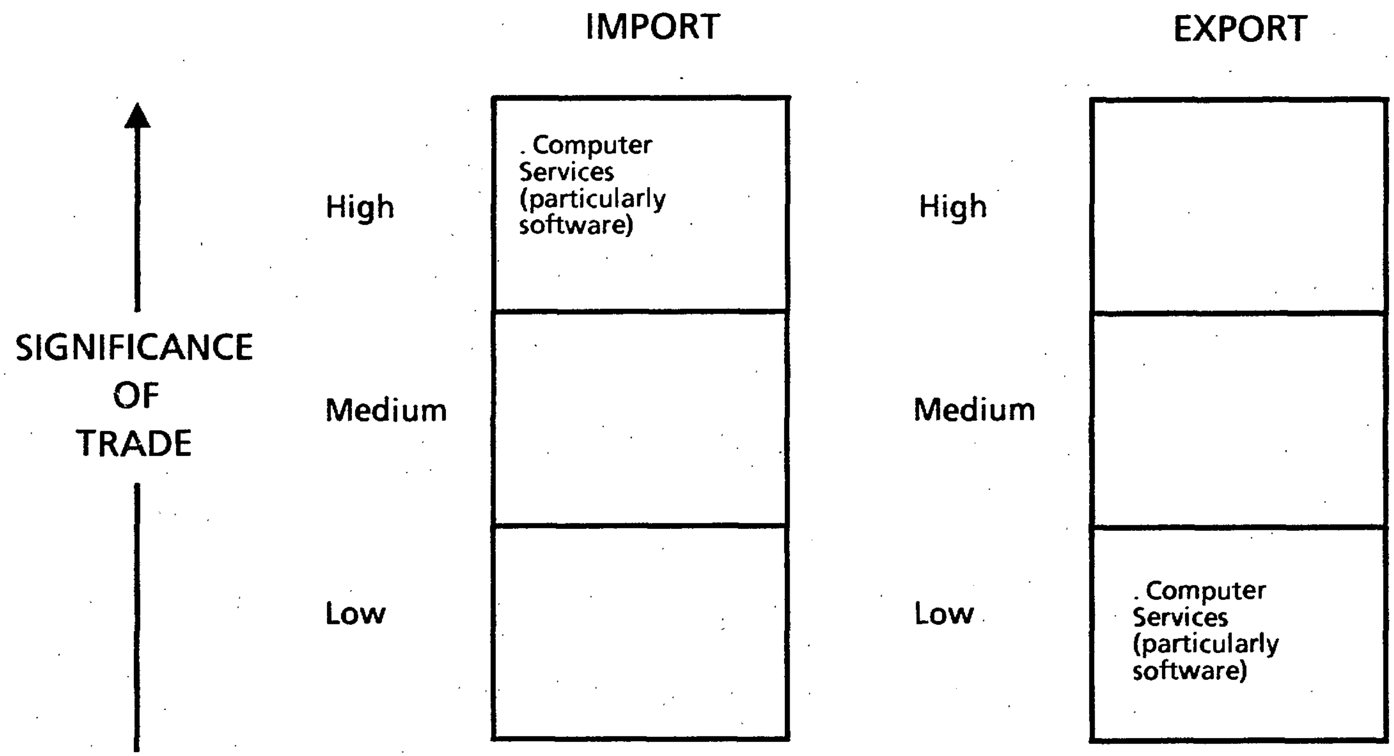
LEADING CANADIAN SOFTWARE AND EDP CONSULTING COMPANIES

	1983 Revenues ($ Mill)	Domestic Market Share (%)
Systemhouse Ltd.	50	6.5
DMR & Associates	46	5.9
Sydney Development	19	2.5
Cognos Inc.	19	2.5
Other Canadian Companies (18 co.'s)	69	8.9
	203	26.3
Revenue Growth - 1982 to 1983	32%	

Source: Canada Consulting based on Evans Research data

4. AT PRESENT IMPORTS OF COMPUTER SERVICES, PARTICULARLY SYSTEMS SOFTWARE, ARE PREDOMINANT

COMPUTER SERVICES



BROADCASTING

III. TRADE ISSUES IN BROADCASTING INVOLVE MORE THAN DOLLARS BECAUSE THE PRODUCTS REFLECT NATIONAL IDENTITY

A. FOREIGN PROGRAM PURCHASES BY TELEVISION AND RADIO ARE CLASSIFIED AS A FLOW OF FUNDS RATHER THAN AS TRADED GOODS

B. CANADIAN OWNERSHIP OF FOREIGN CABLE OPERATIONS CONTRIBUTES TO CANADA'S BALANCE OF PAYMENTS

A. FOREIGN PROGRAM PURCHASES BY TELEVISION AND RADIO ARE CLASSIFIED AS A FLOW OF FUNDS RATHER THAN AS TRADED GOODS

1. GROWTH IN CANADA'S RADIO AND TELEVISION INDUSTRY HAS TRACKED THAT OF THE ECONOMY AS A WHOLE

2. THE DOLLAR VALUE OF PROGRAM IMPORTS DOES NOT REFLECT THE MAJOR ROLE AMERICAN PROGRAMMING PLAYS IN THE ENGLISH BROADCASTING SYSTEM

3. DOLLAR VOLUMES INVOLVED IN PROGRAMMING TRADE ARE MODEST, BUT THIS TRADE IS IMPORTANT TO NATIONAL IDENTITY

1. GROWTH IN CANADA'S RADIO AND TELEVISION INDUSTRY HAS TRACKED THAT OF THE ECONOMY AS A WHOLE

Trends in number of establishments, employment and net earnings are flat in private radio and TV

Ontario and the West are the dominant regions, but the Quebec industry is also significant

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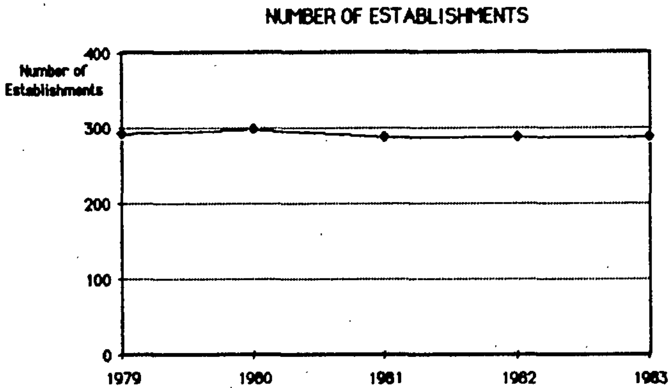
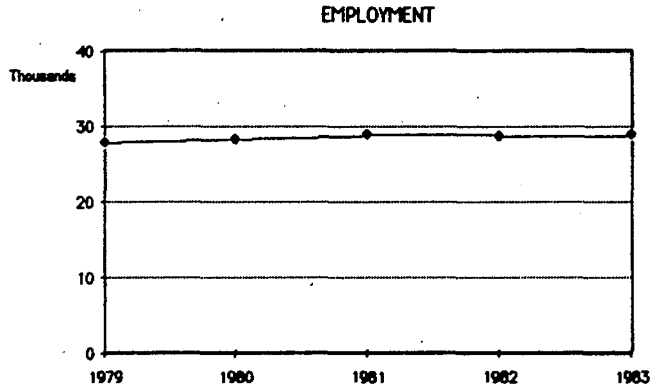
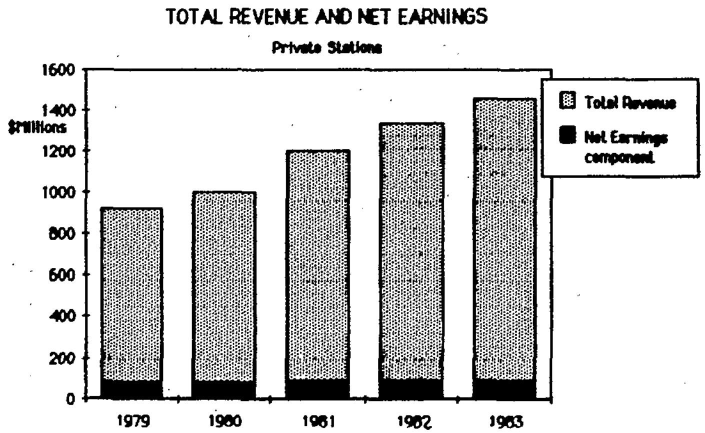
TRENDS IN NUMBER OF ESTABLISHMENTS, EMPLOYMENT AND NET EARNINGS ARE FLAT IN PRIVATE RADIO AND TV

THE DOMESTIC INDUSTRY: PRIVATE RADIO AND TELEVISION STATIONS





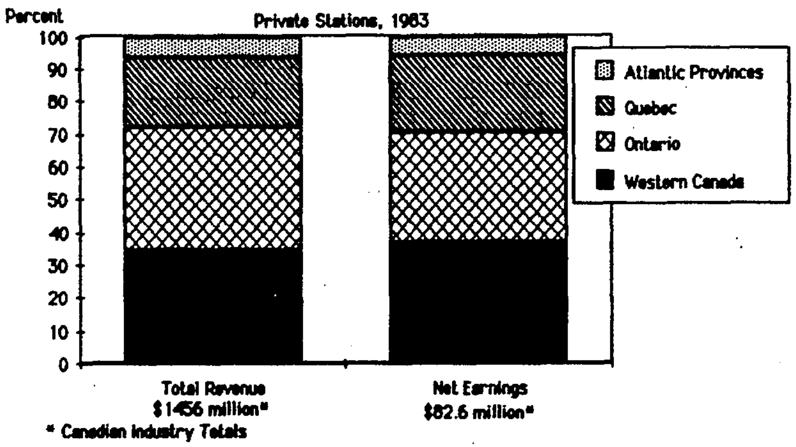


Source: Canada Consulting based on Statistics Canada

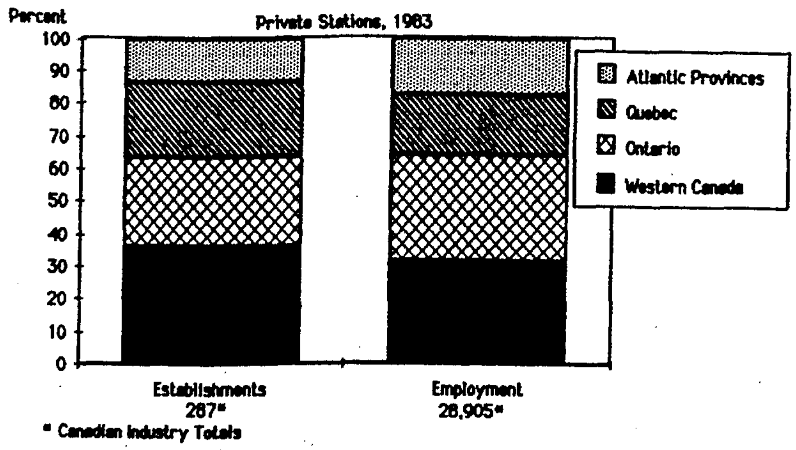
ONTARIO AND THE WEST ARE THE DOMINANT REGIONS, BUT THE QUEBEC INDUSTRY IS ALSO SIGNIFICANT

REGIONAL BREAKDOWN[1]: RADIO AND TELEVISION STATIONS

REGIONAL DISTRIBUTION OF TOTAL REVENUE AND NET EARNINGS



REGIONAL DISTRIBUTION OF ESTABLISHMENTS AND EMPLOYMENT



Source: Canada Consulting based on Statistics Canada

1. For comparative regional breakdown charts based on industry aggregates see Appendix

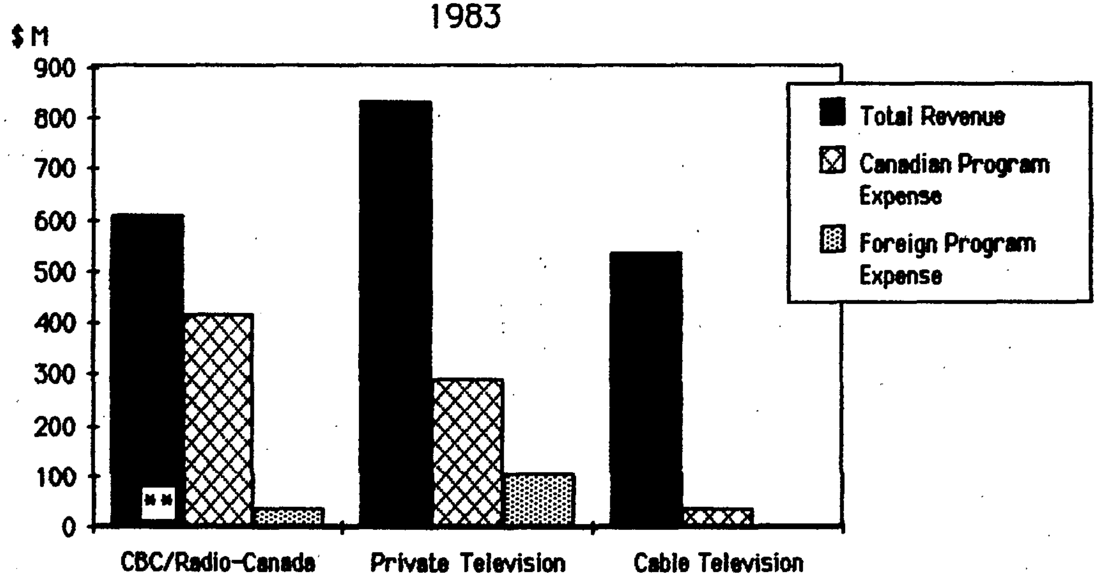
2. THE DOLLAR VALUE OF PROGRAM IMPORTS DOES NOT REFLECT THE MAJOR ROLE AMERICAN PROGRAMMING PLAYS IN THE ENGLISH BROADCASTING SYSTEM

Purchases of foreign programming by the Canadian radio-TV industry account for a small share of programming expense, even in the private sector

Imports account for a small percentage of programming expense but foreign content is high

PURCHASES OF FOREIGN PROGRAMMING BY THE CANADIAN RADIO-TV INDUSTRY ACCOUNT FOR A SMALL SHARE OF PROGRAMMING EXPENSE, EVEN IN THE PRIVATE SECTOR

CANADIAN AND FOREIGN PROGRAM EXPENDITURE*, 1983



* Excludes expenditure by provincial government television services

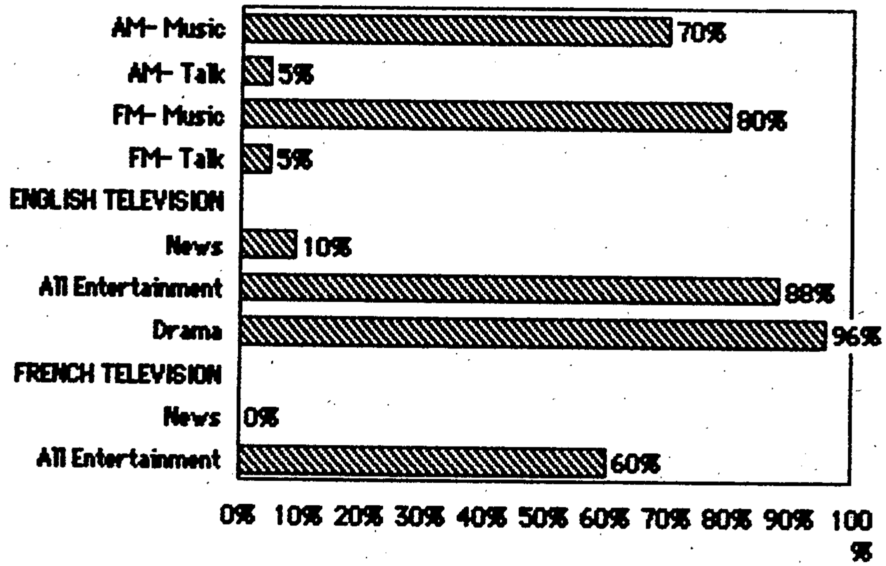
** CBC appropriations + advertising revenue

Source: Canada Consulting based on Statistics Canada

IMPORTS ACCOUNT FOR A SMALL PERCENTAGE OF PROGRAMMING EXPENSE BUT FOREIGN CONTENT IS HIGH

DOMESTIC MARKET SHARE BY ORIGIN OF CONTENT

Broadcasting % of foreign material



Source: Canada Consulting based on Audley, 1983

3. DOLLAR VOLUMES INVOLVED IN PROGRAMMING TRADE ARE MODEST, BUT THIS TRADE IS IMPORTANT TO NATIONAL IDENTITY

SIGNIFICANCE OF TRADE

SIGNIFICANCE OF TRADE	IMPORT	EXPORT
High		
Medium	. Radio and TV Programming	
Low		. Radio and TV Programming

B. CANADIAN OWNERSHIP OF FOREIGN CABLE OPERATIONS CONTRIBUTES TO CANADA'S BALANCE OF PAYMENTS

1. TOTAL CABLE INDUSTRY REVENUES JUST PASSED $500 MILLION IN 1983

2. THE FLOW OF FUNDS ARISING FROM THE PURCHASE OF FOREIGN CABLE PROGRAMMING ALREADY EXCEEDS $25,000,000

3. INDUSTRY REVENUES AND PROFITS ARE WEIGHTED TOWARD THE LARGER CABLE TV SYSTEMS

4. CABLE TELEVISIONS' ROLE IN TRADE IS PRESENTLY RESTRICTED TO THE CARRIAGE OF SPECIALTY PROGRAM SERVICE IMPORTS

1. TOTAL CABLE INDUSTRY REVENUES JUST PASSED $500 MILLION IN 1983

While cable TV profits per subscriber continued to fall in 1983, overall profitability rebounded and growth in revenue and employment continued

Canada's cable TV industry enjoys very high subscription levels among the Canadian TV households capable of receiving cable

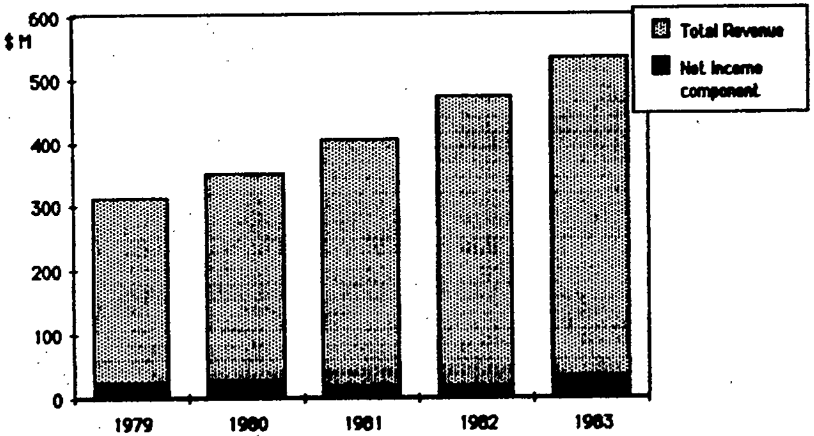
However, the growth rate in subscriptions has declined over time and levelled off at 5% during 1982 and 1983

