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MARKETING CANADIAN CULTURAL PRODUCTS
TO WESTERN EUROPE

A Report Prepared at the Request of
The Department of External Affairs

by

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CHAPTER 1
INTRODUCTION

OBJECTIVES

The objectives of this report are:

- (i) to provide a market assessment identifying commercial export opportunities for Canadian cultural products and services in Western Europe;
- (ii) to briefly assess the federal government's programs and services to assist the cultural enterprises in marketing and promoting products in Western Europe;
- (iii) to recommend ways and means of improving export sales of Canadian cultural goods and services to Western Europe.

We recognize that the non-commercial aspects of cultural activity deserve to be acknowledged for making a fundamental contribution to the cultural development of Canada. However, in this report we decided to focus on the economic benefits and commercial opportunities that the Canadian cultural sector can achieve from reciprocity in trade and diplomatic ties with Western Europe. The commercial cultural products and services described in this report include book and periodicals publishing, television film and video programming, and sound recording. It is intended that theatrical film will be funded as a separate market study.

The report describes the various cultural markets, but in accordance with our terms of reference it excludes the marketing of printing machines,

musical instruments, and electronic equipment. From our review of the findings we believe separate reports should be prepared on the electronic equipment, and the musical instrument markets.

The study provides an overview of the market in Western Europe, and then focus on the four primary markets of France, Great Britain, Germany and Scandinavia; and the secondary markets of Belgium, Switzerland, the Netherlands, Italy, Austria, Spain and Portugal. In some cases, market information on Scandinavia and the secondary markets was difficult to obtain given the resource and time constraints under which the study was commissioned.

No attempt was made in this study to assess the Eastern European market but from our review of the available material it is clear that a limited assessment would be advisable to be undertaken particularly from a political-economic perspective in the context of Soviet glasnost and Western European economic unification.

BACKGROUND

Prior to this study, a limited amount of market research had been commissioned by the government and private sector on export opportunities for Canadian cultural products and services in the Western European market. Most of this earlier research is sector specific and concentrates on particular market segments. With the increasing importance of commercial cultural activity in the economy it was decided

to undertake an additional multi-sectoral assessment of marketing opportunities in Western Europe.

This study is occurring consecutively with several other federal government sponsored initiatives aimed at defining a substantial export marketing strategy for the cultural sectors. The study should be interpreted as an attempt to present an initial overview of significant commercial trends occurring in the Western European market. It should be regularly augmented by systematic in-depth market studies performed jointly by government and the private sector to ensure that our cultural enterprises are kept informed of current market information so they can access commercial opportunities and increase the volume of exports to this lucrative European market. This is particularly imperative because of the impending unification of Western Europe in 1992.

CULTURAL ENTERPRISES

In September 1985, Prime Minister Mulroney spoke in Chicago of the importance to Canada of cultural sovereignty and the need to protect and advance its own cultural enterprises. This initiative was followed up by extensive negotiations on Canada - U.S. Free Trade where it was decided we should maintain our own distinct cultural enterprises within the Canadian economy.

Canadian culture encompasses who we are, our values, attitudes, beliefs and how we express ourselves as a people within society. Our cultural

development and the quality of our cultural expression is gaining attention and international acclaim. Every means possible should be devoted to affirming and enhancing the development of our cultural enterprises for it forms a good part of the creative driving force in our country's economy.

The creative abundance of our writers, painters, musicians and performers are producing cultural works that have high standards of excellence and world appeal. As a society, we must continue to reward our artists and try to ensure that their material working conditions are improved for they are the creative people on which our culture is based. They also provide the creative talent upon which our cultural enterprises depend.

Cultural enterprises play a crucial role in Canadian development that is much broader and more diversified than other economic or commercial sectors. Through these enterprises we produce and disseminate cultural product, that embody our attitudes, beliefs and values, such as books, magazines, films, that in turn reflect and shape our society, and thereby affirm our own cultural identity and our existence as a distinct and sovereign nation.

Cultural enterprises are the principal instruments for the production, distribution and exchange of cultural goods and services. They usually base their commercial activities on ownership of cultural copyrights. They operate on a profit making basis, using capital generated from

Figure 1.1
CANADIAN CULTURAL INDUSTRIES WORLD EXPORTS (1980 - 1986)

Commodity	1980	1981	1982	1983	1984	1985	1986
Books ¹							
- Commodities	55.3	55.9	54.7	85.3	98.5	107.2	122.4
- Subsidiary Rights	0.3	0.3	0.3	0.5	0.8	1.1	2.1
Sub-Total	55.6	56.2	55.0	85.8	99.3	108.3	124.5
TV Stations/Networks²	15.0	15.0	16.7	15.5	18.1	24.0	10.5
- Film/Video Producers ³	3.2	3.6	8.5	6.6	13.8	5.5	21.2
Sub-Total	18.2	18.6	25.2	22.1	31.9	29.5	31.7
Film Producers	4.9	12.0	14.8	9.2	20.8	11.7	33.1
Film Distributors	1.6	0.6	0.2	0.3	0.2	2.0	3.9
Film Exposed	0.2	0.5	0.9	1.3	0.9	4.9	17.6
Records							
- Commodities ³	25.0	24.8	13.0	8.2	7.7	8.5	12.3
- Royalties ⁴	3.0	3.0	3.5	8.2	6.2	5.3	4.7
Sub-Total	28.0	27.8	16.5	16.4	13.9	13.8	17.0
TOTAL	105.1	111.6	103.2	127.2	152.3	159.8	189.0

SOURCE: Dept. of External Affairs, BKC, Special Run by Statistics Canada 1988

- Note:
1. Excludes re-exports; represents value of shipments
 2. Public sector accounts for 22% of exports in 1985
 3. Includes: Phonograph records and blanks; excludes re-exports
 4. Includes: Sale of masters, license fees and mechanical royalties
 5. Includes: Discretionary Pay TV and TV Programs & Commercials

sources of copyright revenue and investment returns, and they sell their products according to the rules of the market economy.

It is estimated by Statistics Canada that the performing arts and cultural enterprises contribute a combined amount of \$5.2 billion to the gross domestic product. Over one million Canadians derive their income directly or indirectly from these industries following a remarkable 90% increase in the number of jobs in the sector since 1971. Total salaries paid within the cultural sector amounted to \$3.7 billion in 1985 and contributed \$1.4 billion in return to government revenues.

Canada is one of the greatest importers of cultural products in the world. Our country has maintained open borders and policies which encourage access to a great diversity of cultural products that contribute to our vibrant society. But because of our openness to international cultural exchange, we are increasing our cultural deficit globally by over \$2.5 billion in cultural products and services. To redress this trade imbalance we must export more through international marketing.

Currently our export performance is poor, at approximately \$189.0 million globally per year, but there are significant indications that substantial improvements can be made in these areas (see Figure 1.1). We probably cannot reduce the amount of cultural imports, particularly from the United States, whose industries dominate many segments of our domestic market, but we can develop effective export measures to offset this

deficit. It is also equally clear that we will encounter competition from other countries with the unification of Western Europe. This competition could become quite fierce and therefore we require a solid coherent government/industry export strategy to maintain an effective commercial presence in these markets.

Over the past decade, Canadian cultural industries have matured to the point where we no longer have to talk repeatedly about the need to protect our struggling domestic infant industries. Our industries are delivering products and services with standards of excellence that have world appeal and which are on par with our American and European counterparts. Since our domestic markets are of a limited finite size we cannot continue to market mainly domestically, we must be prepared to market more extensively internationally, in order to ensure the growth and viability of this economic sector.

The global economy is picking up and markets for our cultural industries are flourishing. Our businessmen are younger and a new generation of cultural industry entrepreneurs are rising rapidly in the economy. This is particularly evident in Quebec and Western Canada where a dynamic new business oriented milieu is emerging in all of the cultural industries.

The total government sector at all levels (federal, provincial and municipal) is not yet fully geared up to market cultural goods and services internationally. A strategic infusion of capital coupled with certain governmental organizational changes are required to ensure an

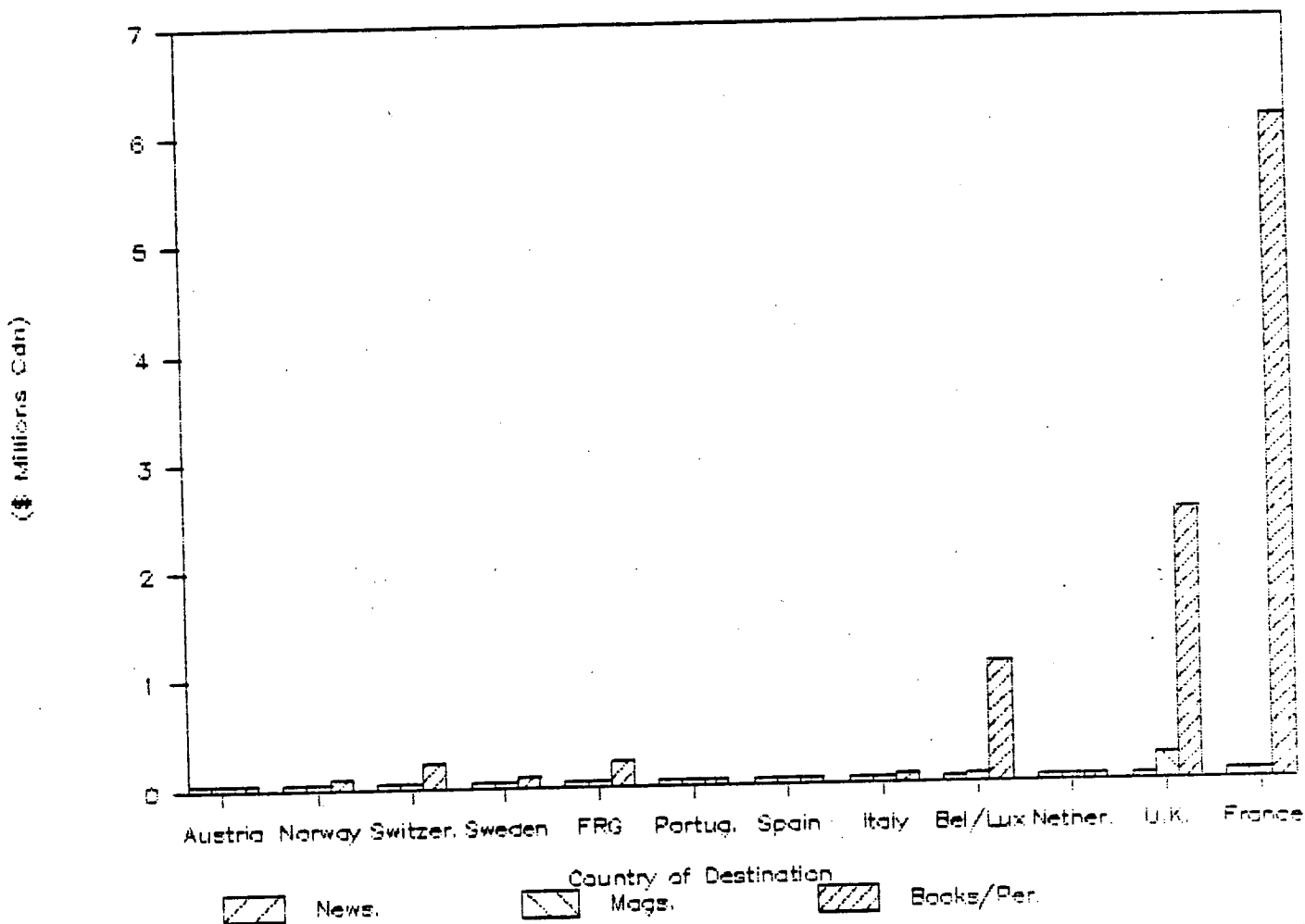
extended market system for our cultural products. The means and information provided by government support are still needed to successfully market abroad, and we should look to Western Europe as a key target area, second to the United States, to market our products more aggressively.

Reliable, up-to-date statistics on the export earnings of cultural industries are difficult to obtain, but some industry estimates have been obtained for this report. The Canadian book publishing industry is estimated to be selling \$10.4 million to Western Europe (see Figure 1.2). In sound recording, our newest emerging cultural industry, we are selling over \$13.8 million records and rights to the Western European market (see Figure 1.3).

Telefilm estimates that Canadian film producers and distributors are probably selling annually over \$35 to \$40 million in films in Western Europe. Crown corporations, which constitute some of our principal cultural instruments, are also improving their export earnings. CBC International is selling over \$8 million worth of film in Western Europe; the National Film Board (NFB) is selling \$1.3 million to a specialized film market. This total amount of film exporting does not appear to be fully reflected in Statistics Canada data as shown in Figure 1.4.

With a concerted government-industry export market strategy these export earnings could mark the auspicious beginning of a strong growth in international cultural trade in goods and services as the Western

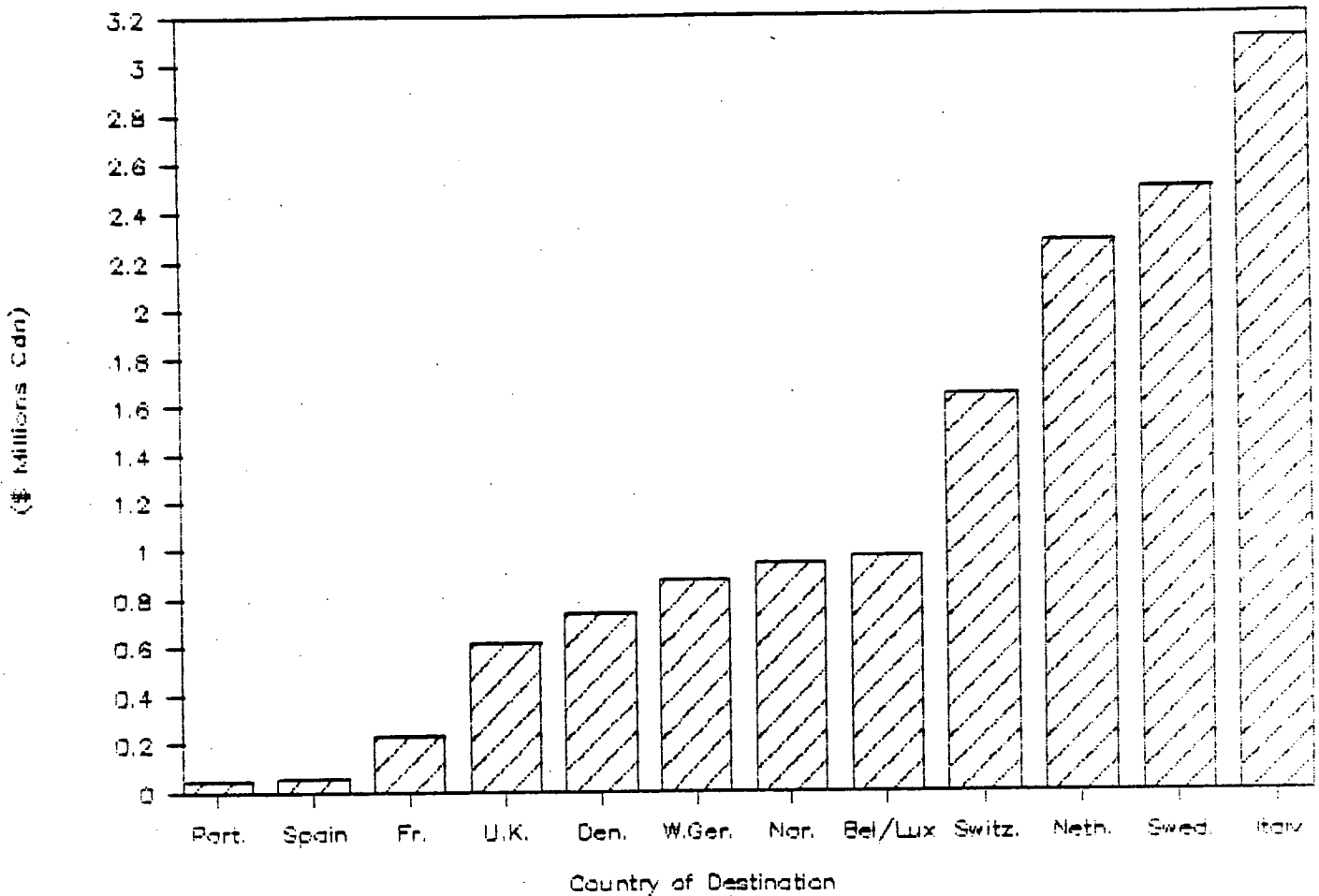
Figure 1.2
CANADIAN EXPORTS OF PUBLISHED MATERIAL TO WESTERN EUROPE (1987)



Country of Destination	Newspapers \$ 000	Magazines \$ 000	Books/Periodicals \$ 000
United Kingdom	3	225	2,481
Ireland			61
Austria			2
Belgium-Luxembourg		22	1,103
Denmark			15
France	43	86	6,082
West Germany	27	5	224
Italy			37
Netherlands			53
Norway			95
Portugal		1	4
Spain			3
Sweden		3	49
Switzerland		7	228
Total Europe			10,437
Total World			

SOURCE: Statistics Canada Catalogue 65-004, "Exports by Commodity", Annex A

Figure 1.3
CANADIAN EXPORTS OF PHONOGRAPH RECORDS AND BLANK TAPES TO WESTERN EUROPE (1987)



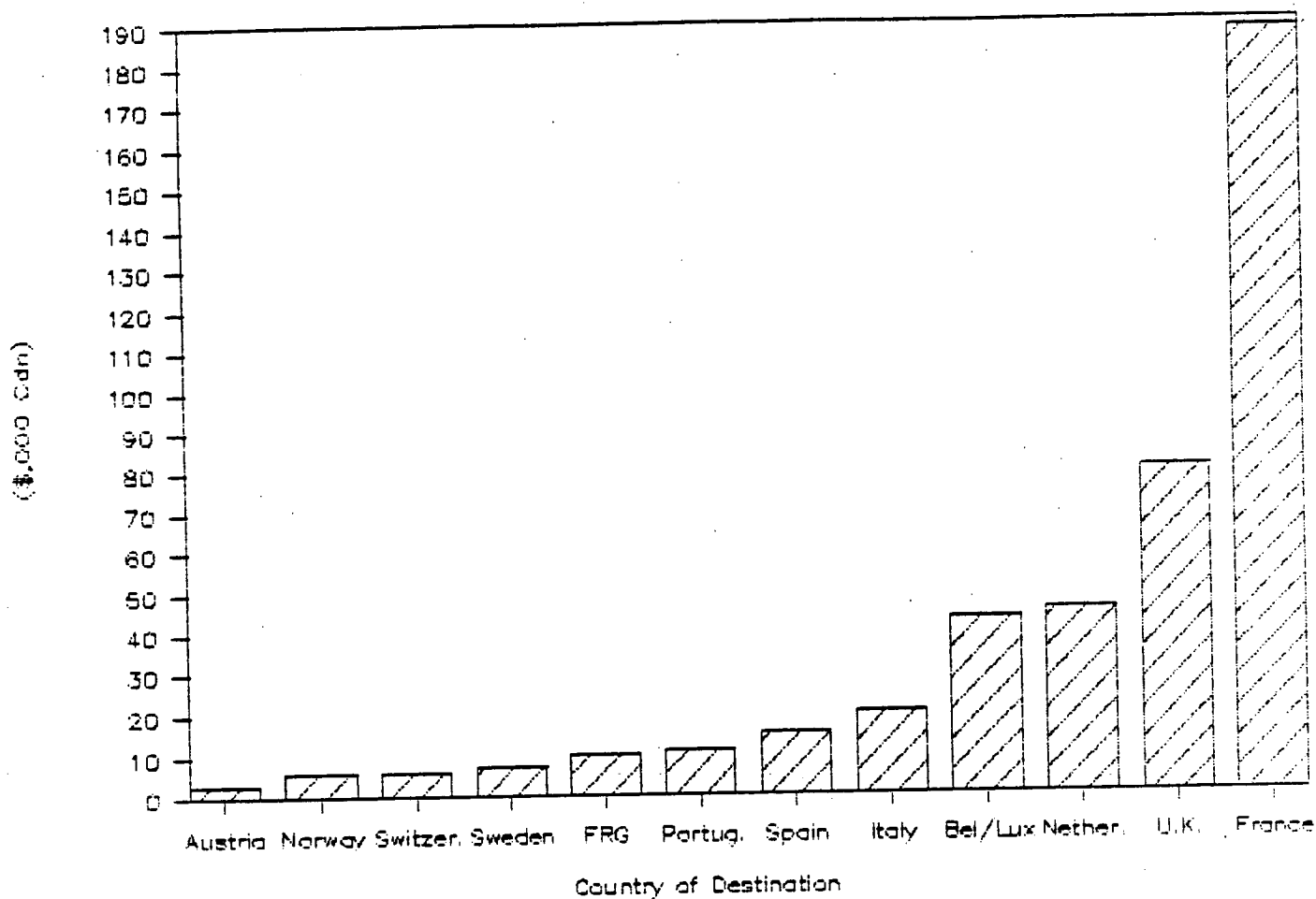
Country of Destination	Value \$000
United Kingdom	613
Belgium-Luxembourg	973
Denmark	735
France	236
West Germany	871
Italy	3,102
Netherlands	2,270
Norway	938
Portugal	10
Spain	16
Sweden	2,485
Switzerland	1,646
Total Europe	13,895
Total World	21,944

SOURCE: Statistics Canada Catalogue 65-004, "Exports by Commodity", Annex A

Note: (i) Statistics Canada does not publish separate export statistics for pre-recorded studio tapes.

(ii) Finland value \$1,520 K is Canada's fifth largest destination market.

Figure 1.4
CANADIAN EXPORTS OF MOTION PICTURE FILM TO WESTERN EUROPE (1987)



Country of Destination	Value \$ 000
United Kingdom	80
Austria	1
Belgium-Luxembourg	43
France	188
West Germany	10
Italy	20
Netherlands	45
Norway	6
Portugal	11
Spain	15
Sweden	7
Switzerland	6
Total Europe	432
Total World	24,014

SOURCE: Statistics Canada Catalogue 65-004, "Exports by Commodity", Annex A

Note: Statistics Canada does not include a separate value for film rights in these export statistics.

trade, and to seek ways to develop a constructive series of reciprocal arrangements with our Western European trading partners.

A successfully orchestrated and concerted government export program for Canadian cultural products could provide us with an opportunity to construct a solid relationship with our Western European trading partners. The increased export of our cultural products would help to project our national character abroad and communicate our cultural achievements as a distinct nation defining itself as a separate country from the U.S.A. It would also enrich our traditional diplomatic ties with members of the European community.

In our estimation, DEA's trade, political and public affairs divisions should collaborate on defining a five year strategy using concerted resources to achieve a significant increase in our political and economic relations with Western Europe.

STUDY APPROACH

Increased trade and diplomatic ties through the export of cultural industry products and services has a direct beneficial impact on our domestic economy. In recognition of this, the Department of External Affairs requested the private sector consulting company, Ottex Consultants Ltd., to conduct a study of the markets for Canadian cultural industry in Western Europe. The company was retained to provide a current market assessment delivered in an integrated format to facilitate

ongoing federal departmental discussions and initiatives in trade and cultural matters. This can be viewed as an initiative which follows the Canada - U.S. discussions on Free Trade, and in preparation for negotiating on the unification of Western Europe in 1992.

The assignment commenced with an extensive analysis of available written documents provided to our consulting team by DEA/BKC, and reports provided by program managers of DOC. This was followed by a series of orientation meetings with government officials in Ottawa and field interviews with private sector representatives in Montreal and Toronto.

Our affiliate company, B.G. Media Développement, located in Paris, supplemented our market information by preparing an in-depth synopsis of the French market. Our London affiliate company, Gavin Campbell Associates furnished us with commercial contacts and introductions to the British market. Our New York associates kept us apprised of some of the U.S. commercial cultural developments in Western Europe.

This material was synthesized to provide a current assessment of the market position of Canadian cultural industries selling in Western Europe. In chapter one, we introduce the objectives of the report and give a definition of the cultural context. Chapter two presents a brief overview and analysis of Federal government programs supporting the international marketing of Canadian cultural products. The subsequent chapters deal with the sectoral demand for our products within the Western European market. They identify market opportunities and

constraints, and indicate measures for enhancing the export of Canadian cultural products to Western Europe.

CHAPTER 2
FEDERAL GOVERNMENT EXPORT MEASURES



A BUSINESS PERSPECTIVE

In general, the cultural industries express encouragement and endorsement of existing government measures designed to assist the cultural sector. However, what comes to the fore is their concern about the inconsistency of government export support. This major concern was communicated to us throughout all our interviews with members of the industry and their associations, and from a review of the four hundred responses to a World Information Network for Culture (WIN) survey.

According to these sources, the funding levels fluctuate; capital cost tax measures are put in place to increase film production and then radically reduced; program priorities for export support are changed and resource allocations for international promotion and events are made without prior consultation with industry. The industry in some instances feels that it is obliged to fit into government requirements rather than the programs being more flexible and responsive to private sector needs.

Frankfurt and Bologna Publishers' Fairs

The government measure singled out for attention by the book publishing industry was the reduction and/or elimination in federal program support for presence at the Frankfurt and Bologna book fairs. These European fairs are of pre-eminent importance to the book industry and are the prime venue for making sales contacts, obtaining an overview of trends in the industry, and for setting up world rights and distribution agreements.

A reduction in federal financial support for attendance at these two fairs would, according to the publishing industry, lead to an irretrievable loss of growing sales and diminishment of the high stature Canadian books and Canadian authors have gained in the international field. Rather than reducing our presence at these main book fairs in Europe, the Canadian book industry feels that the federal government should fully support these activities.

The publishing industry recognizes that it requires multiple assistance from various government sources including the Program for Export Market Development (PEMD), DEA's assistance for trade fairs, subsidies from the Association for the Export of Canadian Books (AECB) and additional provincial government support at International fairs and expositions. Nevertheless, the publishing industry suggests that the limited resources (\$200 thousand allocated under PEMD) allocated by federal government for assistance to Frankfurt and Bologna should be maintained, and not reallocated to presence at fairs in other geographic regions without prior consultation with the industry.

Program for Export Market Development (PEMD)

The Program for Export Market Development, administered by DEA, was viewed as being under-utilized for a variety of reasons by the cultural industries. Part of the solution appears to be that the PEMD program should be more regularly promoted and explained by government to a wider variety of cultural industry association members. This is particularly

the case with the Quebec book publishing industry, that expressed an interest in seeking an alternative to using the export programs of the Association for the Export of Canadian Books (AECB). Many would like to try using PEMD but they had very little information on the program.

Also the limited levels of funding under PEMD and the requirements for detailed regular reporting seems to be an unattractive feature for the film distribution industries. Another problem is that PEMD program criteria appears to be hard product end-use oriented, whereas most of the cultural industry products deal in the exchange and sale of intangible rights or in production pre-financing and pre-sale in distribution of films, or recording master tapes.

Capital Cost Allowance (CCA) for Film Production

The reduction in the federal Capital Cost Allowance for film and TV program production was criticised heavily by the industry. It was particularly evident in Quebec because the reduction in federal tax credits appears to have resulted in some diminishment of production in the province and a migration of film production to Ontario. This coupled with the recent uncertainty over the financial management of Telefilm did not engender full confidence in government measures for the film industry.

Sound Recording Development Program (SDRP)

The sound industry on the whole is pleased with the government's new support measures, praising in particular DOC's Sound Recording

Development Program. It also referred to the recent collaboration of DEA with the Canadian Independent Record Association (CIRPA) and l'Association du disque et de l'industrie du spectacle et vidéo québécois (ADISQ) to produce and distribute a Compact Disc (CD) prior to the trade fair at MIDEM. It was pleased that DEA supported Rencontre '88 in Montreal which was a combined radio and sound recording trade fair. The industry also endorsed DEA's support of the recent international exchange for performers organized by CINARS in Montréal where musicians had the opportunity to showcase their work to potential commercial buyers.

The sound industry also expressed interest in finding out more about how they could use the export assistance services of the Department of External Affairs. They highlighted their success of increasing record sales to Denmark assisted by the conscientious efforts of a DEA official at the local mission, and they would like to see this quality of service extended to other European countries.

GOVERNMENT-INDUSTRY CONSULTATION

Cultural industry representatives reiterated the need for more consistent government policies and the need for more regular, systematic consultation through industry focus groups and regular working meetings with the trade associations for the development and delivery of export related programs. To have effective export programs, the views of industry must be taken into account on a regular basis in order to

review program resource requirements and adjust program delivery and services to the changing environment of the market place.

The Department of Communications is beginning to consult the cultural industry sector on a more regular basis concerning on-going government programs. DOC is particularly active through the Sound Recording Development Program (SRDP) where they have good feedback from the recording industry. Telefilm has also implemented a system of regularly consulting the film industry to discuss modifications to program delivery to meet changes in the business environment, but this system needs to be better organized and more developed to make it more effective.

The Department of External Affairs is aware of the continuing need to develop consultative links with the commercial cultural sector. For the past three years DEA has been making a conscious effort to establish stronger consultative mechanisms by the use of focus groups, industry questionnaires, workshops, and senior advisory commercial committees on trade.

Some of DEA's officers have made regular cross-country checkups talking to industry leaders about the international marketing requirements of the cultural sector. A recent WIN Culture survey was circulated to over 850 members of the cultural industries to gain their views and document their collective experience on the international marketing of cultural industry products and services.

DEA has also been working closely with the Sectoral Advisory Group on International Trade (SAGIT) to seek a national perspective from various cultural industry representatives concerning governments on-going commercial policies and trade strategy. At the same time, DEA has begun to form a series of industry focus groups and consultative workshops across the country to gain input on general trade matters and specific marketing related issues.

Strong consultative links have been formed by DEA with groups such as the Canadian Exporters Association (CEA) and the Canadian Manufacturers Association (CMA) but these do not currently represent the cultural industries. Perhaps the CEA could receive government assistance to form a working group or secretariat to examine possible linkages with the existing cultural industry associations to bring about a concerted export marketing strategy aimed at Western Europe and other prime geographic markets. If this approach is unsuitable, then the existing cultural industry associations should be provided with some additional government support to build up their capability in international marketing. This may include the hiring of international marketing staff and funds for the commissioning of sector specific international marketing studies.

CLARITY OF GOVERNMENT MANDATES

The respective departmental mandates clearly state that DEA is responsible for international relations and trade, and DOC is responsible for domestic cultural activities. However, the domestic programming

activities of DOC in areas of international promotion and marketing overlap on DEA's responsibilities for trade and export. Most of DOC's domestic cultural industry programs have an overseas promotion and touring component, and most of these activities take place without any formal consultation process and joint planning with DEA.

Similarly, DOC officials were currently engaged in foreign negotiations - the Tripartite Commission on Broadcasting (TCB) in France - and are signing international agreements in the cultural industry sector without adequate ongoing prior consultation and formal representation with DEA.

It appears that because of resource constraints and a non-interventionist attitude, DEA has permitted some areas of its international responsibility to be preempted by other government departments, such as DOC, that fundamentally have domestic mandates. DEA should take measures to ensure that its areas of responsibility are not further eroded. It should take a more active role in marketing cultural industries internationally, and this should be clearly reflected in its relations with DOC's international programs.

To clarify this issue, a senior level committee chaired by DEA could review the situation on an ongoing basis to ensure that DEA's mandate is affirmed. The issue of DEA's primary responsibility for international relations is particularly critical in the case of Québec. Because of the province's ability to negotiate international cultural agreements there have been a number of instances, such as with TV Cinq, where DOC

has participated in the negotiating and signing of international agreements without the participation of DEA. These types of issues need to be clarified because they are fundamentally at the crux of how this country wishes to conduct its foreign policy and trade relations.

