The Economic Contribution of Copyright Industries to the Canadian Economy

Annual meeting of the Society for Economic Research on Copyright Issues (SERCI) – Turin (Italy) July 8-9, 2004

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Purpose

κ To provide the main findings of a study on the economic contribution of copyright industries to the Canadian economy
Overview

- Methodology
- Copyright and the Economy
- International Comparisons
- Issues and Challenges
- Next steps
Study methodology

- Data to estimate the value and quantitative characteristics of core and non-core copyright based (CB) industries derived from Statistics Canada

- Study also employed two sampling vehicles
  - First: Electronic questionnaire was sent to 60 associations representing sub-sectors in CB core industries
  - Second: Personal interviews with key industry representatives were undertaken across the country
Copyright and the economy

- The copyright sector contributes significantly to the Canadian economy.

- International research shows that the economic contribution of CB industries is becoming increasingly important.

- Other countries, including the US, the UK and Australia, all undertake annual reports on the value of copyright to their economies.
Copyright and the economy

WIPO describes copyright-based industries as industries engaged in the creation, production and manufacturing, performance, broadcast, communication and exhibition, or distribution and sales of works and other protected subject matter.

WIPO also recognizes that economic impact can be related to both:

> “core” CB industries (i.e. those that produce goods that are copyright protected)

> “non-core” CB industries (i.e. those that support or are inter-related to core CB industries)
Copyright and the economy

Core copyright-based industries include:

- Press and literature (e.g. authors, writers, translators, etc.)
- Music, theatrical productions, opera (e.g. choreographers, etc.)
- Motion picture, video and sound (e.g. actors)
- Radio and television (e.g. conventional radio & TV broadcasting, etc.)
- Photography, visual & graphic arts, related professional & technological services
- Software, databases and new media (e.g. programming, design, etc.)
- Copyright & collective management societies

Non-core copyright-based industries include:

- Interdependent copyright-based industries (e.g. manufacture, wholesale/retail of TV sets, DVD players, etc.)
- Partial copyright industries (e.g. architecture, engineering, etc.)
- Non-dedicated support industries (e.g. telephony, internet, etc.)
Copyright based industries have seen significant growth over the last decade. Core CB industries’ value-added has grown from $19.6 billion in 1991 to $39.6 billion in 2002. Totals become $27.0 billion in 1991 and $53.4 billion in 2002 when non-core industries are included.
A word about the core-sub-sectors of CB industries

GDP: CORE Copyright Based Industries
(1997-2002) By subcategory
Millions of Chained 1997 Dollars

Years

Millions of Dollars

Press and Literature
Software and Databases
Theatrical, Music
Photography, Visual and Graphic Arts
Radio and Television
Advertising Services
Motion Pictures and Video
A word about the core-sub-sectors of CB industries

κ The software and databases sub-sector achieved phenomenal growth between 1997 and 2002, experiencing a 16% annual growth rate.

κ It has grown to be the largest contributor to GDP.

κ Broadcasting grew at just under 2% on average.

κ Photography/graphic arts, press, and motion pictures sub-sectors each achieved at least 6% average annual growth.
Copyright based industries have seen significant growth over the last decade.

Calculated as a percentage of economy-wide GDP, CB industries have steadily increased their contribution to the economy.

In 2002, its contribution was 5.38%.

It was only 3.87% in 1991.
Copyright based industries have seen significant growth over the last decade

CB industries now contribute more to GDP than accommodation and food ($23.5B), agriculture ($20.5B), or mining/oil and gas extraction ($37.4B)

Contribution of Copyright Based Industries Compared to Selected Other Industries, 2002

<table>
<thead>
<tr>
<th>Industry</th>
<th>2002 Annual Growth Rate</th>
<th>GDP 1997 Chained $</th>
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</thead>
<tbody>
<tr>
<td>Copyright Based</td>
<td>6.5 %</td>
<td>53.4 billion</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>-3.4 %</td>
<td>20.5 billion</td>
</tr>
<tr>
<td>Mining and Oil and Gas Extraction</td>
<td>1.9 %</td>
<td>37.4 billion</td>
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<tr>
<td>Utilities</td>
<td>4.2 %</td>
<td>28.3 billion</td>
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<tr>
<td>Accommodation and Food Services</td>
<td>4.7 %</td>
<td>23.5 billion</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1.9 %</td>
<td>53.9 billion</td>
</tr>
</tbody>
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Employment numbers reflect increasing importance of CB industries to economy

- Total employment in CB industries grew from 500,000 employees in 1991 to almost 900,000 in 2002.

- This compares with 871,000 workers in accommodation and food services, 499,000 in construction, and almost 1.5 million for retail trade.

- Copyright-based industries have also continued to increase their share of total employment – In 1991, its share was 4.5%, and grew to 6.9% by 2002.
Employment numbers reflect increasing importance of CB industries to economy

Between 1991 and 2002, employment in the CB industries grew at about 5.3% while the national economy grew at 1.4%.
Canada is exporting a greater number of CB goods than ever before…

Exports of core CB goods have increased each year since 1996, reaching almost $2.3 billion in 2002.

This represents almost a doubling from the 1996 export level of $1.2 billion.
... but Canada remains a net importer of CB goods

Since 1996, imports in the CB industries have generally been in the range of $3-$3.5 billion

The gap between exports and imports has been decreasing since 1997 (except in 2002)

> The CB goods trade deficit decreased from almost $2 billion in 1997 to about $1.2 billion in 2001
Comparisons with Other Countries

Key comparable studies come from the U.S. and Australia.

The report examines Canada’s performance in CB industries, compared to these two countries and has determined that they are all experiencing similar economic trends.
USA leads the way in terms of percentage of GDP attributable to CB industries...

The latest U.S. study estimates shows that 7.8% of U.S. national GDP was related to copyright industries.

Comparable figures for Canada and Australia are 5.4% (2002) and 3% (2000), respectively.

Average annual growth of CB activity is high in all countries, but the US experienced highest growth at 7.7% compared to 6.5% for Canada.
… but Canada has seen the importance of jobs and exports grow

Canadian rate of employment growth exceeds that of the U.S. (after 1993)…

…and the rate of growth in Canadian exports has generally exceeded that of the U.S.
Issues and Challenges of core-sub-sectors of CB industries

Industry views on the main issues and challenges facing sub-sectors have a degree of commonality, but also individuality.

Industry representatives surveyed for this study indicated that the most important factors affecting the industry financial health over the last decade included:

- Government regulation and policy
- Technological change
- Access to financing
- Global competition
- Access to skilled labour

New technology was overwhelmingly identified as the most significant change factor in the way business is conducted.
Next Steps

- Additional research should be undertaken so that the economic contribution of CB industries can be better understood.

- The study will serve to assist our department in determining its policy framework for medium- to long-term policy issues in the copyright area.

- It will hopefully serve to spark further research with other sector-oriented branches at Canadian Heritage that wish to pursue joint studies.