Regional subscription levels are approximately 80% everywhere except Quebec, which, as a result has a disproportionately small share of revenues and employment

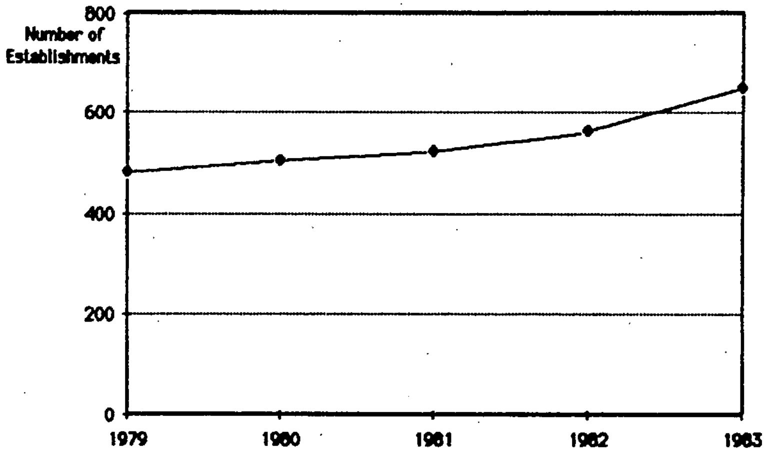
WHILE CABLE TV PROFITS PER SUBSCRIBER CONTINUED TO FALL IN 1983, OVERALL PROFITABILITY REBOUNDED AND GROWTH IN REVENUE AND EMPLOYMENT CONTINUED

THE DOMESTIC INDUSTRY: CABLE TELEVISION

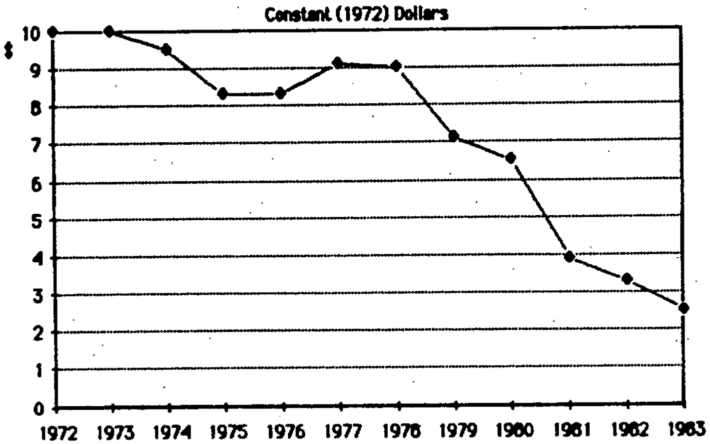
TOTAL REVENUE AND NET INCOME



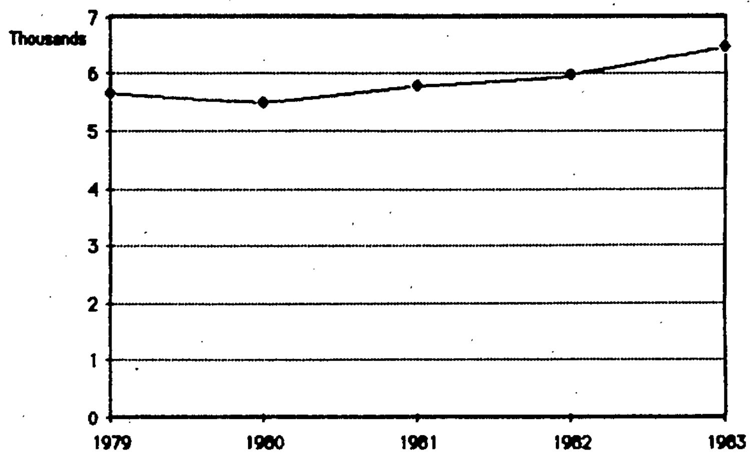
NUMBER OF ESTABLISHMENTS



CABLE INDUSTRY PROFITS PER SUBSCRIBER



EMPLOYMENT



Source: Canada Consulting based on Statistics Canada

CANADA'S CABLE TV INDUSTRY ENJOYS VERY HIGH SUBSCRIPTION LEVELS AMONG THE CANADIAN TV HOUSEHOLDS CAPABLE OF RECEIVING CABLE

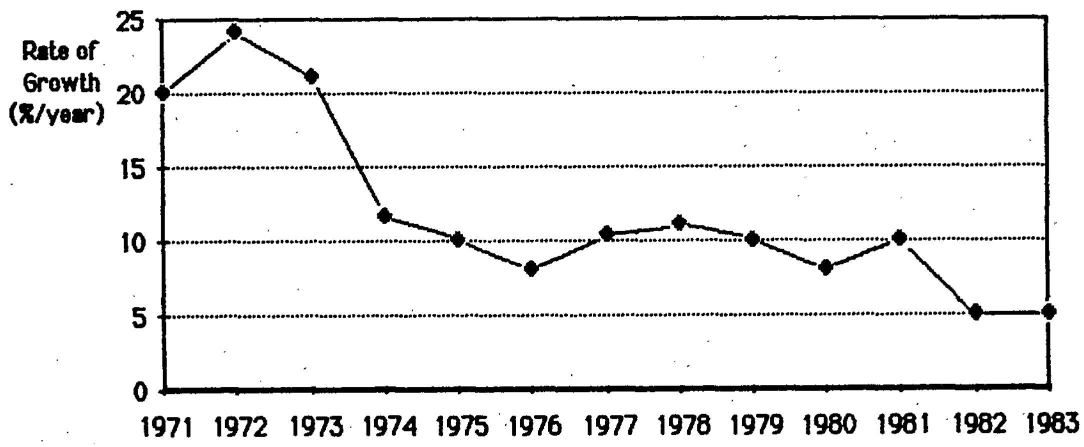
CABLE PENETRATION STATISTICS

	1977	1978	1979	1980	1981	1982	1983
TV Households (millions)	6.8	7.1	7.4	7.6	7.8	8.1	8.5
Total cable subscribers (millions)	3.40	3.70	4.10	4.30	4.70	4.90	5.14
% subs. vs. total Cdn. TV households	50.1%	53.0%	55.3%	56.9%	59.6%	60.9%	60.6%
Total households passed (millions)	4.9	5.50	5.90	6.10	6.30	6.60	6.85
% subs. vs. homes passed	67.7%	68.2%	68.7%	71.0%	74.3%	74.7%	75.0%

Source: Canada Consulting based on CCTA and Statistics Canada data

HOWEVER, THE GROWTH RATE IN SUBSCRIPTIONS HAS DECLINED OVER TIME AND LEVELLED OFF AT 5% DURING 1982 AND 1983

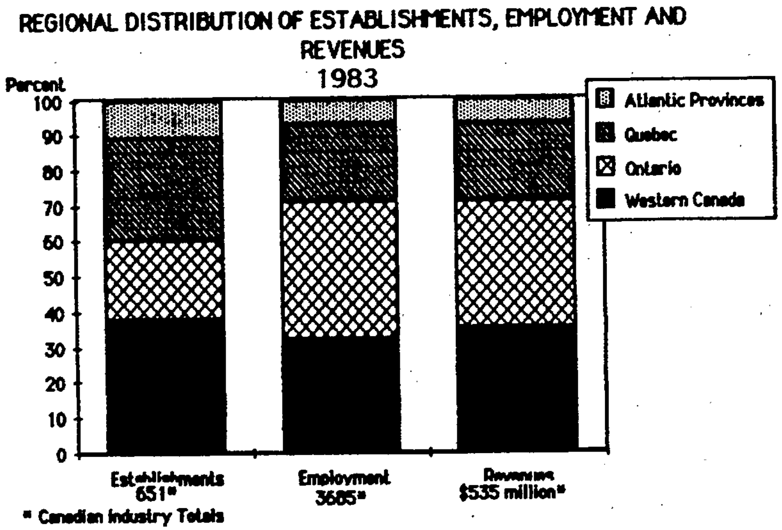
CABLE TELEVISION SUBSCRIBER GROWTH RATE

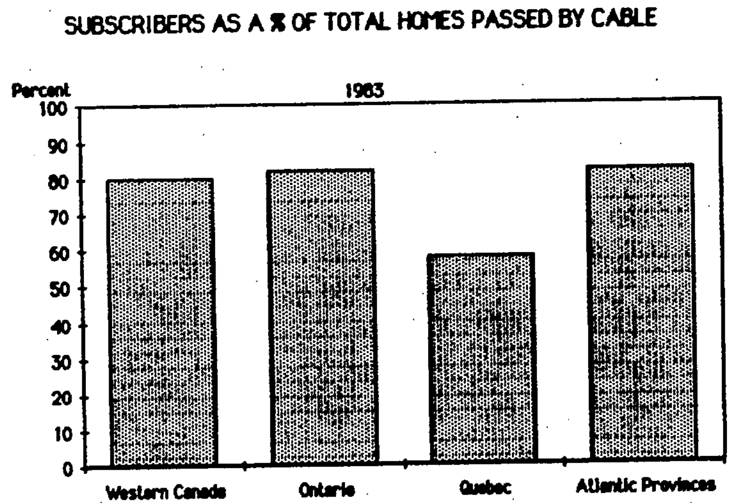


Source: Canada Consulting based on Statistics Canada

REGIONAL SUBSCRIPTION LEVELS ARE APPROXIMATELY 80% EVERYWHERE EXCEPT QUEBEC, WHICH, AS A RESULT HAS A DISPROPORTIONATELY SMALL SHARE OF REVENUES AND EMPLOYMENT

REGIONAL BREAKDOWN[1]: CABLE TELEVISION





1. For comparative regional breakdown charts based on industry aggregates see Appendix

Source: Canada Consulting based on Statistics Canada

2. THE FLOW OF FUNDS ARISING FROM THE PURCHASE OF FOREIGN CABLE PROGRAMMING ALREADY EXCEEDS $25,000,000

DISCRETIONARY PAY AND SPECIALTY CABLE SERVICES

Service	Subscribers March, 1985	Percentage of those to whom it is available	Estimated Cost of Foreign Programming ($000's) Annualized
CANADIAN PAY			
First Choice	334,015	6.4	12,025
Superchannel	149,278	2.9	5,374
Super Ecran	87,278	1.7	3,142
CANADIAN SPECIALTY			
Much Music	553,914	10.6	0
Sports Network	553,821	10.6	N/A
World View	9,306	0.2	N/A
China Vision	5,307	0.1	N/A
Telelatino	3,223	0.1	N/A
U.S. SPECIALTY			
Nashville Network	212,786	4.1	1,277
Cable News Network	200,684	3.8	1,204
Arts and Entertainment	200,054	3.8	1,200
Financial News NEtwork	156,111	3.0	936
Learning Channel	122,268	2.3	734
Country Music Network	111,504	2.1	669

Source: Canada Consulting based on interviews with cable company executives and Department of Communications internal documents

3. INDUSTRY REVENUES AND PROFITS ARE HEAVILY WEIGHTED TOWARD THE LARGER CABLE TV SYSTEMS

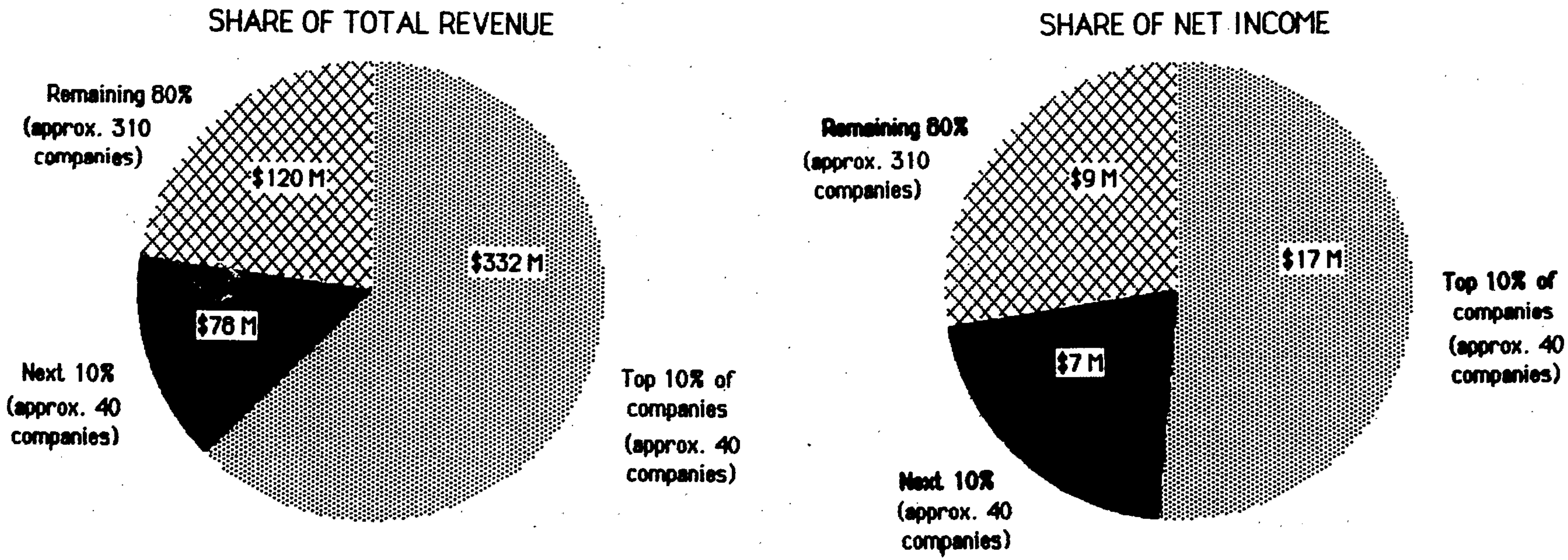
The net income share of the top 10% of cable companies does not measure up to their revenue share

Rogers Cablesystems represent approximately 40% of the business activity of the top 10% of Canadian cable companies

Rogers Cablesystems is still predominately Canadian in its operations, although U.S. operations now represent a significant portion of Rogers' overall business activity

A review of Rogers' success to date in the U.S. market indicates mixed results, and the company continues to suffer overall profitability problems

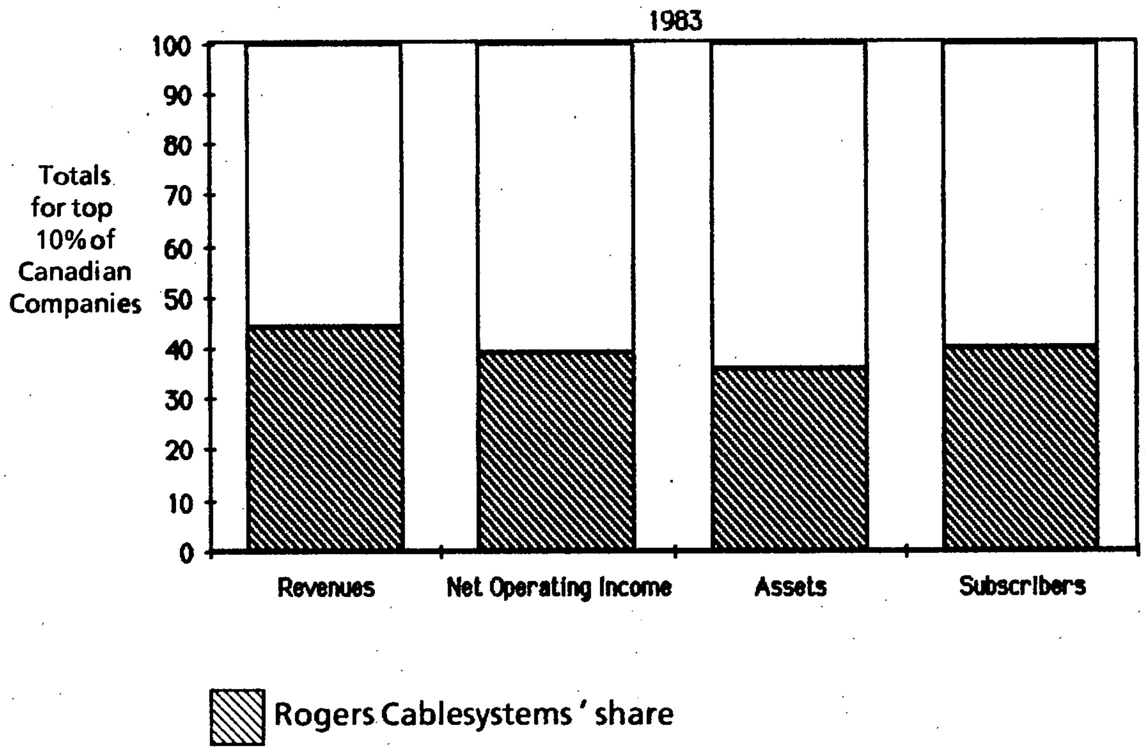
THE NET INCOME SHARE OF THE TOP 10% OF CABLE COMPANIES DOES NOT MEASURE UP TO THEIR REVENUE SHARE



Source: Canada Consulting based on Statistics Canada

ROGERS CABLESYSTEMS REPRESENTS APPROXIMATELY 40% OF THE BUSINESS ACTIVITY OF THE TOP 10% OF CANADIAN CABLE COMPANIES

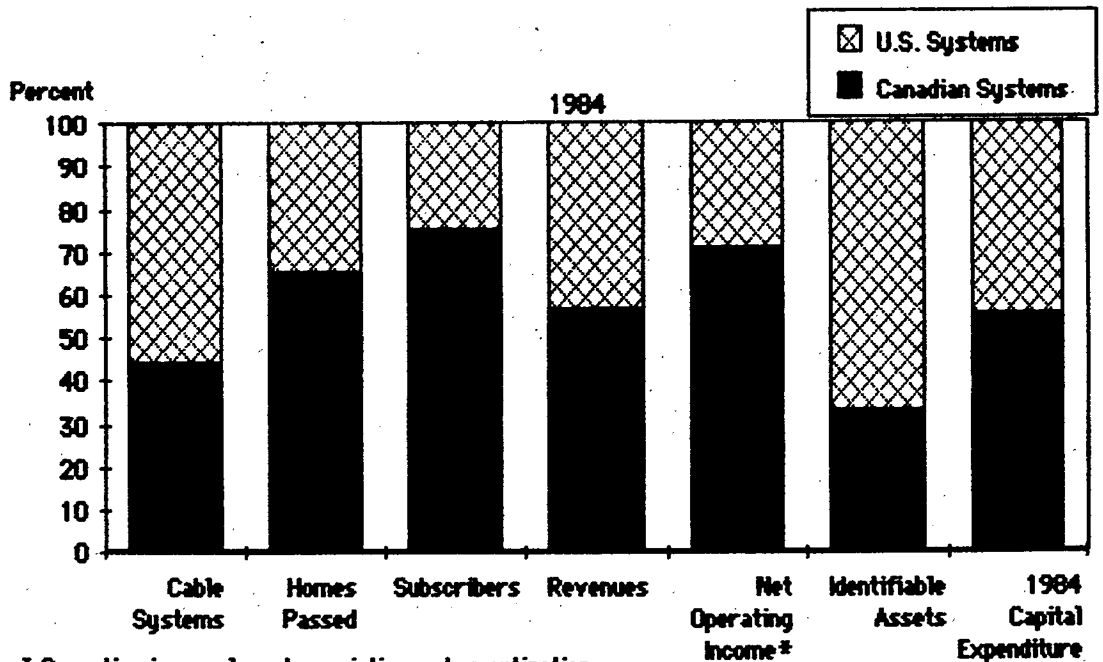
CABLE TELEVISION: ROGERS' SHARE OF TOP 10% ACTIVITY