COORDINATION MECHANISMS: OVERSIGHT COMMITTEE AND SECRETARIAT

In view of the situation mentioned above, a senior level interdepartmental oversight committee should be established, with a mandate to coordinate and plan the federal government's international marketing and promotional activities for the cultural industries. The oversight committee would be chaired by a DEA senior official and would consist of representative officials from DEA, DOC, Privy Council Office, and Treasury Board. Its primary role would be to ensure better interdepartmental coordination and planning between DEA and DOC for export promotion and marketing activities for the cultural industries. Its secondary role would be to ensure better internal coordination and allocation of resources within DEA in support of the cultural industries. As part of its planning and review process, it would develop an ongoing strategy for the international marketing of Canadian cultural goods and services to ensure that a comprehensive package of trade and diplomatic support is focused effectively on selected overseas markets.

In the current situation, there is no organizational focal point responsible for coordinating the international marketing of the cultural industries. A general observation made by several industry

representatives is that on approaching DEA/HQ, they are often referred from one section to the next, shuttled from trade to public affairs and to culture in a time consuming, frustrating manner. From the internal perspective of the department, it can be equally frustrating for the officers concerned when they are trying to provide a level of service to their clients, but find it difficult to achieve a departmental consensus on resource allocations and marketing support for the cultural industries.

Sectoral Working Group

A small functional unit could be established within the International Cultural Relations Bureau which will act as the departmental focal point and liaison group for the cultural industries and be responsible for policy formulation, information exchange and market analysis. This unit could also serve as a secretariat to the proposed oversight committee chaired by DEA. Alternatively, a sector unit for the cultural enterprises could be established within the Trade Branch of DEA to provide adequate advice, guidance and respond to the international marketing of cultural industry products and services.

This unit should consist of a small working group composed of sector specialists responsible for individual cultural industry portfolios in publishing, broadcasting, film, and sound recording. Preferably, these specialists would be non-rotational in order to provide continuity, and establish strong working relations and a high level of credibility with firms in these industries. Members of the unit would help to organize

private sector focus groups bringing together representatives from cultural enterprises and government members together to discuss marketing and export related activities, and to listen and report on the needs and viewpoints of the cultural industries. More suitable programs could then be developed and implemented that are based on the advice of knowledgeable private sector representatives and tailored to fit the particular market characteristics and commercial requirements of each cultural sector.

This unit should be limited in size and function in a policy and guidance role, and act as a resource group to the rest of the department. Any augmented program and service requirements would be most appropriately delivered through a concomitant increase in allocation of resources by the geographic bureaux, trade bureaux and overseas missions of the department, and the cultural agencies such as SRDP, AECEB, CBC, NFB and Telefilm.

PLANNING MECHANISMS

A coherent approach to the international marketing of cultural products and services can be achieved by a more effective use of DEA's departmental planning mechanisms. Departmental planning is required to determine appropriate levels of programming assistance, geographic priorities, the scheduling and conduct of market research, and for the elaboration and delivery of promotion and communications support.

There are currently several departmental planning exercises which proceed in parallel within DEA. Some of these are identified as follows:

- DEA Mission Planning Exercise
- National Trade Strategy-Planning (NTS)
- DEA's Geographic Bureaux Planning
- Trade Planning/Tracking System, and Export Sector Profile Reports
- Export Trade Month and Western European Trade Commissioners Fall Annual Meeting
- Trade Directors Monthly Meetings
- International Cultural Relations Program (ICR)
- Trade Fairs and Promotions
- Communications and Cultural Planning Meetings

These planning exercises are instrumental in determining the ability of the government to adequately promote the cultural sector.

In the normal process, program managers are kept informed of their progress by official consultation, copy, or telex, or informally through collegial ties built up by working relationships. These plans are reviewed by senior management and receive official approval with assigned funding expenditures. During the course of implementing these plans, program funds may be supplemented by various managers mutually agreeing to pool resources to achieve common objectives.

In the case of Western Europe, there are 19 missions organized according to geographic priority. When one of the larger missions abroad is in the process of formulating its own mission planning exercise, it presents its budget requirements to each of the divisions at DEA/HQ. The managers in these divisions have, in turn, their own budget and may agree to contribute a portion of their funds to the mission budget, in order to achieve a common program objective - such as marketing cultural industry products in a certain region. It is partly by this process that an intricate web of resource allocations become built up around the world. This is also how various departmental managers become stakeholders with influence in several program budgets and are regularly consulted in the assignment of personnel to a particular portfolio involving joint program funding.

Within these DEA planning exercises, the cultural industries marketing and export promotion component is usually under-represented. Consideration should be given to ensure that the marketing and promotion of cultural industries is distinctly defined as a planning objective within the annual planning cycle of DEA. Among the departmental planning exercises within DEA that have been identified as crucial for the achievement of cultural industry export promotion and marketing are the following:

DEA Mission Planning Exercises

When the DEA missions in Western Europe are preparing their annual operational plans (MYOP's and others) they should include specific

resource provisions for marketing and promotional assistance for the cultural industries. Depending on the types of activities the missions are planning for the cultural industries, they may require additional resources for retaining locally employed sector specialists, funds for special events, trade shows, festivals, preparation and distribution of promotional material and the commissioning of sector marketing studies.

In order to plan the use of limited resources wisely and to orchestrate marketing efforts abroad, DEA and DOC should formally submit, by regular interdepartmental consultation, timely and complete proposals for support in terms of events, visits, tours, and activities that they anticipate funding overseas. Under present conditions, DOC programs provide funds to the cultural industries for tours and promotion abroad and these activities are most often not planned in a coordinated way with DEA services overseas. For example, record artists receiving SRDP funds from DOC for touring and promotion should also be encouraged to use the service of DEA missions abroad. The missions could arrange introductions with the local recording industry, or gain air time on local radio stations to promote Canadian records, or assist in trade fair promotion.

The DEA missions can perform a crucial role in providing regular information from posts abroad on public and private sector developments in the four cultural industries of broadcasting, publishing, film/video, and sound recording. Such timely information from different geographical regions is extremely useful for comparative analysis, government policy

formulation, and private sector marketing. It also provides a useful basis for making informed decisions on which to build diplomatic relations and alliances with other countries that are facing similar challenges in the development of their cultural industries.

National Trade Strategy Planning (NTS)

DEA has currently allocated considerable funds to the NTS which the trade sections of the department have access. These trade sections rarely consider the cultural industries in their resource allocation. The problem partly arises because there is no focal point for the cultural industry sector within the department, nor are there active visible industry advocacy groups currently pressuring the department to assure that the requirements of this sector are fully taken into account within the NTS.

It is evident that the trade directors, within particular regions that have the ultimate decisions for NTS, tend to be naturally more prone to assist the export of hardware items such as defence products, transport and mining and view non-hardware items such as cultural industry products and services like film, records and publishing as beyond their professional range of knowledge, and most of all, a less profitable venture.

DEA's Geographic Bureaux Planning

The geographic bureaux should reflect the cultural industries within their planning exercises. An inherent problem is that when the

geographic bureaux within DEA are deciding the emphasis to be placed on particular industry sectors, a balance has to be reached between the different sectors and this is reflected in their plans. Usually, the defence products and primary and secondary industries with hard products to sell take precedence in funding, while cultural industry goods and services are not viewed as tangible, strong market items to be considered as candidates for specific funding in the planning exercise. It is also important to realize that penetrating markets by these enterprises is a long, drawn-out process.

Trade Planning/Tracking System, and Export Sector Profile Reports

The cultural industries should be displayed as separate line objective in the trade planning and tracking system. DEA prepares Sectoral Synopsis reports as part of its Export and Investment Promotion Operational Plans. When the Export Sector Profiles are being compiled, market opportunities for cultural products should be clearly identified and itemized. In the most recent Sectoral Synopsis, published in March 1987 on communications and informatics, only one market opportunity is itemized and that is film and programs for West Germany. No other opportunities for marketing Canadian cultural industry products are identified in the whole of Western Europe. In the future, these synopses could display more market opportunities by sector and by sub-sector, and could be used to identify a wider range of markets for Canadian cultural industry products.

Export Trade Month and Western Europe Trade Commissioners Fall Annual Meeting

DEA officials have indicated that the department would welcome a special presentation, on the importance of marketing cultural industry products, to be given to the Trade Commissioners at their fall annual meeting in Western Europe. Moreover, during the Export Trade Month, workshops in various locals could be organized on identifiable market opportunities, and on the government programs and services that are available to industry.

A DEA representative could be made responsible for providing a presentation to the Trade Commissioners meeting in order to increase their export awareness of this sector. The DEA focal point could be responsible for organizing some seminars or workshops presented by key trade associations or industrial leaders during the Export Trade Month to explain the importance of the cultural industry sector and how to access priority market opportunities in Western Europe.

Trade Directors Monthly Meetings

DEA officials have also indicated a willingness for a representative of BKC to make a presentation to the monthly meetings of the Trade Directors. The presentation could be prefaced by a position paper circulated ahead of time outlining the reasons for according the cultural industries sector distinct legitimate trade status and suggested measures for increasing export awareness.

Trade Fairs, Missions, Touring and Promotion

More adequate planning is required for international trade fairs and missions, as well as touring and promotion for the cultural industries. Every advantage should be taken of these opportunities to showcase Canadian products and services and to organize presentations by Trade Commissioners and Cultural Affairs Officers, and to use these venues for export marketing penetration. Similar possibilities, listed below, exist in other cultural sectors of publishing and sound recording.

A periodic joint review should be conducted of DEA's and DOC's trade fair support and international tours and promotional activity, to ensure that the federal government activities are coordinated and are in-line with private sector marketing requirements for each of the cultural sectors.

Some of the main trade fairs and international marketing events that have been identified for Western Europe include:

Film and Television Programs

- The Berlin Film Festival, FRG (February)
- Cannes Film Festival, in Cannes (May)
- MIPCOM, in Cannes (October)
- MIP-TV, in Cannes (April)
- MIFED, in Milan (October-November)
- Animation Film Festival (October)

Sound Recording

- MIDEM, in Cannes (January)

Book Publishing

- Frankfurt Book Fair, in FRG (October)
- London Book Fair, in U.K. (March)
- Bologna Book Fair, in Italy (April)

Both DOC and DEA participate and support trade fairs and festivals in Western Europe as well as cultural agencies such as Telefilm Canada, the National Film Board, and the Canadian Broadcasting Corporation. DEA's missions are also involved in a facilitating role with countries concerned.

Program assistance is provided to cultural enterprises to attend trade fairs and market abroad through DEA's Program for Export Market Development (PEMD), the Arts Promotion Program, and support of the Association for the Export of Canadian Books (AECB) as well as DOC's Book Publishing and Sound Recording Development Programs and Telefilm's Broadcasting Feature Film and Versioning Assistance Programs.

International Cultural Relations Program (ICR)

The ICR program is primarily oriented toward the non-profit non-commercial aspects of promoting cultural excellence for books, sound recordings, visual arts and films. There may be an opportunity to blend

some of the commercial aspects of the cultural industry production and distribution within the existing ICR program activities.

For example, ICR has a well developed program, administered by BKA, for the promotion of classical music and records and tour performances in Western Europe. It often uses the combined services of DEA missions abroad. It also has working arrangements with CBC international radio to provide broadcast announcements on scheduled touring performances and to provide assistance in distributing records and tapes through the network of European radio stations. Perhaps this capability could be expanded within DEA to promote the more commercial aspects of the record industry.

Closer consultation is also required between DOC and DEA to ensure that recording artists receiving touring assistance from the Sound Recording Development Program can be provided with coordinated access to the promotional and trade services of DEA missions abroad.

Communications and Cultural Planning Meetings

The communications and cultural planning meetings organized by BKC could be extended to include participation from the various departmental bureaux of DEA in order to achieve a wider consensus and more focussed thrust with regard to the export marketing of cultural industry products.

SECTORAL INFORMATION AND DATA COLLECTION

A more comprehensive Canadian cultural industries data base containing marketing, promotion, distribution, sales, and investment information on domestic and international activities is required.

International marketing statistics on the Canadian cultural industries are not currently collected or accessible in one place. We cannot accurately assess how the cultural industries are performing in overseas markets. In some cases we cannot measure the effectiveness of federal funds in assisting cultural industries to market abroad.

There is a conspicuous absence of statistical reporting and analysis that regularly records the sales performance of Canadian cultural industries in export markets. Statistics Canada data bases are historically incomplete and their usefulness varies from sector to sector.

In the case of DOC, the lack of data and analysis is particularly evident. The department dispenses funds in an array of programs to assist the cultural industries and their associations in touring abroad and in international promotion; but there appears to be no formal requirement for funding recipients to routinely report to DOC on their export sales performance in particular markets. Under the current situation it is impossible to readily assess the effectiveness of DOC's

program and the impact of federal funds in support of the cultural industries in markets abroad.

Organizations receiving federal funds that report to DOC on an arms-length basis, such as the Canadian Broadcasting Corporation, Telefilm, and the National Film Board have internal reporting systems to record their international sales data; however, they are not currently required to regularly report this information to DOC. These organizations have generously provided our study team with sales estimates for this report. Evidently, such information should be collected systematically on a quarterly basis by DOC.

The Department of Communications should review its methods of data collection for the cultural industry sector it assists in international touring and promotion, to determine whether it is achieving value for money.

DEA is collecting some data and information relating to the international marketing of cultural industry products but it is not being conducted on a formal sustained centralized basis by the department. Several of the functional divisions, such as economics, are collecting marketing related data as it pertains to key international issues. Similarly, the Geographic bureaux and missions abroad are collecting marketing data as an adjunct to their normal work program.

Industrial participants receiving DEA support at overseas trade fairs and international events are required to report on their export sales. PEMD officials regularly collect information from the regions which report on cultural industry applicants and their export market performance. The missions abroad also perform marketing studies on particular industries, and depending on the type of study, these can be a source of reliable current information.

The department of External Affairs should collect these various information sources on a more systematic and centralized basis so that the information on the cultural industries could be made more readily available for analysis and use on a comprehensive integrated basis. Any increase in reporting requirements by the department or the commissioning of special market studies should be formally recognized in the departmental planning process and supported by the appropriate allocation of resources.

MARKETING STUDIES AND INFORMATION

International market profiles are currently being performed sporadically by some of the Canadian cultural industries and their associations, and by DEA and its missions abroad, and others are being sponsored by DOC, Telefilm, NFB and CBC Enterprises. But these marketing studies are not coordinated, or circulated systematically, nor are they collected in one place, and they are not part of a uniform plan for gathering marketing information from around the world.

An example of a recent marketing study is the International Market for Canadian Sound Recording prepared for DOC by the Canadian Independent Record Producers Association. Other sources of marketing include trade mission reports such as The Association of Canadian Publishers Mission to the Netherlands.

The marketing organizations of NFB, Telefilm, CBC Enterprises and T.V. Ontario are another practical source of current market information. They usually have marketing agents assigned to various territories and they are knowledgeable about the market characteristics of the film industry in particular countries.

The provincial government organizations commission their own cultural industry marketing studies but these are not currently coordinated through federal-provincial cultural ERDA agreements and are therefore difficult to source or systematically identify.

DEA/BKC has tried to begin to systematically collect some of this international marketing information together and to circulate it to DOC and to DEA missions abroad. BKC also commissioned a series of cross-sectoral reports on the international markets for Canadian Cultural Industry Products.

A working group should be formed consisting of representatives from DEA/BKA, the missions abroad, the geographic bureaux, and DOC cultural

industries policy and programs in order to coordinate, plan and commission ongoing market analysis and market sector profiles for each of the cultural industries by sector and by country. The international market studies should identify what our competition is around the world and the import potential for our cultural industry products in particular markets abroad.

In particular, DEA missions abroad, in concert with DEA/BKA, should be allocated incremental funds or increased post initiative funds (PIF) to conduct an ongoing schedule of mini-marketing surveys and large scale marketing reports on the sale of Canadian cultural industry products in Western Europe.

CULTURAL INDUSTRIES EXPORT DEVELOPMENT FUND

Augmented resources are required by DEA to support export activity for enhanced cultural industry. An export development fund for the cultural industries should be established in DEA. This fund would be trade oriented. It would be dedicated to the export promotion and marketing support to generate profit for the cultural industry sector and to gradually reduce Canada's cultural deficit.

This fund should be distinctly separate from BKA's annual on-going departmental appropriation for the non-profit visual and performing arts (ICR).

This assured level of constant funding for cultural industry export, promotion and marketing could be achieved in several ways. The reference levels of DEA's annual appropriations could be increased to reflect the government's commitment to the cultural industry sector; or, through a separate allocation to be considered by Honourable Mazankowski's Operations Committee.

By providing DEA with the necessary financial and manpower resources to systematically deliver an effective export market driven fund, the department would be in a position to increase promotional activities both domestically and abroad, and to offer increased services in missions abroad for cultural industries export marketing.



CHAPTER 3
MARKETING IN WESTERN EUROPE



EUROPEAN MARKET

Western Europe is an important growth market for Canadian cultural industry products, services and direct investment. It is also one of the most competitive, diverse and dynamic markets in the world.

Now that the U.S. free trade negotiations are nearing completion, Canada should shift its attention to Western Europe in order to reduce our dependence on the fluctuations of the U.S. economy and to strengthen and diversify our overseas markets. Canada should seize the current opportunity to put more effort into international marketing to penetrate the Western European market while it is still relatively open. In five years from now, the European Economic Community is preparing to get together to form a more United Europe in 1992, making it harder for Canada to penetrate this market.

Western Europe is centralizing its economy in order to counterbalance the dominance of the world powers. A form of protectionism is emerging as all the European countries are collecting together to become a regional self sufficient union. Members of the EEC are currently working on liberalization measures to reduce internal tariff and non-tariff barriers to create a condition of free circulation of goods, services, and people within the European economy. At the same time, various European states are trying to protect their own national cultural identity and cultural industries within the Common Market, and are also

putting up barriers to external trade to impede non-EEC countries from taking advantage of the European market.

There is a certain urgency for Canada to act now to gain further access to the Western European market before it becomes more self-sufficient and more protected. At present, there are some natural market openings afforded by our traditional diplomatic, cultural, and trade ties with Western Europe. We have historical multi-cultural affinities with many of the countries of Europe, and our diplomatic ties through the Commonwealth and La Francophonie provide us with a rich foundation upon which to augment our cultural marketing activity and to build mutual trading partnerships.

We should seek more active participation in the various European governmental bodies, especially as the Community is moving toward greater cultural unification with the harmonization of cultural incentives and regulatory measures as part of the process toward the eventual establishment of a common market for cultural goods and services. Where possible, we must maintain our regular representation in the various regulatory bodies and membership as an observer in the Council of Europe and the European Parliament. Participation in these governmental organizations will enable us to keep directly informed on the development of cultural policies and regulations which could have an impact on the marketing of Canadian cultural products and services among member European countries.

The Council of Europe has traditionally been the main forum for developing official positions on cultural initiatives at the European level. Whereas, the European Economic Commission has been less active in this regard because its mandate tends to preclude cultural concerns in favour of economic considerations. The Council of Europe organizes regular ministerial conferences on culture and broadcasting, as well as various symposia and seminars on the cultural industries in Europe.

The Council has become particularly concerned about protecting the cultural identity of individual member states from the perceived threat of the U.S. which is rapidly making cultural inroads into the European market. A crisis has already occurred in film and music production whereby the U.S. firms have begun to dominate the European industry. The Council is trying to reduce any further erosion of the cultural market while at the same time turning its attention to a thorough review of the emerging electronic media of TV satellite broadcasting, transborder transmission, cable, and home video which are among the most promising modes for preserving European cultural identity.

The Council of Europe has responded by establishing a Committee on Education and Culture to which Canada has been invited as an observer at Ministerial meetings. In 1986, the Council also established an influential Committee on Mass Media to which Canada has unfortunately not been invited as an observer, because its members are concerned that Canada may serve as a proxy for U.S. cultural commercial interests.

It is crucially important that Canada expend some extra effort at the diplomatic level to counter some of this misconception, and to convince European members that we should be accepted as allies and valid partners in the cultural development process of Europe. It should also be made apparent that we share similar concerns about protecting and developing our own domestic cultural identity while sharing access to our cultural markets with our major trading partners.

We must act now to strengthen our cultural and economic advantages with Europe before it becomes too late. The Canadian cultural industries require a concerted government export marketing program that is strategically focussed to provide the impetus need to increase the sale of cultural goods and services in Western Europe.

United States Corporate Presence in Europe

Canadian exporters should be aware that the large American cultural industries are continuing to penetrate and dominate the European market; in this context, they cannot afford to continue to splinter their marketing efforts, otherwise the majors will overwhelm them in these competitive markets. The United States is one of the major world scale exporters of cultural industry products. Its cultural industries are able to retain almost exclusive control over their large domestic U.S. market, and they are using their economic strength, access to large pools of capital, marketing power, distribution systems, and political influence to dominate the foreign markets in Europe.

Generally speaking, these U.S. companies are vertically and horizontally integrated transnational corporations with interlocking ownership in the main sectors of the cultural industries. They are vertically integrated because they usually control the production, distribution and exploitation of the cultural product; horizontally integrated because they control overall distribution, broadcasting and secondary markets for a given product; interlocking ownerships because a large number of them have controlling interests in the publishing, film production and distribution, sound recording and television broadcasting sectors.

In the quest to multiply corporate profit and extend their capital asset base, the U.S. multinational enterprises have been very effective in opening up the European markets to their demands for free trade in media products and services, for liberalization and privatization, for safeguarding economic returns, for commercially owned intellectual property and for the free flow of communications. Their demands are expressed by individual companies and trade associations, as well as governmental authorities, quasi-governmental agencies, advocacy groups, and the political diplomatic level to which these large private sector corporations have access. This is all part of a continuing strategy to ensure favourable market conditions for U.S. multinationals operating in Western Europe.

Media Conglomerates

Several large European based multi-media groups have emerged in addition to the American multinational presence in Europe. These large powerful

companies are diversifying their holdings by investing in the press, publishing, recording, films, satellite channels, cable TV, and television broadcasting. Many of these groups are attracting international capital for investment through public share holdings, and are creating corporate links with each other to form international multi-media conglomerates with strong financing, production, distribution and marketing capabilities.

Some notable examples of this inter-media vertical concentration include the Havas group in France, which began in advertizing, tourism and publishing and has now diversified into television. Bertelsmann, one of the largest printing and publishing companies in the world, has also diversified into television along with another German publisher, Axel Springer. Several companies that began in the construction industry, including those owned by Berlusconi of Italy, Bouyghes in France, along with la Lyonnaise des eaux, and la Compagnie générale des eaux, have also diversified into television broadcasting. The Virgin group in the U.K. began in the sound recording industry and now has diversified into television and satellite broadcasting. The Compagnie luxembourgeoise de télédiffusion has diversified into sound recording and publishing and is expanding its investments in broadcasting and television production from Luxembourg into France, West Germany and Belgium. It has also formed close links with the Compagnie Bruxelles Lambert, which is part of the large Pargesa Holding company of Switzerland.

Large Canadian companies are also linking up with these multi-media conglomerates, particularly the Québec companies such as Vidéotron, and Québecor, but also other companies such as the Thomson group. Some of our smaller and medium sized companies are likewise forming links with their European counterparts notably in the film production industry with companies like Atlantis, and in the publishing sector with companies such as Harlequin in popular pulp fiction, and quarterly publishers such as La Courte Echelle, Boréal, Libre Expression, and Québec Amérique. More Canadian companies are poised to enter the European cultural market provided that the government shows leadership and appropriate support for their efforts.

CHAPTER 4
TELEVISION BROADCASTING MARKET



INTRODUCTION

There are a wide variety of opportunities for Canadian companies to export their programs and films, in French and English versions, to the increasingly privatized television markets in Western Europe. One way is, for Canadian producers, to sell directly by establishing film and video distribution agreements. Another method is to seek to attain domestic producer status in some foreign markets by entering into coproductions, joint ventures, and twinning arrangements that are sanctioned under official international agreements, signed by Canada, with countries such as France and the United Kingdom.

Western Europe is gradually opening up its television system to greater programming diversity. Broadcast legislators are beginning to copy the American example by deregulating the national centralized public service controlled television monopolies, and this is leading to the emergence of new advertizing based commercial TV channels.

The proliferation of new public and private TV channels means that there will be a need for adequate and appealing programming. Western Europe broadcasters are currently transmitting 150 thousand hours of TV each year and according to a recent study by Logica, the total yearly demand for programming is estimated to reach 475 thousand hours by 1990. The European TV programme production industry is not yet sufficiently prepared to meet this demand. Some of the new TV channels are already finding it too expensive to produce enough of their own in-house

programming and more economical to purchase existing product or enter into agreements for joint venture productions.

The European media landscape is increasingly changing. New technological innovations in the cultural industries sector are leading to new markets through integrated communications and distribution systems. High density cable systems are already installed in Belgium, the Netherlands, Denmark and Switzerland. France and the United Kingdom are beginning to be more cabled. In future, fibre optic technology will make it possible to greatly increase the capacity of cable systems throughout Western Europe.

Local TV transmission is being expanded by the use of ground-based hertz broadcasting and by microwave television distribution. In Italy, commercial TV channels owned by Silvio Berlusconi are making extensive use of hertz broadcasting, and will probably soon link the local stations together to offer live programming and news on a national network. The United Kingdom uses hertz broadcasting for its Channel 4. The new private channels, SAT-1 and RTL Plus in Germany, and TéléCiné in Switzerland are using hertz frequencies. The expansion of Canal Plus and the fifth and sixth channels in France are the result of using ground-based hertz broadcasting to reach wider national audiences. Microwave television distribution (MVDS) is expected to be introduced soon in the U.K. and over 250 companies have submitted tenders to the government to operate in 30 regions of the country.

TV broadcasting is also expanding from terrestrial transmission to a panoply of satellites which are able to transmit by using direct broadcast (DBS) or fixed satellite services (FSS) that are capable of reaching beyond national and linguistic boundaries to cover the entire Western European market.

In some instances, the European and North American markets are beginning to merge through transatlantic satellite transmission of TV Cinq and CNN in Europe.

At the other end of the communications spectrum, revolution is occurring with radio at the local and regional level using low cost well tried transmission technology applied to new alternative approaches to programming.

In future, the trend will be toward integrative digital service networks (ISDN) which link television, telecommunications and computer data processing into integrated interactive functional systems. The European Commission is planning to establish such a network across Europe, called RACE. This will result in the dawning of new markets for cultural industry products and services.

Currently, the annual turnover in audio visual goods and services for OECD countries is valued at approximately \$26 billion. The value of international trade for AV goods and services for the OECD is in the

value of \$1 billion per year. Cinema films account for \$600 million, and television programs and video recordings are worth \$400 million.

MEASURES AFFECTING INTERNATIONAL TRADE AND TV PROGRAMS

In attempting to assess the television market, it is important to be aware of some of the trade measures that affect the production, sale and distribution of TV programming in Western Europe. It is difficult to determine whether state owned television institutions follow a buy national procurement policy, but regulations exist for foreign production. These measures are summarized as follows:

- Belgium requires authorization to distribute foreign television programs;
- Austria requires proof of three years practical experience prior to establishing a foreign or domestic company producing film or video recording;
- France requires that a program producer can only carry on business after obtaining authorization from the National Cinematography Centre. Foreign companies based in France producing full length and short films are subject to a minimum capital deposit of \$60 thousand and \$10 thousand respectively. There are also quotas reserved for television programs produced in France and also dubbed in France. The dubbing of imported films that are not produced in E.E.C. countries must be done in French national studios;
- Swedish television broadcasting is not specifically bound by

legislated screen quotas, but a proportion of TV programming must be of national origin.

All Western European governments provide aid in form of subsidies, according to established criteria, for their national producers of TV programs.

- Germany and Austria also provide state guarantees of loans, and 100 percent capital cost allowance tax incentives;
- Norway provides advances on earnings;
- France provides tax rebates;
- Belgium, Netherlands and Switzerland provide both selective and automatic aid. In the Netherlands, the Dutch Film Finance Corporation contributes up to 60 percent of production costs, and additional deferred interest free loans can be provided subject to special consideration.

Some countries have prohibitions stipulating the amount of time that must elapse between the production and featuring of a film for theatrical release and its subsequent exhibition on television:

- Austria requires 18 months of elapse time between cinematic showing and television viewing;
- Germany requires six months elapse before television viewing;
- Sweden requires 18 months elapse time before exhibition on TV;
- France requires one year before showing video recordings and pay television versions; and three years for exhibition on

television, except in the case of cinema-television coproductions.

DEREGULATION AND PRIVITIZATION

Broadcasting has traditionally been one of the most heavily regulated cultural industries in Europe. The foremost reason for regulation was to retain political control over broadcasting. Earlier on there was also a need for regulation because of technological requirement. The basis for regulation is in part because of earlier technological requirements to allocate scarce broadcasting frequencies to users, but this is less of a factor with the advent of new technical changes in transmission capability. Another reason for regulation was the initiative taken by governments to underwrite the heavy capitalization costs of the national broadcasting systems to ensure an equitable service to public citizens. Since the economics and profits of broadcasting are now well recognized, European governments are being urged by business to expand broadcasting to allow more commercial monopolies to operate using land based, satellite, and cable systems.

European broadcasting systems are now copying the U.S. approach and are becoming more deregulated to enable private advertizer based channels to compete alongside public service television. Deregulation has led to a multiplicity of new commercial TV channels, broadcasting by direct transmission cable and satellite distribution, that are requiring a large quantity of new programming to be produced for European viewers.

Deregulation and the introduction of private broadcasting varies from country to country in Europe. The introduction of commercial TV is being resisted in Norway, Sweden and Denmark, and to some extent in the Netherlands. In Spain and Portugal, TV broadcasting is highly regulated. Some deregulation is underway in West Germany, and the United Kingdom. France and Italy are actively privatizing their broadcasting systems.