Source: Canada Consulting based on Statistics Canada and Rogers Cablesystems annual report

ROGERS CABLESYSTEMS IS STILL PREDOMINATELY CANADIAN IN ITS OPERATIONS, ALTHOUGH U.S. OPERATIONS NOW REPRESENT A SIGNIFICANT PORTION OF ROGERS' OVERALL BUSINESS ACTIVITY

ROGERS CABLESYSTEMS
CANADIAN VS. U.S. OPERATIONS
1984



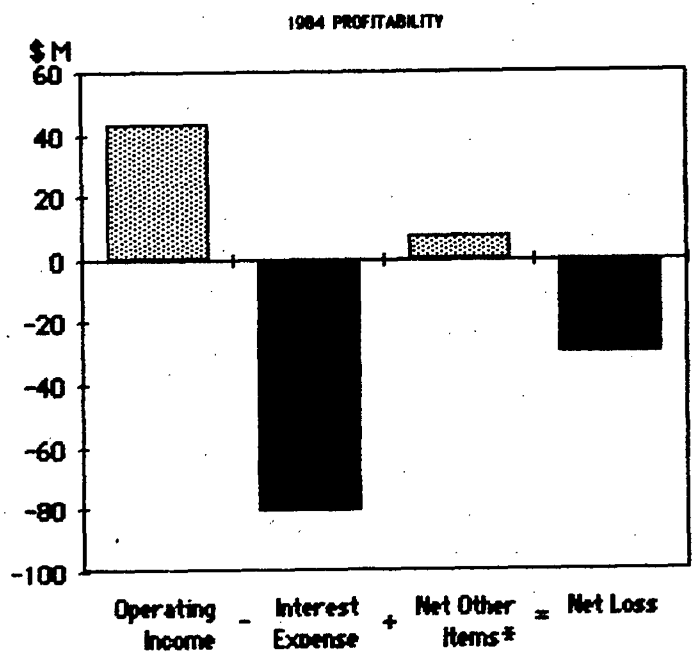
* Operating income less depreciation and amortization

A REVIEW OF ROGERS' SUCCESS TO DATE IN THE U.S. MARKET INDICATES MIXED RESULTS, AND THE COMPANY CONTINUES TO SUFFER OVERALL PROFITABILITY PROBLEMS

ROGERS CABLESYSTEMS

1984 Operating Statistics

	Canada	U.S.A.
On the one hand...		
1983-1984 Growth		
Revenues	11.5%	28.7%
Operating Income	6.6%	7.9%
Operating Income per subscriber per month	$3.85	$7.30
Pay T.V. penetration of basic subscribers	11%	70%
But on the other hand...		
Basic subscription rate	85%	53%
Homes passed per system	105,000	45,000
Operating income as % of identifiable assets	18.1%	5.9%
Identifiable assets per subscriber	$240	$1,401

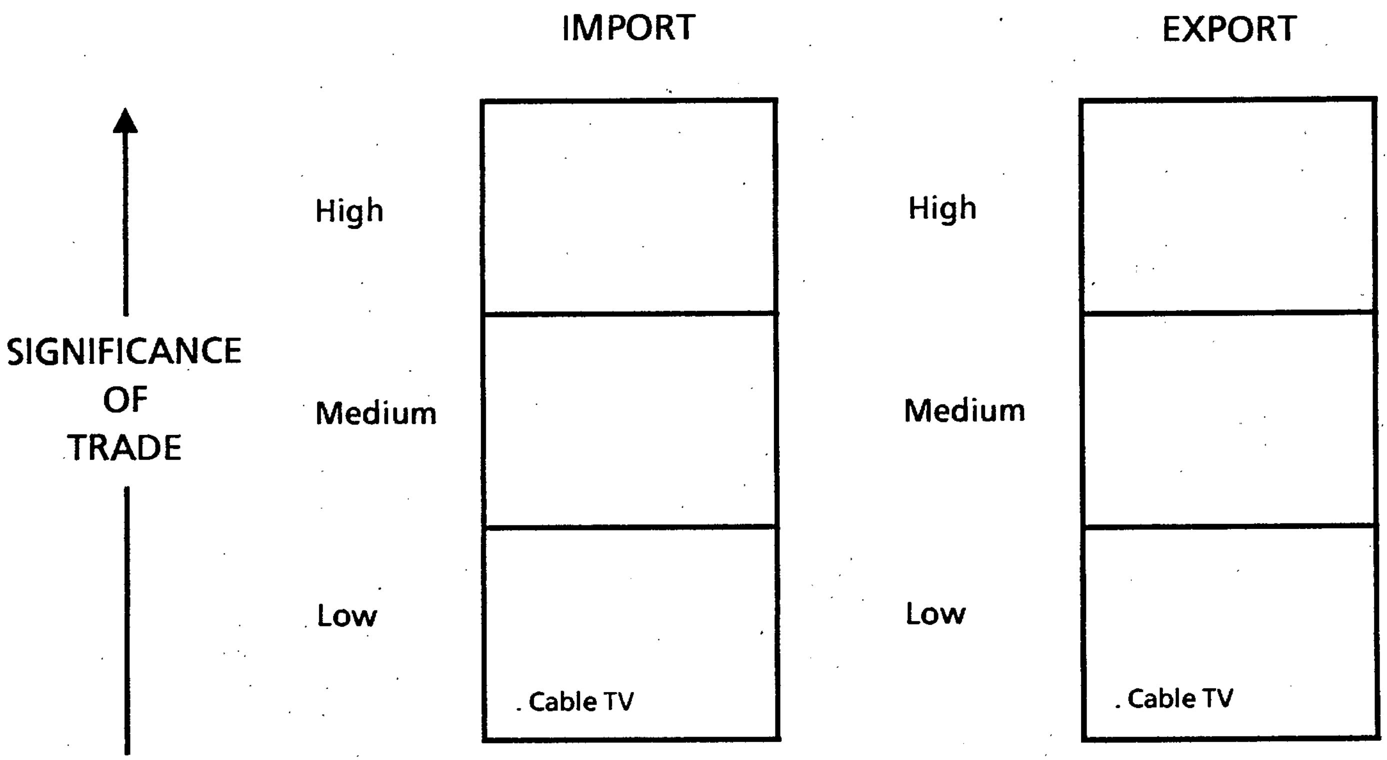


* - Income tax recovery, loss on sale of assets and other miscellaneous items

Source: Canada Consulting based on Rogers Cablesystems' Annual Report

4. CABLE TELEVISION'S ROLE IN TRADE IS PRESENTLY RESTRICTED TO THE CARRIAGE OF SPECIALTY PROGRAM SERVICE IMPORTS

CABLE TELEVISION



CULTURE

IV. TRADE IN CULTURAL PRODUCTS IS PARTICULARLY SENSITIVE IF THERE IS CONCERN ABOUT ENGLISH CANADA'S CULTURAL ASSIMILATION BY THE U.S.

A. THE COMMERCIAL FILM INDUSTRY IS DOMINATED BY FOREIGN PRODUCTIONS VIEWED IN CANADIAN-OWNED MOTION PICTURE THEATRES

B. NEWSPAPERS ARE CURRENT CULTURAL DOCUMENTS AND BOOKS ARE ENDURING REFLECTIONS OF CULTURE AND STYLE

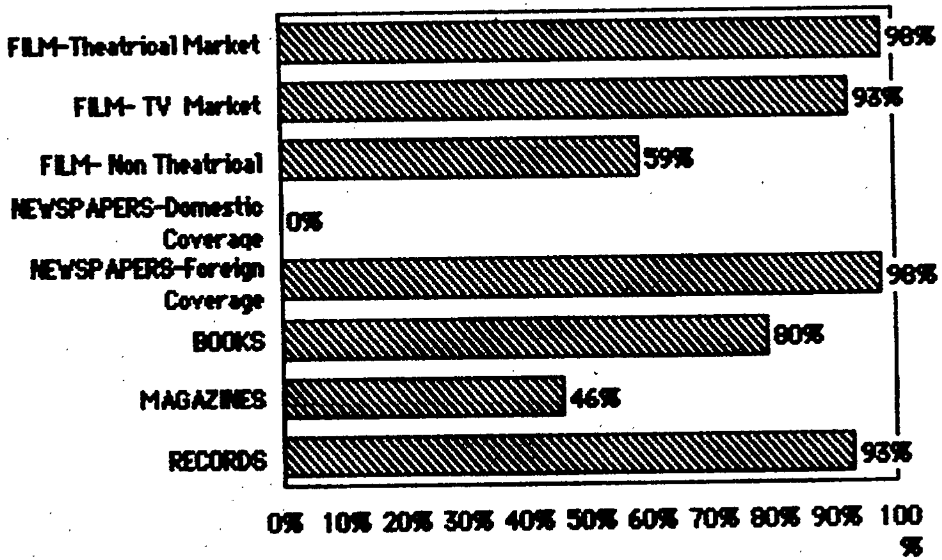
C. MOST RECORDS AND TAPES SOLD IN CANADA ARE PRODUCED BY AMERICAN-OWNED COMPANIES USING FOREIGN-PRODUCED MASTER TAPES

D. CANADIAN CONSUMERS PROVIDE AN ATTRACTIVE MARKET TO FOREIGN ADVERTISERS

IV. TRADE IN CULTURAL PRODUCTS IS PARTICULARLY SENSITIVE IF THERE IS CONCERN ABOUT ENGLISH CANADA'S CULTURAL ASSIMILATION BY THE U.S. - OVERVIEW

DOMESTIC MARKET SHARE BY ORIGIN OF CONTENT

Culture % of Foreign Material



Source: Canada Consulting based on Audley, 1983

A. THE COMMERCIAL FILM INDUSTRY IS DOMINATED BY FOREIGN PRODUCTIONS VIEWED IN PREDOMINANTLY CANADIAN-OWNED MOTION PICTURE THEATRES

1. THE FILM PRODUCTION AND DISTRIBUTION INDUSTRY AND THE MOTION PICTURE THEATRE INDUSTRY ARE OF COMPARABLE SIZE IN CANADA

2. FOREIGN FILM PRODUCERS RECEIVE VIRTUALLY ALL FILM INDUSTRY ROYALTIES, RENTAL AND COMMISSION

3. TWO MOTION PICTURE EXHIBITORS TOGETHER HAVE A 33% SHARE OF THE TOTAL NUMBER OF THEATRES, BUT THE SHARE IS 78% IN THEIR MAJOR MARKETS

4. THE FILM INDUSTRY IN CANADA IS DOMINATED BY FOREIGN PRODUCTIONS, ALTHOUGH THE ABSOLUTE DOLLAR VOLUME OF TRADE IS LOW

1. THE FILM PRODUCTION AND DISTRIBUTION INDUSTRY AND THE MOTION PICTURE THEATRE INDUSTRY ARE OF COMPARABLE SIZE IN CANADA

The film production and distribution industry generates sales of a half billion dollars a year

The film industry employs 3,000 people across some 600 establishments

The motion picture theatre industry employs 12,000 people in some 1,200 establishments and earns revenues in excess of $400 million

Quebec has a one-third share of the number of film production and distribution establishments, but less than a 10% share of industry revenues

THE FILM PRODUCTION AND DISTRIBUTION INDUSTRY GENERATES SALES OF A HALF BILLION DOLLARS A YEAR

DOMESTIC REVENUES BY PRODUCT, 1982

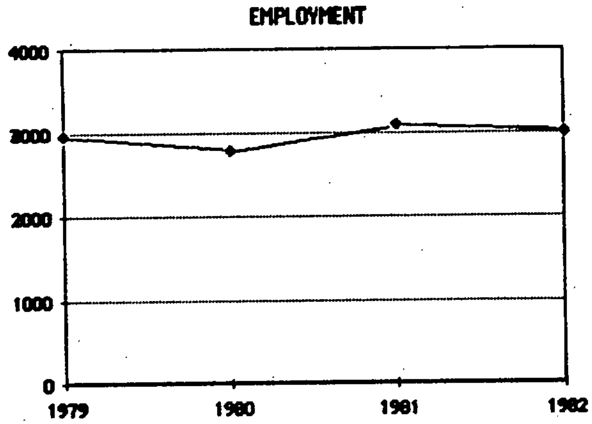
SIC 842, FILM PRODUCTION, DISTRIBUTION, LABORATORY SERVICES

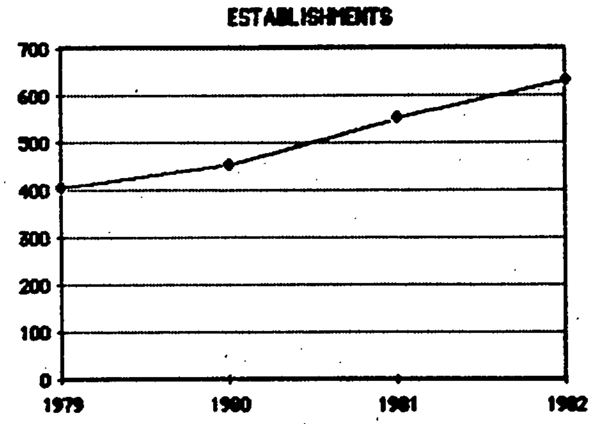
Service	Total Revenues ($000's)	Percent
Distributors	288,176	56.4
Film Producers	98,589	19.3
Laboratory; Production and Post Production Sevices	62,598	12.2
Video Producers	61,894	12.1
	$511,257	100.0%

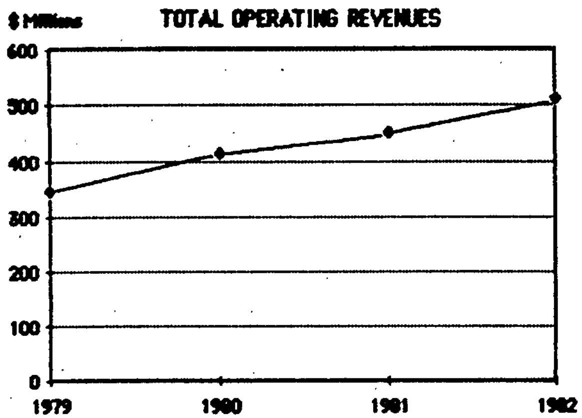
Source: Canada Consulting based on Statistics Canada

THE FILM INDUSTRY EMPLOYS 3,000 PEOPLE ACROSS SOME 600 ESTABLISHMENTS

THE DOMESTIC INDUSTRY: FILM PRODUCTION, DISTRIBUTION AND LABORATORY SERVICES, SIC 842



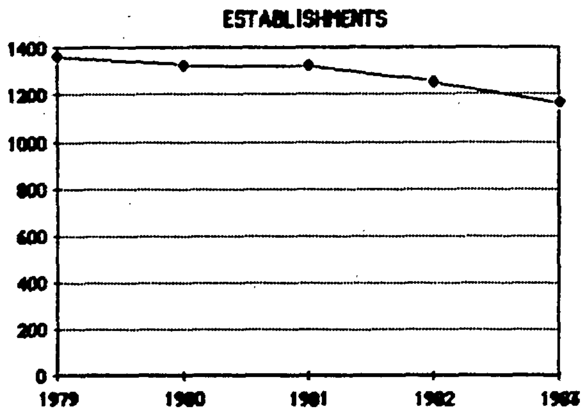


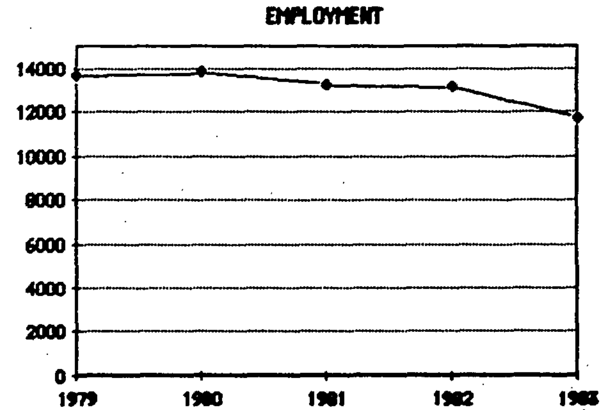


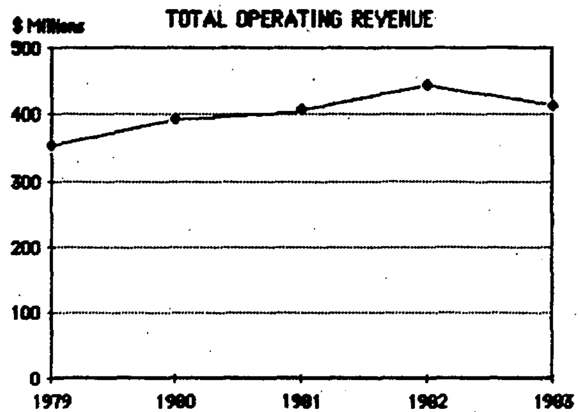
Source: Canada Consulting based on Statistics Canada

THE MOTION PICTURE THEATRE INDUSTRY EMPLOYS 12,000 PEOPLE IN SOME 1,200 ESTABLISHMENTS AND EARNS REVENUES IN EXCESS OF $400 MILLION

THE DOMESTIC INDUSTRY: MOTION PICTURE THEATRES, SIC 841





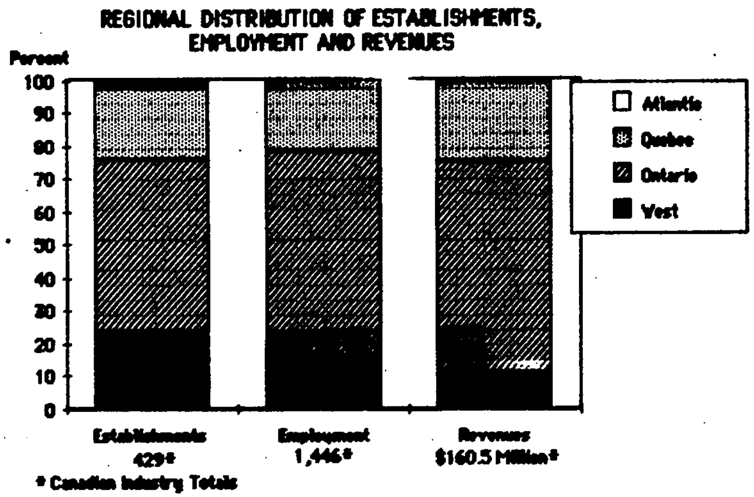


Source: Canada Consulting based on Statistics Canada

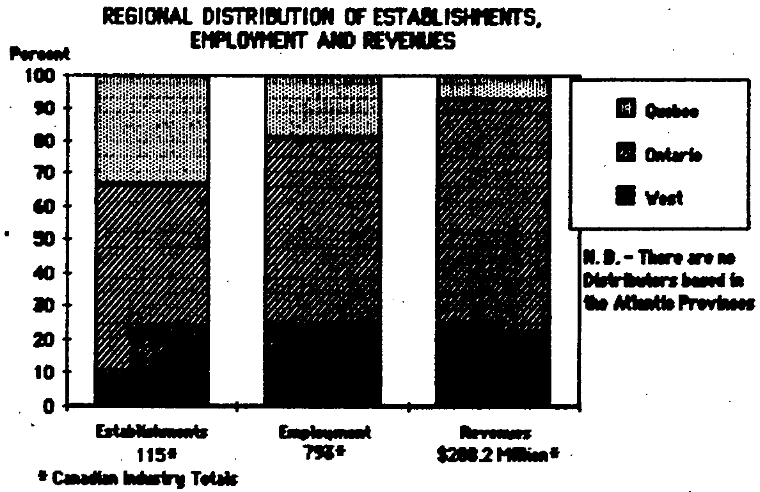
QUEBEC HAS A ONE-THIRD SHARE OF THE NUMBER OF FILM PRODUCTION AND DISTRIBUTION ESTABLISHMENTS, BUT LESS THAN A 10% SHARE OF INDUSTRY REVENUES

REGIONAL BREAKDOWN[1]: FILM PRODUCTION AND FILM DISTRIBUTION, 1982

FILM AND VIDEO PRODUCTION



FILM DISTRIBUTION

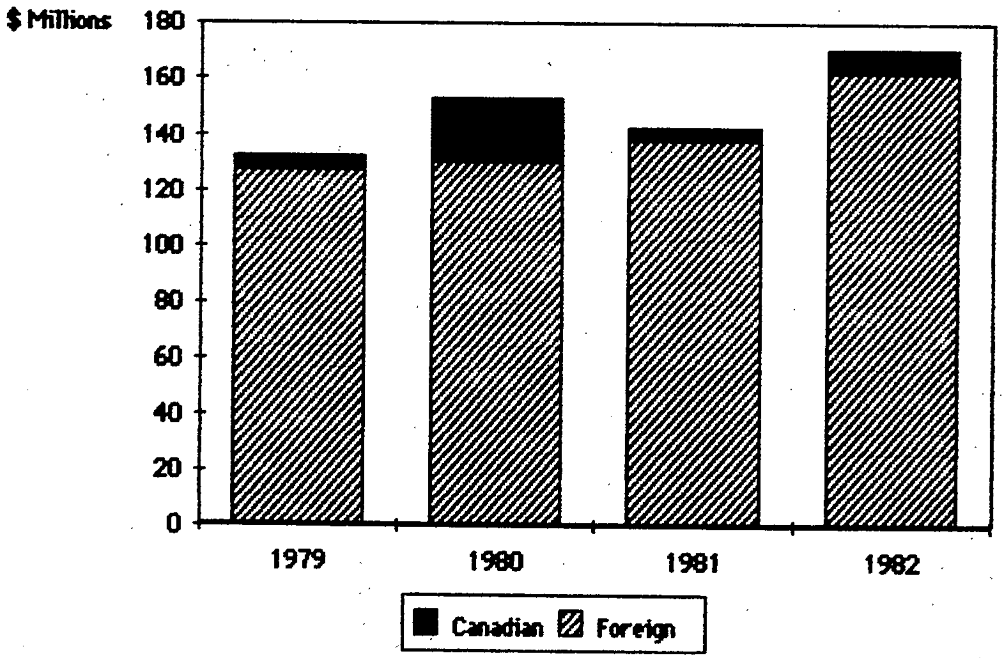


1. For comparative regional breakdown charts based on industry aggregates see Appendix

Source: Canada Consulting based on Statistics Canada

2. FOREIGN FILM PRODUCERS RECEIVE VIRTUALLY ALL FILM INDUSTRY ROYALTIES, RENTAL AND COMMISSION

ROYALTIES, RENTAL AND COMMISSION PAID BY DISTRIBUTORS TO PRODUCERS BY ORIGIN OF COPYRIGHT OWNERSHIP OF THE PRODUCTION



Source: Canada Consulting based on Statistics Canada

3. TWO MOTION PICTURE EXHIBITORS TOGETHER HAVE A 33% SHARE OF THE TOTAL NUMBER OF THEATRES, BUT THE SHARE IS 78% IN THEIR MAJOR MARKETS

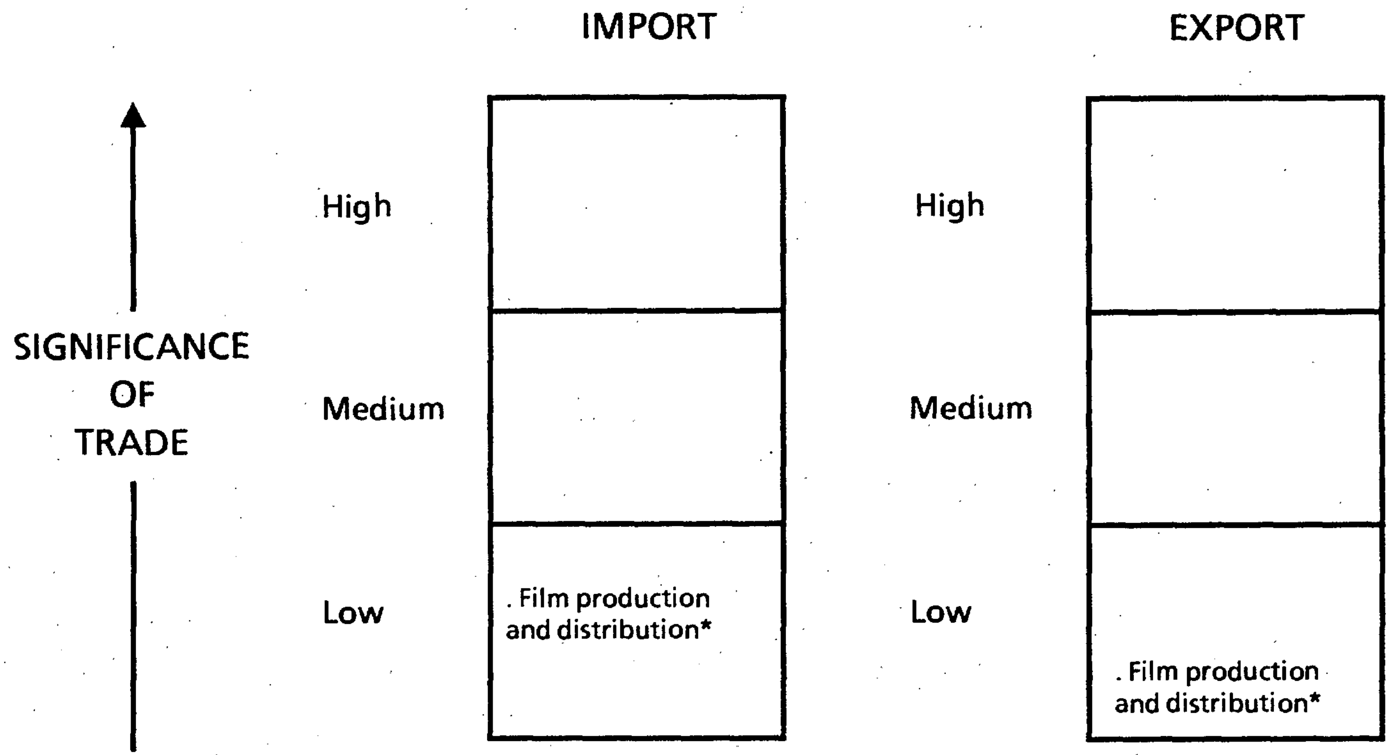
NUMBER OF THEATRES

Motion Picture Exhibitors (Ownerships)	All Canada (1984)	% of Total	Nine Major Markets* (1983)	% of Total
Famous Players (U.S.)	201	17%	103	41%
Cineplex Odeon (Canada)**	185	16%	112	37%
Total – Largest two exhibitors	386	33%	215	78%
Total – All exhibitors	1,160	100%	752	100%

* – Vancouver, Edmonton, Calgary, Winnipeg, Hamilton/Burlington, Toronto, Ottawa, Montreal
** – Cineplex bought out Canadian Odeon in 1984

Source: Canada Consulting research

4. THE FILM INDUSTRY IN CANADA IS DOMINATED BY FOREIGN PRODUCTIONS, ALTHOUGH THE ABSOLUTE DOLLAR VOLUME OF TRADE IS LOW



* - Motion picture theatres are a domestic service business

B. NEWSPAPERS ARE CURRENT CULTURAL DOCUMENTS AND BOOKS ARE ENDURING REFLECTIONS OF CULTURE AND STYLE

1. IN 1982 DOMESTIC SHIPMENTS OF PRINTED AND PUBLISHED GOODS EXCEEDED $3 BILLION

2. THE OVERALL TRADE BALANCE IN PRINTING AND PUBLISHING IS NEGATIVE AND DOMINATED BY THE UNITED STATES

3. CLOSE TO 41,000 PEOPLE ARE EMPLOYED BY MAJOR NEWSPAPER, PRINTING AND PUBLISHING COMPANIES, WHICH COLLECTIVELY CONTRIBUTED $4.3 BILLION TO THE CANADIAN ECONOMY IN 1984

4. THE CANADIAN MARKET AND CULTURE ARE SIGNIFICANTLY INFLUENCED BY IMPORTS OF BOOKS

1. IN 1982 DOMESTIC SHIPMENTS OF PRINTED AND PUBLISHED GOODS EXCEEDED $3 BILLION

Newspapers dominate printing and publishing

The printing and publishing industry is growing but employment trends are flat

Publishing is focussed in Quebec and Ontario while printing and publishing are more evenly distributed

NEWSPAPERS DOMINATE PRINTING AND PUBLISHING

DOMESTIC PRODUCTION BY PRODUCT, 1982

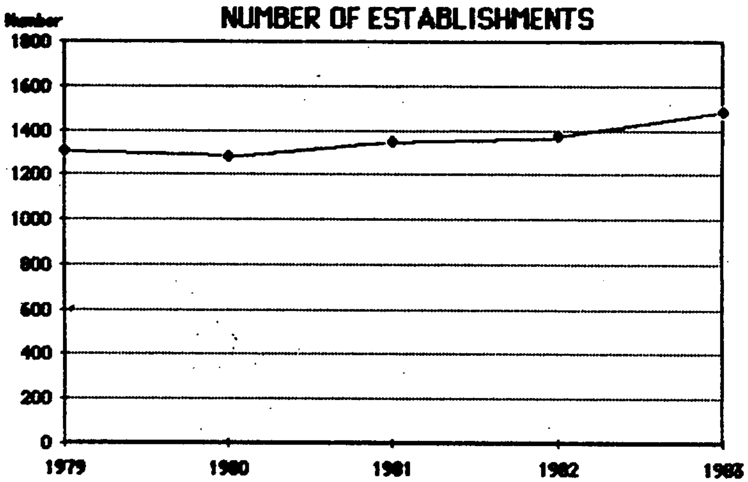
Publishing and Printing, Combined SIC 288 and 289

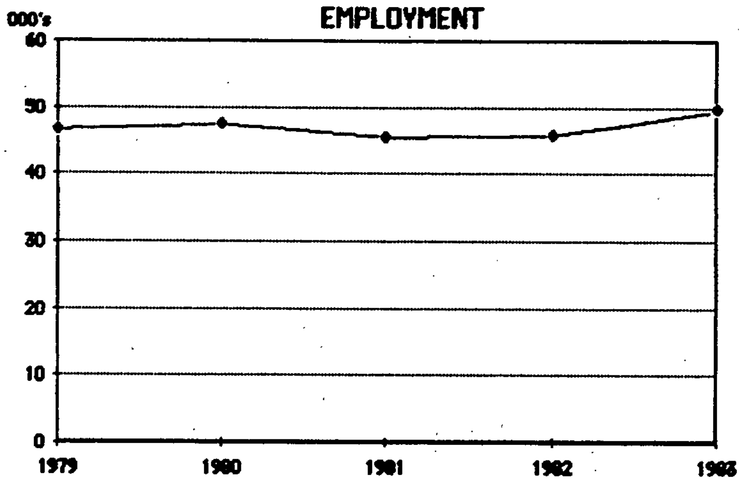
Products	Shipments, 1982 ($Millions)	Percent
Newspapers	1,774.9	56.9
Telephone Directories	310.4	9.9
Books	282.9	9.1
Magazines - general	267.6	8.6
Trade and Technical Publications	154.2	4.9
Other Printed Matter	151.4	4.8
Small Establishments Not Reporting Detail	137.7	4.4
Other Newspapers or Periodicals	40.2	1.3
Catalogues	3.1	0.1
	3,122.4	100.0%

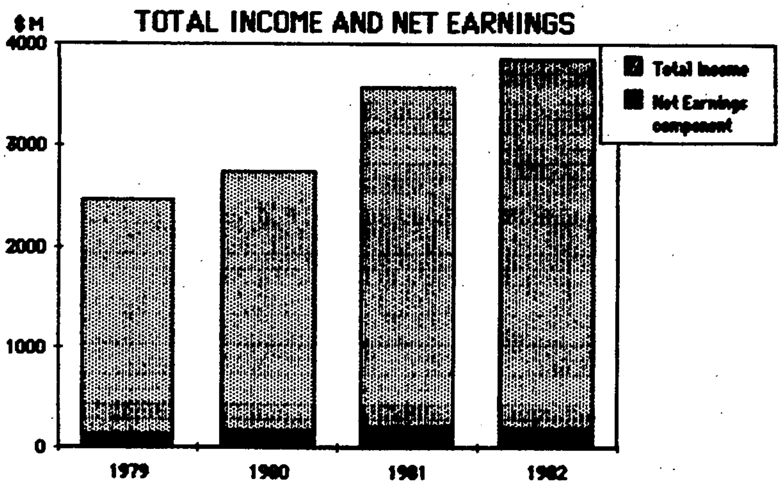
Source: Canada Consulting based on Statistics Canada

THE PRINTING AND PUBLISHING INDUSTRY IS GROWING BUT EMPLOYMENT TRENDS ARE FLAT

THE DOMESTIC INDUSTRY: PRINTING AND PUBLISHING
Publishing and Printing, Combined SIC 288 and 289







Source: Canada Consulting based on Statistics Canada

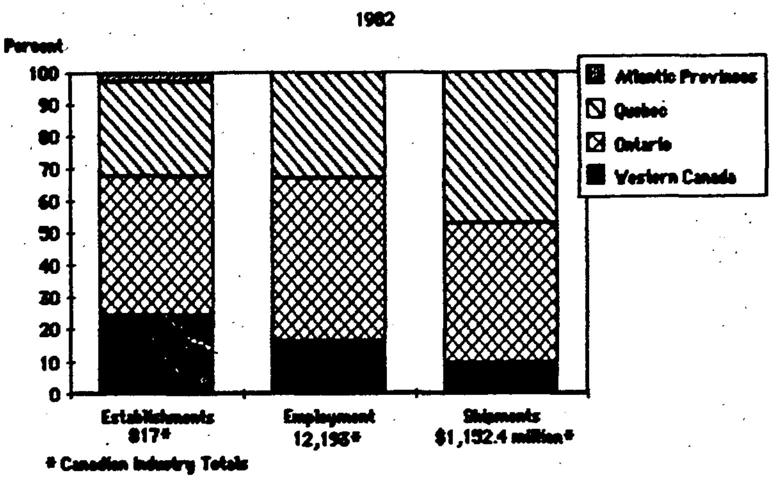
PUBLISHING IS FOCUSSED IN QUEBEC AND ONTARIO WHILE PRINTING AND PUBLISHING ARE MORE EVENLY DISTRIBUTED

REGIONAL DISTRIBUTION OF ESTABLISHMENTS

Employment And Shipments, 1982

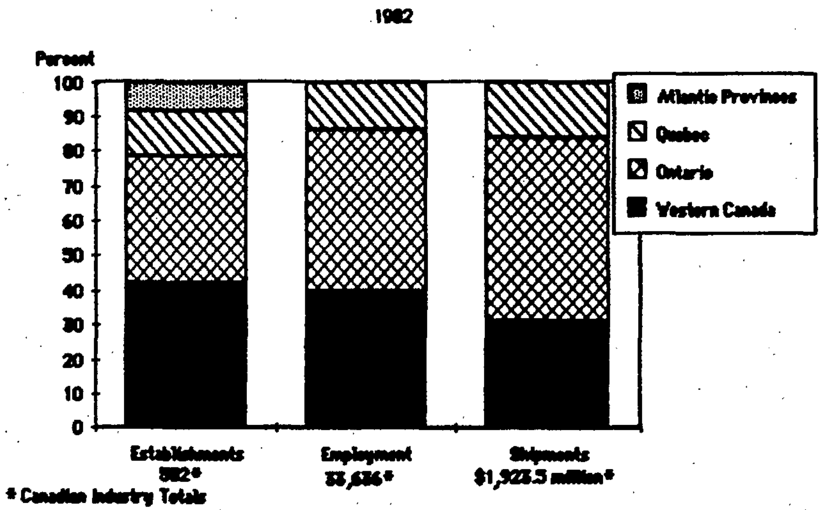
SIC 288 (INCLUDING BOOKS)
PUBLISHING ONLY

REGIONAL DISTRIBUTION OF ESTABLISHMENTS
EMPLOYMENT AND SHIPMENTS



SIC 289 (INCLUDING NEWSPAPERS)
PRINTING AND PUBLISHING

REGIONAL DISTRIBUTION OF ESTABLISHMENTS
EMPLOYMENT AND SHIPMENTS



Source: Canada Consulting based on Statistics Canada

2. THE OVERALL TRADE BALANCE IN PRINTING AND PUBLISHING IS NEGATIVE AND DOMINATED BY THE UNITED STATES

The United States is virtually the sole foreign customer for Canadian newspapers

Trade with the U.S. and the EEC reflects the importance of English and French publications

Both domestic shipments and increased net imports have contributed to growing domestic consumption of printed and published goods