Broadcast Deregulation in France

Deregulation has been most radical in France. It began in 1974 when the huge state broadcasting corporation, l'Office de la Radiodiffusion Télévision Française (ORTF), was dismantled into its constituent parts to form three separate television companies: TF1 and Antenne 2 became national networks and FR3 became a regional channel. Later, a fourth channel, Canal Plus, was established and managed by a group of state and private interests. Canal Plus is the first French Pay-TV channel. Its revenue is derived from monthly subscriptions and from license fees. New legislation on privatization based on policies advocated by François Léotard, Minister of Culture and Communications, was passed in 11 June 1986, which covers the entire communications sector including television broadcasting and telecommunications systems. Now that deregulation is fully underway in France the TV broadcasting situation consists of:

- 2 public service channels:
 - Antenne 2
 - FR3
- 3 national private channels:

TF1 owned by Bouyghes Group (25%), Maxwell (10%), other companies and 40% by the public

La Cinq owned by Robert Hersant (25%), Silvio Berlusconi (25%), Jean Seydoux (10%) and others

M6 owned by French Cinema interests, Compagnie luxembourgeoise de télédiffusion (25%), Lyonnaise des eaux (25%), and others

La Sept

- 1 pay television channel:

Canal Plus owned by the Agence Havas (25%), la Compagnie générale des eaux (21%), l'Oréal (10%), and others

- 2 channels transmitted by telecommunications satellite to the cable networks:

TV5 the french-language channel, international joint project with France, Switzerland, Belgium and Canada

Canal Journal by the Groupe Hachette

- 2 peripheral stations broadcast from Luxembourg and Monaco across the frontier into France:

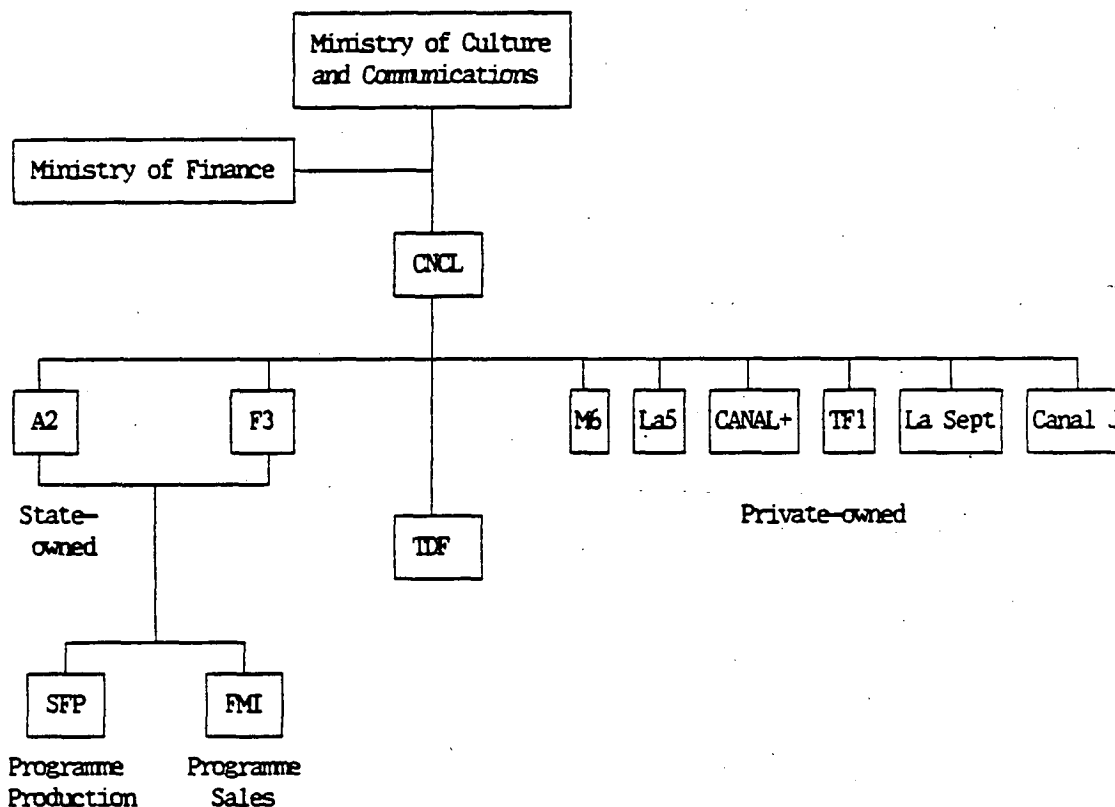
RTL

Télé Monte Carlo

Deregulation has led to the privatization of whole sections of the French public service including the: Société française de production (SFP), the program exporting company France Média International, and the Agence Havas. The French state holding company for broadcasting, Sofirad, was privatized. It had a wide variety of media holdings including Radio Monte Carlo and Radio-Sud that were to be sold off. The former Haute

Authorité de la communication audio-visuelle (HACAV) has been replaced by another organization with wider powers of frequency management and channel licensing the: Commission nationale de la communication et des libertés (CNCL).

Figure 4.1
STRUCTURE OF THE FRENCH TELEVISION INDUSTRY



Supposedly the CNCL functions rather like the Canadian Radio and Television Commission (CRTC). It is meant to be politically neutral; however, it has been racked by political intrigue, and highly publicized arbitration of union media problems on the dubbing issue. Recently, in 1987, one of the members of CNCL was indicted for abuse of his position

and recently ousted. Doubts have been raised as to whether the CNCL is independent of the government and some of the private networks. The new socialist government, now back in power, intends to change the mandate of the CNCL.

Broadcast Deregulation in the United Kingdom

In the United Kingdom, privatization began early with the creation of ITV as a private network to counterbalance BBC. More recently, the cable systems and satellite communication's systems were deregulated: British Telecommunications has been privatized, the ITV franchises are open for commercial bids, and Channel 4 is becoming a commercial channel, dedicated to high quality cultural programming. However, most of the U.K.'s deregulation is to support the export of broadcasting by enabling British commercial stations to use satellite channels (Sky Channel, Super Channel and Screen Sport) to deliver U.K. programming aimed across the continent into Western Europe.

The U.S. film majors are also taking advantage of the new deregulation to invest in pay TV and satellite broadcasting in Britain. The American majors missed an early opportunity to invest in U.S. Pay TV, and thereby lost the ability to direct the development of American cable systems. Instead, they are moving into the U.K. market where they will try to control retail prices and development of the Pay TV cable market.

ADVERTIZING ON TELEVISION

The introduction of deregulation and advertiser supported private broadcasting is changing the nature of broadcasting in Europe. It is also coincidentally enlarging the market for U.S. programming and U.S. advertiser sponsored entertainment. The eventual growth of commercial TV in Europe will be determined by the availability of advertizing revenue and the supply and sourcing of TV programs.

It is estimated that almost one third of European channels are currently funded by advertizing revenue. Within the next decade, over half of European broadcasters will probably be commercially funded. The private sector realizes that, with deregulation, the amount of potential advertizing revenue could be astronomic if programming packages can be assembled and delivered effectively by the new commercial satellite and cable media systems. It could also result in the restructuring of TV audiences in key markets in Western Europe.

The total amount of advertizing in 1985 was about 4.7 billion in Western Europe, and with the deregulation process it is expected to rise to 7.4 billion in 1990. This will create a lot of demand for advertizing and the production and purchase of new TV programming. Broadcasters are however facing a problem with satellite TV services that reach beyond national boundaries across the whole of Western Europe, because it requires very sophisticated advertizing and high quality programming with broad based consumer appeal to reach a pan-European audience.

To ensure high audience ratings that attract advertizing revenue, there will be a large demand for TV programming, particularly of the entertainment variety. This expanding TV market will provide an opportunity for Canadian film production companies to sell more of their product particularly in France, U.K., Germany and Italy.

TELEVISION BROADCASTING

There are 26 national television broadcasting organizations in the Western European countries covered in this study. This market represents a diversity of organizations with different structures, operating in a variety of languages, with a wide assortment of programming schedules and content requirements serving different audiences with varying demographic characteristics and consumer preferences.

Television broadcasting in the U.K. consists of a bipolar system of state public service (BBC) counterbalanced by the ITV commercial network, Channel 4 and the satellite channels. In West Germany, broadcasting is constitutionally under the provincial Länder which grant licenses to ARD, which is a national chain of nine regional stations; the only national station ZDF has no regional stations. The Netherlands and Belgium have state broadcasting companies that hold effective control, but substantial programming alternatives are available on separate channels. SRG in Switzerland is a private non-commercial company enfranchised by the state. Sveriges Television (SVT) in Sweden is a joint stock public company with shares divided between the public, commerce and the state.

Spain and Portugal are moving towards having alternate TV networks that will be private stations. France, Italy and Luxembourg are the most privatized of the broadcasters in Western Europe.

This broadcasting situation represents a tremendous opportunity and a wide market territory for selling Canadian product films and TV programming into Western Europe. It is also an opportunity to develop reciprocal trade relations since our broadcast stations, CBC, TVOntario, Radio Québec, also buy quite an amount of European television product. According to CBC Enterprises, which sells over \$8 million worth of television programming annually into this market, there are certain factors to be aware of in selling to the television market in Western Europe. Some of these factors are outlined as follows.

Quite a high proportion of programming is originated by the TV programmers themselves for their own broadcast schedules but, since it is more costly to produce in-house than acquiring it from external sources, the incentive is to purchase as much outside material as is regulatory permitted. Lately, European broadcasters have been legally obliged to fulfill national production quotas and to acquire a certain amount of television programming produced by members within the EEC countries. There are still opportunities for direct sales to Western Europe.

Most selling of television product is done broadcaster to broadcaster. The larger broadcasting companies have international marketing division which handles the sale of television programs to other broadcasters.

Usually the sale's staff in these departments have to devote a considerable amount of effort to building up a wide international network of client contacts.

For example, selling documentaries to broadcasters in the U.K. is difficult because they spend a lot of money producing their own product, and therefore only purchase very specific high quality product from external sources. The marketing representative needs to seek out the production department and get in contact directly with the producers to convince them to buy a particular 'strand' of product that will fit with their own production schedule requirements. To systematically market television programs across Western Europe requires a great deal of sale's effort devoted to establishing and maintaining a network of candidate buyers. It also requires an intimate knowledge of their production scheduling requirements to ensure the sale of the right product at the appropriate time in the programming season.

Among our major non-European competitors are the U.S. companies that are very strong in selling TV Programming throughout Western Europe. Many of these U.S. companies are multinational corporations with sizeable offices in most of the major capitals of Europe. They are particularly good at packaging their product for each new production season and backing it up with effective marketing campaigns. For example, they often sell theatrical features for television with well known named star actors, and their product is backed with large budgets for advertizing both on-air and off-air promotion. The U.S. also has a certain style of very fast

pacey editing in their programs which the European audiences like and therefore are purchased by the broadcasters.

The American companies have sophisticated marketing and large advertizing and promotion budgets which give them the clout to saturate the market. Also, their product has the added price advantage of being relatively cheap because the production costs have already been recuperated in the U.S. domestic market, prior to it being 'dumped' into the European market at cut rate prices for local Western European programmers to buy.

There has been a noticeable overall increase in the purchase of American programs, and it is reported that profit from sales grew 56 percent between 1984 and 1985. The new commercial channels are the most willing to use American programs, particularly the Italian channels, the new British cable and telecommunications satellite channels, and the new French commercial channels. In Germany, ZDK and ARD have signed long term supply contracts with U.S. Hollywood majors. The European programmers are not only buying American products, though it is the predominant source, but are also broadening out their international purchases to include other foreign sources. Therefore, Canada still has a chance to serve this market in a sizeable way, particularly since it is a growing market.

At present, Western European broadcasters transmit some 150 thousand hours of television each year of which they produce or commission about 100 thousand hours. The remaining hours are acquired as brought in

programs from independent producers and broadcasters in other countries. Many of the programs shown on Western European television are imported from within the E.E.C. or from abroad. The majority of these programs (44 percent), are from the United States, and in certain countries, the U.S. accounts for more than 60 percent of the imported material. The United Kingdom provides 16 percent of the imported programs in Western Europe, followed by West Germany and France, which each provide 5 to 10 percent, as do the other Western European countries combined. (Eastern European and Soviet production make up 3 percent of the imported programs). Canada's contribution is less than 1 percent at the moment.

Most of Canada's independent film producers see Europe as a huge priority market. To break even in production, they need to make two-thirds of their money outside the country because of the limited domestic theatrical film and television programming market in Canada. They believe the way to go is with foreign partners, particularly broadcasting services.

Official Coproduction Agreements

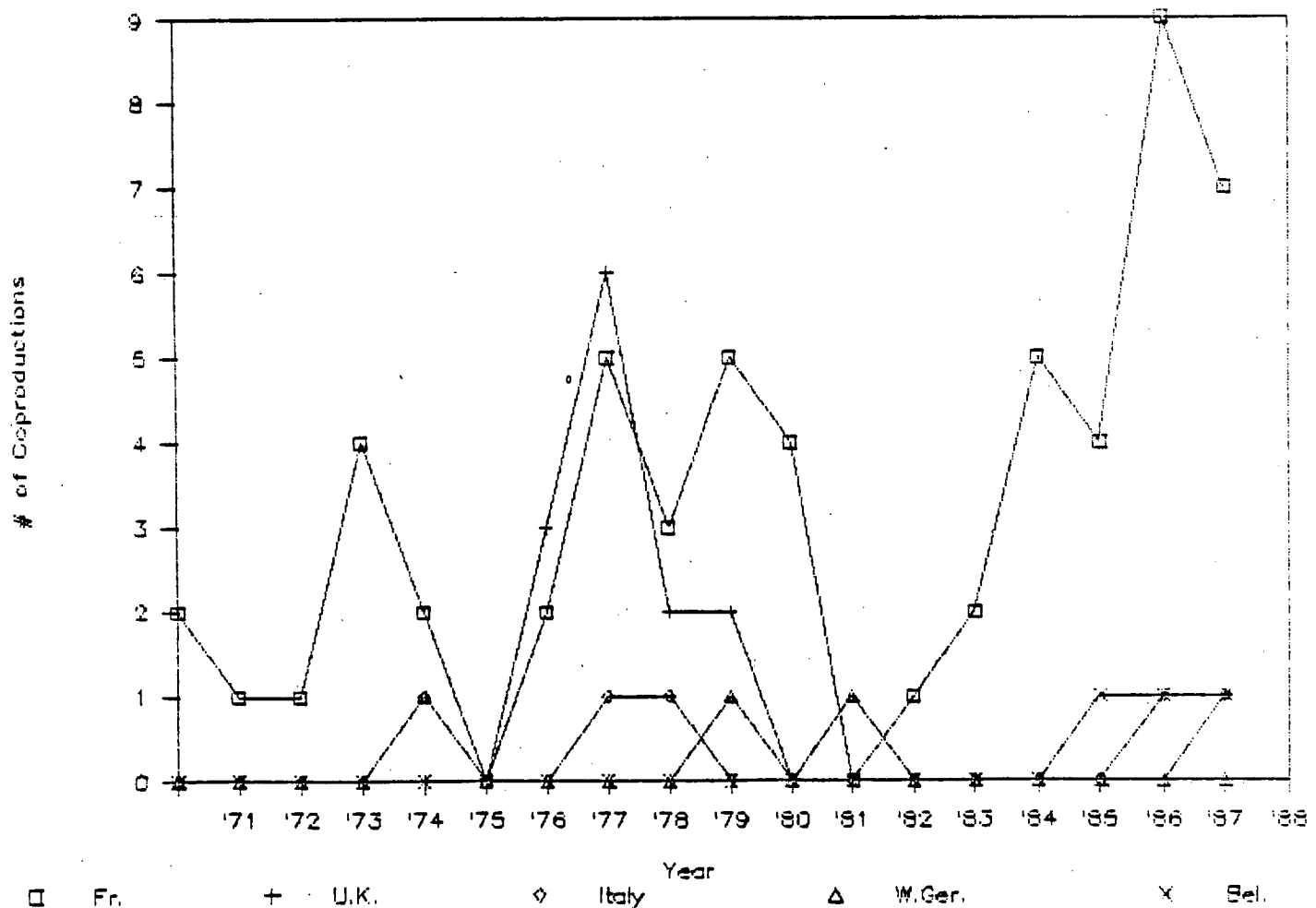
Many of the larger Canadian film producers are actively using the official coproduction agreements that the Canadian government has signed with several European countries, to facilitate access to government funds, tax concessions, and joint financing for film production.

An official coproduction treaty is an agreement between two sovereign states to permit the commercial sector to pool creative, technical,

entrepreneurial and financial resources to jointly produce films and programs for television, and be able to benefit from preferential taxes and government assistance programs in all the partner countries involved.

Prior to 1983, coproduction agreements were used exclusively to finance the production of feature films. After 1983, official coproduction agreements were extended to cover both TV production and feature films. The first coproduction agreement, covering both TV production and feature

Figure 4.3
NUMBER OF COPRODUCTIONS PRODUCED PER ANNUM BY COUNTRY



films, was with France. In the case of France, coproductions have been very successful, but with some of the other Western European countries, the agreements have not been used as can be seen in Figure 4.3.

The federal government also established in 1983 the Canadian Broadcast Program Development Fund with an initial reserve of \$254 million for five years. Later, this fund was confirmed at \$60 million per annum commencing in 1988. The program is administered by Telefilm Canada, and appears to be having a direct impact on the scope of television production which Canadians can propose to foreign co-producers in Western Europe.

A closer look at the record shows that Canada has no coproduction agreements with the Scandinavian countries, and no television coproduction agreement with West Germany. There are no coproduction agreements for TV with Spain or Portugal, although there is a letter of agreement between Spain and the CBC for joint production. However, this letter does not cover eligibility for access to CCA tax credits or government funding. Negotiations are being finalized with the Netherlands for TV coproduction, and an agreement is about to be signed with Switzerland.

Despite the revised agreement to allow television coproduction with the U.K., none have been undertaken. Britain does not appear to be too enthusiastic about TV coproduction because of the tax implications and the logistical difficulties of forming joint production teams. Some

local Welsh television stations are interested in other arrangements such as twinning and joint ventures, and are actively pursuing these with Canadian independent film production companies. Twinning arrangements involve the pairing of one Canadian and one foreign project in a production package, but some of the joint tax implications have yet to be ratified by the partner countries.

France is the dominant force in coproduction agreements. This may partly be because of the Canadian federal government's extra effort invested in fostering closer cultural and trade ties with France in recent years as a way of finessing some of the successful Québec provincial activities in these areas. Since 1983, eight television series have been recognized under the Canada-France television agreement. Four more projects are underway, and the coming years promise increased coproduction activity between Canada and France.

Italy should be a candidate for more coproduction activity with Canada, but at the moment it appears to be a bit of an untapped market because of minimal national government activity to stimulate coproductions.

The Europeans are also forming coproduction agreement among their own member countries. A pan-European coproduction called "Mission Eureka" has six partners including Channel 4 (Britain); Antenne 2 (France); RAI (Italy); SRG (Switzerland); ZDF (West Germany); and TVE (Spain). Each episode has a budget of over \$900 thousand, and the plot is to be filmed in different locations all over Europe.

Overall, the Canada film production industry appears to utilize official coproduction agreements, but it would prefer to use less constraining forms of production such as twinning and co-venture arrangements. A closer evaluation should be performed on the existing coproduction agreements because we suspect that in several cases, the Canadian production houses are selling off their international distribution rights in order to package the deal. This, in effect, reduces the Canadian production companies to the role of a service studio working on a contract fee basis, rather than participating in the profitable downstream sale of international distribution and viewing rights. Since the financial reporting is not always clear on this point, we have no way of telling if the Canadian companies are selling off their international distribution rights, and working only as service studios to European producers. We could not readily determine during our work on this report if this situation is prevailing or not.

Therefore, it is difficult to ascertain how effective the federal funding and assistance, and foreign tax revenue provided to the film and television production industry has been in creating on going participation in the sale of distribution and viewing rights in the European TV market. We suspect that the European production partners are picking up the major share of the lucrative post-production rights market in Western Europe without any appreciable financial flow back to Canada.

TV PROGRAMMING

One of the ways to determine the size of market for television programming on the different European broadcasting channels is to analyze their various transmission schedules, and determine the proportion of originating programs as compared to how much acquired programming they broadcast. The source of TV programming by channel is shown in Figure 4.4.

It can be seen that Italy is the highest in acquiring non E.E.C. programming, second is Germany, and the third is the U.K. The other large purchasers are Switzerland, Austria and France. The bulk of this non-EEC programming is probably U.S. purchased material. However, it does give an indication of where Canadians should perhaps be placing their marketing efforts in selling TV programming.

After 1985, the impact of broadcasting deregulation altered the trend in programming content. The public service broadcasters used to show a range of quality programming of education, information and entertainment to their citizen viewers. Whereas the commercial broadcasters tended to provide a much higher proportion of entertainment to their consumer-viewers. Because of deregulation and increased competition between the public service channels and the commercial channels, the public channels are now beginning to offer more films and light entertainment to compete with the commercial channels for viewers attraction and higher audience ratings.

Figure 4.4
SOURCE OF TV PROGRAMMING BY CHANNEL IN WESTERN EUROPE (1985)

Country	Channel	Originated %	EEC- Acquired %	Non-EEC Acquired %	Sub Total Non- EEC Acquired %
Austria	FS1	70	19	11	31
	FS2	73	7	20	
Belgium	BRT1	80	10	10	21
	RTEF1	75	14	11	
Denmark	DR	69	19	12	12
France	TF1	84	6	10	25
	A2	93	4	3	
	FR3	87	1	12	
Germany FR	ARD	87	5	8	72
	ZDF	78	0	22	
	SAT-1	45	23	32	
	RIL Plus	71	19	10	
Italy	RAI-1	83	5	12	157
	RAI-2	59	17	24	
	RAI-3	93	0	7	
	Rete 4	41	12	47	
	Canale 5	33	0	67	
Luxembourg	RIL	39	34	27	27
Netherlands	NOS1	67	12	21	35
	NOS2	74	12	14	
Norway	NRK	71	20	9	9
Spain	RTVE1	75	12	13	28
	RTVE2	66	19	15	
Sweden	SVT1	78	6	16	29
	SVT2	75	12	13	
Switzerland	SRG (Fr)	60	31	9	41
	SRG (Ger)	83	15	2	
	SRG (Ital)	56	14	30	
United Kingdom	BBC1	88	0	0	57
	BBC2	94	0	6	
	ITV	87	2	11	
	C4	60	0	40	

SOURCE: Horizons Media International

Figure 4.5
CATEGORIES OF PROGRAMMING, BY TV CHANNEL IN WESTERN EUROPE (1985)

Country	Channel	News and Current Affairs %	Other Non- Enter- tainment %	TV Drama and Soap Operas %	Films %	Light Enter- tainment %	Sport %
Austria	FS1	48	6	0	19	23	4
	FS2	32	13	0	44	5	6
Belgium	BRT1	15	37	16	13	16	3
	RIBF1	19	30	3	24	22	2
Denmark	DR	20	37	0	19	18	6
France	TF1	23	18	11	29	19	0
	A2	31	14	13	18	21	3
	FR3	19	3	8	35	35	0
German FR	ARD	28	10	7	34	17	4
	ZDF	27	24	11	19	11	8
	SAT-1	30	7	14	39	9	1
	RTL Plus	12	0	7	37	38	6
Italy	RAI-1	16	4	13	14	37	16
	RAI-2	19	1	31	34	0	15
	RAI-3	24	39	0	10	20	7
	Rete 4	0	0	54	34	12	0
	Canale 5	3	7	11	22	53	4
Luxembourg	RIL	12	0	25	45	15	3
Netherlands	NOS1	20	16	4	39	17	4
	NOS2	20	10	14	32	20	4
Norway	NRK	23	37	12	10	10	8
Spain	RIVE1	37	20	2	12	12	17
	RIVE2	9	30	6	22	32	1
Sweden	SVT1	22	27	10	17	13	11
	SVT2	21	35	7	19	15	3
Switzerland	SRG (Fr)	24	24	10	20	15	7
	SRG (Ger)	23	27	4	18	23	5
	SRG (Ital)	22	30	1	40	7	0
United Kingdom	BBC1	18	16	34	6	20	6
	BBC2	9	43	7	17	16	8
	ITV	20	2	42	6	27	3
	C4	24	26	16	15	13	6

SOURCE: Horizons Media International.

The categories of TV programming by channel are shown in Figure 4.4. Since this is 1985 data, it should be noted that there may have been some changes in the relative emphasis in the programming schedule. Documentaries, non-entertainment and drama are most likely to be purchased and shown by the national public service networks. Whereas, films and entertainment are likely to be purchased and shown mostly by the commercial channels. This, therefore, provides some indication of where Canadian producers should be targeting their marketing efforts, both culturally and commercially.

Figure 4.6
THE AMOUNT¹ OF DRAMA PROGRAMS SHOWN ON TV CHANNELS IN WESTERN EUROPE (1985)

Channel	Production				
	National	EEC	National & EEC	American	Other Countries
ZDF	17.3	33.2	50.5	36.1	13.4
SAT-1	20.4 ¹	31.5 ¹	51.9 ¹	48.1	
RIBF (86)			51.3		48.7
BRT (82)	21.0	max 46.0	max 67.0	33.0	
IR	6.7	42.6	49.3	46.5	4.1
RIVE ³	22.9	29.5	52.4	34.8	12.7
TF1	22.0	34.0	56.0	37.0	7.0
Antenne 2	34.0	26.0	60.0	35.3	4.7
FR3	37.3	21.7	59.0	28.1	12.9
RAI	11.3	27.6	38.9	57.4	3.7
RIL Plus ²		86.0	86.0	9.3	4.7
NOS	7.0	30.0	37.0	56.0	7.0
RTP	7.4	34.5	41.9	37.9	14.7
BBC (82)	38.0	max 7.0	max 45.0	55.0	
ITV (82)	57.0	max 5.0	max 62.0	38.0	
SKY ⁴			12.0	72.0	16.0

SOURCE: Chaînes nationales/Traitement IEC;

- Notes: 1. Amount shown as a percentage of the total volume of drama programs transmitted for the first time or as repeats
 2. Estimations made by samples of transmitted (shown) films
 3. Percentage of transmitted films
 4. Forecast

TV DRAMA PROGRAMS

In general, because of deregulation bringing about increased competition, TV production finances have shifted into alternative light entertainment, and this has affected the production of drama to the point where it is now stagnant or decreasing. Also, because of the rising cost of producing drama programs, there is a tendency to fill program schedules with less expensive mass appeal items such as variety shows, games, debates, videoclips, repeats, and re-run films.

There are, however, some notable exceptions where public broadcasters are trying to counteract this trend. For example, BBC, ITV, ZDF, ARD, Antenne 2 are giving particular emphasis to the ability to produce high-quality dramas as an answer to competing with the emergence of commercial channels. The BBC has entered into agreements with the U.S. to jointly fund and produce TV drama series. The BBC's largest coproduction partner is the North American Arts and Entertainment network. The BBC also does periodically joint programming in Canada with TVOntario.

Figure 4.7
 PROPORTION OF ENTERTAINMENT (DRAMA, SOAP OPERAS, FILMS, LIGHT ENTERTAINMENT) IN TV PROGRAMMING BY CHANNEL IN WESTERN EUROPE (1985)

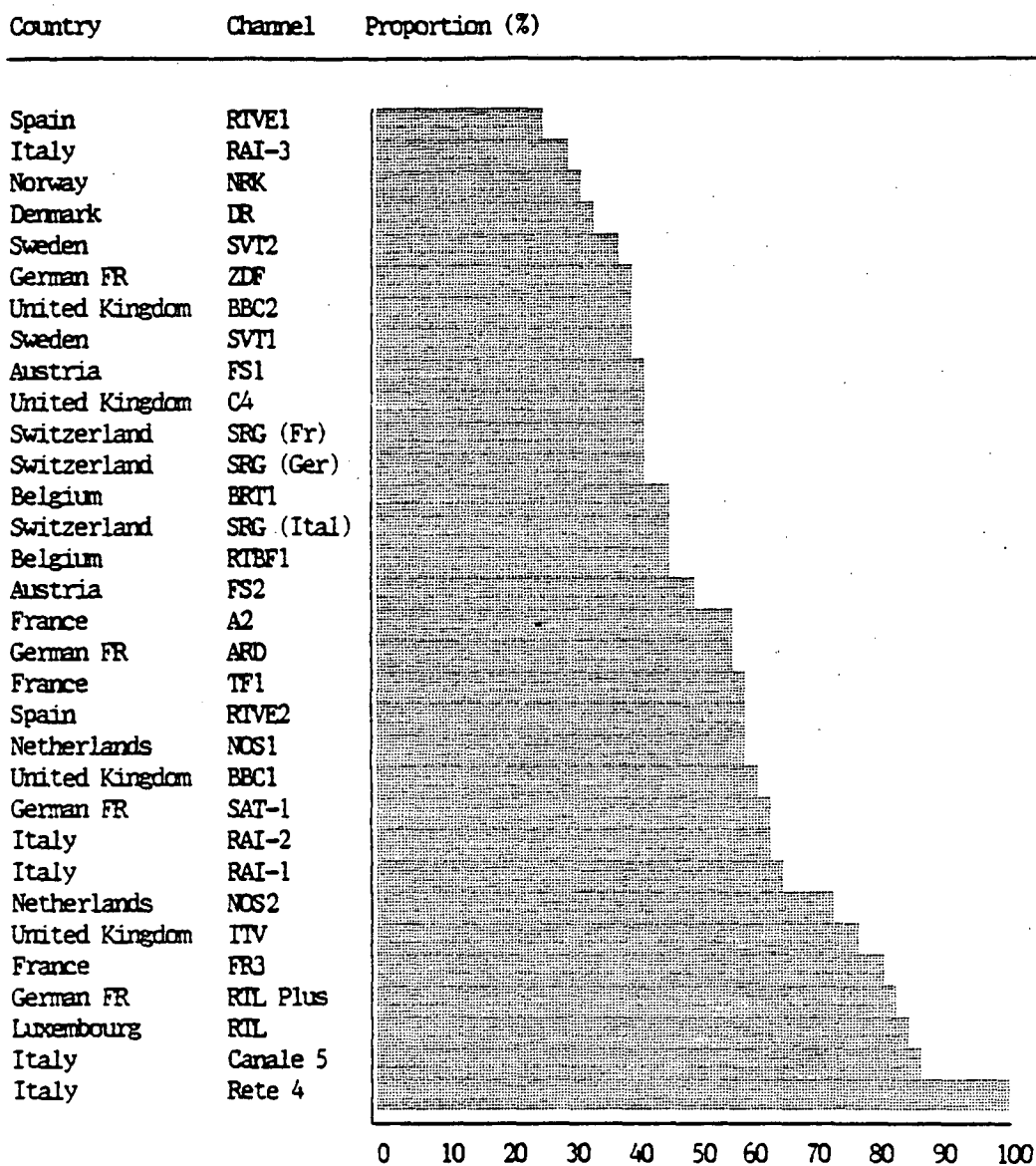


Figure 4.8
NUMBER OF FILMS SHOWN ON TV CHANNELS IN WESTERN EUROPE (1985)

Country	Channel	Number of Films
Germany	ZDF	345
	ARD	379
	Third Channel	992
	SAT-1	570*
Austria	ORF	769
Belgium	RTBF	250
	BRT (1984)	680*
Denmark	DR	97
	The Voice (pay TV)	150*
Spain	RTE-TV3	396
France	TF1	130
	A2	158
	FR3	212
	Canal Plus	2,300*
	TV5	52
Ireland	RTE (1984)	395*
Italy	RAI (1984)	830
	Reteitalia	2,500
	Other Private	3,000*
Luxembourg	RTL	250*
	RTL-Plus	470*
Norway	NRK	75
Portugal	RTP	210
Sweden	STV (1984)	224*
Switzerland	SSR/SRG/TS1	845
	Télé-club	720
	Télé-ciné	105

SOURCE: Institut européen de la communication, according to national sources, UER and FIAD

Note: * Approximate numbers

N.B. An identical film can be shown many times, either by different channels - which is frequently done in Italy - or many times by the same channel, which is the case of Pay Television.

FRANCE TV BROADCASTING

The French market is Canada's second largest french language market following Québec. Entry into this market can also provide us with a window onto the Belgium and Swiss markets, as well as some of the former French colonies in Africa. Our approach to these markets involves a multiple strategy that includes direct promotion and sales, attendance at film festivals, and through international agreements on coproduction, TV5, and resolution of the dubbing issue. Canada is actively seeking an amelioration of the french language TV and film dubbing issue which is impeding the entry of Québec made french language programs into France.

Canada and France signed successful international TV and film coproduction agreements in 1985, which have resulted in the making of fifteen theatrical features and fifteen productions for television amounting to a total investment of \$165,156,848. The television productions included eight series budgeted at \$52,785,021 six features and mini-series budgeted at \$51,664,808 and one animated feature for \$165,156,848. More coproduction activity is anticipated between Canada and France in the coming years. Four projects have already received provisional approval and seven others are currently under consideration. Canada is likely to be a major partner in five of the eleven projects, seven of which are for television.

Figure 4.9

FRENCH TV BROADCASTING (1988)

Channel	Year Started	Location	Ownership	Commercial or Subscription	TV Homes (est.)	Market Reach	Viewing Audience
TF-1	1974	Paris	Group headed by Bouygues (25%) and Maxwell (10%)	Commercial	19,400,000	95%+	47.5%
Antenne-2	1974	Paris Strasbourg Bordeaux Dijon & Besancon Le Mans, Rennes & Nantes Limoges & Poitiers Nancy, Toulouse & Riens Montpellier Lille & Andens Rouen Caen Paris & Orleans Marseille & Antibes Lyon, Grenoble & Clermont Ferrand Chalons-sur-Marn	Public (40%)	Subscription/ Advertisizing	19,400,000	95%+	28.8%
FR-3	1974	Paris	Public	Subscription/ Advertisizing	19,400,000	95%+	7.7%
Canal Plus	1984	Paris	Canal Plus	Subscription/ Pay TV	19,400,000	9.2%	
La Cinq	1986	Paris	R.Hersant, (25%) S.Derlussoni (25%), others	Commercial	19,400,000	38.7%	8.1%
Métropole-6 (M6)	1987	Paris	Co. luxembourgeoise de de télédiffusion (CLT), Lyonnaise des eaux, others	Commercial	19,400,000	16.7%	1.7%
RTL-Television	1955	Luxembourg	CLT				
Télé Monte Carlo (TMC) ^a (French)	1954	Monte Carlo	Radio Monte Carlo Princ. of Monaco	Commercial	1,100,000	5.7%	

* N.B. The TMC reference is to the French-language station which covers southeast France. Its Italian-language service, also known as TMC which is relayed throughout most of Italy was sold to TV Globo of Brazil as majority owner. There is no connection between the two services.

TV Ontario has recently signed a Paris-based distributor, Rosnay International, to handle TV Ontario French language products in France and in France's former colonies in Francophone Africa.

The french broadcasting market has been expanding at an exponential rate. The number of French TV stations more than doubled from the original three to eight channels, and two additional channels are planned. France also receives two foreign commercial TV channels broadcast from Luxembourg (RTL) and Monaco (Télé Monte Carlo). Also, an international cooperative agreement to share the satellite broadcast of TV Cinq has been signed between Canada, France, Switzerland and Belgium. Two other satellite projects are underway to beam dozens of European stations into France.

There are currently 10 television channels in operation in France along with two more that are received from Luxembourg and Monte Carlo. These are listed as follows:

- **Television France 1 (TF1)**
 - formerly state owned, privatized in 1987, owned by an operating group including Francis Bouyges (construction magnate) and Robert Maxwell (U.K. mediocrat)
- **Antenne 2**
 - state owned, now labelled "la chaîne de référence du service public"
- **France Regional 3 (FR 3)**
 - state owned, operates in 13 regions that produce and broadcast their own programs along with national programs
- **Canal Plus**
 - established as France's first cable pay TV in 1984, owned by HAVAS advertizing group, CGE, Oréal and others

- **La Cinq**
 - established as a private commercial station in 1987 by an operating group including Robert Hersant and Silvio Berlusconi
- **Métropole-6 (M6)**
 - originally TV6 then renamed M6 began in 1987 under the control of a commercial consortium including Compagnie luxembourgeoise de télédiffusion (CLT), Société lyonnaise des eaux, banks and insurance companies.
- **La Société d'édition de programmes de télévision (La Sept)**
 - established as a cultural channel in 1987. It is jointly owned by the French government, FR3, INA, and Radio France.
- **TV5**
 - established in 1984 as a french language cultural and information channel distributed by satellite. It is financed as an international joint project with contributions from partner countries including France, Switzerland and Belgium. Canada joined the consortium in 1988.
- **Canal Journal (Canal J)**
 - established in 1986 as a youth oriented channel distributed by satellite. It is financed by the Groupe Hachette.
- **Planète**
 - established in September 1988 as a documentary cable channel. It is owned by Générale des Eaux and expects to show 20-25 percent foreign productions.
- **Radio Télé Luxembourg (RTL)**
 - privately owned station broadcasting from Luxembourg and received in France. Jointly owned by Compagnie luxembourgeoise de télédiffusion (CLT), Havas, Schlumberger, and Paribas
- **Télé Monte Carlo (TMC)**
 - state owned through Sofirad and broadcasting from the Principality of Monaco to the South of France

TELEVISION FRANCE 1 (TF1) was formerly state owned and then privatized in 1987. The CNCL selected a private operating group to whom were sold 50 percent of the shares; the other 40 percent of the shares were floated on

the Paris Stock Exchange and the remaining 10 percent were made available to employees. The operating group consists of:

• Bouyges	25.00 %
• Maxwell UK	10.00 %
• Groupe GMF-FNAC	3.00 %
• Société Générale	2.00 %
• Editions mondiales	2.00 %
• Maxwell Média France	2.00 %
• Groupe Tapie	1.66 %
• Groupe Worms	1.50 %
• Banque Indo Suez	1.16 %
• Crédit Lyonnais	1.085%
• François Dalle	1.015%
• Press and Publishers	0.50 %

TF1 broadcasts about 100 hours of programs per week, reaches 95 percent of the TV homes in France and captures 47.5 percent of the viewing public.

According to French broadcasting regulation, there is a limit on the number of films that TF1 can broadcast. In 1985, the legal limit was 170 films per year but it usually broadcast on average about 130 films per year. It is also obliged to broadcast a minimum of 40 percent French or 60 percent Common Market nationality produced TV programs.

In actual fact, TF1 has made fewer original French programs than promised. It is aiming at the lion's share of France's TV advertizing and is exceeding its quota of commercial advertizing per hour of prime time. It has been introducing commercial breaks in news casts and feature films, which is unprecedented in France. Also, it has increased the use of program sponsoring and quiz-game shows with product

give-aways. An indication of its program subject matter is shown in Figure 4.10.

Figure 4.10
CATEGORIES OF PROGRAMS BROADCAST BY TF1 (1986)

Category	Percentage of Total Programming
Information	22.2
Culture and Education	9.2
Theatre and Music	1.0
Children's Programs	8.6
Leisure	2.3
Cinema Films	4.9
TV Films	4.0
Series and Serials	17.9
Entertainment and Game Shows	16.1
Sport	6.8
Religion	3.1
Advertizing	3.9

ANTENNE 2 is a state owned national broadcasting network and captures about 28.8% of the viewing public. An indication of the categories of programming it transmits are displayed in Figure 4.11. Antenne 2 operates according to the same quota rules as TF1. It is obliged to produce 50 percent of its programming in France. On average, it has been broadcasting about 130 films per year although it is allowed to show a maximum of 170 films per year. Eighty percent of the films are required to be French language films, of which 40 percent must be produced as French film society approved films, and 60 percent must originate from other production countries in Western Europe. This leaves room for 20 percent foreign films that can be imported from non-EEC countries such as the U.S. and Canada.

Figure 4.11
 ANTENNE 2 TRANSMISSION TIME IN HOURS BY CATEGORY AND SOURCE (1985)

Program Category	Antenne 2 Production		Imported & Coproduction		Various Sources		Acquired Transmission Rights		Transmission for Other Organizations	Totals		General Totals
	1st Trans	Repeat	1st Trans	Repeat	1st Trans	Repeat	1st Trans	Repeat		1st Trans	Repeat	
French Fiction	7 H 55	-	212 H 02	160 H 44	12 H 09	-	5 H 22	-	-	237 H 28	160 H 44	398 H 12
Imported Fiction	-	-	10 H 14	12 H 33	-	-	168 H 45	162 H 52	-	178 H 59	175 H 25	354 H 24
Films	-	-	0 H 10	-	0 H 48	-	217 H 46	114 H 07	-	218 H 44	114 H 07	332 H 51
Cultural	590 H 27	113 H 54	64 H 04	27 H 42	10 H 02	-	42 H 45	31 H 05	-	707 H 18	172 H 41	879 H 59
Music	27 H 11	4 H 05	10 H 21	-	-	-	9 H 02	16 H 33	-	46 H 34	20 H 38	67 H 12
Children's	65 H 06	19 H 12	42 H 23	13 H 15	0 H 39	-	75 H 54	118 H 24	-	184 H 02	150 H 51	334 H 53
Entertainment/Games	427 H 33	-	448 H 13	53 H 44	10 H 21	-	52 H 22	2 H 32	-	938 H 23	56 H 16	994 H 45
Information	1097 H 46	-	-	-	-	-	-	-	-	1097 H 46	-	1097 H 46
Sport	454 H 29	-	-	-	-	-	-	-	-	454 H 29	-	454 H 29
Transmission for Other Organizations	-	-	-	-	-	-	-	-	110 H 58	110 H 58	-	110 H 58
Other	149 H 44	1 H 07	0 H 03	2 H 09	-	-	-	2 H 45	192 H 47	342 H 34	6 H 01	348 H 35
Total	2820 H 11	138 H 18	787 H 30	270 H 07	33 H 59	-	571 H 56	448 H 18	303 H 45	4517 H 21	856 H 43	5374 H 04
	2958 H 29		1057 H 37		33 H 59		1020 H 14		303 H 45	5374 H 04		5374 H 04

FRANCE REGIONAL 3 (FR3) is state owned and its TV broadcasts operate in 13 regions capturing about 7.7 percent of the viewing public. It is governed by an administrative council comprised of a civil servant, a member of parliament, a regional politician, a publisher, and a writer. FR-3 may program up to 220 films per year of which a minimum of 40 percent must be French film society approved, and 60 percent must originate from other production countries within Western Europe. An indication of the sources of FR3 programming in 1985 are shown in Figure 4.12.

Figure 4.12
SOURCES OF PROGRAMMING FOR FR3 (1985)

Category	Hours
FR3 Production	568
Acquired Production	639
Commissioned Production	399
Independent Production	258
Transmission for Other Organizations	125
Total	1,989

CANAL PLUS was established as the first French pay TV service and has become the largest pay TV operator in Europe. It broadcasts its programs by land based transmitters, and can be received by over 80 percent of the French population using cable services or television sets requiring special decoders to de-scramble the message.

The commercial operators of Canal Plus are private corporations whose major shareholders are:

• Havas	25 %
• La Compagnie Générale des Eaux	21 %
• L'Oréal	10 %
• Le Groupe Société Générale	10 %
• Le CCF	7 %
• Perrier	5 %
• Directors and Employees	4 %

It had sales of \$544.8 million and a net profit of \$22.2 million in 1986. An indication of the categories of programming that Canal Plus broadcasts is provided in Figure 4.13.

Figure 4.13
CATEGORIES OF PROGRAMS BROADCAST BY CANAL PLUS (1986)

Category	Percentage of Total Programming
Films	45
Series, TV Films	28
Documentaries	2
Game Shows, Videos, etc.	20
Sport	5
Total	100

Canal Plus has been very successful in showing predominantly films, sports and news programs. It is required by French law to broadcast 50 percent of programming from French production. Under an agreement with the French film industry association, Le Bureau de liaison de l'industrie cinématographique (BLIC), it is entitled to show 365 films per year but they must be shown 1 year after cinema release in France. It has one of the largest television film budgets in France with \$150 million available to buy films of which 50 percent must be invested in France. This still leaves a sizeable portion of the budget available for coproductions and foreign film purchases. As a result, Canal Plus has become a major force in international film buying and should be a key target market for Canadian film producers to sell.

LA CINQ was established as a private commercial TV station in 1987 by an operating group that includes strong French and Italian media interests:

• TVES (Groupe Hersant)	25 %
• Reteitalia (Silvio Berlusconi)	25 %
• Pargeco (Mutualité Agricole)	15 %
• Chargeurs SA (Jean Seydoux)	10 %
• Société centrale d'investissement	9 %
• Les Echos (Press)	5 %
• Le Crédit lyonnais	5 %
• Télémétropole (Canada)	3 %
• Sofil (Group UIC)	2 %
• Expar	1 %

Canadian financial interests in La Cinq are represented by Télémétropole which is owned by André Chagnon of Québec. Télémétropole Inc. owns CFTM-TV in Montréal and has a 15% share in Réseau Pathonic Inc. to whom belongs a network of 5 Québec television stations. Télémétropole Inc. is

in turn owned by Le Groupe Vidéotron Ltée, which is Canada's second largest cable television company. Vidéotron, also owned by André Chagnon, holds 40.8 percent of Télé métropole's participating shares and 99.6 percent of its voting shares and thereby has a financial interest in La Cinq. Vidéotron also has a 45 percent interest in Région Cable of France and intends to become an active participant in French television broadcasting and cable markets.

La Cinq achieves broadcasting coverage by transmitting on the French domestic satellite Telecom B that distributes the signal to regional transmitters. There are certain license requirements that La Cinq is obliged to meet in its programming activities:

Minimum transmission	19	hours/day
Documentaries and Fiction of French origin	300	hours/year
French programs per slot	4.5	minutes
Minimum program expenditures	15%	of turnover
Cinema Films (minimum)	15	feature films
Films (maximum)	364	per year

La Cinq has 5.8 percent of the TV viewers and is attempting to rival TF1 that has captured 47.5 percent of the viewing public in France.

The main programming emphasis of La Cinq is on films, sports, news, and light entertainment, but it also shows drama, children's programs and mini-programs. The mini-programs are not found on any of the other networks and consist of animated videoclips and mini-magazines running from 5 to 25 minutes and presented unscheduled to catch the viewer's attention. It has recently been changing its light entertainment

programming from a diet of cheap American soap operas to investing heavily in star performers and costly variety programs. However, the channel is losing money and may revert to a schedule of relying on light entertainment programming and nightly X-rated movies.

TV6, a musical channel aimed at the youth market ended its programming February 28, 1987 after one year on the air. It was immediately replaced by M6 and began re-transmission March 1, 1987. M6 operates under the control of a consortium comprised of:

• Compagnie luxembourgeoise de télédiffusion (CLT)	25.0 %
• Société lyonnaise des eaux	25.0 %
• Editions Amaury	10.0 %
• Banks and Insurance Companies	37.4 %
• MK2 Vision (Marin Karmitz)	2.5 %
• Miscellaneous	.1 %

M6 achieves broadcast coverage, like La Cinq, via the French domestic satellite Telecom 3 which distributes the signals to regional transmitters. Its programming strategy is based on a modest budget and gradual progress in audience ratings. It is presently attracting about 1.7 percent of the viewing public. The channel is mainly showing American series, musical clips, talk shows, and magazine programs on different types of popular interest. According to its license requirements its programming must consist of:

Minimum transmission	13	hours/day
Documentaries and Fiction of French original	300	hours/year
French programs	69	percent
Musical programs (minimum)	40	percent
Children's programs (minimum)	25	hours/week
Advertizing per slot (maximum)	4.5	minutes
Program expenditures	15%	turnover
Coproduction expenditures (1987-1991)	\$70.6	million Cinema
Films (minimum)	5	per year

Support for Covo		
Cinema-Script Development	5%	tax on foreign films
Support for Covo production	5%	tax on foreign TV
- French Films		and TV program

LA SEPT (La société d'édition de programmes de télévision) started broadcasting May 8, 1987. It intends to be a cultural channel of French initiative. Its goal is to build up a pan-European cultural program. La Sept is not a production company; it commissions programs or buys them. It broadcasts via the Hertz public sector transmission system and by satellite. It is developing a policy of co-programming with FR3 until it obtains a channel on the TDF2 satellite. Its programs are mostly European but some are also American product, and these will be broadcast all over Western Europe.

The financial structure and organization is at present French, but is intended to expand into an European organization. At present financial resources are provided by:

• French Government	25%
• FR3	45%
• INA	15%
• Radio France	15%

Participation by ARD and ZDF of West Germany is currently being sought. Four European channels presently participate on the programming committee: RAI, Channel Four, ZDF, and La Télévision suisse romande (SSR).

La Sept is giving priority to multilingual productions and coproductions. It has signed coproduction agreements with ARD, ZDF and NDR of

West Germany, SSR of Switzerland, RTBF of Belgium, Danmarks Radio of Denmark, ORF of Austria, RAI of Italy, RTVE of Spain, and RTE of Ireland. Programs will be transmitted in the original language version with subtitling in several languages. Its program schedule will include documentaries, light entertainment, drama, a substantial portion of educational programming and foreign language teaching. Each Sunday evening is devoted to a special event broadcast live from the country of origin. In 1987, more than one thousand hours of French and European programs were commissioned or bought. The ambition of La Sept is to be the pivotal broadcast channel showing the best quality of European television for the year to come.

CANAL J started operations in January 1986. It is a youth oriented french language channel transmitted via Telecom satellite to 28 thousand subscribers in the French market. It plans to expand its services into the French speaking regions of Belgium. The main financial owner of Canal J is the Groupe Hachette.

PLANETE, a french language documentary cable channel was launched September 15, 1988. It is financed by la Compagnie Générale des Eaux. It has a \$1 million budget and expects to show 20 to 25 percent foreign produced programs and films.

Fnac-TV, Fédération national d'achats des cadres, the Fnac chain of bookstores, has diversified into television broadcasting by creating Fnac-TV. It will be the first multicultural, multilocal channel in

Europe. It will be broadcast in France by cable network via Telecom 2, and it will also be received in Belgium. Its programming will include a large quantity of rock music, and information on books and literature.

TELE MONTE CARLO (TMC-French) is broadcast from the Principality of Monaco and aimed into the South of France. The principal shareholders are:

•	Principality of Monaco	40 %
•	Europe UN	30 %
•	Radio Monte Carlo (state controlled)	30 %
•	Sofirad (State media holding company)	n.a.

Its programs are designed to suit French audiences and it derives part of its revenues from advertizing French companies.

RADIO-TELE LUXEMBOURG (RTL - Television) was established in 1955 and transmits from Luxembourg a dual broadcast of separate programs for France and for French speaking Belgium. Since 1985, it has moved its TV production from Luxembourg to Paris. About 49 percent of its broadcasts consists of bought programming mainly originating from popular U.S. series.

RTL is owned by the Compagnie Luxembourgeoise de Télédiffusion (CLT) whose shareholders are:

•	Groupe Bruxelles Lambert (Audiofina, Compagnie Financière)	54.6 %
•	Pariba	10.3 %
•	Schlumberger	12.3 %
•	Moët Hennessy	8.2 %
•	Miscellaneous	14.6 %

The TV5 channel is transmitted by satellite, according to an international joint agreement on shared programming and broadcast funding undertaken by France, Canada, Switzerland and Belgium. Canada agreed during the second Francophone Summit in Québec, September 1987, to support TV5. It committed the federal government and Québec provincial government to allocate \$12 million for the installation of TV5 in Canada. The federal government also agreed to contribute \$1.8 million to extend the TV5 network in North Africa and the Middle East. Funds, in the order of \$3 million, were also allocated by the Canadian federal government to distribute TV5 to francophone audiences in the North American continent and the Antilles. The commercial TV cable company, Groupe Vidéotron owned by André Chagnon, is actively involved in developing TV5 for the Québec market.

French Government Measures

While France is moving rapidly toward deregulation and privatization of television broadcasting, there is a growing public concern about the reduction in French TV production with the increase of U.S. and foreign made films and programs shown on French TV. The French government and its citizens regard their television and film making as a fundamental aspect of French cultural life and are making provisions to ensure that their audio-visual production capability is safeguarded against foreign domination. The French government has made a political commitment to communications and culture by merging the ministerial responsibility into one ministry, and by providing a wide range of protective support in all aspects of domestic film making and TV production.

Some of these measures have been helpful in stimulating official coproduction agreements between France and Canada. Other measures, such as foreign film quotas and the protection of dubbing rights, have been acting as a barrier to trade and a hindrance to Canada's access to the French TV market.

The government, within the Ministry of Culture and Communications, has established a Centre national de la cinématographie (CNC) which is a self-financing public administration. It has also created a branch within the CNC called the Direction des programmes audio-visuel, which is responsible for developing the audio-visual program industry to meet the growing needs of French TV broadcasters. France is the envy of many countries of the world in terms of the financial incentives it provides through the CNC for the film and television production industry.

The French government has created a film industry support fund, the Fonds de soutien aux industries de programmes with a budget amounting to \$36 million to produce documentaries and serial programs for television. A separate Account of \$37.3 million was set up for the production of special interest documentaries, for fiction and animation films in order to help the new independent channels produce good indigenous programs. The Account is financed from a tax on the subscription proceeds, advertizing revenues of the new networks and from the revenue of the public television broadcasters.

An Audio-visual creation fund was allocated for the creation of scripts and TV shows produced or co-produced by French public service organizations. There is also an International audio-visual fund, aimed at stimulating production and broadcasting of programs, that feature different cultures both within and outside the EEC.

The government also recently established an Institut de financement du cinéma et des industries culturelles (IFCIC) which is modelled on Québec's Société de développement des industries de la culture et des communications (SODICC). The purpose of IFCIC is to provide loan guarantees to assist French domestic film production and international ventures by covering up to a maximum of 70 percent, except in special cultural cases where it is a maximum of 90 percent of the production proceeds.

In order to regulate the orderly flow of the audio-visual market and to provide production support to the flourishing French theatrical film industry, the government instituted legislation to control film release schedules. In France, a film may only be shown on video one year after it has been released for theatrical film distribution, except in special cases where the waiting period may be reduced to three months depending on box office receipts. For public television stations, the period of viewing is three years after theatrical release, except in the case of coproductions with television, where it is 2 years, and in the case of Canal Plus and other Pay TV channels where it is one year.

Figure 4.14
FRANCE: FEATURE FILMS ON TV (1987)

	First Screening	Repeats	Total
TF1 pre-*	25	26	51
TF1 post-*	42	73	115
TF1 Total	67	99	166
A2	73	91	164
FR3	84	115	199
La 5 pre-*	14	8	22
La 5 post-*	79	69	148
La 5 total	93	77	170
M6	72	91	163

SOURCE: Screen Digest, 1987

Note: * During year TF1 was privatized and La Cinq's shares reallocated

One of the main impediments to trade television programs between Canada and France is the import quota of 40 percent applied by France to foreign programs not originating within the EEC, so that 60 percent of television programming must be allocated to French language national product. The other problem is that this import quota is coupled with the present protection of French dubbing rights, which is an issue that both countries are trying to resolve to their mutual agreement. It is currently exacerbating union problems between the province of Québec and France, straining cultural relations between both sovereign nations.

According to the foreign import quota, 60 percent of television programming must be French language national product. The CNCL, in one of its recent working documents, interpreted French language product

according to a limited definition, excluding Québec, which was stipulated as follows:

- the work must be produced by an enterprise or group in France or of french nationality within the EEC
- the enterprise must be French and it must take responsibility for the financing, artistic production, and distribution of the work
- the work must be financed to the minimum of 25 percent by money originating from french sources
- production expenses must be disbursed in France at a minimum of 25 percent of the total production
- all of the production crew must be 25 percent french or from member countries of the EEC
- the original french version of the product must be done by french artists

Needless to say, this definition and its restrictive covenants will need to be revised during subsequent negotiations between Canada and France because it contravenes some of the terms and conditions of earlier official international coproduction agreements signed by both countries in 1983. There will also be a need for on-going diplomatic discussions between both countries concerning the dubbing issue.

THE DUBBING ISSUE

The dubbing issue has its origins in protective legislation as early as 1960, when France decided that only films dubbed in France could be shown in French movie theatres. In 1965, the legislation was expanded to allow the showing of EEC produced films, but it still excluded Canadian films that were not dubbed in France from being shown in French theatres.

Although there is no specific law governing the protection of dubbing on French television broadcasting, there is however, an agreement that stipulates that products from non-EEC countries, such as Canada have to

be dubbed in France. The agreement was signed between the French TV production unions and the public television broadcasters in 1977, and is ratified annually. Under the terms of the agreement, the public TV broadcasters can share a total of 42 hours annually (14 hours per station) of foreign non-EEC dubbed product.

Understandably, these protective laws and agreements created a crisis in Canada because it effectively shut out Québec dubbed theatrical films and television programs from the market in France. At the provincial level, measures were taken to try and ameliorate this situation. The Québec Minister of Culture, Lise Bacon, went to France to meet with her counterpart François Léotard in February 1987, and they agreed to constitute a Mixed Committee on Cinema and Audio-Visual Cooperation between France and Québec. The objective of the Mixed Committee was to establish a formula for the evolution of the dubbing issue. It is interesting to note that the federal government had no official role in this international agreement.

At the federal level, France and Canada had signed a separate international agreement which was followed in June of 1987 by the first meeting of the tripartite committee consisting of Monsieur Parrot of France, Pierre Lampron from the Department of Communications, Québec and Paul Racine from the Canadian Federal Department of Communications. The role of the tripartite committee was to foster joint cooperation between both countries in order to:

- bring about the diffusion of the TV5 satellite broadcast in North America
- improve the use of official coproduction agreements
- increase audio-visual exchange
- achieve some resolution of the TV dubbing issue

It should also be noted that the tripartite committee does not include an official representative for the Department of External Affairs, although the committee is clearly involved in discussing and negotiating on international issues relating to culture and trade, and such provisions as the eventual trans-border transmission by satellite of television programs into the Eastern Seaboard of the United States.

Again, at the provincial level, negotiations took place in September 1987 between Minister Lise Bacon of Québec and Minister François Léotard to try and reach an accord in principal to open 20 percent of the French market to Québec dubbed films. No official agreement was signed because the French unions voiced their disapproval and publicly threatened to go on strike to maintain the protectionist measures. On October 17, 1987, Monsieur Léotard requested from the CNCL, in a public letter published in Le Monde newspaper, to intervene in the problem and to obtain an agreement between the unions and the TV broadcasters. According to the agreement, the original 1984 accord signed by the public TV stations would be extended to include the commercial broadcasting stations and thereby permitting each TV chain to broadcast 14 hours of foreign non-EEC dubbed product. All of the French TV networks and production unions agreed to comply with the CNCL except Channel 5 (La Cinq) and M6 (Métropole-6). The President of CNCL, Gabriel de Broglie, wrote a letter to Robert Hersant (part owner of La Cinq) which was published in one of

the French daily newspapers urging Channel 5 to comply with the other TV channels. After this, a compromise solution was reached which gave La Cinq and M6 some notable concessions.

Under the current dubbing accord, four of the French TV channels, TF1, Antenne 2, FR3 and Canal Plus are joined by a convention that is renegotiated every two years, stipulating that each broadcasting channel is allowed a limit of 14 hours per year of foreign non-EEC dubbed product. La Cinq and M6 have now also signed the accord, but they received an official amendment to their quota allowing each channel the basic 14 hours plus an additional 42 hours each in 1988, and 28 hours each in 1989. Furthermore, La Cinq and M6 secretly negotiated an additional 432 hours each of foreign dubbed product for 1988 programming. A grid of permitted foreign dubbed programming hours per TV channel is provided in Figure 4.15.

In the case of M6, most of these additional foreign dubbed programming hours were negotiated outside the original quota and are accounted for by foreign programs that the channel had already purchased or had in stock. Whereas in the case of La Cinq, these additional foreign dubbed programming hours can be used for new non-identified purchases. This creates a tremendous possibility for Québec to market its TV dubbed product to all the French TV stations, particularly to La Cinq which has considerable extra quota hours for 1989.

Figure 4.15
 QUOTA OF FOREIGN DUBBED PROGRAMMING PERMITTED ON FRENCH TV (1988-1990)

Year	French TV Channels						Total Hours Public	Total Hours Private
	Private 1	Public 2	Public 3	Private 4	Private 5	Private 6		
1988	14	14	14	14	56	56	28	1,004
					+ 432*	+ 432*		
1989	14	14	14	14	42	42	28	112
1990	14	14	14	14	14	14	28	42

SOURCE: Internal Documents, DOC Memoranda 1987, 1988

Note: * 432 extra hours secretly negotiated

However, there is still a foreign quota which means that Canada must maintain its pressure on France to fully open up the market to Québec dubbed films and TV products. It is estimated that the French public TV broadcasters can use 28 hours of foreign dubbed product per year and the six private stations could use 1,004 hours in 1988, 112 hours in 1989, and 42 hours in 1990. This represents many more hours than previously available. We need urgently now to market the advantages of Québec dubbing.

One notable advantage is that the Québec dubbing industry can provide services 25 percent less costly than in France. Dubbing represents a \$5 million per year industry in Québec, and the average cost of dubbing is \$10,000 per hour compared to France where it is \$15,000 per hour. But

France is reluctant to give up its market share; because of the foreign restrictions, it experienced a 200 percent increase in its dubbing activity. Dubbing activity is slumping in Québec because of the quota, but it is a booming industry in France where it is supporting 2 thousand artists belonging to 20 to 40 unions and societies and providing about \$200 million per year in France.

One of the extra advantages for Québec of negotiating the removal of French dubbing quotas would be to open up the Québec dubbing market to U.S. film companies who presently dub in France. U.S. firms find it easier to get around the quota problem and increase their French product quotient by dubbing directly in France. With the French dubbing restrictions removed, the U.S. companies could avail themselves of Québec dubbing talent which is less expensive and is closer to the U.S. production market. According to a recent article in *Le Devoir* (October 8, 1988), an agreement has been finally reached between the *l'Union des Artistes* in Québec, lead by Serge Turgeon, and the French unions, which should resolve most of the dubbing issue. It is now up to the governments of France and Canada to ratify this accord and sign a national agreement.

BRITISH TV BROADCASTING

The United Kingdom is one of Canada's major trading partners in the buying and selling of TV programs. All the U.K. networks are potential buyers of our English language product. The Canadian public broadcasters, such as CBC and TV Ontario, have been steadily continuing their purchase of British product, and have been actively successful at selling Canadian product into the major U.K. networks.

The British TV networks are required to follow some quotas in terms of foreign content. They are allowed up to 14 percent foreign content in their air time schedule, and they are permitted an additional 1.5 percent of commonwealth country content and some quota exempt programming. 25 percent of domestic product is required to be produced by the U.K. independent production sector.

The U.K. broadcasting market consists of one public service network, the British Broadcasting Corporation (BBC), which is financed mainly from license fees, and three commercial networks, Independent Television (ITV), Channel 4, and TV-AM. A chart of these broadcasters is provided in Figure 4.16. The BBC is proposing a world news channel, and a fifth commercial channel is presently being discussed. Some of the commercial bidders for the fifth channel are likely to include Robert Maxwell, Rupert Murdoch, Carlton Communications and Rank. In addition, there are 7 satellite TV channels currently operating in the U.K. that are also beamed into Western Europe.

Figure 4.16
BRITISH TV BROADCASTING (1988)

Network	Channel	Year Started	Location	Ownership	Sign-On to Sign-Off	TV Homes (est.)	Market Reach
BBC	BBC-1	1936	London	Public (Royal Charter)	7:00am - 12:00am	20,600,000	99%
BBC	BBC-2	1964	London	Public (Royal Charter)	8:55am - 12:00am	20,600,000	99%
ITV	London Weekend	1968	London	LWT Holdings PLC	9:25am - 12:30am	5,440,000	97%
ITV	Anglia	1959	Norwich	Anglia TV Ltd.	9:25am - 12:00am	1,844,000	83%
ITV	Border	1961	Carlisle	Border TV PLC	9:25am - 12:00am	273,000	90.8%
ITV	Central	1983	Birmingham	Central TV PLC	9:25am - 12:30am	3,373,000	85%
ITV	Channel	1962	St. Helier, Channel Islands	Channel TV Ltd.	9:25am - 1:00am	47,000	98%
ITV	Grampian	1961	Aberdeen	Grampian TV PLC	9:25am - 12:30am	423,000	97%
ITV	Granada	1956	Manchester	Granada Group	9:25am - 1:00am	2,534,000	91%
ITV	HIV	1967	Cardiff/Bristol	HIV Ltd.	9:25am - 12:30am	1,734,000	97%
ITV	Scottish	1981	Glasgow/Edinburgh	Scottish TV PLC	9:25am - 12:30am	1,264,000	97%
ITV	Thames	1968	London	Thames TV PLC	9:25am - 12:45am	5,062,000	96%
ITV	Television South West (TSW)	1982	Plymouth	TSW Ltd.	9:25am - 12:30am	703,000	98%
ITV	TV South	1981	Southampton	TVS Ltd.	9:25am - 1:00am	2,100,000	98%
ITV	Tyne Tees	1958	Newcastle	Tyne Tees Ltd.	9:25am - 12:00am	1,143,000	94%
ITV	Ulster	1959	Belfast	Ulster TV Ltd.	9:25am - 12:00am	469,000	92%
ITV	Yorkshire	1968	Leeds	Yorkshire TV PLC	9:25am - 12:30am	2,442,000	89%
ITV	TV-am	1982	London	TV-am PLC	6:15am - 9:25am	20,600,000	97%
C4/ITV	Channel 4	1982	London	IBA	2:30pm - 1:00am	20,600,000	95%

The BRITISH BROADCASTING CORPORATION (BBC) has two national channels BBC-1 and BBC-2 and four regional channels reaching 20.6 million TV homes. It produces between 10,569 to 11,720 hours of in-house programming and purchases about 2,607 hours of external production. The high quality of BBC programming is world renowned, and an indication of the broad range of its programming is indicated in Figure 4.17. Among the categories it is renowned for are current affairs, documentaries, sports, films, and educational programming.