Quebec and Ontario account for over 90% of printing and publishing imports

Canadian newspaper exports are more than triple import levels

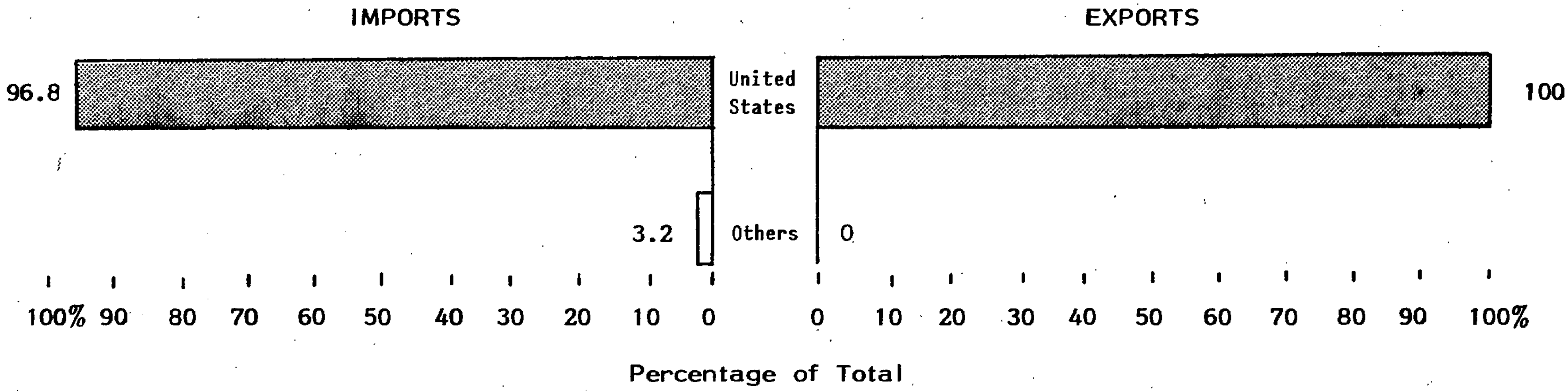
Canada has a small surplus trade in newpapers and a large deficit trade in periodicals and books

Canadian published books are maintaining their share of the domestic market, while Canadian distributors' share of imports is dropping

THE UNITED STATES IS VIRTUALLY THE SOLE FOREIGN CUSTOMER FOR CANADIAN NEWSPAPERS

TRADING PARTNERS, 1984

Newspapers, SIC 288

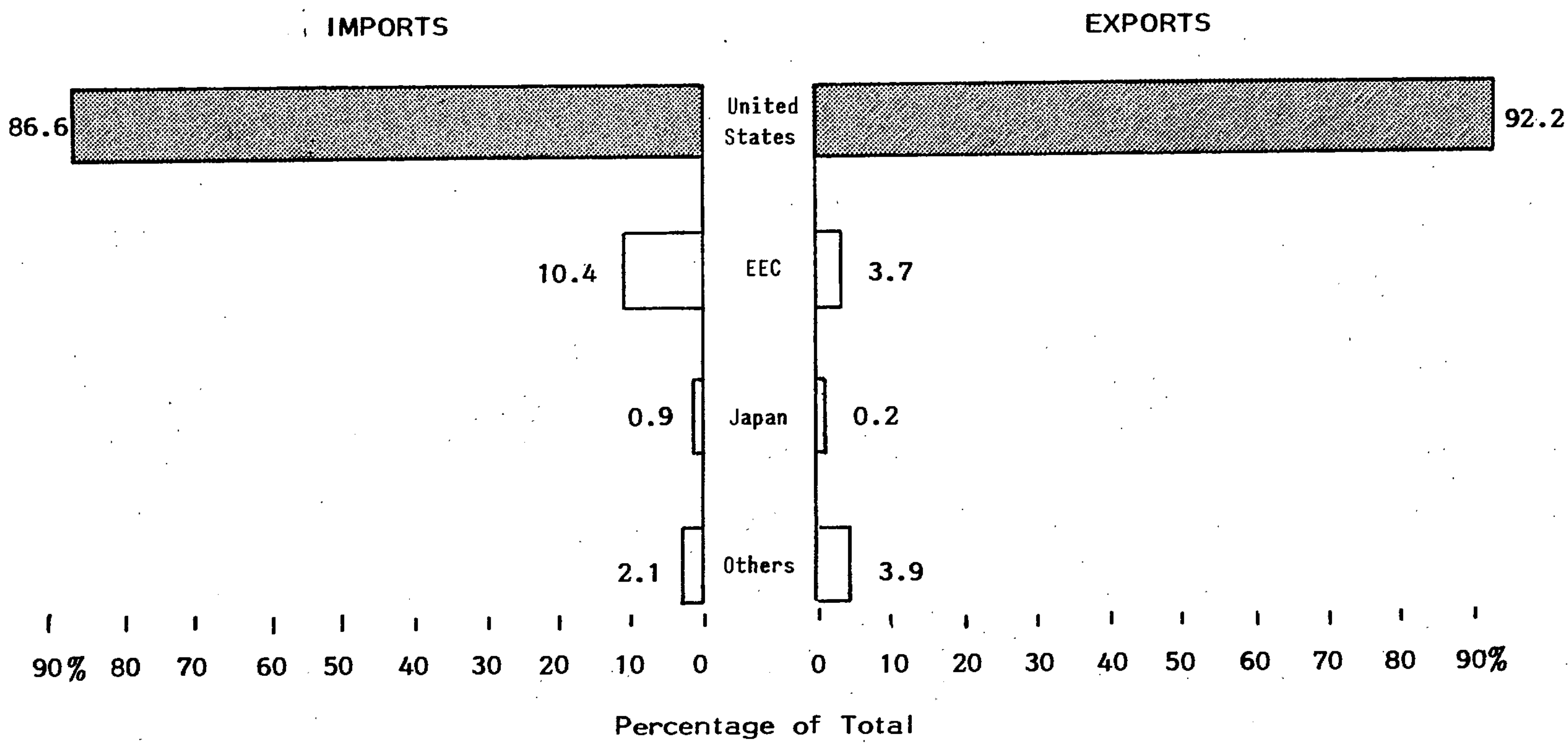


Source: Canada Consulting based on Statistics Canada

TRADE WITH THE U.S. AND THE EEC REFLECTS THE IMPORTANCE OF ENGLISH AND FRENCH PUBLICATIONS

TRADING PARTNERS, 1984

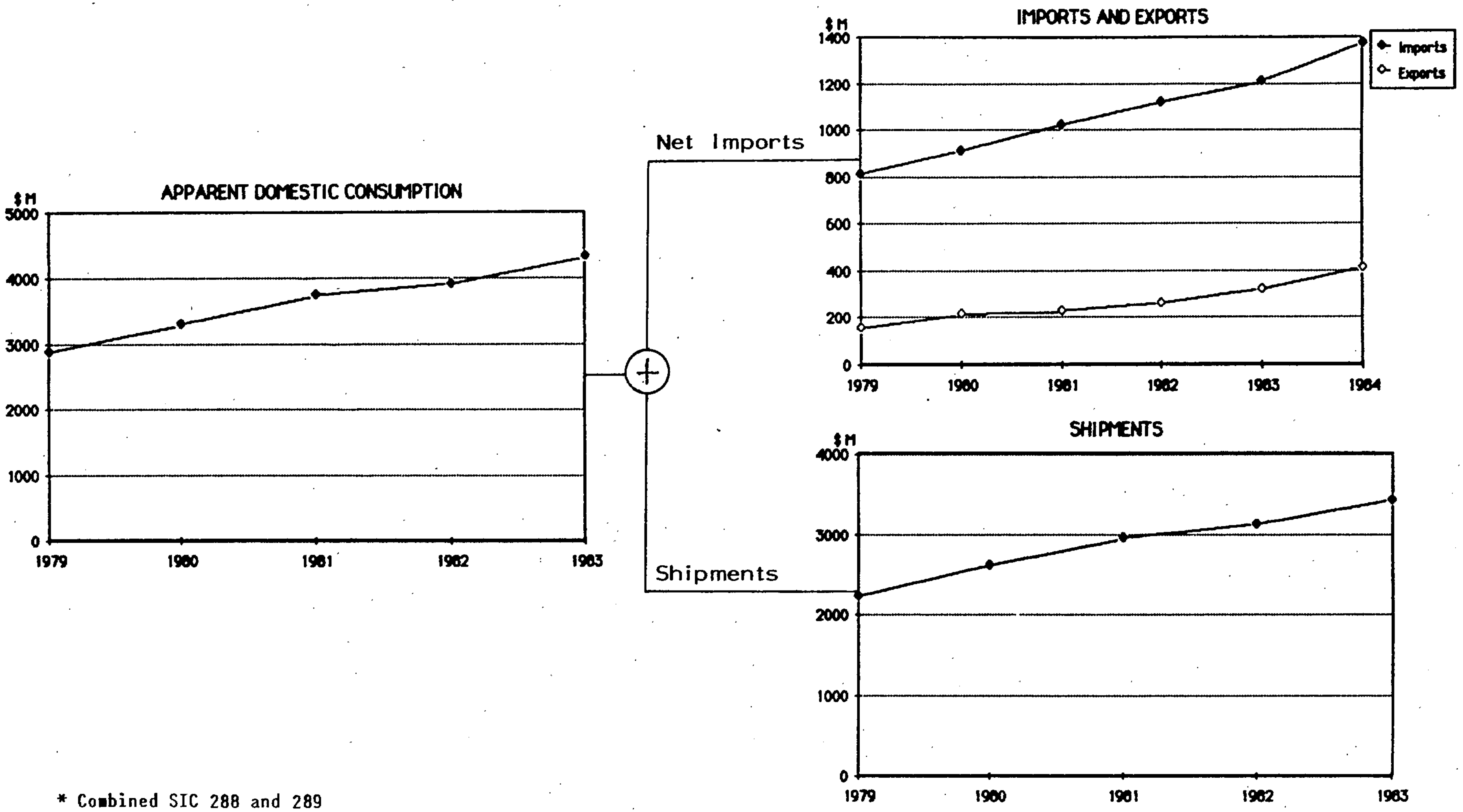
Printing and Publishing, SIC 289
(Includes books)



Source: Canada Consulting based on Statistics Canada

BOTH DOMESTIC SHIPMENTS AND INCREASED NET IMPORTS HAVE CONTRIBUTED TO USING DOMESTIC CONSUMPTION OF PRINTED AND PUBLISHED GOODS

INDUSTRY TRADE DATA: PRINTING AND PUBLISHING*



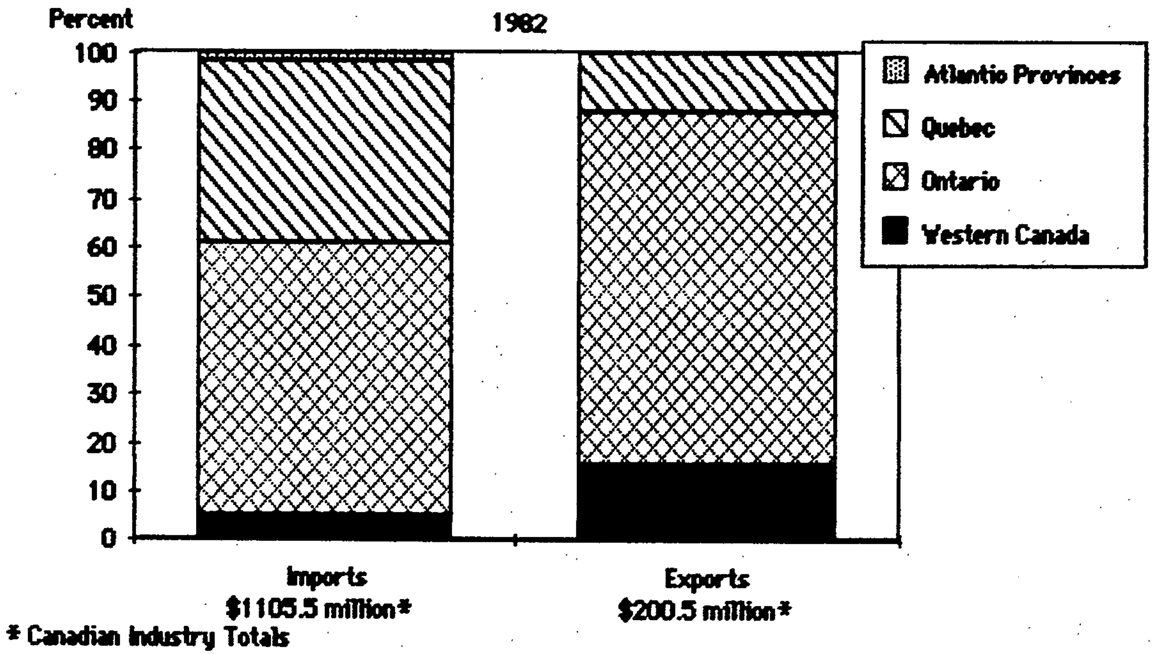
* Combined SIC 288 and 289

Source: Canada Consulting based on Statistics Canada

QUEBEC AND ONTARIO ACCOUNT FOR OVER 90% OF PRINTING AND PUBLISHING IMPORTS

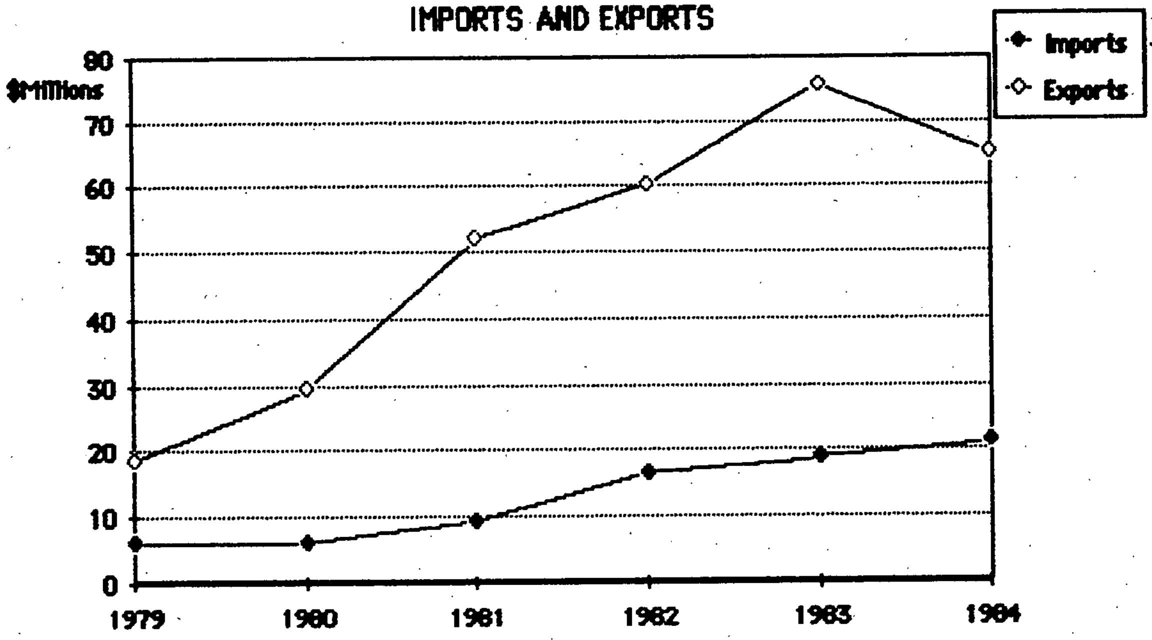
REGIONAL DISTRIBUTION OF IMPORTS AND EXPORTS

Printing and Publishing
(Combined SIC 288 and 289)



Source: Canada Consulting based on Statistics Canada

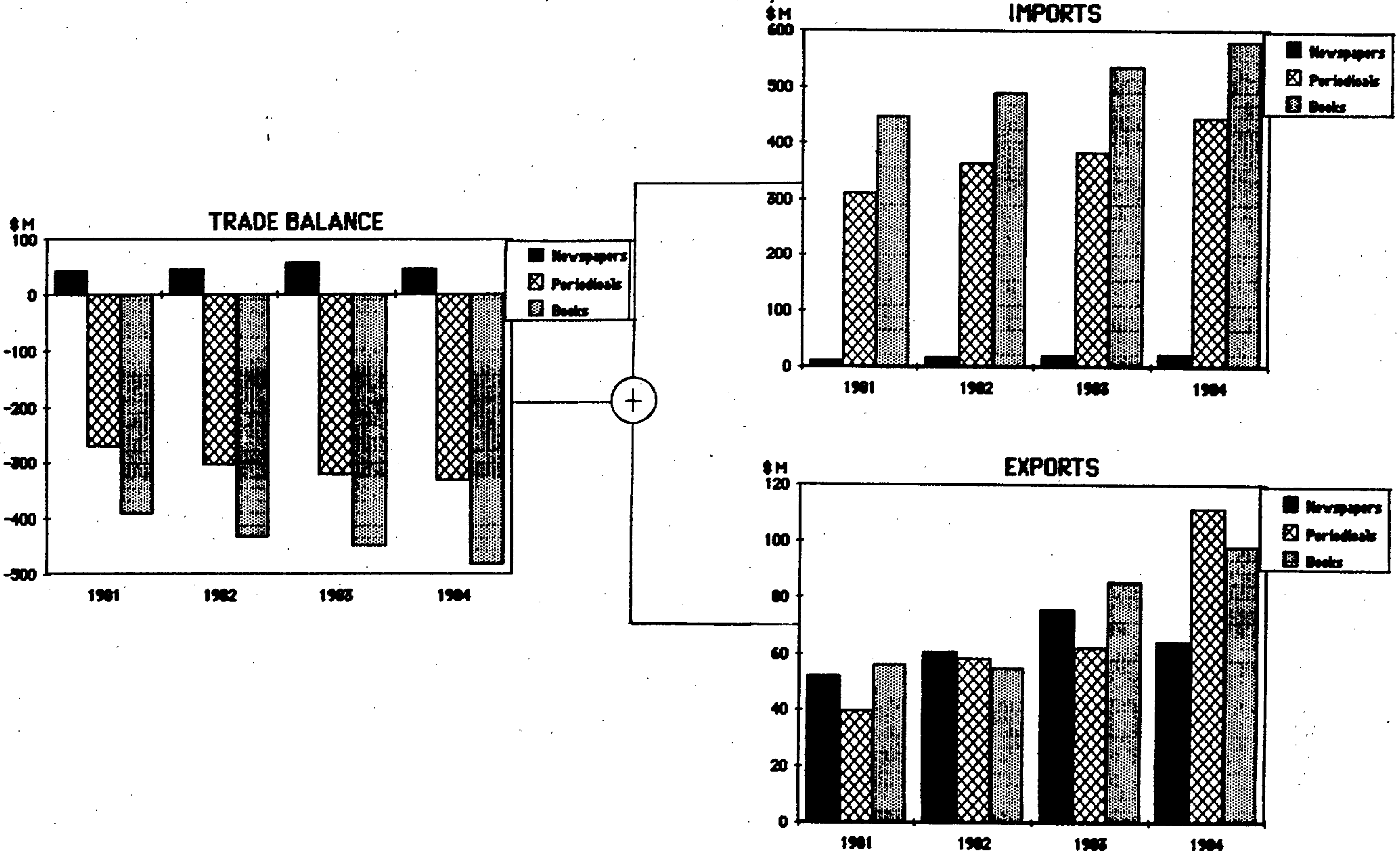
CANADIAN NEWSPAPER EXPORTS ARE MORE THAN TRIPLE IMPORT LEVELS



Source: Canada Consulting based on Statistics Canada

CANADA HAS A SMALL SURPLUS TRADE IN NEWSPAPERS AND A LARGE DEFICIT TRADE IN PERIODICALS AND BOOKS

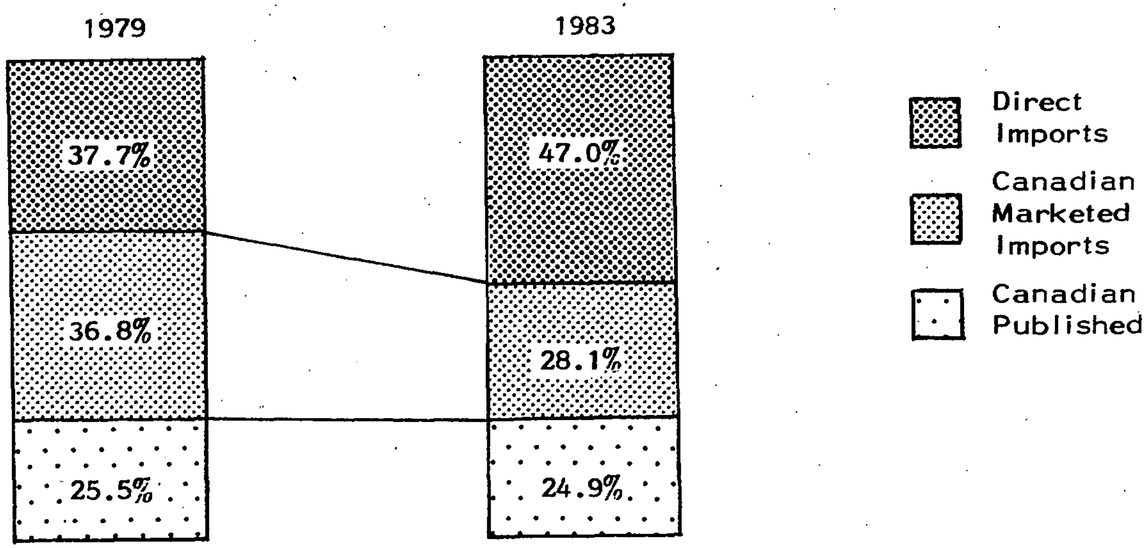
INDUSTRY TRADE DATA: NEWSPAPERS, BOOKS AND PERIODICALS
(SIC 288 and 289)