The BBC has purchased quite an amount of Canadian TV programming over the years. It is currently joint producing a number of documentaries with the CBC, including some segments on the "Nature of Things". BBC's natural history unit is also joint producing a 50 minute natural wild life series with a Canadian TV program production company, Primedia of Toronto.

Although the bulk of BBC's production continues to be done in-house, it has recently been entering into joint production with local independent and foreign producers. In 1986, it established a subsidiary organization, BBC Enterprises, which has become the world's largest exporter of TV programs. It sold over 12,000 hours of programming in 1986 to over 100 countries at an annual profit of \$188 million. It is also producing about \$32 million worth of programming per year. Among its largest joint production partners is the North American Arts and Entertainment cable network, which is a major broadcaster of BBC programs in the U.S. Other U.S. program distribution is done through

Figure 4.17
 NATIONAL TRANSMISSION OF BBC AND ITV BY CATEGORY AND CHANNEL (1986)

Program Category	BBC1 (Hours)	BBC2 (Hours)	Sub-Total (Hours)	ITV (Hours)
Current Affairs	1,125	291	1,416	570
Documentaries	333	701	1,034	-
Sport	761	773	1,534	468
Children's	753	20	773	497
Light Entertainment	518	217	735	754
News	410	51	461	573
Schools	-	512	512	359
Preschools	-	-	-	181
Drama	295	144	439	-
Adult Education	172	196	368	99
Religion	156	10	166	-
Music	16	126	142	*
Continuity	184	198	382	-
Films	849	854	1,703	403
Open University	118	786	904	-
Series and Plays	-	-	-	1,368
Total Programming Hours	5,690	4,879	10,569	5,468

* Music is included with Light Entertainment

Lionheart TV International, a wholly-owned BBC subsidiary which sells about \$71 million per year.

INDEPENDENT TELEVISION (ITV) is a commercial network consisting of 15 separate companies, providing services in 14 areas and reaches about 92.5 percent of the TV households in the U.K. Although all the companies produce some local programming, about half of the network core programming is produced by five main member companies. Central, Granada, LWT, Thames, and Yorkshire. ITV produces about 5,468 hours of programming per year and its range of subject matter can be seen in Figure 4.18. An indication of where ITV procures most of its programming can be seen from the following tabulation:

Figure 4.18
ITV PROGRAM SOURCES (1985)

•	ITV companies produced	62.6%
•	ITN produced	7.0%
•	U.K. acquired from independent producers	11.0%
•	EEC and overseas markets	13.7%
•	Quota exempt films	5.7%

CBC is particularly successful at selling drama productions to ITV. Where possible, CBC prefers to sell television productions to the total ITV network because it then receives full network price for exposure on any of the regional channels. Whereas, if it sells to one of the regional channels it will receive less than a network play.

TV-AM is an early morning channel under contract to provide ITV with a nationwide breakfast live TV programming service. It broadcasts news, features, and current affairs seven days a week to an audience of 20.6 million viewers throughout the U.K.

CHANNEL 4 is a commercial station established five years ago and is a wholly owned subsidiary within the ITV network and is financed by subscription. It broadcasts to greater London and reaches most of Southern England with its popular, articulate and commercially successful programming (see Figure 4.19). It is also the only British broadcaster which does not produce its own in-house TV programming. Instead, it purchases its programming from independent producers, from the ITV companies or imports from abroad. Channel 4 funds or joint-funds feature films. It has financed 100 feature films so far and has made a strong contribution to the success of the British Film Industry.

Channel 4 has several international distribution and marketing subsidiaries including the London-based Film Four International, and the New York based subsidiary, International Film Exchange (IEX) which is part of Heritage Entertainment.

It seems likely that Channel 4 will continue to buy from foreign sources. TV Ontario recently sold two programs to Channel 4 from the Vista series. Channel 4 produces or acquires as many as 20 feature films per year and could be a prime market for selling Canadian films.

Channel 4 recently won a contract to provide the news for the new satellite consortium British Satellite Broadcasting (BSB) which has an exclusive 15 year franchise to provide the U.K. with direct satellite programming services. BSB will have its own studio base, its own staff and equipment, and will broadcast on three channels starting in 1989. Its present budget is \$30 million, and it currently intends to purchase about 240 new motion pictures this year.

Figure 4.19
CHANNEL 4 BROADCAST IN HOURS BY CATEGORY (1986)

Program Category	Hours
Drama and Arts	708
Other Entertainment	564
News	239
Current Affairs	279
Education	472
Documentaries	240
Sport	313
Feature Films and Cartoons	905
11th Hour and Multicultural	125
Religion	68
Total	3,913

A new terrestrial fifth TV channel with direct national broadcasting service is currently being proposed that would be financed either by advertizing or subscription. It would provide mainly films and special events. Rank Film, one of the U.K.'s leading film production and

distribution companies, has indicated to the government that it would be interested in operating such a service.

It is very likely the whole U.K. market will open up, as additional broadcast frequencies are made available and new satellite services are established. Compared to the private stations, CBC and TVOntario have been more active in the U.K. market, and have built up strong reciprocal trading relations in the buying and selling of television programs. Some of the Canadian independent production companies may benefit from these marketing ties.

But the market may be difficult to penetrate for some Canadian companies because reciprocal trade with the U.K. is decreasing since the private Canadian broadcasters have reduced their British purchases over the last few years. The private Canadian broadcasters are purchasing more American shows because they are finding it easier to sell these U.S. products to their advertisers which are predominantly U.S. owned companies based in Canada. Those Canadian private TV stations that are investing in Canadian television shows might find themselves rebuffed when they try to sell them in Britain because they are not reciprocating by buying British products.

WEST GERMANY TV BROADCASTING

Selling programming to West German television broadcasters can be complicated and very hard to gain entry but, by all accounts, it is a very lucrative market.

Public Television Networks

There are three public television networks in West Germany, which are supported by viewer license fees and commercial advertizing. In addition to the three state supplied channels, West Germany also receives eight satellite channels as shown in Figures 4.20, 4.21.

The style of programming on the three channels are different. ARD has a reputation for news, current affairs, and documentaries. ADF has good news and current affairs programming but is known to be more entertainment oriented. The regional Third Channels are oriented toward the arts and education but are also becoming more entertainment oriented.

The first is channel ARD, an association of twelve public broadcasting corporations consisting of nine local affiliate broadcasting stations. The nine stations in the ARD consortium are regulated by each local provincial Land who also control the transmitting facilities. The three largest stations, based in the heavy populated areas of Cologne, Hamburg, and Munich contribute 60% of the programming. Four other stations contribute 8% each, and the two smallest stations contribute 3%.

ARD is very complicated but it runs rather like the ITV network in the United Kingdom. Members of ARD must work with a joint institution, Degeto-Film GmbH which is responsible for buying, distributing and selling programming on behalf of ARD. Degeto Film, with its head office in Frankfurt, can buy programs for all nine stations in the network, or it can purchase individual programs for regional distribution on one or more local stations. Degeto is also responsible for representing ARD at national and international fairs.

The second channel is Zweites Deutsches Fernsehen (ZDF), which is centred in Mainz and provides a nation-wide television service. The Third Channels are operated by the individual Land broadcasting stations and can be received only in the various local service areas. Except in the case of the local third channels BR3 and WDR3 which are transmitted by satellite to other regions of West Germany, the Third Channels are non-commercial and their programming emphasis is mostly education, training and culture, and more recently includes popular programs like feature films, drama, and light entertainment.

Satellite Channels

In addition to the three state supplied channels, West Germany also receives seven channels transmitted by satellite:

- SAT-1
- RTL-Plus
- 3-SAT
- TV 5
- Sky Channel
- Eins Plus
- Music Box/Tele 5

Figure 4.20
WEST GERMANY TV BROADCASTERS (1988)

Network Affiliation	Channel	Location	TV Homes (nationally)	Market Reach (nationally)
ARD (First Channel)	*BR	Munich	23,100,526	89%
ARD	*HR	Frankfurt	23,100,526	89%
ARD	*NDR	Hamburg	23,100,526	89%
ARD	RB	Bremen	23,100,526	89%
ARD	*SR	Saarbrücken	23,100,526	89%
ARD	SFB	West Berlin	23,100,526	89%
ARD	SDR	Stuttgart	23,100,526	89%
ARD	SDF	Baden-Baden	23,100,526	89%
ARD	*WDR	Cologne	23,100,526	89%
ZDF (Second Channel)	ZDF (Nat'l network) Third Channel	Mainz	23,100,526	89%

Figure 4.21
WEST GERMAN SATELLITE AND CABLE TV (1988)

Station	Company	Launch Date	Finance	Language
SAT-1	Consortium of German publishers	January 1985	Ads	German
RIL-Plus	Radio Luxembourg and Bertelsmann	August 1985	Ads	German
3-SAT	ZDF, ORF, SRG (ORF - Austria; SRG - Switzerland)	January 1985	Ads	German
Sky Channel	News International	January 1984	Ads	English
Eins Plus	ARD	December 1985	Fee	German
Music Box (Tele 5)	W.Fischer, H.Kloiber, S.Berlusconi	January 1984	Ads	German
TV5	SRG, RIEF, TF1			

Note: It is estimated that at the end of 1987, 1.8 million homes were able to receive satellite/cable programs in addition to the three standard state-supplied cable channels. 200,000 of these were situated in cable islands with satellite reception equipment.

About 1.8 million TV homes are able to receive these satellite-cable services. Some of the services are described on the following page, and others are described in the chapter on satellite broadcasting on page .

Music Box/Tele 5 is 45 percent owned by the Italian media magnate Silvio Berlusconi, another 45 percent is held by the Bavarian film producer and cinema chain owner Herbert Kloiber, and 10 percent is owned by the founder and managing director Wolfgang Fisck. The intention is to change the image of Tele 5 from teenager music clip video program to an entertainment channel aimed at the 12 to 40 year old market.

RTL-Plus is a German language television channel, financed by advertizing, and is broadcasted from Luxembourg. Most of the broadcast is via satellite, although 400 thousand people are reached over-the-air in West Germany, as well as a smaller number of viewers in Belgium, France and Luxembourg.

RTL-Plus is a joint undertaking between Compagnie luxembourgeoise de télédiffusion (CLT) and the German publishing conglomerate Bertelsmann along with other German interests. The programming is aimed especially at the youth market between the years of 14-30. It produces around 40 percent of its own programming which is mainly talk shows, and purchases about 30 percent of its films and series from non-German speaking sources which are mostly from the U.S.

SAT1 is a general entertainment channel transmitted on the Eutelsat satellite and distributed to a combination of cable networks and terrestrial systems. It is financed by some large European publishing interests including Axel Springer Verlag. It started distribution on the Ludwigshafen pilot cable network and then expanded into the German and Austrian cable networks and is projected to reach 20 million viewers by the end of 1988.

EINS PLUS is a German language cultural channel transmitted via Intelsat satellite by ARD of Germany, and the Swiss Broadcasting Corporation. The service transmits programs that are previously shown on ARD's first and third programs.

3-SAT is a German public service satellite channel which has been transmitting since December 1984. It is received in Germany and most of Central Europe with some significant audiences in Eastern Europe and the Middle East, particularly Hungary and Israel. Three public service broadcasters contribute to the service: the Federal German second network ZDF, Austria's ORF, and Swiss SRG. Headquarters are located in Mainz at ZDF, which meets administrative expenses, running costs and the transponder rental payable to the German postal administration.

In accordance with ZDF's charter, the aim of 3-SAT is to promote and support German culture. Its target coverage area does not at present extend beyond Germany, Austria and German-speaking Switzerland. Unlike TV5, program hours and days are not distributed between the three

partners. 3-SAT operates a common program schedule into which different contributions are fitted. Programs are provided by each of the broadcasters; ORF contributes 35% of the total output, SRG 10% and the rest is provided by the ZDF. The service broadcasts around 20 minutes a day of live programming and has plans to increase this figure. Repeats of terrestrially transmitted programs amount to 45%. At present, 3-SAT is available to almost 3 million homes in the Federal Republic of Germany (2,300,000), Switzerland (374,000) and Austria (290,000). The service carries no advertizing.

Marketing to German Television

Since the early 1970's the German TV broadcasters, ARD and ZDF, have been actively re-investing 30 percent of their revenue into supporting the national film production industry. The success of this large scale commitment by the TV channels has led to the emergence of the new German Cinema, and the production of many quality television programs and feature films of international acclaim.

Canada buys several of these films for domestic theatrical distribution and for television programming. Some Canadian product is also purchased by the German public stations including Canadian mini-series, films and documentaries. The market is opening up somewhat on the new German satellite station, RTL-Plus, where CBC recently sold some entertainment programming. We are not having much success with SAT 1, the other German satellite station controlled by ZDF, because a lot of the programming hours are already committed through Beta-Taurus. However, Canada is

having some success in selling product to the non-German satellite TV stations, such as British Sky and Superchannel, which are also broadcasted into their German market on the cable TV system.

Marketing to the three German networks is very difficult partly because they have existing purchasing agreements with certain national media buying companies. For example, ZDF has an agreement on coproduction and procurement with Beta-Taurus which is one of the largest program buyers in Germany and is controlled by the large printing conglomerate Springer Verlag.

The Beta-Taurus group's activities include acquisition and distribution of films and series, productions and coproductions for TV and theatrical release, homevideo, CD video and merchandizing. The company was founded in 1956 by the late Leo Kirch. Eventually, it developed into a group which today owns rights to some 15,000 feature films and 50,000 hours of all types of TV programming. Beta-Taurus is scheduled to produce more than 250 hours of TV and film programming this year. The consolidated turnover of the company was \$333,333,000 in 1986.

ARD uses its purchasing organization Degeto Film to buy programs, but it tends to send few buyers to TV markets, and the ones they do send usually tend to be specialized in certain genres. Degeto is rather powerful and difficult to deal with, although the U.S. majors have been using their marketing power and long standing relationships to muscle in quite effectively.

Usually, the independent producers with documentary series, and sales executives of small distribution companies feel very much out in the cold when it comes to marketing in West Germany. Some companies use local agents or distributors particularly for certain types of programming, but local agents cut into profits and many independents would like to move their product themselves. Even some of the local distribution companies find it is very difficult to sell to the West German broadcasters.

It would seem that one of the ways for Canadians to break into this market on a systematic basis is to work as a joint marketing group consisting of Telefilm, CBC and NFB and some of the Canadian independent film producers and distributors. Using official introductions and representation from the Department of External Affairs, this marketing group should set up a formal meeting with the West German program acquisition executives at one of the television markets, such as MIPCOM. This group could review constraints to marketing and identify opportunities for increased sales between Canadian companies and German broadcasters.

SPAIN AND PORTUGAL TV BROADCASTING

In Spain and Portugal, TV broadcasting is highly regulated. Portugal has one national TV broadcasting corporation, Radio Televisao Portuguesa (RTP), which is owned by the government, radio stations, private and commercial interests and the banks. RTP broadcasts on two national channels, RTP1 and RTP2, as well as on local channels in Madeira and the Azores. The origin of programming for RTP in 1984 was over forty percent dependent on foreign sources, as shown in Figure 4.22:

Figure 4.22
RTV SOURCE OF PROGRAMMING (1984)

Producer	RTP1	RTP2
RTP	47	45
National	4	2
Foreign	41	49
Coproductions	1	4
Technical Institute of Education	7	-
Total Percent	100	100

Portugal intends to set up a private TV channel or network by 1990. The license will go to one of two groups: one is led by former Prime Minister, Francisco Balemão who controls the weekly newspaper, *l'Expresso*, the second is the Catholic Church which currently controls the most popular private radio station, Radio Renascença.

Spain has two national TV channels, Radio Television Espanola (RTVE) and

three national regional channels (RNE, TVE, and RCE) which broadcast in Catalina, the Basque Provinces and Galicia.

Private commercial television is still being discussed by Spanish authorities. The principal domestic contenders are the media groups: Expresso, El Pais, Grupo Zeta, Grupo 16, Godo Group, and Pensa Espanola. These groups are likely to form consortia with other European media groups including those owned by Robert Maxwell and Silvio Berlusconi.

Spain recently established a satellite pay channel, Canal 10. It briefly went on the air January 25, 1988 via Intelsat 5 satellite and began broadcasting to Spain on an experimental basis from its location in London, England. It interrupted transmission in September 1988 because of financial difficulties. Four Spanish investors and their foreign partner, including Canal Plus, RTL and Robert Maxwell are participants. Spanish Canal 10 intends to beam dubbed films, TV series and light entertainment programming into Madrid, Barcelona, Bilbao and Valencia and later on to Seville, Zaragoza, Malaga, La Corupa and Oriedo. It currently is received by only 654 receiving dishes, so audience ratings are low.

ITALIAN TV BROADCASTING

Italian television is almost totally deregulated, and the market is expanding rapidly to satisfy the public's passion for TV. A chart of Italian broadcasting stations is provided in Figure 4.23. There is a frantic ratings war between the three state RAI channels and the independent stations dominated by Italian mediocrat Silvio Berlusconi. Italy has one national state broadcaster, Radiotelevisione Italiana (RAI) with three channels (RAI 1, RAI 2, RAI 3) that hold approximately 50 percent of the viewing audience:

- RAI 1 - provides nation-wide coverage, "light" content, politically controlled by the Christian Democrat Party. It is also transmitted by satellite ESCI to 3 million TV homes across Europe;
- RAI 2 - provides nation-wide coverage, more critical analysis than RAI 1, controlled by Italian Socialist Party;
- RAI 3 - provides nation-wide coverage, strong on documentaries, financially least prosperous of RAI group, controlled by government opposition parties.

RAI had its position challenged following a constitutional court decision in 1976 allowing local commercial TV broadcasting. Since then, some 400 private TV channels have been established. 120 of these private channels are owned by Silvio Berlusconi through the Fininvest holding company. Three of the channels he owns attract 80 percent of the commercial

advertising and 45 percent of all Italian viewing. Some of the main private networks include:

- **Canale 5**
 - commercial channel and light entertainment
- **Rete 4**
 - targeted to the feminine and light entertainment market
- **Italia 1**
 - transmits in Italy but is also aimed across the border into Austrian Tyrol; directed at children, youth and low-brow audiences: cartoons, humour, and sex
- **Euro-TV**
 - Italian syndication
- **Rete A**
 - dubbed Mexican and Brazilian soap operas of varying quality. Content adopted as a means of holding market share against RAI and Fininvest channels
- **Videomusic**
 - Continual rock videos broadcast from Tuscany. Primarily English-language content, similar to MTV Europe
- **TV Monte Carlo**
 - Transmits from the principality of Monaco across the frontier into France and Italy. Like Rete A, transmits Latin American Soap Operas for two thirds of the broadcast time. It is the only private station able to broadcast news and sports.

Figure 4.23
ITALIAN TV BROADCASTING (1988)

Network	Year Started	Location	Ownership	Commercial or Subscription	Sign-On to Sign-Off	Type of National Hook-up	TV Homes (est.)	Market Reach
RAI-1	1954	Rome	State-run	Subscription/commercial	7:20am - 1:00am	Live	15,000,000	99%
RAI-2	1961	Rome	State-run	Subscription/commercial	9:30am - 1:00am	Live	15,000,000	99%
RAI-3	1979	Rome	State-run	Subscription/commercial	noon - 1:00am	Live	15,000,000	81%
Canale-5	1980	Milan	Fininvest ¹	Commercial	7:00am - 2:00am	synchronized tapes	15,000,000	98%
Italia-1	1982	Milan	Fininvest ¹	Commercial	7:00am - 2:00am	synchronized tapes	15,000,000	95%
Rete-4	1982	Milan	Fininvest ¹	Commercial	7:00am - 2:00am	synchronized tapes	15,000,000	95%
Tele-Monte Carlo (Italian Service) ²	1974	Monte Carlo	TV Globo(80%) RAI (10%) Princ. of Monaco (10%)	Commercial	1:30pm - 1:30am	Live	15,000,000	80% ³
Euro-TV	1982	Milan	STP-RV	Commercial	7:00am - 2:00am	synchronized tapes	15,000,000	80%
Videomusic	1984	Lucca	Beta	Commercial	24 hours	synchronized tapes	15,000,000	71%

- Notes: 1. Fininvest, owned by Silvio Berlusconi, is a major holding company of private networks, owning 120 of Italy's 200 local TV stations, and reaching 40% of the national audience.
 2. Tele-Monte Carlo transmits into Italy from Monaco, and is part owned by Fiat through its publishing subsidiary Corriere Della Sera
 3. Includes Sardinia, reached as of April 1, 1987

Figure 4.24
 PERCENTAGE OF IMPORTED PROGRAMS ON ITALIAN TV (1985)

Channel	% of Total Channel Programming
RAI (1, 2, 3)	30%
Canale 5	65%
Rete 4	85%
Italia 1	85%

Figure 4.25
 IMPORT-EXPORTS OF TV FILMS AND PROGRAMS IN ITALY (1985-1986)

Commodity	1985		1986	
	# of Films	Value	# of Films	Value
Italian Exports of TV Films and Home Video	1,973	\$ 10,344	1,975	\$ 13,714
Italian Imports of TV Films and Television Series	1,949 ¹ 12,579 ²	\$112,502	929 ¹ 12,524 ²	\$101,027

Notes: 1. Films
 2. Programs

According to Italian law, the private local channels cannot connect their transmission stations together to form a national network capable of broadcasting live programs throughout the country. Berlusconi has overcome this restriction against networking by 'pedalling' videocassettes around to his local stations to achieve national coverage. His stations are known throughout Italy for their pre-recorded mass appeal programs.

A vast amount of advertizing is being transmitted by the private broadcaster which is resulting in large revenues. This increase in commercial revenue, and the explosion in growth of private TV companies has greatly increased the demand for purchase of TV programming as can be seen in Figures 4.24, 4.25. Italy is currently consuming about 50 percent of the market for some categories of TV programming. About 80 to 90 percent of this programming is of U.S. origin, but there may be possibilities to displace some of this product with Canadian made TV product. The National Film Board of Canada has been particularly successful at selling its product into Italy. Between April 1986 and March 1987, it sold over half a million dollars of film and video programs to Italy. It recently sold another 200 titles through its Paris office using a local agent in Italy.

Recently, the public and private broadcasters have invested heavily in their Italian film production business to buy TV rights and to coproduce films. Four corporate groups are involved in this process: the public broadcaster RAI, the Silvio Berlusconi/Fininvest entertainment division

under the banner of Reteitalia, Acqua Marcia's new entertainment division holding company Sofina and the C.G. Silver group headed by Mario and Vittorio Geri. Around these four corporate structures, Italian cinema is merging with television and home video production to produce entire program packages.

Berlusconi's media holding company, as shown in Figure 4.26, reports his investments.

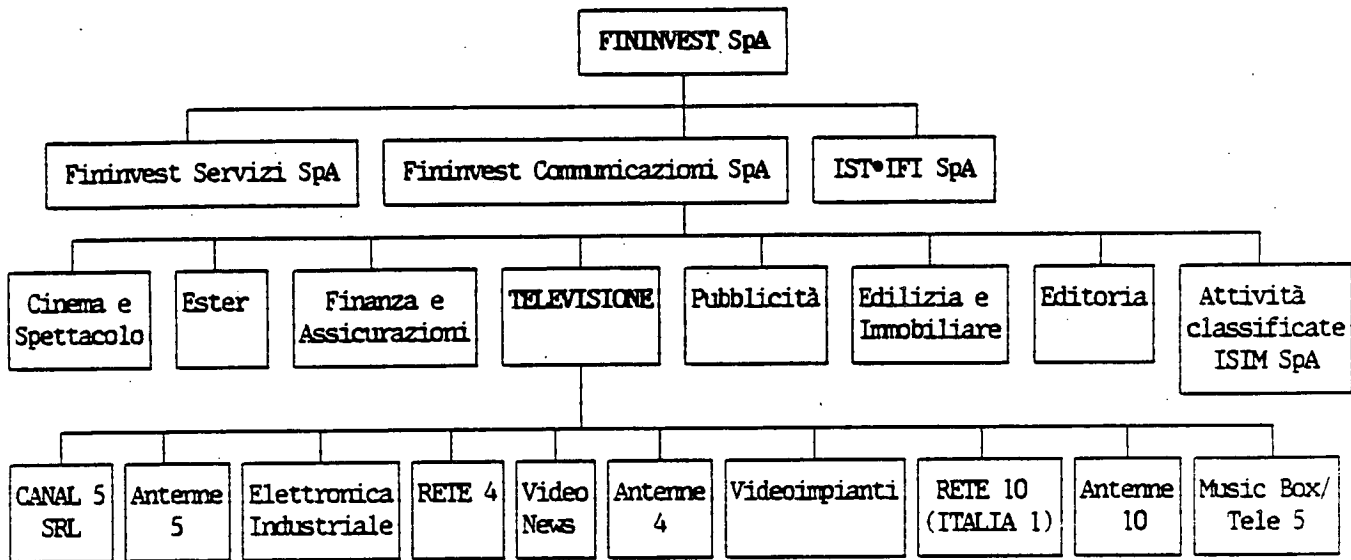
Figure 4.26
FININVEST FILM PRODUCTION BUDGET (1986-1987)

	1986	1987
TV Production	\$9,492,000	\$ 15,661,800
Theatrical Films	6,328,000	9,492,000*
Total Investment (TV & Cinema Production)	15,820,000	25,153,000

* RAI in comparison invested about \$111.24 - \$128.78 million in 1987

Berlusconi is well situated to expand internationally into a pan-European media conglomerate. Through his holding company, Fininvest, he owns a major share of the Italian TV market with investments in Italia 1, Canale 5, and Rete 4. The Fininvest group has a capitalization of over \$1.1 billion and is founded on property development, publishing, finance, insurance, and now includes a daily newspaper and TV magazine. An organization chart of Fininvest is provided in Figure 4.27.

Figure 4.27
ORGANIZATION OF FININVEST



Fininvest recently acquired Italy's leading home video distributor Domovideo and has formed a partnership with three of the country's leading film distribution companies. Fininvest also has holdings for other Italian companies:

- Videoimpianti, a management company that runs television networks
- Publitalia, an advertizing agency selling network air-time
- Rete Italia, a TV program purchasing company
- Videotime, a production company with 13 studios.

Berlusconi has a 25 percent interest in the French Channel La 5. In Spain he has purchased a major TV studio near Madrid and is negotiating to be a partner in the new Spanish television channel. He has a 45 percent share in the German satellite channel Music Box/Tele 5 and is negotiating with Robert Maxwell in the U.K. to collaborate on another satellite channel.

So far, Berlusconi does not seem to have made any overtures to Canada, unlike Robert Maxwell of the U.K. who has closer corporate connections with Pierre Péladeau, President of Québecor. It seems rather surprising that Canada, with one of the largest Italian speaking communities in Toronto, and with some of the most advanced television production capability in the world, cannot interest Italy in some major sustained bilateral trade in television films and programs.

The National Film Board of Canada has been very successful at selling its documentaries and films in Italy. Similarly, CBC is having success in selling into Italy. But efforts by most Canadian independent firms to penetrate the Italian TV market have been of very limited success. Sources in the industry stress the need of sales people to speak Italian, and successful selling often requires a local representative with the right influential connections, both political and commercial. The National Film Board, CBC Enterprises and TVOntario all use local Italian representatives and consultants to assist them to position their product for sales.

Successful marketing requires a familiarity with the distributor's target audience, a thorough knowledge of the trade, persistence, a proven product presented in the right format to carefully selected buyers. It also requires a presence at major trade festivals and a great deal of time and effort spent on follow up and repeat sales calls, gratuities, promotion and marketing.

GOVERNMENT ASSISTANCE FOR EXPORT MARKETING IN BROADCASTING

In reviewing Canadian marketing efforts in broadcasting, it is apparent that they are currently conducted in a very fragmentary manner, and instead should be achieving a more coordinated and focussed approach. A thorough evaluation should be conducted of the whole approach to marketing in the French broadcasting sector. Some of the current practices that should be reviewed include:

- DOC/HQ in Ottawa sends missions over to France through the tripartite committee without representation of DEA which is responsible for external relations.
- The Québec provincial government conducts its own separate marketing efforts through the Maison du Québec, without any coordinating mechanism with DEA on the international marketing efforts.
- Telefilm has an office in Paris with 3 staff members and 2 locally employed Canadians for the film industry. They spend a lot of their time guiding visiting Canadian officials around and are swamped with coproduction proposals coming in from eager French producers. Telefilm does not appear to conduct any systematic marketing studies of the particular Western European countries, nor does it appear to have commissioned any specific studies on the French cinematic or television markets.

It should be made clear that Telefilm is responsible for financial assistance to the Canadian independent production industry. However, Telefilm has no direct mandate to represent the Canadian TV broadcasting industry abroad. It should be recognized that most TV program sales are transacted broadcaster to broadcaster in Western Europe, making the role of Telefilm very unclear in this area.

- Most of the Canadian private TV broadcasting industry seems to have a minimal marketing presence in Western Europe, and appears to have a rather parochial view to international marketing since they prefer to buy and sell to their counterparts in the U.S. market. The notable exception to this trend is Vidéotron in Québec which has been extremely active in promoting linkages between Québec, France and the U.K.
- The Canadian independent distributors, such as Film Transit in Montréal, should be given a great deal more government support to assist them in sustaining their marketing activities in Western Europe. Currently, some of the distributors receive government financing to attend special trade events such as Cannes, and MIP-TV but they receive minimal government assistance to follow up the sales contacts made at these events.
- CBC Enterprises presently does not have a marketing office in Paris but conducts all its sales from the U.K. office. It appears that CBC senior management in the past has not had a very entrepreneurial attitude and has certainly not placed

much effort or resources into international marketing. According to sources in this industry, CBC senior managers prefer to act more like Canadian cultural ambassadors abroad rather than accomplishing any tangible economic returns to the corporation or to the TV production industry.

It is evident that CBC Enterprises, in the U.K., has inadequate resources to compete with the sophisticated and sustained international marketing and promotion activities of the U.S. media conglomerates that are positioning themselves to dominate the film, TV, cable and video market in Western Europe. The Department of External Affairs may be able to assist the corporation by taking a more active role in international promotion and by putting forth a high level representation that is now required in international marketing of cultural products in Western Europe.

At the corporate level, CBC Enterprises in the U.K. has encountered some internal organizational constraints to marketing in France which should be remedied as soon as possible. This includes the need for a much closer coordination between the French language production units of CBC in Québec and the marketing group of CBC Enterprises in London. In particular, there needs to be provision for someone in marketing from CBC Enterprises in London to be regularly present at the CTF Committee of French TV. This is the occasion when all the TV broadcasters from the francophone

countries get together every six months to discuss coproductions with the broadcast producers.

In summary, it may appear at first glance, that DEA has a minimal role in the marketing of cultural products such as TV films and programs, and that this role could, for administrative ease, be devolved to Telefilm or some other existing agency. But it should be clear, from a closer scrutiny of the situation, that DEA has a vital role and must ensure that the various international marketing agencies are coordinated, that international representation by other Canadian government departments such as DOC are fully integrated into Canadian foreign policy objectives and that any international negotiations and official committees are fully represented by DEA. International issues such as quotas, dubbing restrictions, and barriers to trade should be regularly reviewed and fully vetted by DEA in consultation with other relevant government departments and agencies. Rather than diminishing its responsibilities in these areas, DEA should take a more active role so that the federal government can achieve a more coordinated and focussed approach to international marketing and the enhancement of trade for Canadian cultural goods and services.



CHAPTER 5
SATELLITE TELEVISION BROADCAST MARKET



SATELLITE TV BROADCASTING

The Europeans are making extensive use of satellites for the transmission of television programs. Although they are currently experiencing some financial problems and most of the channels are losing money, satellite television programs are eventually expected to succeed commercially. To operate a satellite service profitably, it is estimated that a subscriber base of 12 million is required in order to attract enough advertising revenue to cover costs. There are a total of 29 satellite TV channels presently being distributed as is shown in Figure 5.1. Ten of these provide mostly domestic and regional programming, and the other nineteen provide pan-European services. When medium powered and direct broadcast satellites are launched, there will be even more services in Western Europe.

Transfrontier television systems are entering the market in which they are able to broadcast by satellite to the whole of Europe without being confronted by national regulations, and constrained by political boundaries. In most cases, these new commercial satellite services are operating in parallel to the traditional national broadcasting services. In some cases, the national broadcasting services are also using satellites to beam their broadcasts across national frontiers in order to reach neighbouring markets in other countries.

Figure 5.1

NUMBER OF HOUSEHOLDS IN EUROPE ABLE TO RECEIVE SATELLITE CHANNELS

	Austria	Belgium	Denmark	France	Germany	Ireland	Luxembourg	Netherlands	Norway	Sweden	Switzerland	U.K.	Total
EUTELSAT:													
I F-1													
JSAT	310,000				2,075,000						334,000		2,719,000
Filmnet		35,000						60,000	3,000				98,000
RAI UNO		2,500,000					50,000				1,025,000		3,575,000
RTL-PLUS	270,000	40,000			2,046,000		100,000						2,456,000
SAT 1	360,000				2,075,000								2,435,000
SKY	293,708	963,420	103,410	37,931	2,023,212	238,971	76,227	3,156,658	279,695	256,222	1,200,239	200,549	8,830,307
SUPER CHANNEL	302,000	538,000	82,000	33,000	2,075,000	255,000	81,000	2,935,000	223,000	244,000	777,000	137,000	7,682,000
TELECLUB					700						45,000		45,700
TV5	16,293	1,049,589	43,773	67,012	1,038,000		71,373	1,655,177	62,698	156,739	406,712		4,567,357
WORLNET	150	310,000	9,474	250	635,000	37,000	67,500	104,500	71,000	152,712	837	31,214	1,419,634
I F-2													
NRK INTELSAT									750,000				750,000
27.5 WEST													
CHILDRENS CHANNEL						225,000				1,500		100,000	326,500
CNN			2,281							141,956			144,236
ARTIS CHANNEL						40,000		350,000		1,000		12,000	403,000
PREMIERE												40,000	40,000
LIFESTYLE						238,000				1,250		86,804	326,094
SCREEN SPORT						238,000				1,500		76,324	315,824
NEW WORLD													
INTELSAT:													
I WEST													
SHT1													
SVT2													
60 EAST													
BR 3					1,569,000								1,569,000
EINS PLUS					2,075,000								2,075,000
EUREKA TV					1,533,000								1,533,000
R4 MUSIC BOX					2,075,000								2,075,000
WRD 3					1,185,000								1,185,000
TELECOM IB													
(French Domestic Satellite)													
CANAL J				10,000									10,000
LA CINQ				10,000									10,000
M6				10,000									10,000

SOURCE: Cable and Satellite Europe 1987

Note: Ghorizont, a Soviet satellite, requires special reception equipment for its TV channels to be received in Western Europe.

TYPES OF SATELLITE SYSTEMS

The main difference in the types of satellite systems depends on the power of the transmitters with which the satellites are equipped. Direct Broadcasting Satellites (DBS) transmit with a high power (230-260 W per channel), which permits direct reception by individual homes with moderate sized antennae. Fixed Satellite Services (FSS) use a low power (10-20 W per channel) telecommunications frequency, and they require more elaborate earth stations and larger antennae as used by the cable companies when they redistribute signals to the public. A third type of satellite operating on medium power (50 W per channel) is being developed that is capable of transmitting to both cable networks, and directly to individuals using small aerials. The advantage of the medium powered satellite is that it can transmit 16 TV channels, whereas the high powered satellite, although it provides a clearer picture quality in transmission, can only offer 4 TV channels per transponder.

Fixed Satellite Services (FSS)

In Europe, all the satellite delivered television programs presently in operation use telecommunications satellites (fixed satellite services-FSS) for transmitting their program to cable distribution networks or other distribution systems. A chart of the European television broadcasting channels using fixed satellite services is provided in Figure 5.1, and a list of the main investors in satellite services is shown in Figure 5.4.

The telecommunications satellite, Intelsat V, transmits eight TV Channels: CNN, Premier, Childrens' Channel, ScreenSport, and Life Style for the U.K.. It also transmits EINS Plus, and the West German Third Channels BR3 of Bayerischer Rundfunk and WDR3 of Westdeutscher Rundfunk which are described on page 119.

The satellite Eutelsat, transmits eleven TV channels in addition to its telecommunication channels, which include TV5, 3SAT, RAI Uno, Sky Channel, Super Channel, and SAT1.

Figure 5.2
WESTERN EUROPEAN TV BROADCAST SATELLITES (1987)

Satellite	Status	Remarks
Telecom F-1	Operational	Operated by French PTT
Telecom F-2	Operational	Operated by French PTT
Intelsat V-F2	Operational	Intelsat Atlantic Ocean Satellite
Intelsat V-A F11	Operational	Intelsat Atlantic Ocean Satellite
Eutelsat 1 (ECS-F1)	Operational	European Consortium
ECS-IV	Operational	European Consortium
TV Sat	November 1987	German DBS Satellite ¹
Telecom 1C	December 1987	France
TDF-1	April 1988	French/German DBS Satellite
ECS-V	June 1988	European Consortium
Astra	September 1988	Luxembourg DBS Satellite
Tele-X	Late 1988	Swedish DBS Satellite
DFS-1	February 1989	German DBS Satellite
Olympus	December 1989	British DBS Satellite
TDF-2	Late 1989	French DBS Satellite
Eutelsat 2	1989	European Consortium DBS Satellite
Atlantic Satellites	1990	Irish DBS Satellite

SOURCE: Variety Wednesday, October 14, 1987, p. 51

Note: 1. Non-operational

Sky Channel was one of the first commercial satellite TV channels operating in Western Europe. Originally, the TV channel was called SATV and was transmitted from the Orbital Test Satellite (OTS). It was then taken over in 1982 by Rupert Murdoch's News International who renamed it Sky Channel, and moved the transmission to the European telecommunication satellite (Eutelsat). Sky Channel is financed by advertizing.

Sky Channel broadcasts in English from the U.K. and reaches over 20 million cable subscribers in 16 European countries. Its programming consists mainly of English language serials and made for television films (51%), light entertainment (33%), feature films (10%) and sport (6%). A limited amount of time is devoted to news and current affairs. The Canadian program "City Lights", featuring movie interviewer, Brian Linehar, is a regular part of Sky Channel's programming.

Sky Channel produces a sizeable amount of its new programming in its own studios; 41 percent in 1986 and 38.2 percent in 1987. Only about half of its programs (54%) are of European Community origin, although preparations are being made to include some programming from the European countries receiving the broadcast signal. Some provision is also being made for subtitling, to reach a Dutch audience of 3,226,404 viewers.

The Arts Channel, specializing in the arts and culture, is at present available to over 600,000 cable homes in the United Kingdom, the

Netherlands and Scandinavia. The owners include WH Smith and Television South (United Kingdom), among others. Satellite transmissions began in September 1985, with two and a half hours a day being transmitted from 0600 to 0830 in the morning for recording and replay by cable operators and VCR cable homes.

More recently, the Arts Channel has been transmitted at the end of the nightly Sky Channel service, with a consequent increase in the number of European homes to which it is available. The Arts Channel offers a mixed program of opera (15%), dance (7.5%), drama (10%), jazz (6%), classical music (25%), documentaries and visual arts (over 35%). Most of the programs are of European origin (84% in 1986, 77% in 1987). About 85% of the material is bought in, some programs being provided free. Programs are rerun about 5 times a year.

The Arts Channel has a good reputation as a non-advertizing cultural service. This has enabled it to enter cable markets in the Netherlands and Scandinavia. However, it seems far from breaking even and it has been facing financial problems.

Music Box started transmission in June 1984, and discontinued service in 1987. It was an advertizer-supported channel offering a twenty-four hour service of pop music, videos and concerts. It reached a high level of audience penetration, but this was not reflected in its advertizing revenues and so it discontinued broadcasting. A new company, Music Box Ltd., was formed which is successful as a music program program provider

to broadcasters all over the world including NHK in Japan, USA Cable Network, and Super Channel in the U.K.

Super Channel took over from Music Box and started transmission on the 30th January 1987, using the ECS-1 satellite. It has become one of the most widely distributed general entertainment services reaching 13.5 homes attached to cable networks in 15 European countries. Originally, it intended to offer the best of British programming supplied by BBC, ITV, and Channel 4; however, this uniform cultural approach lacked wide audience appeal outside the U.K. in other European countries. The program schedule retained mainly British programming, but it began to include the acquisition of American, Australian and European programs.

Super Channel was losing money, so 55 percent of its shares owned by Independent Television (ITV) of the U.K. were sold in October 1988 to Mr. Guelfo Marcucci. He is a wealthy Tuscan businessman with interests in pharmaceuticals, hotels, pulp and paper as well as broadcasting stations such as the Italian rock music station, Videomusic. Super Channel is now jointly owned by Mr. Marcucci (55%) and Mr. Richard Branson (45%), who is chairman of the Virgin Group which is an independent record company (see page 228) with diversified media holdings.

FilmNet is a pay-TV channel transmitted by satellite and is mainly distributed by cable networks. Its two main market areas are Benelux and Scandinavia, with more than 200,000 subscribers in six countries. It has

plans to expand to the French market and expects to reach break-even point by the end of 1988 with 300,000 to 350,000 subscribers. FilmNet began transmissions in the Netherlands and Sweden in the Spring of 1985, expanding into other countries shortly after. The service is a joint venture between the Swedish conglomerate Esselte, VNU and UIP (the two latter participating only in FilmNet Holland). The 24 hour schedule is divided into three programming sets which can be selected by the viewer separately or in combination.

FilmNet offers a new film title every day, with a film starting every two hours and frequent repetitions. About 2,000 films are shown each year. Since the channel is aimed at a multi-lingual audience in six countries, subtitling has become an important feature. Subtitling is currently available in Dutch, Danish, Swedish, Finnish and Norwegian using the Esselte Multi-Subtitling System (EMSS), which allows the cable operator to choose which subtitle appears on viewers' screens. Though the main market for FilmNet is the cable market, it has also devoted attention to the direct-to-home reception by renting decoders to owners. As yet, only about 2,000 subscribers receive the services via decoders throughout Europe. Besides the cable and decoder market, the channel is transmitted terrestrially on Kanal 2 in Denmark.

Premier movie channel is transmitted by Eutelsat satellite using an encrypted signal to reach 40 thousand subscribers in the United Kingdom. It mainly shows new films in English to a British audience. It is financially owned by Maxwell Communications Corporation, 20th Century Fox

and Columbia Pictures, and two United States companies, HBO and Showtime, which are market leaders in cable film services in the U.S.

Cable News Network (CNN) is a U.S. based news service transmitted by Eutelsat satellite and distributed to the European hotel market where it is received in 23 thousand rooms. It also sells its news service to national broadcasters including RTVE in Spain, and TVP in Poland. Its service is received on cable in Ireland, Sweden, and the U.K., and to some degree in France and Denmark.

WorldNet is a television news and information service transmitted by Eutelsat satellite and provided free to cable operators by the United States Information Agency (USIA). It began operation in April 1987, has no advertizing and reaches an audience of 2 million households. The annual budget is \$4 million for European operations. WorldNet offers U.S. Government news reporting, sports, science and cultural programming and some English language instruction.

The Children's Channel began operation in 1984. It was funded by Thorn-EMI Cable Television to provide a children's entertainment channel transmitted via Eutelsat to U.K. cable networks. In 1986, a new company was formed and ownership transferred to Starstream Ltd. owned by British Telecom (22%), Central ITV (22%), DC Thomson (22%), Thames Television (22%) and Thorn-EMI (12%). The service it provides is based on revenue from subscriptions and advertizing. It has been expanding its services to Helsinki Cable TV in Finland, Televerket cable networks in Sweden, and

other cable networks in Norway, Denmark, Netherlands, Belgium and Ireland.

MTV Europe is an advertizer based music channel transmitted by satellite and distributed by cable. The service is modelled on its U.S. counterpart MTV. It is owned by a consortium of interests including Robert Maxwell and the Mirror Newspaper in the U.K. (51%), British Telecom (24%), and Viacom International (25%) that are the owners of MTV in the U.S. Viacom provides the program service to MTV Europe with a large stock of rock concerts, music video clips and animation.

Lifestyle started transmission via Eutelsat in October 1985. It aims to attract the European female audience with a schedule of talk shows, health, soap operas, and cookery programs. The service is owned by WH Smith (47%), D.C. Thomson, Yorkshire Television and Television South, the two latter companies being the main providers of programs for the service.

Since the end of 1986, the Lifestyle service has expanded into other countries, particularly Sweden and the Netherlands. At the same time, it increased its imports from the USA so as to attract a larger audience among those enjoying US soap operas and romantic drama. Consequently, the European content of Lifestyle declined from 55% in 1986 to 37% in 1987, while the schedule has been increased by two hours a day.

In addition to the commercial satellite channels mentioned above, there are several national broadcast services that beam their signals transnationally via satellite into neighbouring European countries. RAI Uno of Italy, is available by direct reception in many parts of Europe and distributed by local cable systems in Belgium, Switzerland and Luxembourg. Six European countries also receive a mix of two British channels, BBC1/2 which are distributed by cable networks. 3-SAT is a German public service channel transmitted via satellite to Central Europe, Eastern Europe and the Middle East, as is described on page 122.

Figure 5.3
MAJOR SHAREHOLDERS OF SATELLITE TV CHANNELS IN WESTERN EUROPE (1988)

Satellite Channel	Major Shareholders
<u>European:</u>	
RAI Uno	RAI
3SAT	ZDF, ORF, SRG,
TV5	TF1, A2, FR3, RTBF, SRG, Vidéotron
Worldnet	USIA (USA)
Sky	News International, Robert Murdoch
Teleclub*	Rediffusion AG, Beta Taurus
Filmnet	Esselte, UIP
SAT1	PKS/Beta, Axel Springer, APF, Hotzbrian, Consortium of German Publishers
Superchannel	ITV Companies (except Thames TV), Virgin
RTL Plus	CLT, Bertelsmann, WAZ, Deutsche Bank, FAI, Radio Luxembourg
Canal J	Hachette
Premiere	MGN, BT, Columbia, HBO, Fox, Viacom
Children's Channel	BT, DC Thomson, Thames TV, Central TV, Thorn EMI
Screensport	WH Smith, ABC (ESPN) RCA, 3i
The Arts Channel	WH Smith, Commercial Union, J Griffiths, Equity & Law, TVS
Lifestyle	WH Smith, DC Thomson, Yorkshire TV, TVS
CNN	Turner Broadcasting
Eins Plus	ARD
KMP Music Box	Wolfgang Fischer, Herberrrt Kloiber, Bauer, Burda, CEL (Australia), Virgin Group, Silvio Berlusconi
Tele-Fünf	KMP, Fininvest/Berlusconi
<u>Domestic/Regional:</u>	
TV3	Kinnevik, Nora
BR3	Bayerischer Rundfunk
Eureka TV	Medi Media Programmes (Ackerman)
WDR	Westdeutscher Rundfunk
La5	Hersant, Berlusconi, Seydoux (France)
M6	CLT, Lyonnaise des eaux (France)
NRK	Norsk Rikskringkasting (Norway)
SVT1	Sveriges Television (Sweden)
SVT2	Sveriges Television (Sweden)
Kindernet	Telecable Benelux, W.H. Smith, Fuiji 8

SOURCE: Europe 2000: What Kind of Television? The Report of the European Television Task Force, European Institute for the Media, Manchester University, 1988

Note: * Teleclub ceased operation in 1988

Medium Powered Satellite

A medium powered satellite, ASTRA, is being launched by Luxembourg in November 1988 using a U.S./RCA built satellite technology. The operators of ASTRA is the Société européenne des satellites, which has among its major shareholders, the Luxembourg Government and Kinnevik of Scandinavia. The ASTRA consortium has consulted Telesat Canada on their experience with launching the world's first domestic communications satellite.

The broadcast footprint of ASTRA will cover most of central Western Europe wherein lies more than 80 percent of the viewers with leisure spending power. The largest market for ASTRA is expected to be U.K. and Italy followed by Scandinavia, West Germany, France and Spain. The majority of cable networks in these countries will be within Astra's footprint and able to receive the signals. In the U.K. and Spain, it is expected that individual reception using a 22 inch antenna will dominate. In West Germany, cable will prevail and in France, TV broadcasting will be split between direct antennae reception and cable.

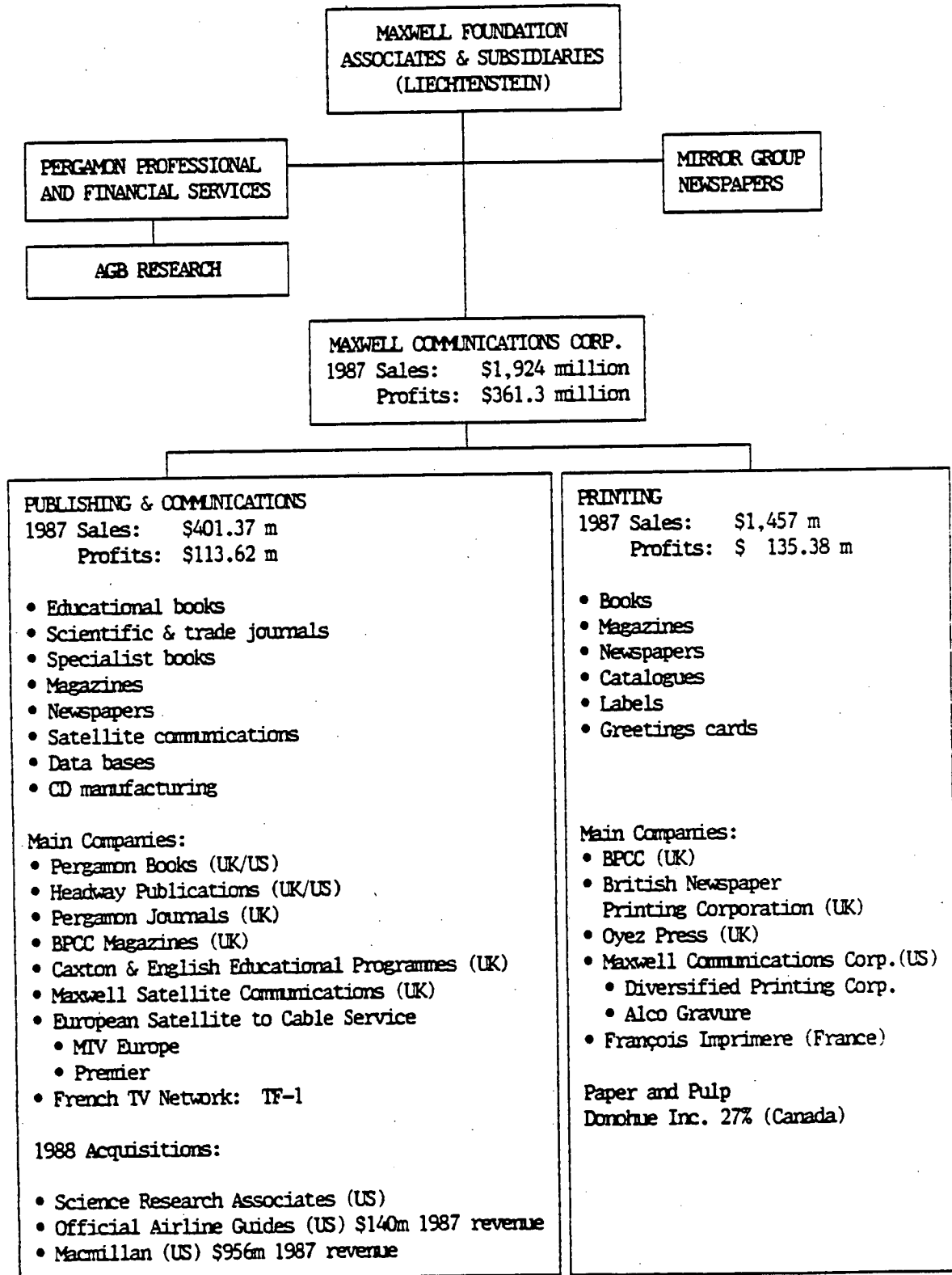
ASTRA is trying to conclude contracts with a number of clients including Scansat owned by Kinnevik, a Swedish company, Thames TV of the U.K., News International owned by Robert Murdock of the U.K., MTV Europe owned by Robert Maxwell, British Telecom, Viacom of the U.S., and IB Communication in France. Its negotiations with Thames TV for two channels on Astra also include London Weekend TV, Carlton Communications, Saatchi and Saatchi, and Dixon, the electronics retailer

and supplier of satellite dish antennae. IB Communications, lead by Jean Marc Berger in France, is proposing a music and drama TV channel to be delivered by Astra.

ASTRA is negotiating with Kinnevik, which is the second largest shareholder in the operation of ASTRA. Kinnevik is financing the Scansat/TV3 multi-lingual regionally oriented Scandinavian service, which is currently using the Intelsat satellite but will be switching to ASTRA to extend its service to Danish and Swedish cable networks. Scansat will use its transponders on ASTRA to build up a Swedish, a Norwegian and a Danish language service encrypted from the uplink and distributed simultaneously into the three countries. Scansat intends to provide 40-45% of Scandinavian produced programs within five years and is aiming to be the Scandinavian alternative to the national public service programs which as yet maintain their monopoly in Norway and Sweden.

ASTRA is also negotiating separately with Robert Maxwell and Rupert Murdoch who are media rivals. Robert Maxwell formed the British Satellite Broadcasting (BSB) consortium which holds the British Government franchise for satellite television. BSB's investors are some of the largest names in British business including Pearson PLC, Granada Group PLC, Virgin Group PLC, Anglia Television and Reed International PLC. Other prospective investors in BSB may include Australian Bond Corporation, Chargeurs (the French transport group), Invest International (the Luxembourg-based holding company) and London Merchant Securities.

Figure 5.4
MAXWELL FOUNDATION ORGANIZATION CHART



SOURCE: Financial Times, Saturday, November 5, 1988

Robert Maxwell has extensive media interests as shown in Figure 5.4. His shares are privately held through Pergamon Holdings which controls 100% of the British daily tabloid Daily Mirror, and has interests in the European satellite-to-cable service MTV Europe and Premier. Robert, his wife, and his son, Ian Maxwell are major partners in the French TV network TF-1. Because of his connections with French TV, Maxwell was previously committed to using the French DBS satellites TDF-1 when it will be launched.

However, because of the higher rental prices of TDF-1 and later launch date, Maxwell is now interested in using instead, six Astra channels that would include Premier (feature film service), Home Video Channel, and MTV Europe. As part of his plan, he recently formed Maxwell Communications Corp. which started publicly trading on the Paris Bourse in February 5, 1988. MCC is estimated to have increased its annual sales four times since 1983, reaching \$1.66 billion in 1987. Eventually, it is Maxwell's plan to build a pan-European network called European TV Broadcasting Corp.

On the other hand, Rupert Murdoch is signing up with Luxembourg based ASTRA after being excluded from competing for British Broadcast Licenses because of his extensive newspaper holdings, since he owns five tabloids in the U.K. accounting for one third of the newspaper circulation. His News International holding company owns 47 newspapers, 48 magazines and 10 television stations on four continents, and his sales reached \$5.75 billion in 1987. By attaching himself to the Luxembourg satellite

venture, he effectively has found a back door into the British television market. Murdoch intends to make all his channels on ASTRA available to viewers for free. He also intends to incorporate his Sky cable channel into the satellite service, and draw on programming from his Twentieth Century Fox Film Corp. movie studio and Fox Television Stations Inc. network in the United States.

Direct Broadcast Satellite (DBS)

The other form of television broadcasting that is not yet operational in Europe is Direct Broadcasting by Satellite (DBS) which is capable of transmitting programming directly into homes with television using a dish antenna. Projects for the use of Direct Broadcast Satellite services are in an advanced stage of planning in Europe. These include 9 DBS ventures as shown in Figure 5.5. In general, the DBS satellites are far more expensive than the medium powered ASTRA satellite and therefore inciting competition between both modes of transmission.

The French and Germans have a program to launch a series of direct broadcast satellites. According to a Franco-German agreement, TV-SAT1 was to be the first of four satellites, but it had to be cancelled when a solar panel unfortunately malfunctioned on launch. A second satellite, the French TDF1 is slated to loft in 1988, followed by TDF2 in September 1989. A fourth satellite, the German TV-SAT2 is under construction and is planned to be launched in 1990. The financing is being provided by the "Eurosatellite" grouping of Western Europe

companies which include Messerschmitt Boelkow Blohm (MBB), AEG-Telefunken, the French Aérospatiale and Alcatel-Espace.

Figure 5.5
DIRECT BROADCAST SATELLITE SERVICES (1988-1996)

Satellite	Country	Cost	Manufacturer
TDF-1	France/Germany	\$ 660m	Eurosatellite
TDF-2	France/Germany		
TV-SAT 2*	W. Germany/France		Eurosatellite
Olympus	U.K.	\$ 246m/sat.	British Aerospace
	Greece		Selenia Spacio
	Netherlands		(Italy), SPAR
	Portugal		Aerospace (Canada)
	Italy		
BSB	U.K. IBA	\$ 566m	Hughes
UNISAT**	U.K.		
TELE-X	Sweden	\$ 226m/sat.	Aérospatiale
	Norway		
	Finland		
AUT-SAT**	Austria		
ATLANTICAST	Ireland	\$ 566m	Hughes
SUI-SAT**	Switzerland		

NOTE: * TVSAT 1 failed in orbit
** In the planning stages

A DBS television broadcasting satellite, *Olympus*, is being planned by the financial consortium consisting of British Aerospace, Selenia Spacio of Italy, Dutch investors, and Spar Aerospace of Canada. If this project comes to fruition, it will increase Canada's position further in the forefront of satellite technology. The intent is to develop an experimental satellite with double the power (20-30 GHz) of TVSAT which will serve as a space platform to encourage high technology in the European space industry. Among the anticipated users of *Olympus* will be Parallel Media/ISM of Italy.

Market Trends

The use of direct broadcasting satellites have been resisted by the commercial broadcasting sector because they eliminate the need for cable companies as broadcast intermediaries, thereby losing the advertising and subscription revenue base upon which they depend. Also, other technological alternatives using terrestrial hertz broadcasting, which offer television viewers new services at no extra cost, can compete with direct satellite broadcasting. However, if cable networks or hertz systems grow too slowly, then the commercial and state broadcasters may opt to expand the use of direct satellite broadcasting through the successive launching of TDF-2, Astra and Tele-X.

By 1996, it is estimated that the number of satellite channels could be in the order of 150 television transponders, and this may lead to an excess in channel capacity. Reduced utilization of channels could cause price competition and a lowering of service costs which would result in financing problems for new satellite construction, launching and servicing.

In the current situation, production budgets for satellite delivered TV programs are small compared to those of the large established terrestrial broadcasters. Part of the problem is that satellite channels are not yet reaching a wide enough audience to attract the quantity of advertising revenue required to finance new programming. However, viewer demand appears to be growing and satellite programming is successfully competing

against some of the national broadcasters. For example, the satellite channels of SAT1 and RTL Plus are attracting viewers comparable to ZDF in Germany. Sky Channel is performing well in Scandinavia, and is the third most viewed television program among cable subscribers in Holland.

It is foreseeable that if satellite programming is successful, it will lead to a restructuring of the broadcast market, and it will create a big demand for mass appeal programming that competes with or exceeds the quality of public and commercial terrestrial broadcasting services. Some of this anticipated market will be specialized programming for the new thematic channels, some will be information and news programming and the rest will be concentrated on providing general quality entertainment.

CHAPTER 6
CABLE TELEVISION MARKET



CABLE TV DISTRIBUTION

Cable distribution has been rather uneven across Western Europe. About 16 percent of the 120.721 million homes with television sets receive their signal from cable networks as is shown in Figure 6.1. Most of the cable networks are concentrated in the large urban centres. Further cable growth will depend on favourable population density and the increase in the number of satellite services that are able to supply television programming to cable distribution systems across large areas of Europe. It will also take time and considerable capital to up-grade existing 'tree and branch' systems, and construct new advanced interactive networks.

There are three levels of cabling services in Western Europe:

- Densely-cabled countries, such as Belgium (over 84%), the Netherlands (70%) and Switzerland (nearly 70%). These three countries account for 60 percent of the European homes connected to cable networks.
- A medium amount of cabling (14% to 50%) in countries such as Denmark, West Germany, Ireland and Norway.
- Little or no cabling (less than 13%) in countries such as France, Italy, Spain, Portugal, Sweden and the United Kingdom.

The growth areas for new public cabling programs are mainly France, the United Kingdom, and West Germany.

Figure 6.1
WESTERN EUROPEAN CABLE TELEVISION SERVICES

Channel	Base	Owners	Delivery	Ad-Supported/Pay	Content	European Homes Connected (,000s)
Anglovision	U.S.	NBC, American Express, Independent Newspapers (Ireland)	Intelsat VA-F11	Ad Supported	U.S. news	April 1989
Arts Channel	Britain	W.H. Smith, Television South, Commercial Union, Equity & Law, John Griffiths	Intelsat VA-F11	Pay TV	Culture & Arts	1,100,000
Bravo	Britain	Cablevision U.K.	Videotape	Pay TV	Vintage Films	5,000
Cable News Network	U.S.	Turner Broadcasting	Intelsat VA-F11		News	250,000
Canal J	France	Hachette	Videotape	Pay TV	Kidvid	1,000
Children's Channel	Britain	British Telecom, D.C. Thomson, Thames TV, Central TV	Intelsat VA-F11	Ad-Supported/Pay TV	Kidvid	110,000
Eins Plus	West Germany	ARD	Intelsat V-F12	Public/Ads	General	1,740,000
Eureka	West Germany	Eureka	Intelsat V-F12	Ad-Supported	General	1,118,000
FilmNet	Netherlands	Esselte/UDF, UIP	Eutelsat 1-F1	Pay TV	Films	200,000
Home Video Channel	Britain	British Telecom, Mirror Group, Columbia, 20th-Fox, HBO, Viacom	Videotape	Pay TV	Films	25,000
Janco-Vision	Norway	Orkla Industries	Videotape	Pay TV	General	140,000
Lifestyle	Britain	W.H. Smith, Television South, Yorkshire TV, D.C. Thomson	Intelsat VA-F11	Ad-Supported/Pay TV	Daytime Women's	70,000
MTV Europe	U.K.	Mirror Group, British Telecom, Viacom	Intelsat VA-F11	Ad-Supported	Pop Music	2,000,000
Musicbox	West Germany	Retitalia, Herbert Kloiber, Wolfgang Fischer	Intelsat V-F12	Ad-Supported	Pop Music	1,790,000
New World	Norway	Evangelical Broadcasting Network (EBN)	Eutelsat 1-F1	Ad-Supported	Religious	100,000
Premiere	Britain	Mirror Group, British Telecom, Columbia, 20th-Fox, HBO, Viacom	Intelsat VA-F11	Pay TV	Films	85,000
RAI	Italy	RAI	Eutelsat 1-F1	Ad-Supported	General	1,500,000
RIL-Plus	Luxembourg	CLT, Bertelsmann	Eutelsat 1-F1	Ad-Supported	General	2,200,000
SAT-1	West Germany	FKS, APF, Springer, Euromedia, Otto Maier, Neue Medien	Eutelsat 1-F1	Ad-Supported	General	2,610,000
Screen Sport	Britain	W.H. Smith, ESPN, ABC, RCA, 3i	Intelsat VA-F11	Ad-Supported (+ Pay TV Outside U.K.)	Sports	500,000
Sky Channel	Britain	News International, Ferranti, Ladbroke, D.C. Thomson, Equity & Law	Eutelsat 1-F1	Ad-Supported	General	9,700,000
Super Channel	Britain	Virgin Group, Guelfo Marcucci/Videomusic	Eutelsat 1-F1	Ad-Supported	General	8,600,000
Teletub	Switzerland	Rediffusion AG, Beta-Taurus	Eutelsat 1-F1	Pay TV	Films	30,000
3-Sat	West Germany	ZDF, ORF, SRG	Eutelsat 1-F1	Ad-Supported	General	1,850,000
TV-5	France	TF-1, A-2, FR-3, RTBF (Belgium), SSR (Switzerland), Radio Canada	Eutelsat 1-F1		General	3,600,000
Videokanava	Finland	Helsinki Television	Videotape	Pay TV	Films/Series	23,000
Worldnet	U.S.	U.S. Information Agency	Eutelsat 1-F1	Government Funded	Information	800,000

SOURCE: Variety, October 21, 1987

Belgium is the most cabled Western European country. 84.4 percent of the households with a television set are linked to a cable network. The Belgium cable systems distribute both Belgium programming as well as 20 programs emanating from national transmitters of foreign countries and some satellite broadcasts.