Source: Canada Consulting based on Statistics Canada

CANADIAN PUBLISHED BOOKS ARE MAINTAINING THEIR SHARE OF THE DOMESTIC MARKET, WHILE CANADIAN DISTRIBUTERS' SHARE OF IMPORTS IS DROPPING

CANADIAN AND IMPORTED BOOKS ESTIMATES OF DOMESTIC SHARE



Source: Canada Consulting based on Statistics Canada

3. CLOSE TO 41,000 PEOPLE ARE EMPLOYED BY MAJOR NEWSPAPER, PRINTING AND PUBLISHING COMPANIES, WHICH COLLECTIVELY CONTRIBUTED $4.3 BILLION TO THE CANADIAN ECONOMY IN 1984

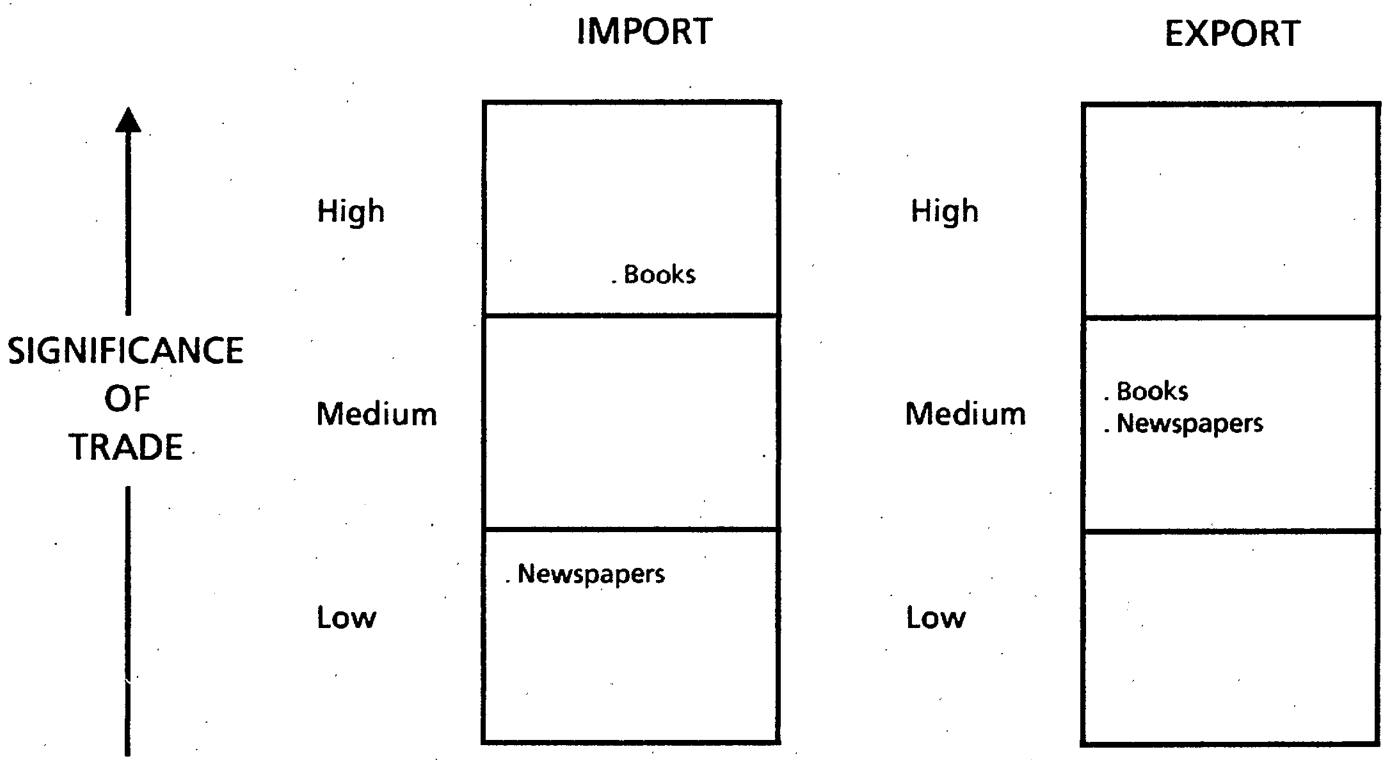
LEADING CANADIAN PRINTING & PUBLISHING COMPANIES

	1984 Revenues (000s)	Major Shareholder		Employment
		Nationality	Ownership	
	$		%	
Southam Inc.	1,084,329	Canada	98	12,846
Maclean Hunter	902,656	Canada	21	5,710
Thompson Newspapers	811,757	Canada	62	10,400
Torstar	619,441	Canada	48	4,000
Toronto Sun Publishing	320,823	Canada	51	2,625
Lawson & Jones	294,762	UK	96	2,317
Quebecor	278,931	Canada	53	2,914
	4,312,699			40,812

Source: Canada Consulting based on Canadian Business 500 data

4. THE CANADIAN MARKET AND CULTURE ARE SIGNIFICANTLY INFLUENCED BY IMPORTS OF BOOKS

PRINTING AND PUBLISHING
NEWSPAPERS AND BOOKS



C. MOST RECORDS AND TAPES SOLD IN CANADA ARE PRODUCED BY AMERICAN-OWNED COMPANIES USING FOREIGN-PRODUCED MASTER TAPES

1. THE SOUND RECORDING INDUSTRY GENERATES A MODEST LEVEL OF REVENUE IN CANADA

2. TRADE IN RECORDS AND TAPES IS LOW, BUT MOST RECORDS AND TAPES PRODUCED IN CANADA USE FOREIGN MASTER TAPES

3. THE FIVE LARGEST SOUND RECORDING COMPANIES ARE AMERICAN OWNED, AND THE TEN LARGEST ACCOUNT FOR 83% OF INDUSTRY REVENUES

4. DOMESTIC PRODUCTION OF RECORDS AND TAPES USING PRIMARILY FOREIGN PRODUCED MASTER TAPES HAS KEPT SOUND RECORDING TRADE VOLUMES LOW

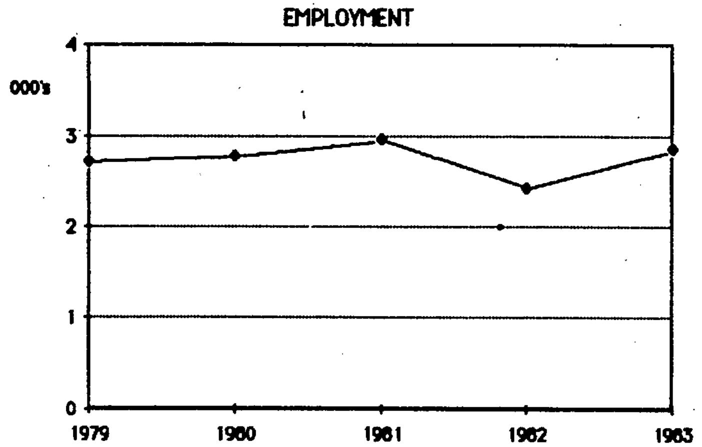
1. THE SOUND RECORDING INDUSTRY GENERATES A MODEST LEVEL OF REVENUE IN CANADA

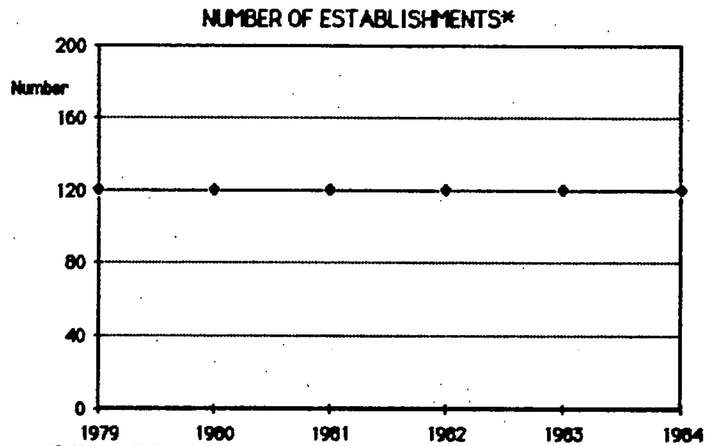
Employment and revenues in 1983 were comparable to 1979 levels, although in real terms revenues have fallen

Three-quarters of the sound recording industry's revenues are generated by companies based in Ontario

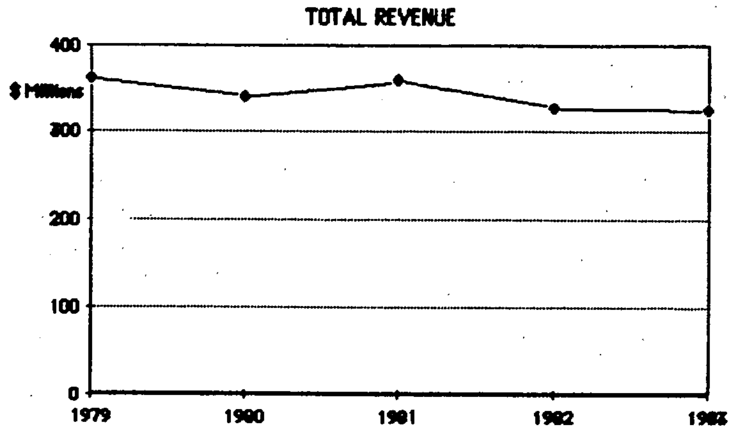
EMPLOYMENT AND REVENUES IN 1983 WERE COMPARABLE TO 1979 LEVELS, ALTHOUGH IN REAL TERMS REVENUES HAVE FALLEN

THE DOMESTIC INDUSTRY: SOUND RECORDING





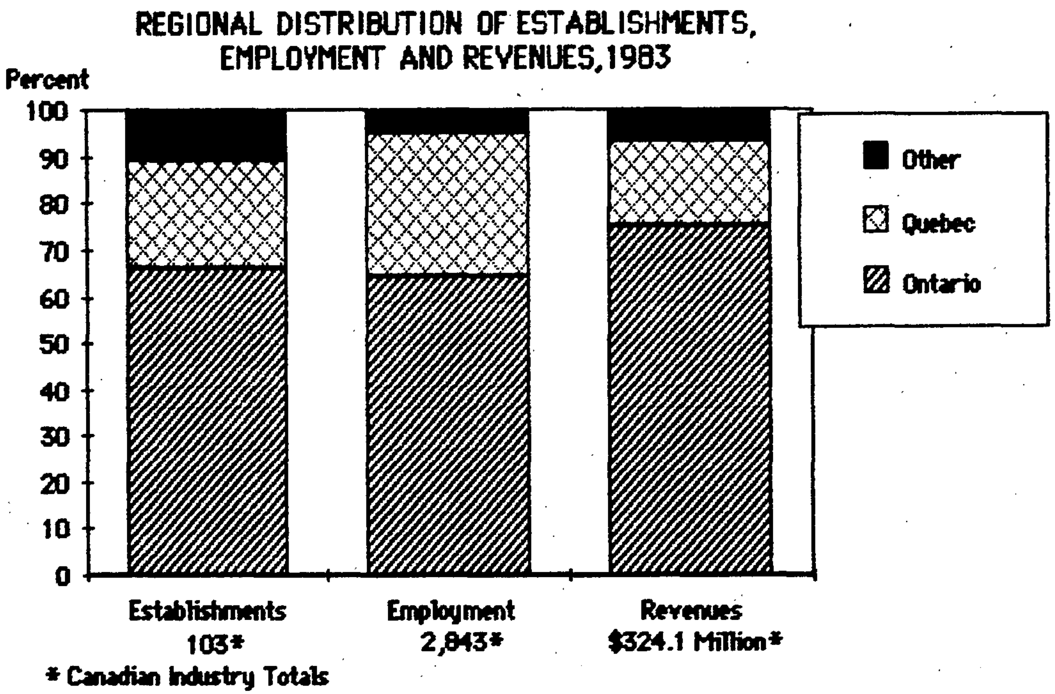
* Estimated to be approximately constant



Source: Canada Consulting based on Statistics Canada

THREE-QUARTERS OF THE SOUND RECORDING INDUSTRY'S REVENUES ARE GENERATED BY COMPANIES BASED IN ONTARIO

REGIONAL BREAKDOWN [1]: SOUND RECORDING



1. For comparative regional breakdown charts based on industry aggregates see Appendix

Source: Canada Consulting based on Statistics Canada

2. TRADE IN RECORDS AND TAPES IS LOW, BUT MOST RECORDS AND TAPES PRODUCED IN CANADA USE FOREIGN MASTER TAPES

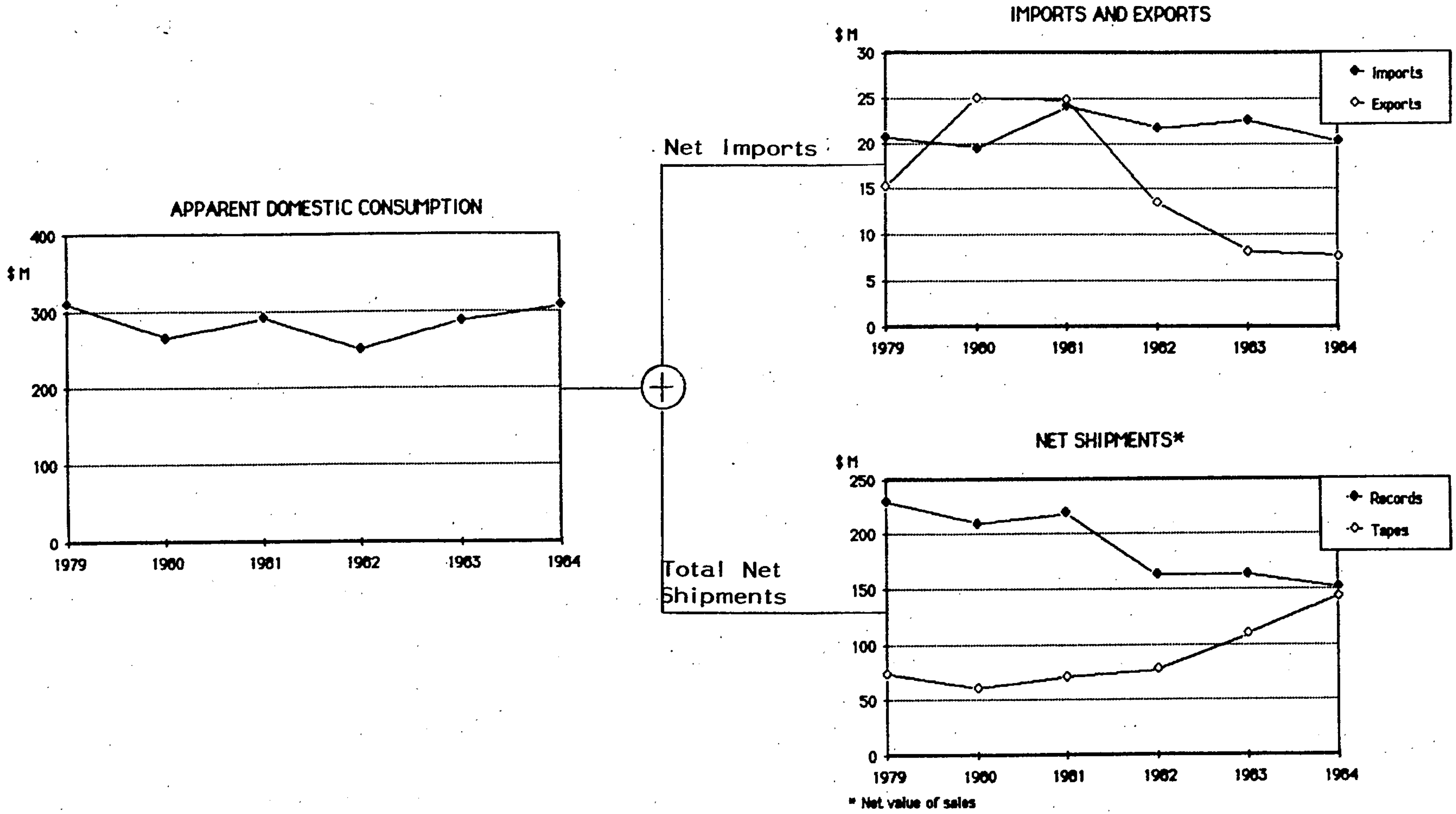
Trade plays a small and declining role in the Canadian records and tapes sector

Canadian sales of records and tapes are primarily produced from master tapes leased from foreign production companies