The Netherlands is the second most highly cabled country in Western Europe. Seventy percent of the television households are cabled, and programs can be broadcast on 30 available channels. There are over 1,000 cable TV networks in the Netherlands and 6 main operator services catering to almost half of the subscribers as is shown in Figure 6.2. The largest network operator is CASEMA BV owned by the Dutch Post, Telegraph and Telephone Administration with over 570 thousand subscribers.

Figure 6.2
DUTCH CABLE COMPANIES MARKET SHARE (1987)

TV Channel	National	Amsterdam
Nederland-1	56%	53%
Nederland-2	29%	28%
Sky Channel	3%	6%
Super Channel	1%	2%
BRT-1 (Belgium)	2%	2%
BRT-2 (Belgium)	2%	2%
BBC-1 (U.K.)	0%	2%
BBC-2 (U.K.)	0%	1%
German-1	3%	2%
German-2	4%	2%
Total non-Dutch	15%	19%

SOURCE: Variety, October 14, p. 182

Note: The figures above are the overall shares of market for different cable services in Holland among viewers 12 years old and above.

One of the largest single commercial network operator in Europe is KTA in Amsterdam which has 325 thousand subscribers. The average T.V. home in the Netherlands watches about 89% domestic programs. They can also receive an average of 6 foreign channels, although the total number of foreign stations available in the Netherlands is over 12.

According to Dutch regulations, cable reception of foreign programmes cannot contain advertizing specifically aimed at the Dutch citizens, and programs have to be distributed without interruption. The Netherlands is potentially a favourable market for new channels and new foreign programming material because 80 percent of the Dutch people speak German and 75 percent can understand English. In addition, they have a highly developed film dubbing and subtitling industry.

Switzerland is the third most cabled country in Western Europe. The broadcast channels available on Swiss cable networks include ARD, A2, ORF1 and 2, TF1, ZDF, ZDF, and FR3.

Most of the Swiss cable networks are privately owned. The largest cable operator is Rediffusion AG which has 350 thousand connected subscribers in the German speaking areas of Zürich, Berne, St. Gallen, Olten and Biel. The largest network operators are shown below in Figure 6.3.

Figure 6.3
THE LARGEST SWISS CABLE NETWORK OPERATORS

Operator	Network	Subscribers
Rediffusion AG	Zürich	265,000
Rediffusion AG	Berne	90,000
Telesystems AG	Zürich	70,000
Autophon AG	Limmatal	50,000

Geneva and Basel are the only major population centres not serviced by cable although a new advanced cable network is being constructed for Basel.

Some of the satellite TV services also available on Swiss cable are: Sky Channel, Superchannel, TV5, New World, RAI Uno, CNN, Lifestyle, ScreenSport, Arts Channel, and Worldnet. These satellite services are described on page 147. There are also two pay-TV film channels available: Téléclub and téléciné romand. Téléclub is transmitted by satellite and is intended for a German speaking audience; it shows more films than any other pay channel in Europe. Téléciné romand is transmitted over the air and is intended for a French speaking audience in Switzerland.

In West Germany, 10.7 percent of the television households are accessed by cable. They are able to receive the two standard state supplied channels (ARD and ZDK) as well as 8 satellite channels. The public service channels attract the most viewers (ARD 30% and ZDF 26%) while

foreign and private commercial channels together account for 7% of the viewing among cable households.

West Germany is planning a national cable system. Four pilot projects are in operation at Ludwigshafen, Munich, Dortmund and Berlin, that offer a range of programming of which 20 percent will be paid by advertizing and the remainder, from T.V. license fees. But despite the German PTT efforts to lay cable to the doors of 8.86 million households, only about 2.7 million of them were real subscribers by December 1987. This means that the PTT has only been able to convince less than one third of the potential cable clients of the benefits of cable services. This is having an effect on the private stations in Germany who are demanding to break out of the 'cable ghetto' by gaining access to terrestrial hertz based transmission.

In France market penetration is only 1 percent of the television households, but the PTT plans to develop wide-based cable networks using fibre optics. There are plans for channels transmitted by telecommunications satellite (Telecom-1 and TDF-2) to be linked to the cable networks. Some satellite channels are already linked, such as TV5, the french language channel, and Canal J (CH7) which belongs to the Groupe Hachette. Other channels being considered are a music channel and a third world channel, Télé-Monde.

The principal cable operating companies in France include:

- Caisse des dépôts et consignation
- Compagnie générale des eaux
- Lyonnaise des eaux
- Francis Bouygues consortium

The principal cable program providers include:

- Canal Plus
- Canal J (owned by Hachette)
 - mainly children and youth programming
- M6
- RTL
- La5
 - satellite program jointly produced by France, Canada, Switzerland, Belgium
- Télé Monte Carlo

Cable really began making inroads with the launch of Canal-Plus, in 1985, the first French Pay-TV channel which has 1.8 million subscribed viewers receiving a predominance of films and sports programming with no advertising. The commercial investors in Canal-Plus include Havas Agency, one of the largest publishing and multi-media companies in France, Compagnie générale des eaux, two insurance companies, a consortium of banks centred on the Société générale and l'Oréal.

The success of Canal-Plus is encouraging the commercial investors to establish a major communication's group for cinema production and broadcasting on a European scale. Canal-Plus is negotiating with several countries, including Belgium and Switzerland, to establish their own subscription television services and to receive rebroadcast programs. Based on its commercial success, Canal-Plus has one of the largest budgets in France for television films. It plans to play an active coproducer role in major films, and has 1 billion francs (\$150 million) to buy film rights of which 50 percent must be invested by law in France.

In addition to these developments, the French are planning interactive cable systems using fibre optic links and Visiophone telecommunication's services.

In the United Kingdom .87 percent of the television households are cabled. Some of these are rather outdated systems but the intention is to eventually lay a full national cable network. Only 9 of the 22 cable network franchises awarded by the Cable Authority are so far in operation.

There are three main cable operator in the U.K. The first is British Telecommunications Corporation (BTC), which is a public traded company jointly owned by public and private interests. It has investments in cable networks, telecommunications, and is a major force in Western European satellite TV services. The second largest cable operator is British Cable Services (BCS), which is owned by media magnate Robert Maxwell. By agreement, BCS's services in the U.K. are marketed and operated by Viacom International, which is also a large cable operator owning MTV in the U.S.A. The third largest cable operator is CRS TV Holdings.

Seven channels are broadcasted in the U.K. via satellite to cable systems, and five of these are advertizer supported channels as is shown in Figure 6.4.

Figure 6.4
NUMBER OF U.K. HOMES RECEIVING SATELLITE CHANNELS (1987)

Satellite Channels	No. of U.K. Households
Sky Channel*	200,500
Music Box*	93,724
Children's Channel*	100,000
Screen Sport*	76,300
Lifestyles*	86,800
Arts Channel	40,000
Superchannel	137,000

Note: * Advertiser supported channels

Some of these satellite services, such as Sky Channel and Music Box are also transmitted through Scandinavian, German, Swiss and Austrian channels and cable networks.

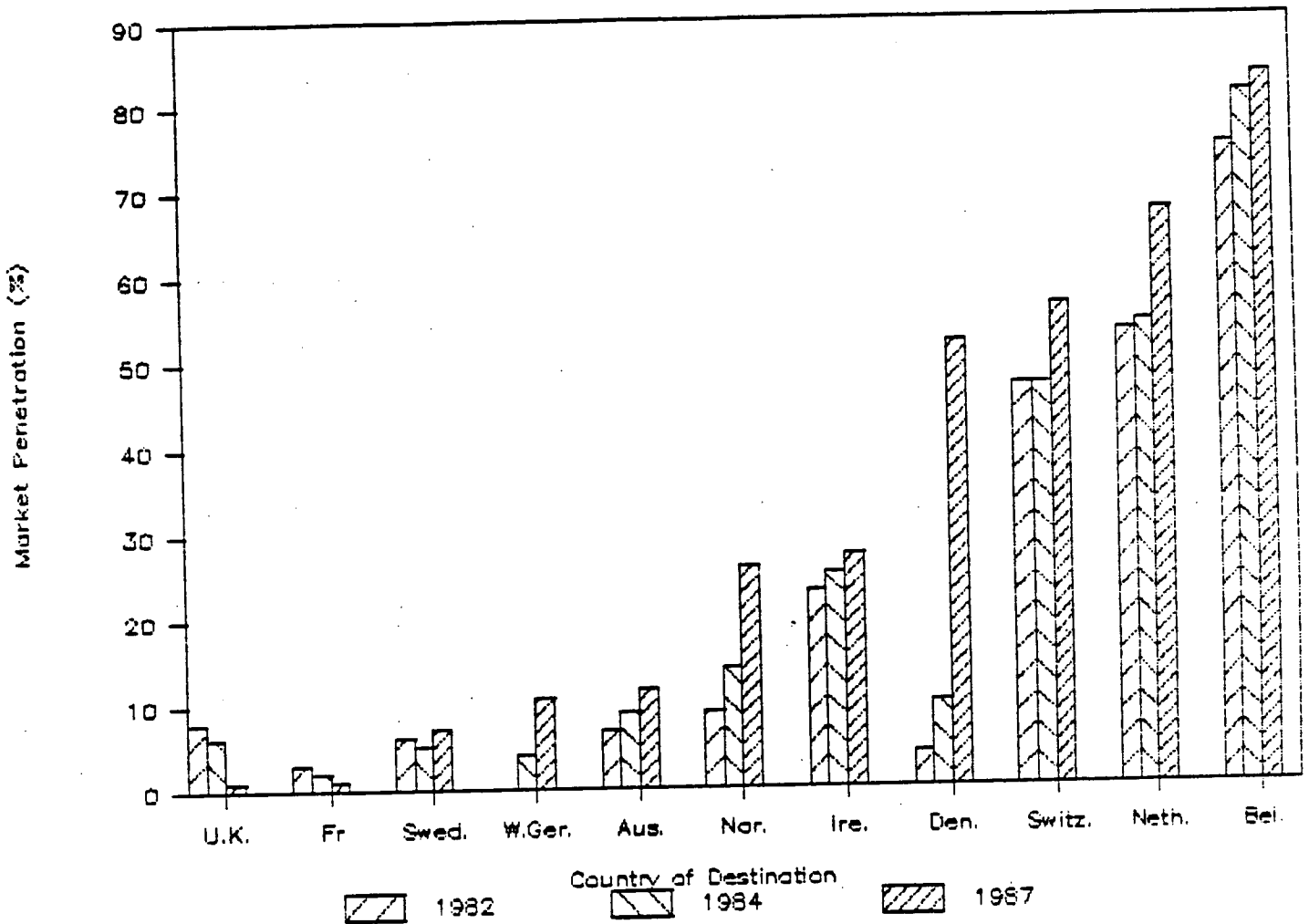
Le Groupe Vidéotron, the second largest cable broadcasting company in Canada made an unsuccessful bid for participation in Robert Maxwell's British Cable Service. However, Vidéotron recently made a successful bid to acquire a 45 percent interest in Southampton Cable, and now plans to become one of the main cable franchise operators in the United Kingdom. Vidéotron has extensive networks in Québec, and is engaged in producing and exporting television programs. Robert Maxwell, the British media magnate has shown interest in investing in Québecor Inc., a major Canadian communication's conglomerate involved in the international marketing of media products including newspapers, and book publishing.

Figure 6.5
CABLE TV DISTRIBUTION IN WESTERN EUROPE (1987)

	No. of homes with TV (millions)	No. of homes connected to CATV (millions)	Market penetration (%)
Austria	2.76	0.32	11.6
Belgium	3.72	3.10	83.3
Denmark	2.20	1.15	52.2
France	19.50	0.20	1.0
W. Germany	25.30	2.70	10.7
Ireland	0.95	0.26	27.3
Italy	18.50	0.00	0.0
Luxembourg	0.141	0.08	66.0
Netherlands	5.50	3.70	67.2
Norway	1.55	0.40	26.0
Portugal	3.00	0.001	0.03
Spain	9.80	0.007	0.07
Sweden	3.50	0.25	7.1
Switzerland	2.50	1.40	56.0
U.K.	21.80	0.19	0.87
Total	120.721	13.051	10.8

Source: André Lange, *The Future of the European Audiovisual Industry*,
The European Institute for the Media, U.K., 1988.

Figure 6.6
CABLE PENETRATION IN WESTERN EUROPE



Market Trends

It is estimated that 14 million receivers will be connected to cable in Europe by the end of 1988. This will probably increase to 17.3 million by 1990 and 21.8 million by 1995. This represents a cable market penetration of 17.6% of the European homes by 1990, compared with the U.S. market where 47% of the homes are reached by cable television.

The expansion of cable networks depends on improved programming and the marketing of additional television channels. More channels can be delivered by low and medium power fixed satellite services using down link feeds to cable head-end receivers. But this will require costly financing which is dependent on increasing the audience base and advertizing revenues through improved programming.

A great many European countries could benefit from the expertise acquired by the Canadian cable industry to develop future cable distribution projects. It is noteworthy that the Province of Québec, which has attained a market saturation level of 67%, is one of the most cabled societies in the world. Québec also has one of the most sophisticated network systems in the world.

A Québec consortium, the Cablon group, was jointly established by Vidéotron, one of the world's largest cable distributors, SNC, an engineering firm specializing in the design and development of television networks, Solutec, involved in television automation and microwave technology, Inter-Vision, and the financial assistance of the Société de développement des industries de la culture et des communications (SODICC). The Cablon consortium was one of the largest cable consulting companies in the world, and was offering the technical capability its members had acquired in the cable business. However, the momentum of this consortium approach was not sustained enough to establish a presence in the European cable market.

Indications are that Le Groupe Vidéotron is making a renewed effort to successfully penetrate the European cable market. Vidéotron acquired a 3 percent share in Channel 5 for \$6.4 million in 1987 and has subsequently increased its interest to 20 percent. Its partners in Channel 5 in France are Robert Hersant, publisher of the French dailies Le Figaro and France-Soir, and Italian mediocrat, Silvio Berlusconi, each of whom owns 25 percent of Channel 5. Vidéotron also owns 10 percent of Compagnie Générale de Vidéocommunications, the French cable company that is cabling households in the Paris area, and has an agreement to hook-up thirty nine other French cities. Vidéotron has invested almost \$25 million to expand a télé-shopping service into France with a goal of 100 thousand subscribers by 1989. The company has acquired a 45 percent interest in Région Câble of France, which is a subsidiary of French Compagnie Générale des Eaux (CGE). Vidéotron and CGE are joint partners in the U.K. cable venture to acquire an interest in Southampton Cable of Britain. Similarly, Vidéotron is penetrating the U.S. market. This activity gives Vidéotron an outlet for its programming as well as a chance to market its innovative interactive systems in foreign markets.



CHAPTER 7
VIDEO CASSETTE MARKET



VIDEO CASSETTE MARKET

Home video is used to record television programs, and to show rented or purchased (sell-through) tapes of cinema films or specially made video programs. Video cassette recordings (VCR's) are marketed and distributed through retail stores, mail order outlets and video clubs.

Trade data on Canadian Exports of video cassette recordings to Western Europe are not readily available from Statistics Canada. It is therefore difficult to determine the relative size of the market and the main countries of destination. However, some data on Canadian imports of recorded video tape is available from Statistics Canada as shown in Figure 7.1.

Figure 7.1
CANADIAN IMPORTS OF RECORDED VIDEO TAPES FROM WESTERN EUROPE (1980 - 1986)

Country of Origin	1980	1981	1982	1983	1984	1985	1986
United Kingdom	45	124	132	121	134	340	264
Belgium-Luxembourg	1	3	-	4	19	6	3
Denmark	-	5	-	-	2	1	11
France	35	51	61	101	222	436	359
West Germany	14	1	5	28	29	39	12
Italy	4	3	4	76	38	113	18
Netherlands	5	2	1	-	2	1	-
Spain	2	-	-	-	1	-	-
Sweden	-	-	-	2	1	5	2
Switzerland	2	-	6	10	4	5	24
Total Europe	108	189	209	342	452	946	693
Total U.S.A.	10,968	12,782	12,838	18,093	10,181	9,683	11,765
Total World	11,265	13,275	13,404	19,006	10,939	11,138	12,928

SOURCE: Statistics Canada, Imports by Commodities and Countries, C.I.T.C. Detail

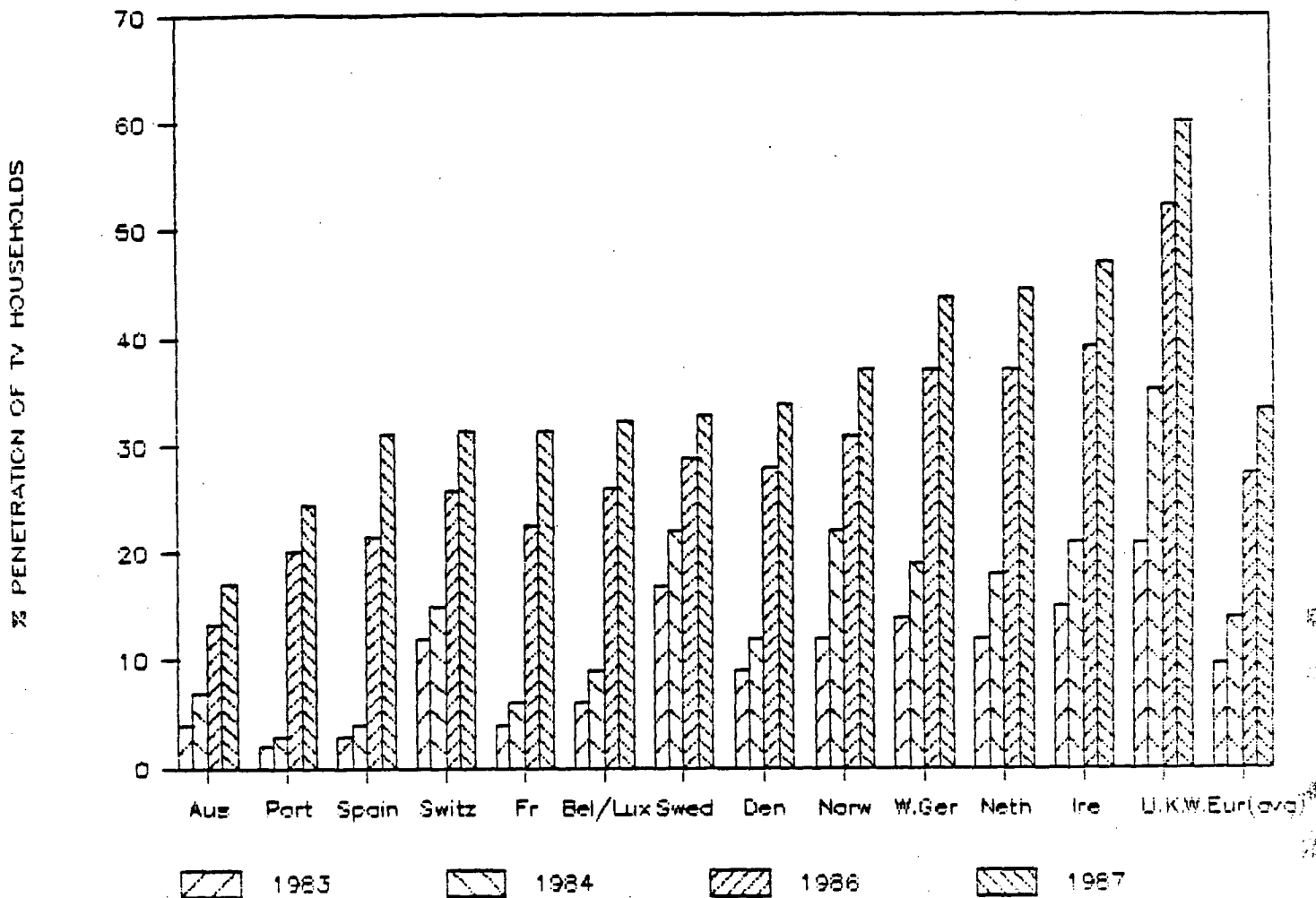
Note: Value \$,000

The development of home video has been expanding rapidly, but rather unevenly, across Western Europe. As can be seen in Figure 7.2, the video market has increased the most in the Northern European countries, and only recently, with the reduction in consumer taxes and less commercial protectionism, has the video boom spread to the Southern markets.

West Germany, Ireland, Luxembourg, and the Netherlands all have 40 percent of their households equipped with video recorders. In the United Kingdom, 50 percent of the households are equipped with VCR's and it is forecast to increase to 60 percent in 1988. Most other northern European countries and Scandinavian countries have penetration rates of 30 percent or more.

France and Spain are among the fastest growing video markets. They will soon catch up with Northern Europe and attain 30 percent penetration of the market. Belgium is still a relatively undeveloped video market. Italy is one of the least developed video markets even though it doubled its annual VCR sales in 1987. Austria and Portugal still have significantly lower video penetration rates than the rest of the continent.

Figure 7.2
EUROPEAN HOMES EQUIPPED WITH VCR'S (1983-1987)



SOURCE: C.I.T. Research, March 1984
Screen Digest, June 1987

France was one of the least developed home video markets partly because it imposed a tax on all VCR owners. This tax was recently lifted, but it still imposes a 33 percent luxury sales tax on VCR's and both blank and pre-recorded tapes, which continues to discourage the market demand. An indication of the import-export market for video cassette recordings for France is provided in Figure 7.3.

Recent trends indicate that France now has about 5 million VCR units, which represents a penetration of 25 percent of households. Although there is an increase of VCR's in the home, the French are using them to mainly record from television. The market for prerecorded tapes remains relatively small, at 30 percent of the market, and almost 80 percent of these prerecorded tapes are being sold through mail order clubs. The retail level for video outlets is not very developed in France and there are some indications of consolidation in the market place. There has also been a recent shakeout in the number of video clubs as the market evolves towards large and more efficient outlets.

The companies with the largest rentals and purchase (sell-through) sales in France are Warner Brothers combined with Nelson that account for 20 percent of the market. The second largest is GRC, which is a combined company representing Gaumont, RCA/Columbia and UGC.

Figure 7.3
 IMPORTS AND EXPORTS OF PRE-RECORDED VIDEO TAPES IN FRANCE (1983 - 1984)

Country	1983		1984	
	Imports (Value \$,000)	Exports	Imports (Value \$,000)	Exports
Belgium/Luxembourg	582	6,513	748	7,220
Denmark	123	238	84	416
Germany	513	834	613	373
Italy	103	451	169	510
Netherlands	1,339	1,040	2,314	1,903
United Kingdom	1,263	344	2,199	581
TOTAL EEC	3,924	9,441	6,127	11,046
Switzerland	-	5,169	-	6,013
USA	1,516	464	2,386	561
Canada	68	274	114	666
Japan	1,344	200	1,401	132
TOTAL	8,170	24,403	11,054	30,040

Source: International Federation of Phonogram and Videogram Producers,
 London

In Italy, the home video market is rapidly expanding. The number of VCR's grew from 950,000 in 1986 to 1.5 million in 1987 and could reach 2 million by the end of 1988. According to the Italian video distributors association, Univideo, the home video market is currently doing about \$77 million worth of business. About 20 percent of the video cassettes are for the sell-through market and 80 percent are rentals.

One of the leading home video distributors in Italy is Domovideo which is owned by Berlusconi's holding company, Fininvest. The U.S. also has a large market share through companies such as RCA-Columbia, that occupies half of the top 20 sale's charts in the market; other companies include Creazioni Walt Disney and WEA. The British have been successful in developing a marketing niche in the Italian market by selling cultural video cassette products. The U.K. company, National Video Corporation, has sold 90 percent of all the operas and ballets available on video in Italy, including productions at La Scala and Arena di Verona.

Figure 7.4
ITALY'S LEADING VIDEO DISTRIBUTORS (1986)

Distributors	Titles	Sales
CGD/Cinehollywood	760	95,600
Creazioni Walt Disney	218	201,208
Domovideo	383	212,000
Panarecord	129	143,713
RCA/Columbia	195	159,361
Sanpaolo	326	25,000
Warner Home Video	270	192,755
Total	2,281	1,029,637

SOURCE: Screen Digest, U.K., 1987

There are no readily available statistics on the value of Canadian exports into the Italian home video market. Nevertheless, we have accurate detailed figures provided to us by the National Film Board showing that it has recently been very successful at selling \$200 thousand worth of product into the Italian video market. Statistics Canada reports that Canada imported about \$113,000 worth of video recordings from Italy in 1987.

In Spain, the video cassette market is now estimated to have well over 3 million VCR's with total billings of \$110 million per year. The U.S. has captured a growing share of the Spanish video market, and accounts for 75 percent of the revenue which leaves only 25 percent for the enterprising independents. The U.S. majors that are active in the market include Warner Home Video and CIC-RCA/Col.

Video cassettes are mainly sold in department stores and video clubs in Spain. The main department store is El Corte Inglés, which has 50 outlets across the country. The number of video clubs in Spain are estimated to be 1,500. There are also some independent distributors selling video cassettes including Aguila Video, Cydis, International Video Sistemas, and Videoman.

The current price being paid by Spanish distributors to film producers for homevideo product is \$100 thousand for top quality product; good product sells in the \$25-50 thousand range and fair B quality films sell for about \$20 thousand. The two major home video trade fairs in Spain are Barcelona's Sonimag held in October, and Ibervideo held in Madrid in January.

In West Germany, 34 percent of households have VCR equipment, and the country has over 10.4 million VCR units nationwide. Sales of VCR equipment has increased 23%, from 1,750 thousand units in 1986 to 2.15 million units in 1987. For the first time, video cassette rentals in 1986 exceeded theatrical box office returns.

Over 3.5 million prerecorded videocassettes are distributed each year. Action movies are the most popular video product with 9.5% of market share, followed by documentaries 8.5%, educational programs 8.1% and thrillers 5.8%. The rest of the market is composed of x-rated material.

West Germany's video suppliers total about 50, but the market is dominated for the most part by companies with U.S. connections. A list of 10 of the leading suppliers of prerecorded cassettes follows in alphabetical order:

- CBS/Fox - handles product from various independents and 20th Century Fox.
- C.I.C. Video - supplies films from Universal and Paramount.
- Constantin Video - is the video branch of Bernd Eichinger's Neue Constantin production and distribution company. It distributes Embassy product.
- Euro Video - deals with Bavaria Studio productions, Walt Disney films, Lorimar and MGM/U.A.
- RCA/Columbia Pictures Video - is another leading supplier of product from the U.S.

- **Taurus Video** - is the video arm of Leo Kirch's Beta/Taurus group, which has some 15,000 features films in stock. Taurus Video cooperates in video distribution with Constantin.
- **VCL/Virgin Communications** - handles Virgin Video product, Media Home Entertainment, Screentime Entertainment (releases from Polygram Video) and features from independent U.S. and West German producers.
- **Vestron Video** - is the West German branch of the U.S. Vestron company. Besides, Vestron product acquires independent feature films for German video release.
- **Warner Home Video** - is part of Warner Brothers Productions which keep WHV on or near the top of the suppliers in the trade.
- **Video Medien Pool** - supplies Cannon product and some 1,200 titles acquired from the Thorn/EMI Library.

Recently, there has been a market upheaval in video distribution with the entry of cut-rate dealers competing against Warner Home Video, RCA-Columbia and other U.S. companies as well as German major distributors. To counteract this trend, Springer media, which is also one of Germany's gigantic publishing companies, joined forces with Cannon of the U.S. to form Video Medien Pool (VMP). The intention is for VMP to use its video duplication lab to produce over one million cassettes per year, to sell low-priced video cassettes of low budget pictures distributed through some dealers and to sell through advertizing in Springer's Sunday newspaper.

There are an estimated 4,400 dealers owning about 5,000 video rental shops in West Germany. Total VCR rental and sales increased from \$485 million in 1985 to \$458 million in 1986. Although rentals account for more than 90% of the market, there are indications that the new sell-through services of department stores, mail-order houses and supermarkets could eventually capture 8-10% of the market.

In the Netherlands, 36.9 percent of the households had VCR equipment in 1986 and this increased to 44.4 percent in 1987. Dutch consumers rented \$95 million worth of video cassettes in 1987 at an average rental price of \$2.61 per cassette.

There are eleven major distributors representing 80 percent of the Dutch home video market. The main distributors include:

- Cannon Video Benelux - founded in May 1986, as successor to Thorn-EMI Screen Entertainment Benelux; in business since January 1981.

Headquartered in Amsterdam, CVB is a subsidiary of the Dutch branch of Cannon Group. Managing director is Rob Jongmans, who was also head of TESE Benelux. CVB also has an office in Brussels. There is a staff of 32 in Holland and 22 in Belgium. Jongmans claims his company has a Benelux video market share of 18-19%.

CVB supplies to 700 Dutch and 800 Belgian video retailers, and also supplies some tapes to warehouses, gas stations and other sites. It annually releases 80-90 new titles, featuring all genres except porno. The net dealer prices vary from 125 to 300 guilders (\$62.50 to \$150).

CVB is supplied with Cannon product, and has also Benelux video distribution rights for Disney/Touchstone.

- Warner Home Video (Netherlands) - was the first Dutch brand of a U.S. major when it started in February 1981. Its

headquarters are in Heemstede, west of Amsterdam. It has sixteen people on the payroll. WHV claims a Benelux video market share of 18%.

The company promotes four top titles per month in 500 leading video shops.

WHV supplies its cassettes to almost 1,300 outlets, of which 700 to 800 are retailers. Other outlets include retail counters in department stores, gas stations, tobacconists, etc. Annually, some 60 new titles, featuring all genres except porno, are released on the market. Net dealer prices vary from 69-329 guilders (\$34.50 to \$164.50).

The company has Benelux distribution rights for Warner Bros. and United Artists. In September, it also acquired the distribution rights for the Japanese Sony label and British BBC label for Holland, Belgium and Luxembourg.

- Esselte CIC Video - is the Dutch branch of Swedish multinational conglomerate Esselte and was founded in December 1982. It has its headquarters in Woerden, some 30 miles south of Amsterdam. Esselte CIC Video claims a share of some 20% of the Dutch video market.

Esselte CIC Video distributes only in the Netherlands. The company supplies its cassettes to some 800 outlets, including numerous retailers, and also to the wholesaler VDC in the southern city of Gorile. It annually distributes 100-125 new titles, featuring all genres except porno. Net dealer prices range from 125 to 349 guilders (\$62.50 to \$174.50).

Esselte CIC Video distributes videocassettes from Paramount, Universal, MGM (until the end of this year, only back catalog titles) and some local Dutch videos.