A substantial trade deficit exists in royalties and licensing fees of master tapes

TRADE PLAYS A SMALL AND DECLINING ROLE IN THE CANADIAN RECORDS AND TAPES SECTOR

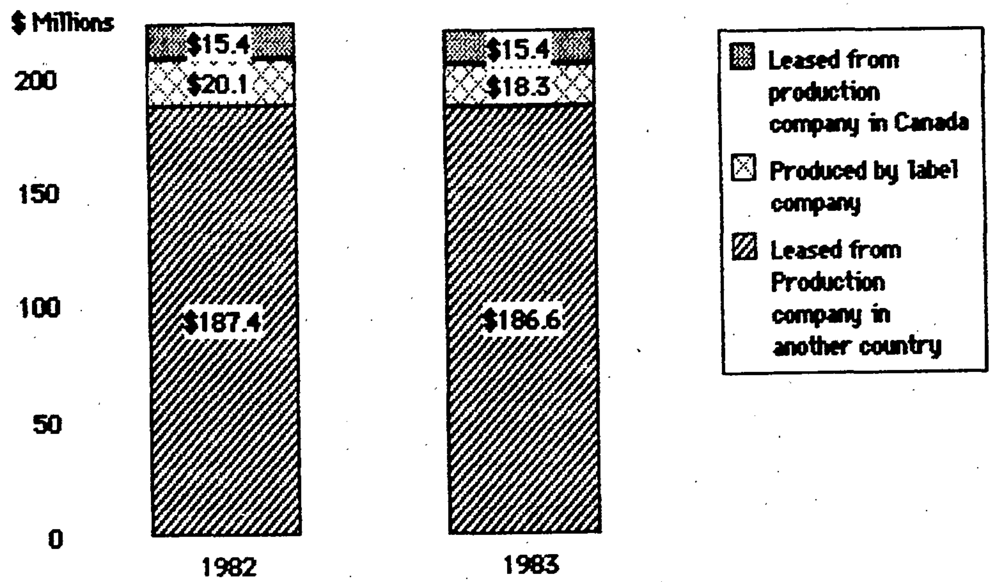
INDUSTRY TRADE DATA: SOUND RECORDING



Source: Canada Consulting based on Statistics Canada

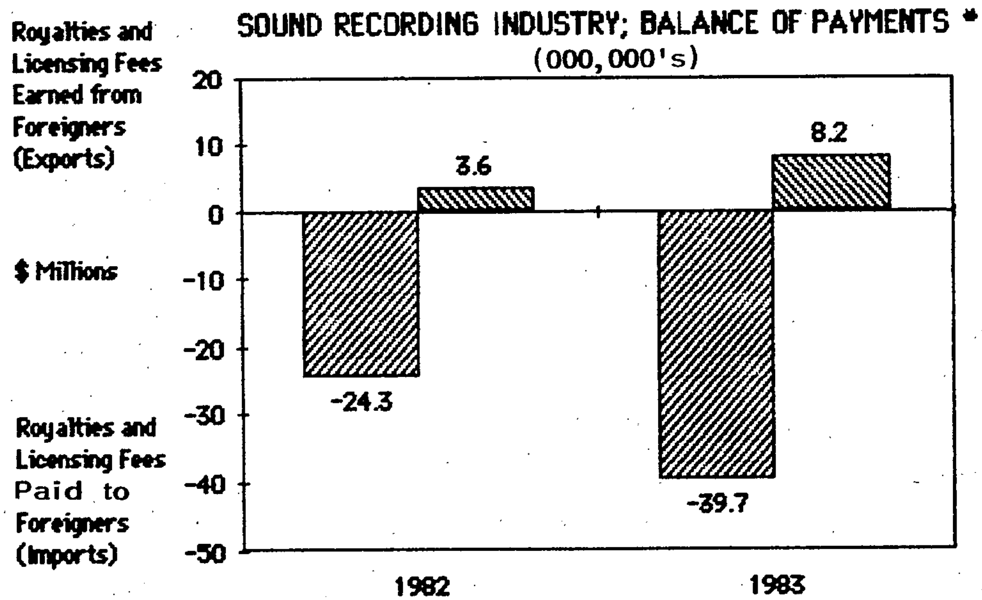
CANADIAN SALES OF RECORDS AND TAPES ARE PRIMARILY PRODUCED FROM MASTER TAPES LEASED FROM FOREIGN PRODUCTION COMPANIES

NET SALES OF DISCS AND TAPES BY ORIGIN OF MASTER TAPES



Source: Canada Consulting based on Statistics Canada Cultural Statistics

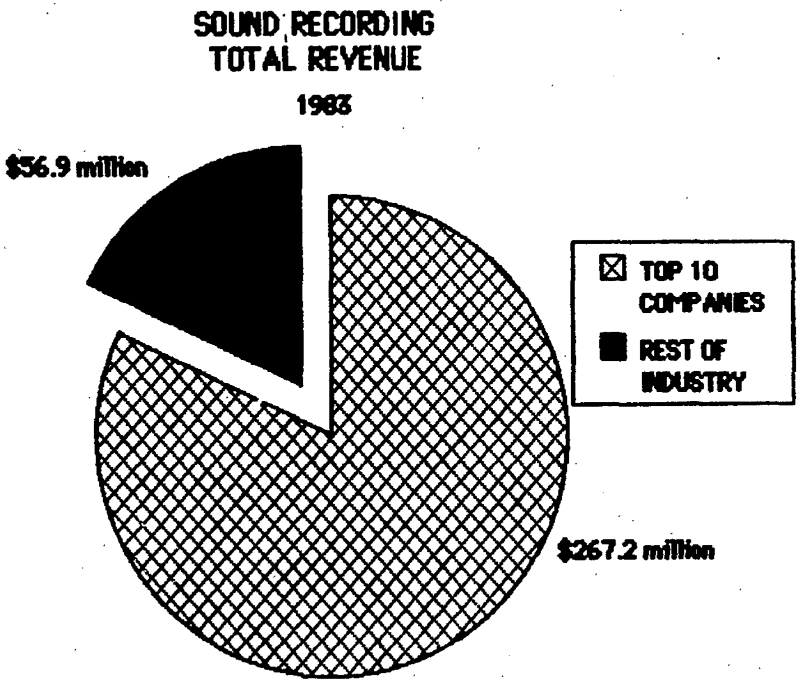
A SUBSTANTIAL TRADE DEFICIT EXISTS IN ROYALTIES AND LICENSING FEES OF MASTER TAPES



* Payments by Label companies for the right to produce and distribute material from a Master Tape

Source: Canada Consulting based on Statistics Canada

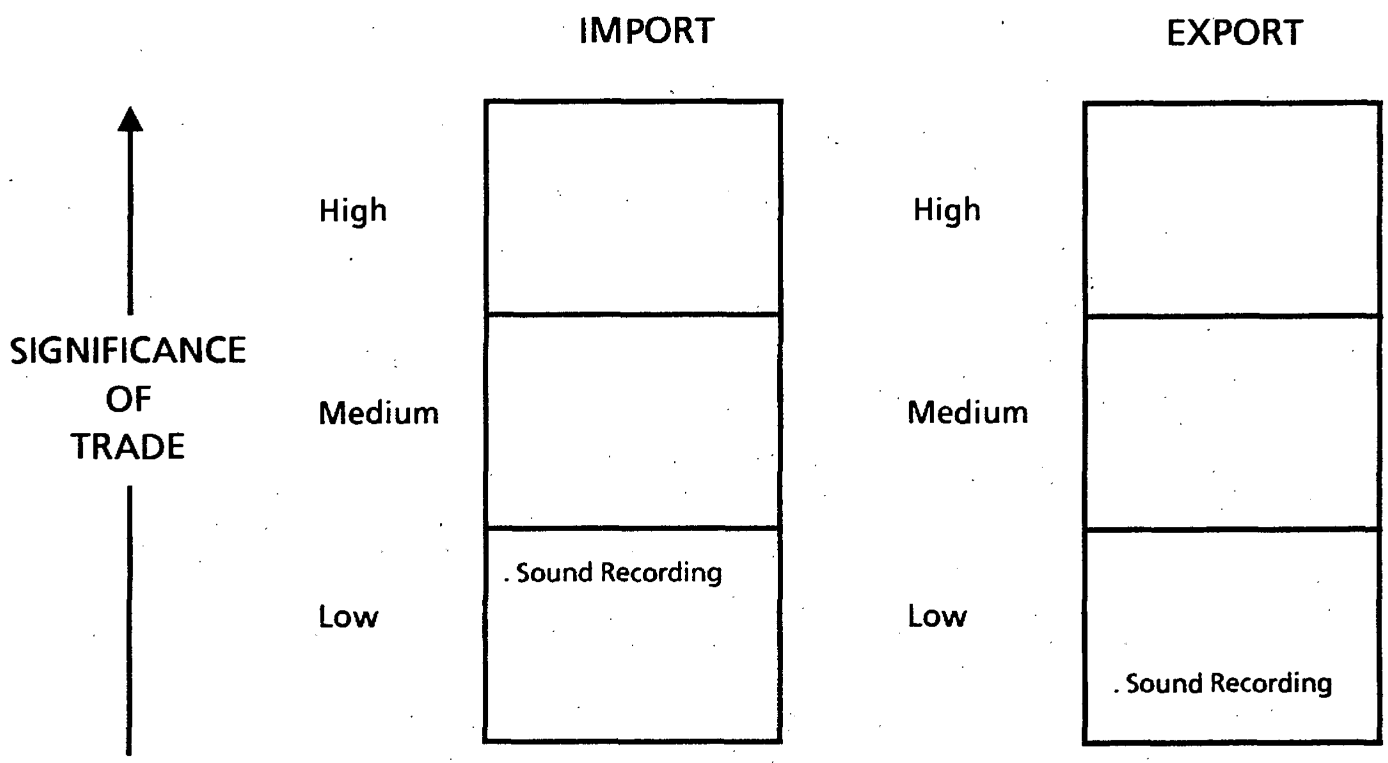
3. THE FIVE LARGEST SOUND RECORDING COMPANIES ARE AMERICAN OWNED, AND THE TEN LARGEST ACCOUNT FOR 83% OF INDUSTRY REVENUES



	COMPANY	OWNERSHIP
1)	WEA Music	U.S.
2)	Polygram Records	U.S.
3)	CBS Records	U.S.
4)	Capital Records	U.S.
5)	RCA Inc.	U.S.
6)	K-Tel International	CDN.
7)	MCA Records	U.S.
8)	A&M Records	U.S.
9)	Quality Records	CDN.
10)	Readers Digest	U.S.

Source: Canada Consulting based on Statistics Canada

4. DOMESTIC PRODUCTION OF RECORDS AND TAPES USING PRIMARILY FOREIGN PRODUCED MASTER TAPES HAS KEPT SOUND RECORDING TRADE VOLUMES LOW



D. CANADIAN CONSUMERS PROVIDE AN ATTRACTIVE MARKET TO FOREIGN ADVERTISERS

1. ADVERTISING IS A MAJOR CANADIAN INDUSTRY, EXCEEDING BOTH THE SOFTWARE INDUSTRY AND THE CABLE INDUSTRY IN SIZE

2. TO DATE, CANADA HAS A POSITIVE NET FLOW OF FUNDS FROM THE UNITED STATES IN ADVERTISING

3. THE TOP TEN CANADIAN AGENCIES BILLLED OVER $1 BILLION IN 1984

4. THE FUNDS TRADED IN ADVERTISING ARE SMALL WHEN COMPARED TO THE TOTAL DOMESTIC MARKET

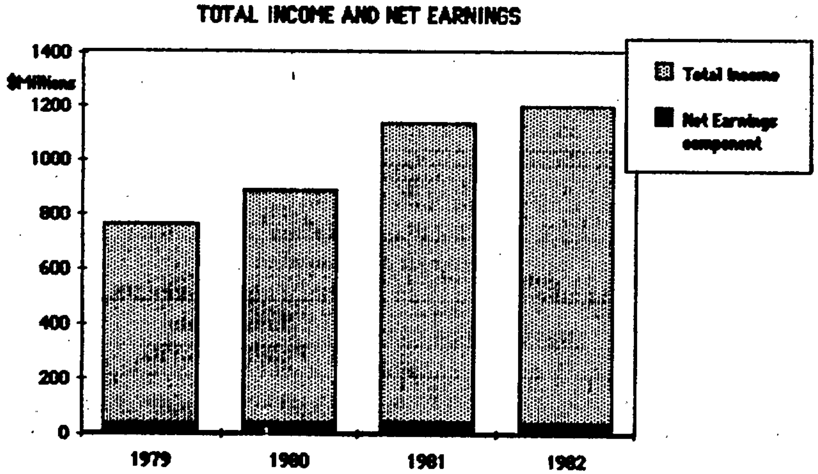
1. ADVERTISING IS A MAJOR CANADIAN INDUSTRY, EXCEEDING BOTH THE SOFTWARE INDUSTRY AND THE CABLE INDUSTRY IN SIZE

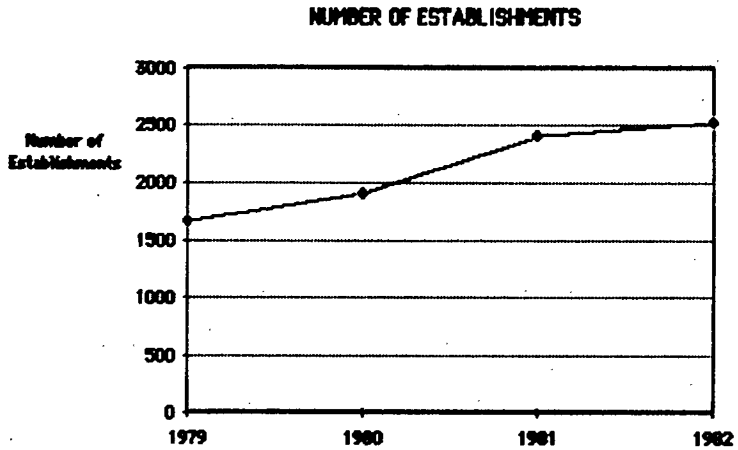
Advertising business is well over $1 billion annually

Real growth has been experienced by all media

Since 1970, television and periodicals have increased their market share while newspapers' and outdoor's shares have declined significantly

ADVERTISING BUSINESS IS WELL OVER $1 BILLION ANNUALLY



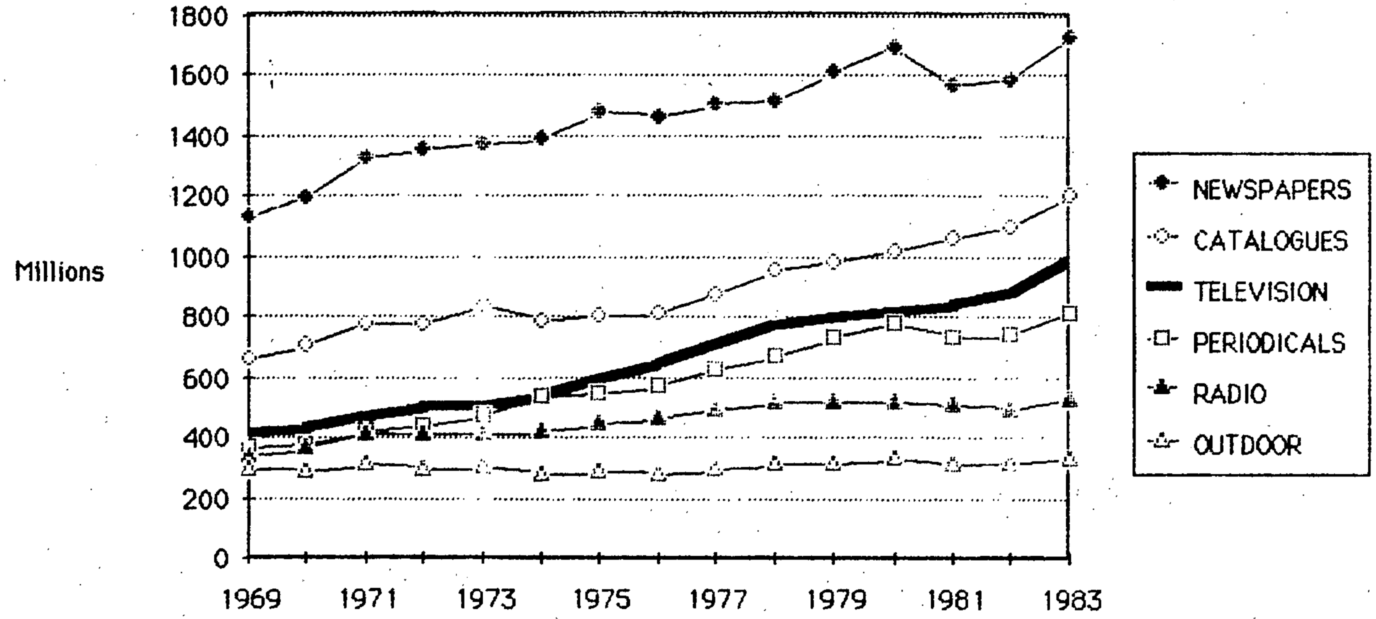


Source: Canada Consulting based on Statistics Canada

REAL GROWTH HAS BEEN EXPERIENCED BY ALL MEDIA

CONSTANT DOLLAR NET CANADIAN ADVERTISING REVENUES

1984 Dollars *



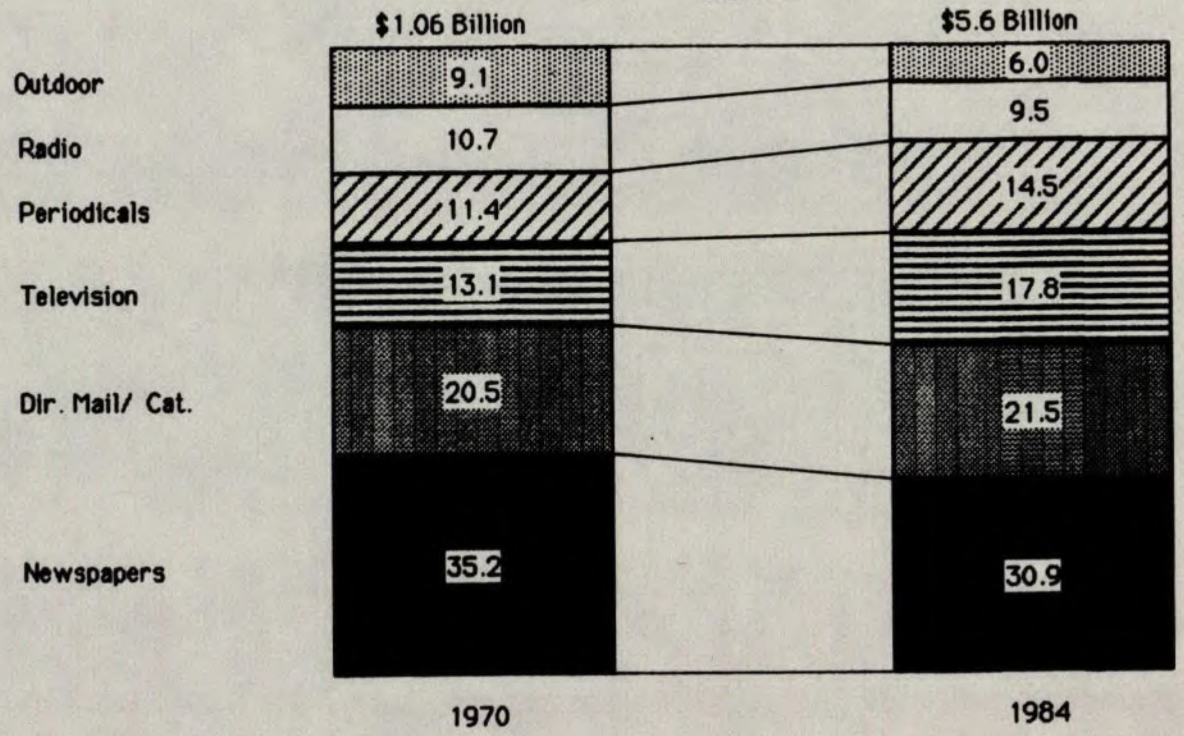
Source : Canada Consulting based on Maclean Hunter Research data

* Calculated using GNP Deflator

SINCE 1970, TELEVISION AND PERIODICALS HAVE INCREASED THEIR MARKET SHARE WHILE NEWSPAPERS' AND OUTDOOR'S SHARES HAVE DECLINED SIGNIFICANTLY

NET CANADIAN ADVERTISING REVENUES

Shares



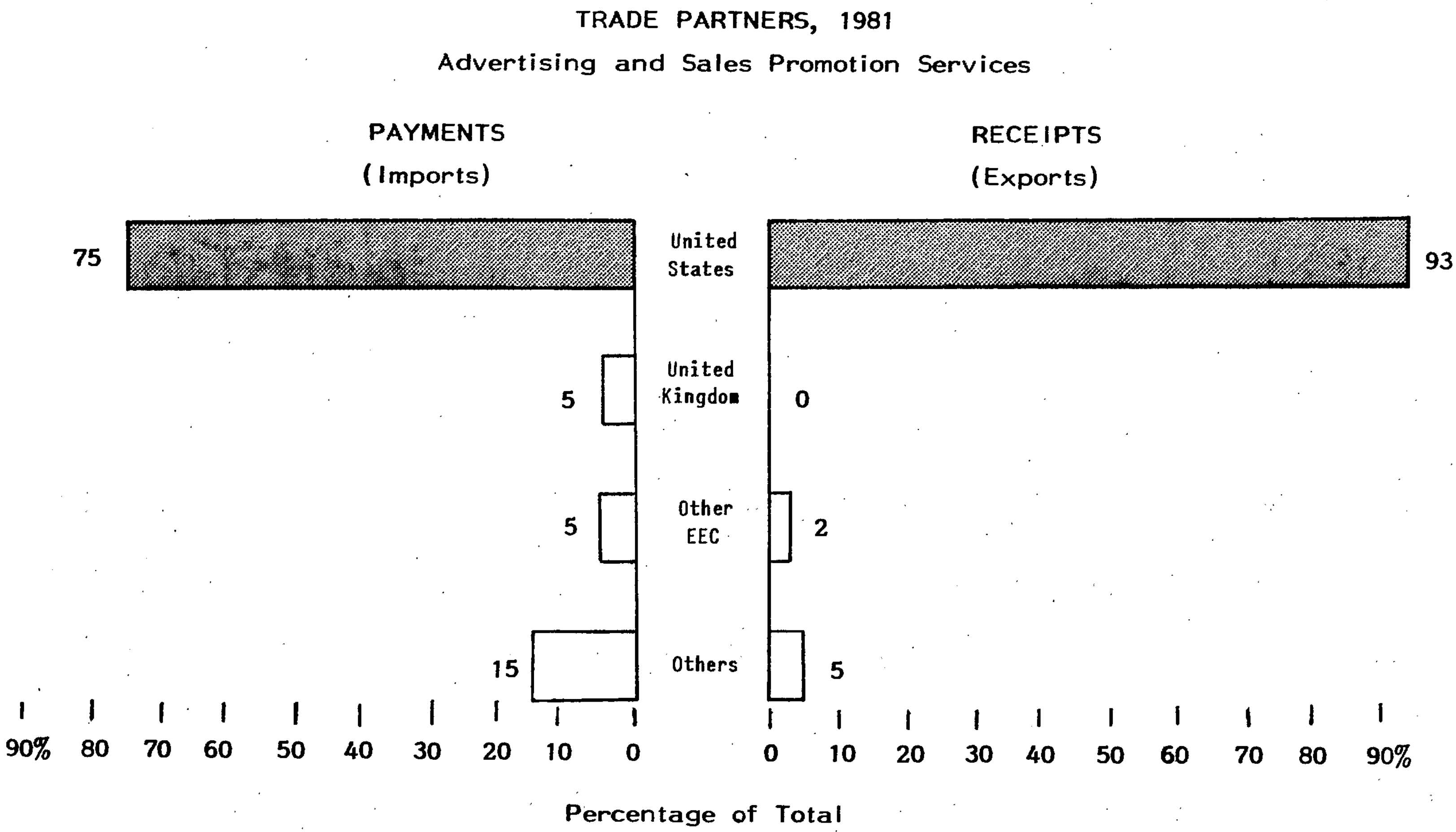
Source: Canada Consulting based on Maclean Hunter Research data

2. TO DATE, CANADA HAS A POSITIVE NET FLOW OF FUNDS FROM THE UNITED STATES IN ADVERTISING

Advertising receipts (exports) from U.S. companies exceed payments (imports) for U.S. advertising

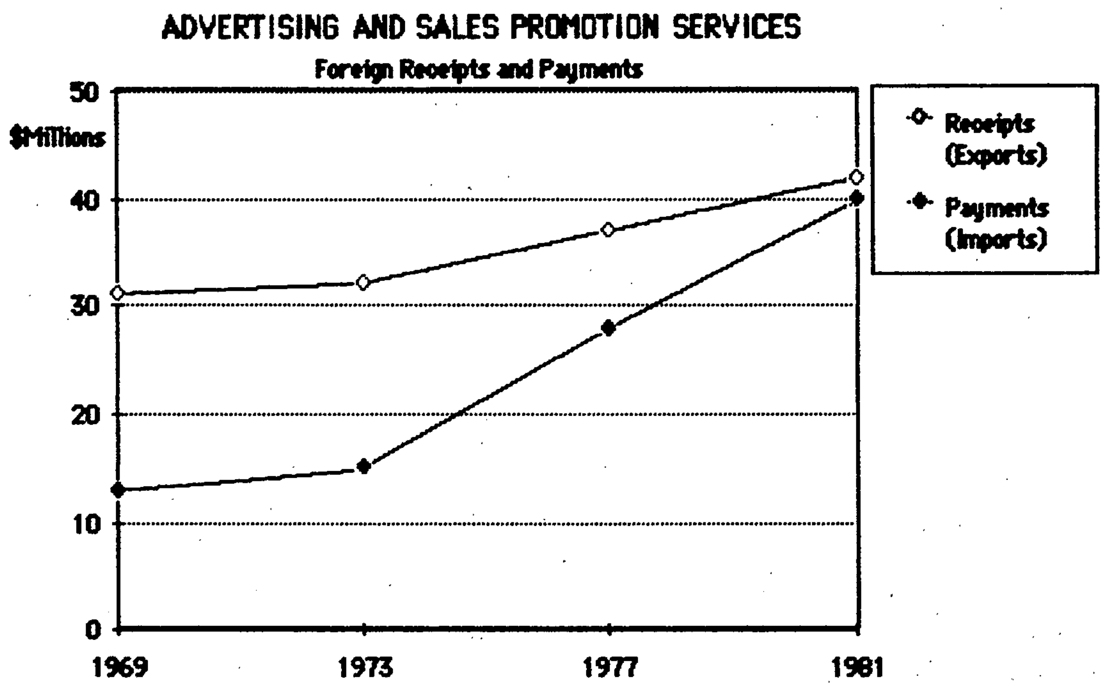
The favourable balance of trade in advertising is narrowing

ADVERTISING RECEIPTS (EXPORTS) FROM U.S. COMPANIES EXCEED PAYMENTS (IMPORTS) FOR U.S. ADVERTISING



Source: Canada Consulting based on Statistics Canada, 67-001, data

THE FAVOURABLE BALANCE OF TRADE IN ADVERTISING IS NARROWING



Source: Canada Consulting based on Statistics Canada

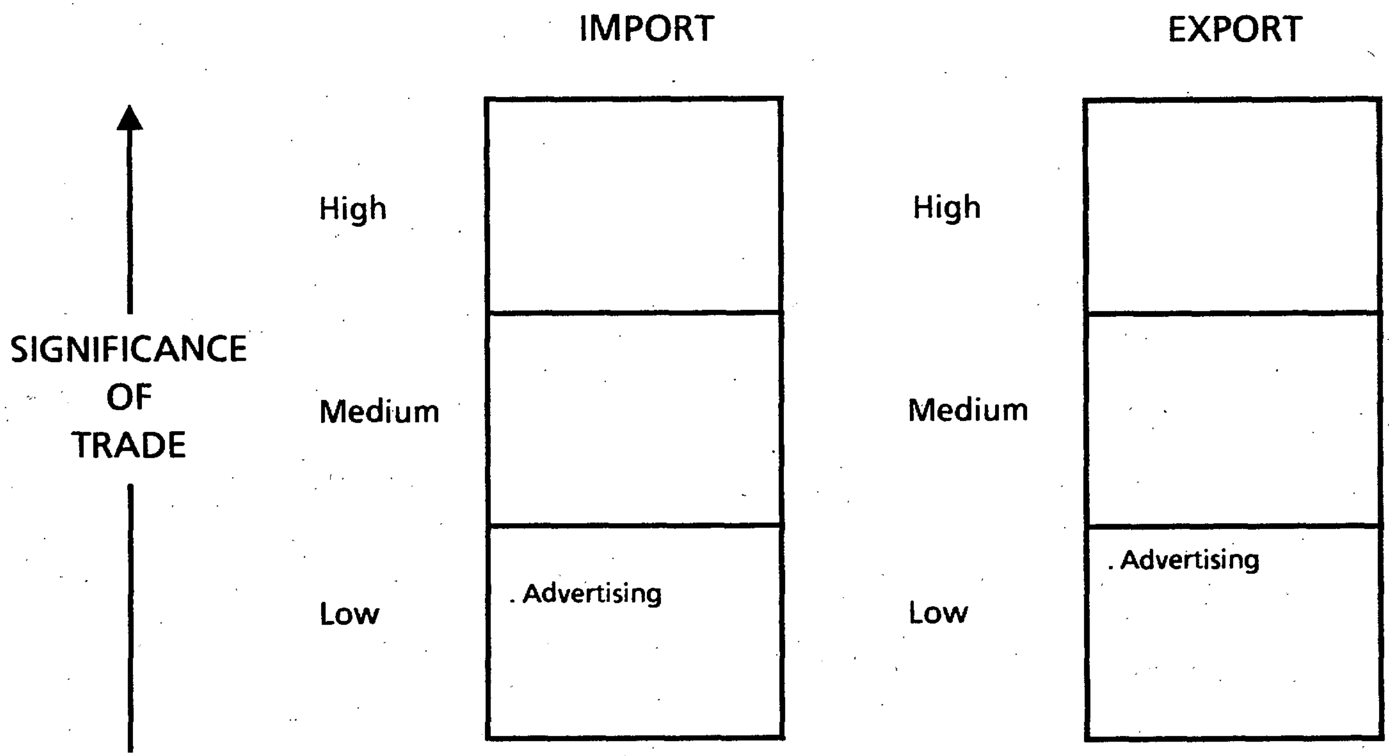
3. THE TOP TEN CANADIAN ADVERTISING AGENCIES BILLED OVER $1 BILLION IN 1984

	Agency / Clients	1984 Billings $ Millions	1983 Billings $ Millions
1	**J. Walter Thompson Company Ltd.** Kraft, Labatt, Ford, Pepsi, IBM, Warner Lambert, Northern Telecom, Ralston Purina, Burger King, Goodyear.	170.0	140.0
2	**McKim Advertising Ltd.** Molson, Canadian Imperial Bank of Commerce, CP Air, Telecom, Dairy Bureau of Canada, Bell, Seven-Up, CP Ltd., General Foods, Gillette.	150.0	133.0
3	**Ogilvy & Mather Advertising** American Express, Campbell, Carling O'Keefe, General Foods, Lever, Rothmans, Rowntree, Royal Trust, Seagrams, Shell, Wendy's.	102.0	90.0
4	**Baker Lovick Ltd.** Alberta Government Telephones, Black & Decker, Bridgestone Canada, B.C. Telephone, Chrysler, Hoechst Canada, Jordan & Ste-Michelle, Kimberly-Clark, LePage's, Petro-Canada, Western Canada Lottery, Wrigley.	95.0	86.5
5	**Saffer Cravit Freedman Advertising Inc.** Firestone Tires & Service, Towers Department Stores, Home Hardware, Fairweather, Thrifty's, Blacks Cameras, Peoples Jewellers, Color Your World, Leons Furniture, Eaton Centre.	92.0	62.0
6	**Vickers & Benson Companies Ltd.** Ford, McDonald's Restaurants, Gulf, Dairy Bureau of Canada, Coca-Cola, 3M of Canada, CN Rail, American Dairy Association, Culinar, Agropur, Cooperative Agro-Alimentaire.	87.0	83.0
7	**Hayhurst Advertising Limited** Beef Information, British Airways, Chesebrough-Ponds, Holiday Inns, Irwin Toy, Laura Secord, Nabisco, Ontario Lottery, Rothmans, Toronto-Dominion Bank.	85.0	90.0
8	**McCann-Erickson Advertising of Canada Ltd.** Coca-Cola, Kodak, Christie Brown, R.J. Reynolds, Labatt, IKEA, Minute Maid, Canadian Canners, American Express, Century 21.	85.0	67.0
9	**Cossette Communication-Marketing Inc.** Agrinove, Club Med, Bell Canada/Telecom, Cosmair (L'Oréal), En Route (credit card), Gaz Inter-Cité, Gilbey (Smirnoff, Malibu), McDonald's Restaurants, Mouvement Desjardins, Provigo, Royal Canadian Mint, Renault/AMC (national co-op).	81.81	61.29
10	**Ronalds-Reynolds & Company Ltd.** List withheld	78.0	67.5

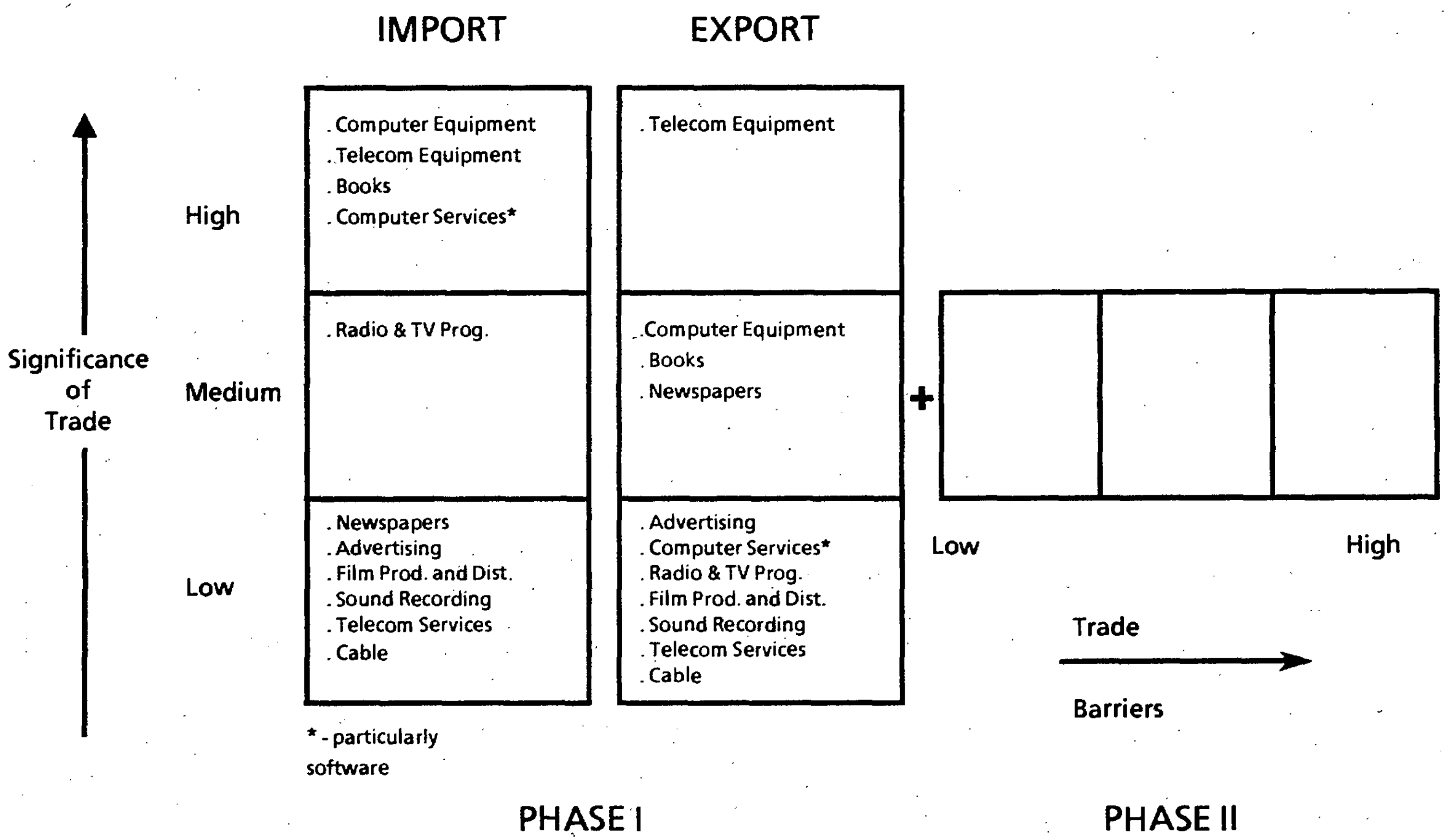
Source: Marketing, December 17, 1984

4. THE FUNDS TRADED IN ADVERTISING ARE SMALL WHEN COMPARED TO THE TOTAL DOMESTIC MARKET

ADVERTISING



PHASE II OF THIS STUDY - TRADE BARRIERS - WILL ROUND OUT THE TRADE PERSPECTIVE ON THESE IMPORTANT SECTORS



APPENDIX:
COMPARATIVE REGIONAL BREAKDOWN CHARTS BASED ON INDUSTRY AGGREGATES

REGIONAL BREAKDOWN: ALL INDUSTRIES