- RCA/Columbia Pictures Video - was founded in December 1983. The company has its headquarters in Hilversum, 20 miles east of Amsterdam and an office in Brussels. RCA/Columbia Pictures Video claims a 15% share of the Benelux video market.

RCA/Columbia Pictures Video supplies its cassettes to 800 outlets in Holland, 800 outlets in Belgium and 10 outlets in Luxembourg, with 2% of tapes distributed to book clubs. It annually releases 70 to 90 new titles, featuring all genres except porno. The net dealer prices vary from 70 to 300 guilders (\$35 to \$150).

The company distributes videocassettes from Columbia Pictures, Orion, Weintraub, Entertainment Group and Tri-Star.

- CBS/Fox Video - the Benelux branch of CBS/Fox Video was founded in March 1984. It has its headquarters in Heemstede, west of Amsterdam, and an office in Brussels. The company has a payroll of eight people in Holland and three people in Belgium. CBS/Fox Video had a share of 10% of the Benelux video market at the end of 1986. It is predicted that it will reach 12% by 1988.

CBS/Fox supplies cassettes to 450 retailers in Holland and 250 outlets in Flanders, the Dutch speaking part of Belgium.

Annually, some 60 new titles, featuring all genres except porno, are being released simultaneously in Holland and Belgium

(Flanders). The net dealer prices range from 165-295 guilders (\$82.50 to \$147.50). The company distributes videocassettes from CBS/Fox, Tri-Star, Lucasfilm and other firms. All releases are on the CBS/Fox Video label.

- CNR Video - found in 1982, is an affiliate of CNR, one of the leading Dutch independent record companies headquartered in Weesp, 10 miles east of Amsterdam. CNR Video employs 11 people. The company had a 5% share of Benelux video market at the end of last year and predicts it will be at least 10-12% by 1988.

CNR Video supplies to some 600 outlets in the Netherlands and some 400 outlets in Belgium. Almost all these outlets are retailers. Some tapes are also distributed to a few wholesale companies and book clubs.

CNR Video annually releases more than 150 new titles, featuring all genres including some 3% porno. Some 50 titles come out on the CNR Video label, 50 on the Concorde Video label and another 50 on the Lumina Video label (Concorde is Holland's leading independent film distributor and Lumina is another prominent Dutch film independent).

Since May 1, CNR Video has represented MGM Video in Benelux. It was previously handled by Esselte CIC Video. By the end of 1987, CNR Video will have released a total of 24 new MGM titles in the Benelux. The net dealer prices of CNR Video cassettes range from 89 to 245 guilders (\$44.50 to \$122.50).

- Video Entertainment Services (VES) - was founded in January 1986, as a branch of Vestron Video International. A second branch, Vestron Video Belgium was founded in January, 1987. Both distributors have a total manpower of 22 people and are affiliates of Vestron Video International.

VES is based in Utrecht (the Belgian branch has its headquarters near Brussels).

VES had a share of 6% of the Benelux video market at the end of 1986 and both companies had joint market share of some 10% by 1987.

VES supplies its cassettes to some 600 outlets in the Netherlands, and its Belgium sister company to some 550 outlets in Belgium. All of them are retailers. Annually, some 60 new titles with Dutch subtitles, featuring all genres except porno, are released. In the French speaking part of Wallonia, in Belgium, all these tapes are subtitled in French. Net dealer prices range from 14 to 295 guilders (\$72.50 to \$147.50).

Both companies have the same four labels: Vestron Video International (feature films), Gold (quality films), Children's Video Library (childrens films) and Vestron Music (music videos). Furthermore, the Belgian Vestron branch handles the Belgian distribution of Belga Video Films, the video department of a Brussels based theatrical company.

- RCV 2001 - is the result of a joint venture between Dutch video company Video 2001 and Editions Mondiales, the second largest book and magazine publishing company in France.

RCV 2001 was founded in March 1982. The company is based in Zoetwoude, between the Hague and Amsterdam. RCV claims a 7-8% share of the Benelux video market.

RCV 2001 supplies to 850 outlets in Holland and 350 in Belgium, all of them retailers. It annually releases 60 new titles, featuring all genres except porno. Additionally, the company releases per annum 25-30 new titles (no porno) from Dutch independent film company Hungry Eye Pictures. The net dealer prices vary from 150-329 guilders (\$77 - \$164.50).

RCV 2001 has license video agreements with several U.S. film companies including Orion, New World and Heron, and with leading independent film production companies. Under these agreements, all video tapes are released on the RCV 2001 label to the Benelux market.

- Video Screen - was founded in June 1978. It is affiliated with the Dutch film independent Gofilex. Both companies are located in Nieuwegein, near Utrecht. Video Screen employs 15 people. It claims that it has a 7-8% share of the Benelux video market.

Video Screen supplies some 800 outlets in Holland and 600 in Belgium, mostly retailers. Two percent is distributed to book clubs. It annually releases some 40-60 titles, featuring all genres, including porno. The net dealer prices of these tapes go from 35 to 325 guilders (\$175 to \$162.50).

Video Screen has license deals with various American video companies, including five L.A.-based firms: Manson

International, Kodiak Films, Skouras Films, Hemdale Films and Walter Manley Films.

Video Screen releases on several labels including:
Video Screen and Embassy (renamed Nelson since Oct. 1).

There are 700 to 800 retailers in the Netherlands, and a further 300 or more additional points of sale of prerecorded videocassettes such as warehouses, shops within shops, and gas stations. Some Dutch video retailers have also started to rent or sell Compact Disks (CD's). Among the largest retail chains selling videocassettes are Videoland and Super Club. Videoland is a national franchise organization of 65 video retail outlets.

Super Club, founded six years ago, specializes in home video retailing, and it now operates 85 outlets. It has also diversified into motion picture distribution, exhibition and production investment, and has become one of the fastest growing broad based entertainment companies in Benelux. The group now comprises 21 companies, and its \$12 million capital base has recently expanded to \$30 million. The group operates a wholly owned Super Club subsidiary in the U.S.A. In Holland, Super Club owns VDC and Brabant Video. VDC is one of the largest wholesalers of prerecorded tapes, and Brabant Video is one of the largest home video distributors in Belgium. Super Club plans to build 120 movie theatre screens over the next four years in Belgium. It is also intending to establish a large acquisition fund of \$10 million for international rights to films.

The United Kingdom has the world's largest percentage of households possessing video recording equipment. As can be seen in Figure 7.5, the number of VCR's rose rapidly, from 15,000 units in 1976 to 5,685,000 in 1983. By 1984, video penetration had made major inroads into British leisure activity and had reached 38.39 percent, rising to 45.88 percent in 1985 and exceeding 50 percent by 1986. There are now about 11 million video cassette recorders in British homes.

Figure 7.5
NUMBER OF VIDEOCASSETTE RECORDING UNITS IN THE UNITED KINGDOM (1976-1986)

Year	000's of Units	% Change
1976	15	
1977	35	133
1978	115	229
1979	230	100
1980	580	152
1981	1,550	167
1982	3,625	134
1983	5,685	57
1984	7,700*	35*
1985	8,800*	14*
1986	9,954*	14*
1987	11,389*	

Source: Screen Digest, November 1985; Variety, 16 January 1985,
8 January 1986, 14 January 1987; Screen Digest, June, 1987.

Note: * Estimates

It is estimated that the British public spent \$615 million on video rentals in 1986, which represents a 25 percent increase from 1985. As early as 1982, the rentals of films recorded or videocassettes exceeded cinema box office takings. As a result, video has become a major competitor to the theatrical exhibition for films in the United Kingdom.

At the retail level, there are about 4,000 specialist libraries as well as an additional 6,000 "racking" outlets, and 3,000 mass merchant sites that are selling home video products.

To a considerable extent, most of the U.K. video market is dominated by U.S. product. The U.K. imported \$11,142,991 of prerecorded video cassettes from the U.S. in 1985.

Canada sold \$179,907 of prerecorded video cassettes to the U.K. It also bought \$340,858 from the U.K., which put us in a deficit position of \$160,951 in video cassette trade with the U.K.

One of the U.K.'s leading video and film distributors, Medusa Communications, established in 1981, has since built a reputation for selling action and adventure films on video cassette, and distributes its product widely in the U.K., West Germany, Spain, Australia. It soon plans to enter the U.S. and Japanese home video market. Medusa also has a film distribution and production company, Manson International, which released 32 feature movies for the home video market in the U.K. via an agreement with CBS/Fox Video, and another 11 movies released through its independent Guild Home Video. Medusa is keen to enter into co-production deals in exchange for video rights outside North America, and this may provide an opportunity for Canadian film producers to strike a deal.

Most of the major U.S. movie studios, and some of the independent studios have divisions or joint ventures that manufacture and distribute entertainment programming on video cassettes in Western Europe. For the manufacturers and distributors of videocassettes, the trend appears to be that unit costs for blank tapes and duplication will decline as the rental and sell through markets for pre-recorded programming continues to expand.

Figure 7.6
U.K. SELL-THROUGH MARKET SHARES IN 1ST QUARTER OF 1987

Distributor	Label	Share (%)
Screen Legends	BBC	29.36
	MGM/UA	10.29
	Screen Legends	6.50
	CIC	1.00
	2 Others	1.00
Video Collection		19.20
Polygram	Channel 5	12.60
EMI	PMI	7.42
PVG	Virgin	3.71
	2 Others	0.60
CBS/Fox		4.22
Multiple Sound Distributors	Video Gems	2.02
2 Others		1.58

SOURCE: Screen Digest, 1987

Much of the pre-recorded video cassettes currently on the European market are derived from recycling or reproducing American product that has already proven profitable in other ancillary markets. Some of the video product is also derived from second run film production where they are trying to recuperate their production costs.

Although it is difficult for Canada to compete on a price basis with the onslaught of lower priced American product, we may be able to compete in terms of quality of product. Canadian production firms should be aiming to sell video rights to their films, particularly in the U.K. market where consumers are spending over \$600 million per year on pre-recorded video cassettes.

CHAPTER 8
SOUND RECORDING INDUSTRY MARKET



THE WESTERN EUROPEAN MARKET FOR CANADIAN SOUND RECORDINGS**CANADIAN SOUND INDUSTRY**

Canada is one of the largest per capita consumer of recordings and the sixth largest record market in the world. Our industry is maturing and producing an abundance of new creative talent which is performing nationally and internationally. Some of our international stars include Bryan Adams, Anne Murray, Loverboy, Glass Tiger, Rush, Corey Hart, Triumph, Liona Boyd, Dan Hill, Diane Dufresne, Edith Butler, Ginette Reno, Céline Dion, Diane Tell, Robert Charlebois, Michel Rivard, Daniel Lavoie. Our classical performers with world class appeal include the Montreal Symphony Orchestra, Canadian Brass, the Julliard Quartet, and cellist Ofra Harnoy, organist Bernard Lagacé, the late Glenn Gould, and the famous jazzman, Oscar Peterson. These performers have contributed to making our recorded music one of the most widely traded Canadian cultural products abroad.

The Canadian sound recording industry is engaged in all aspects of creation, production, manufacturing, distribution and retailing. Creating and production involve song writing, musicians, sound recording studios, and the making of master tapes. Manufacturing entails the mechanical pressing of disks and duplicating of tapes from masters. Distribution involves the release and sale of sound recordings through a series of activities including wholesaling, domestic retailing, and export marketing. The Canadian record industry directly employs between 11,000 and 15,000 persons. A third of these are in record production,

wholesaling, distribution and the other two thirds are in retail operations. A list of the main sound recording companies in Canada is provided in Figure 8.1

The Canadian sound recording industry is composed of 154 firms which account for \$363 million annual revenue. The largest number (123 firms) are Canadian owned, but it is the 12 foreign controlled firms that dominate the domestic market. They operate a full-line production, promotion and distribution activities, and account for 83.3 percent of the annual revenue amounting to \$303 million. The other one hundred and thirty two Canadian controlled companies account for 16.6 percent of the annual revenue (\$60 million), and represents mainly 23 to 30 independent Canadian labels who generate most of the \$60 million.

In general, in the record business, there are more independent companies concentrated in the early phases of creation and production. On the other hand, the multinational corporations dominate all aspects of the record business, but are particularly concentrated in the latter phases of fabrication, marketing, and distribution. This is due to the costs of recording music and producing master tapes that are comparatively much less expensive to manufacture, and because a music enterprise can be launched in the early stages of production with fewer people and a smaller commitment to capital than in the later stages, where it is more costly to mass produce, market and distribute.

Another factor is that the record industry deals in a consumer product with a high turnover, short shelf life, and high risk market. Within this volatile market, some independent companies are small and decisive enough to respond quickly to new music tastes and capitalize on new music groups before the multinationals can respond. Quite often, relatively unknown music performers will begin their career by signing on with an independent label and then, after some years in successfully building a music reputation, they will transfer contracts to a large multinational.

In essence, the multinationals are exercising the principal of supply management and are retaining a strategic balance with the independents and thereby, are externalising some of their marketing risks and costs onto the independent sector. The multinationals rely on the independents to spot and encourage the development of new talent until it is proven commercially successful. While at the same time, the independents rely on the multinationals who have excess production capacity in their pressing plants to fabricate their records and CD's and distribute them. Once the talent becomes a lucrative known property, the multinationals then attract the artists by offering them higher fees, signing them under a multinational label, and distributing them on the mass market, thereby achieving economies of scale.

Figure 8.1
THE SOUND RECORDING INDUSTRY IN CANADA (1988)

Major Foreign Controlled Companies	Location	Parent Company	Location
A & M Records	Toronto	A & M Records	U.S.A.
BMG Records	Toronto	BMG	Germany
Capitol Records - EMI of Canada Ltd.	Toronto	Capitol-Thorn EMI	U.K.
CBS Records (Canada) Ltd.	Toronto	CBS Inc.	U.S.A.
MCA Records (Canada) Ltd.	Toronto	MCA Inc.	U.S.A.
PolyGram Inc.	Montreal	Phillips-Siemens	Netherlands/ Germany
Virgin Records	Toronto		U.K.
WEA Music of Canada Ltd.	Toronto	CBS Inc.	U.S.A.

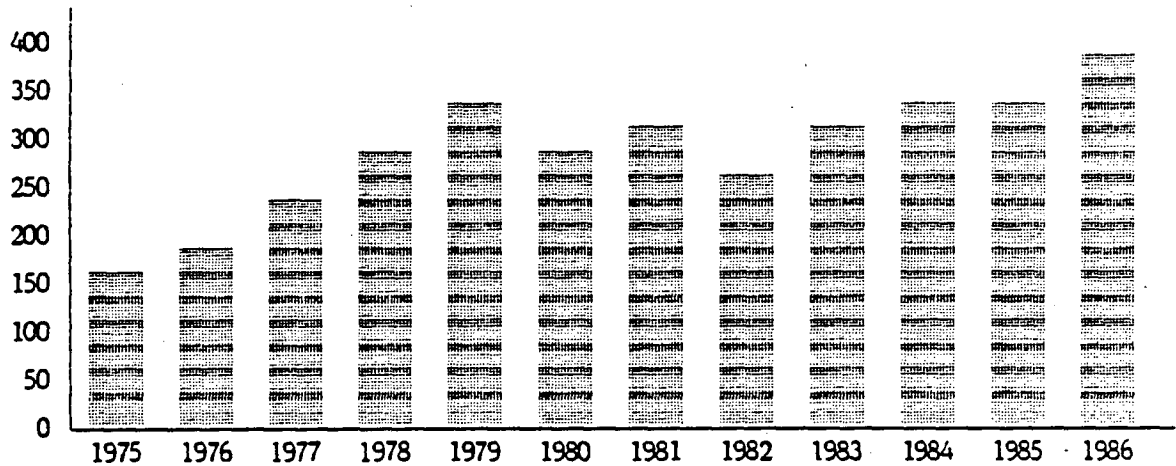
Main Canadian Owned Companies	Location	Parent Company	Location
Alert Records	Montreal/Toronto		Canada
Aquarius Records Ltd.	Montreal		Canada
Anthem Records	Toronto		Canada
Attic Records Ltd.	Toronto		Canada
Audiogram	Montreal		Canada
Boot Records Ltd.	Toronto		Canada
Current Records	Toronto		Canada
Change Records	Toronto	Labatt's Supercorp Entertainment Group	Canada
Disques Isba	Montreal		Canada
Disques Traffic	Montreal		Canada
Duke Street Records	Toronto		Canada
Fanfare Records	Toronto		Canada
Kids' Records	Toronto		Canada
Marquis Records	Toronto		Canada
Network Productions	Vancouver		Canada
Parallel One	Vancouver		Canada
Quality Records Canada	Toronto		Canada
Stony Plain Recording Co. Ltd.	Edmonton		Canada
Savannah Records	Toronto		Canada
Trans-Canada	Montreal		Canada

SOURCE: A. Donner and N. Mogil, The Implications of a Canada-U.S. Free Trade Agreement from the Canadian Sound Recording Industry; A.R.A. Consultants, submitted to the Federal Department of Communications, Canada. May, 1987.

CANADIAN PRODUCTION

Canada has been following the world trend in the production and sale of sound recordings. Over the last decade, the market has not increased dramatically, as can be seen in Figure 8.2, and the importance of vinyl long playing records and singles are gradually diminishing compared to the growth of the tape cassettes and especially compact discs. This displacement trend can be seen in Figure 8.3.

Figure 8.2
ESTIMATE OF THE TOTAL RECORDING MARKET IN CANADA (1975-1986)

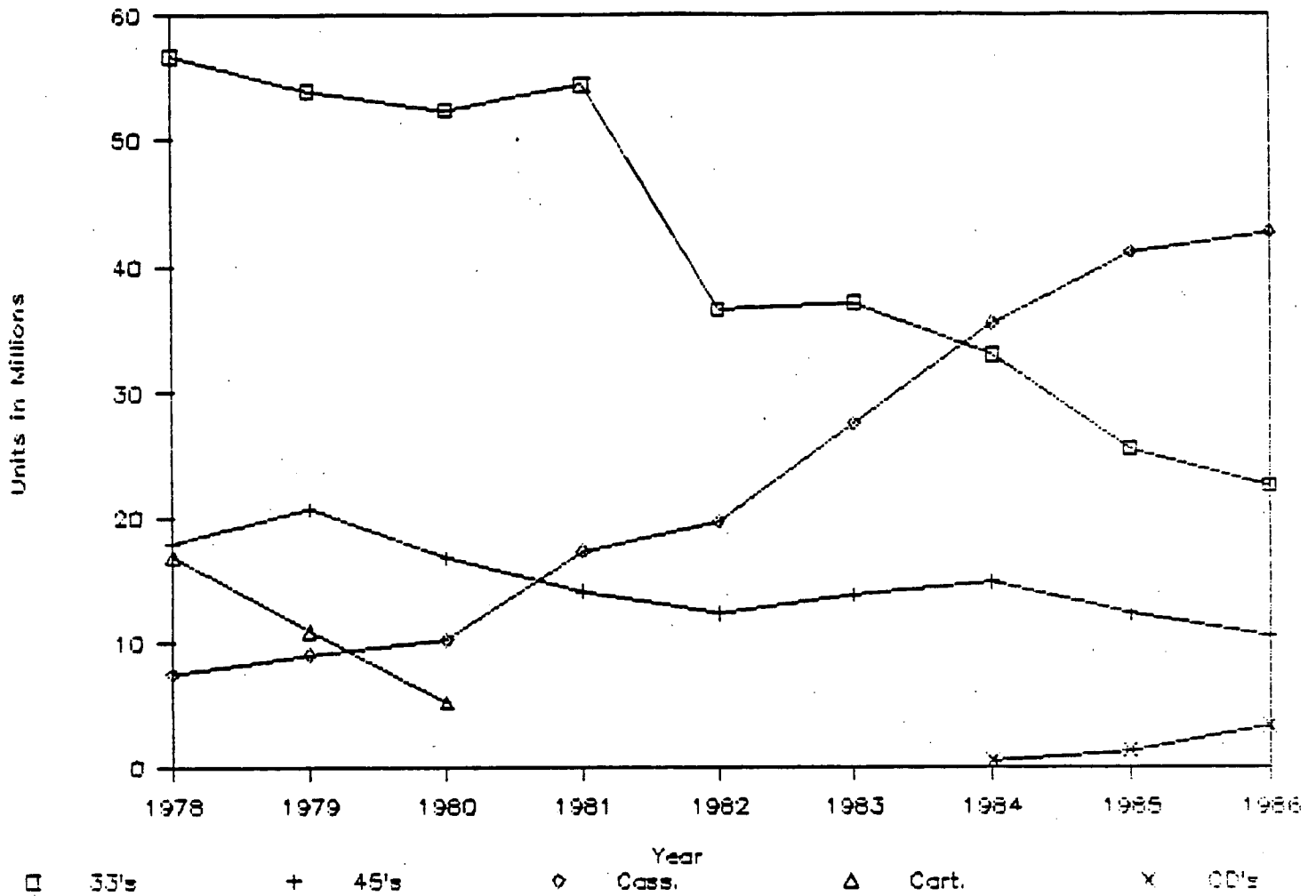


SOURCE: Statistics Canada Catalogue 87-202, Annual Cultural Statistics Sound Recording Preliminary Statistics, 1986-87.

Note: Value in \$ millions Canadian

Almost 85 percent of domestic sales of records and tapes manufactured in Canada are made from imported master tapes that are leased from foreign production companies (see Figure 8.4). This percentage figure is higher for foreign controlled record companies where 93 percent of the master tapes are leased from production companies outside of Canada, whereas

Figure 8.3
SALE OF SOUND RECORDINGS IN CANADA (1978-1986)



Year	33's	45's	Cassettes	Cartouches	Compact Disks	Total
1978	56.7	18.0	7.5	16.9	0.0	99.1
1979	53.9	20.7	9.0	10.9	0.0	94.5
1980	52.4	16.8	10.2	5.2	0.0	84.6
1981	54.4	14.1	17.3	0.0	0.0	85.8
1982	36.6	12.3	19.7	0.0	0.0	68.6
1983	37.1	13.8	27.5	0.0	0.0	78.4
1984	33.0	14.8	35.5	0.0	0.5	83.8
1985	25.5	12.3	41.1	0.0	1.3	80.2
1986	22.5	10.5	42.6	0.0	3.3	78.9

SOURCE: S.N.E.P., November, 1987

Note: Units in millions

Canadian owned companies rely more on Canadian talent for recordings and lease about 44 percent of their master tapes from outside the country (see Figure 8.5). For the rest, they rely on 35 percent in-house production by the company itself while the remaining 17 percent of the master tapes are sourced from production companies in Canada. In general, it is predominantly the Canadian owned sector that leads in identifying and promoting new Canadian recording talent. Canadian firms also predominate in recording studio facilities and in retailing.

Figure 8.4
CANADIAN SOUND RECORDING INDUSTRY: ORIGIN OF MASTER TAPES (1982)

Activity	Canadian Owned Company		Foreign Owned Company in Canada	
	#	%	#	%
Produced by recording company in Canada	486	35	168	5
Leased from another recording company in Canada	231	17	66	2
Leased from a recording company outside of Canada	608	44	3,180	93
Unspecified	63	4	n.a.	n.a.
TOTAL	1,388	100	3,414	100

SOURCE: CPER Management Consulting Inc., Analysis of the Capabilities and Needs of Canadian Cultural Industries in Foreign Marketing. Report submitted to the Cultural Policy Division, Department of External Affairs, March, 1985.

Figure 8.5
COUNTRY OF ORIGIN OF MASTER RECORDS FOR THE CANADIAN SOUND RECORDING
INDUSTRY (1982)

Country	\$ Value
United Kingdom	4,000
France	n.a.
West Germany	36,000
Italy	1,000
Netherlands	8,000
Japan	6,000
USA	268,000
TOTAL	324,000

SOURCE: Statistics Canada, Import by Commodities and Countries, C.I.T.C. Detail

Note: There is probably considerable under-reporting by the industry on the real dollar value of these imports, but it gives some indication of the relative volume and location of the prime producers.

Sometimes, the Canadian owned independent sector performs its own international marketing when the company is of sufficient size and has the capability to sustain an international marketing effort such as in the case of Attic Records, and Quality Records. Usually, the Canadian owned independent companies are medium or small in size and rely on signing international marketing and distribution agreements with the large multinational recording companies that have the advertizing and distribution capability to effectively deliver the recorded product into diverse markets such as Western Europe.

Recently, two large Canadian controlled media companies have been established by Molson Breweries and Labatt's Breweries which could be very instrumental in increasing the sales and export of Canadian sound

recordings. The Labatt's Brewing Company has acquired a share of the country's largest concert firm Concert Productions International of Toronto and has reached a deal with Kessler Music Corp. to form Super Corp Entertainment. Super Corp could become a premier entertainment and communications service in North America. Its holdings include Labatt's Blue Live Entertainment concert firm, a new record label called Change Records, the Sound Interchange Studio in Toronto, a talent management and publishing company and Kessler's commercial production business.

There are some structural limitations which impede the growth of the independent Canadian music sector. These include the limited size of the Canadian market, particularly in Québec, the dominance of the multinationals that control the market and the increasing costs of production and promotion.

In the case of Québec, the problem is even more acute than the rest of Canada because the size of the market is limited to about a 5 million french speaking population. It is difficult to achieve economies of scale when the average French track recording only sells about 7 to 8,000 disks. There are also problems getting local artists' records into the stores because the major record distributors are mostly interested in promoting their own artists originating from outside Québec. Unlike English Canadian performances that can make in-roads into the U.S. and English market, the French Canadian pop market also has a limited foreign market appeal. Although the market in France (with a population of 75 million) is ten times larger than Québec's market, it is almost

impossible for many French Canadian recording artists to penetrate this market because France is also controlled by the major multinational corporations that have a vested interest in promoting their anglo-American, big star performers. In some ways, it is an economic tour de force that Québec artists are selling as many of their records in France as they do. This success is mainly due to the vitality of the new entrepreneurship in the Québec record industry and its recent emphasis on marketing and promotion.

To overcome these constraints and recoup the high cost of music production, marketing and distribution, Canadian independents must seek export markets to exploit the opportunities for Canadian recordings. Access to international markets, such as in Western Europe, is an essential step toward maintaining a viable Canadian record industry. Export earnings from the sale of sound recordings can be achieved in several ways:

- licensing of master tapes
- mechanical rights royalties from pressing a record
- licensing fees and synchronization fees for the use of a music sound track in a film, video, or advertizing commercial
- dramatic grand rights fees for theatre production
- licence fees for the use of wired music services, such as Muzak

- royalties and publishing of music products, such as sheet music
- performing rights royalties for Canadian talent touring abroad
- export and merchandizing of finished products such as vinyl records, tape cassettes and compact discs (CD's)

Export trade in the sound recording industry is rather different from normal manufacturing trade. Depending on the export situation, the income streams from sound recording can be derived from the international transfer of intangible assets such as licensing and royalties and/or from the sale of finished tangible products such as vinyl records or compact discs. Since finished products, such as vinyl records, are rather bulky to export in mass quantities the trend in the industry is to send over master tapes that are used to press copies of the records or CD's.

FEDERAL GOVERNMENT EXPORT ASSISTANCE MEASURES

To assist the recording industry, the Federal government established the \$25 million Sound Recording Development Program (SDRP) in 1986. The program will dispense \$5 million per year for five years. The government is also continuing to provide general industry assistance through the Program for Export Market Development (PEMD) administered jointly by the Department of External Affairs (DEA) and the Department of Regional Industrial Expansion (DRIE). DEA is providing additional funds to the classical music sector through the Arts Promotion Program and is working

in concert with the Canadian Broadcasting Corporation, and International Radio Service to record and promote Canadian music recordings abroad.

The Sound Recording Development Program is intended to meet the following needs of the Canadian-controlled sound recording industry:

- the production of audio and video music products and radio programs
- support for marketing and international touring
- business development

Funding under the Program's eight components is allocated according to the following division: 60 percent for English-language projects and 40 percent for French-language projects.

A private sector consortium with headquarters in Montréal and Toronto, FACTOR/CTL/MUSICACTION CANADA (FCMC) is responsible for the administration of Component IV dealing with international touring. Approximately \$450,000 is expended annually under this component.

Component VI, dealing with international marketing, is administered by the Department of Communications. Up to \$350,000 is allocated to Component VI which consists of:

- aid for participation in international trade fairs (by record companies, music publishers, artist managers and Canadian producers)
- aid for international marketing (business trips for the sale of Canadian music products, licencing and publishing)

Some marketing support is given under Component VII which allocates \$300,000 to business development as an aid for large scale initiatives in promotion, distribution and marketing.

The purpose of the SRDP, assistance to international marketing is to increase:

- the competitive appeal of Canadian music products to foreign listeners
- the visibility and competitiveness of Canadian recording companies on the national and international scene
- the access of Canadian recordings to Canadian and foreign distributors

The Program for Export Market Development (PEMD) is designed to help Canadian companies develop and increase their export activities by sharing the cost of export marketing projects. PEMD is administered jointly by the Departments of External Affairs and Regional Industrial Development. The kinds of assistance provided are:

- Industry initiated activities, market visits, trade fair participation, export consortia, specific project bidding, sustained market development through overseas on-site arrangements
- Government-initiated activities such as trade fairs and missions

Successful applicants from the sound recording industry have received PEMD funds for world wide marketing activities in the following amounts (shown in Figure 8.6):

Figure 8.6
PEMD ASSISTANCE TO THE SOUND RECORDING INDUSTRY (1983-1988)

Sector	Authorized	Benefits	No. Projects	Total Expenditure
Record & Tape Stores	9,049	0	7	7,761
Sound Recording Services	36,734	539,196	13	28,833
Total for Recording Industry				36,594
Total for all Cultural Industry				2,690,770

MAIN EXPORT MARKETS

The Canadian recording industry depends on export earnings for about 13 percent of the total revenues. But according to Statistics Canada data, the industry has experienced a 50 percent decline in global exports of phonograph records and blanks, from \$25,019,000 in 1980 to \$12,315,000 in 1986.

Canada's prime export market for phonograph records is Western Europe, where we exported \$6,830,000 in 1986 (compared to our second largest market, the U.S.A. where we exported \$4,588,000). It appears that Canada is running a significant trade deficit in recording products since our markets for records and blanks in Western Europe have been declining rapidly from \$17,065,000 in 1980 to \$6,830,000 in 1986, while at the same time Canadian imports of recorded magnetic tape and records have been increasing from \$4,520,000 in 1980 to \$17,540,000 in 1986 (see Figures 8.7 and 8.8).

Figure B.7
CANADIAN IMPORTS OF RECORDED MAGNETIC TAPES AND RECORDS FROM WESTERN EUROPE (1980 - 1986)

Country of Origin	1980			1981			1982			1983			1984			1985			1986		
	Tapes	Records	Total	Tapes	Records	Total	Tapes	Records	Total	Tapes	Records	Total	Tapes	Records	Total	Tapes	Records	Total	Tapes	Records	Total
United Kingdom	181	1,170	1,351	225	1,560	1,785	442	1,891	2,323	841	2,685	3,526	1,906	3,058	4,964	1,376	4,232	5,608	883	4,805	5,693
Ireland	0	4	4	0	2	2	0	2	2	1	2	3	2	11	13	37	7	44	7	5	12
Austria	4	2	6	3	0	3	5	13	18	3	1	4	9	3	12	6	3	9	11	5	16
Belgium-Luxem.	20	8	28	9	32	41	6	40	46	4	37	41	21	97	118	93	181	274	68	177	245
Denmark	2	1	3	9	4	13	5	1	6	8	1	9	30	1	31	17	2	19	15	6	21
France	143	752	895	127	890	1,017	189	874	1,063	341	945	1,286	371	988	1,359	441	928	1,369	425	1,006	1,431
W.Germany	215	1,283	1,498	277	1,407	1,684	233	1,095	1,318	239	1,658	1,897	299	1,919	2,218	458	3,940	4,398	203	7,376	7,579
Italy	18	155	173	28	175	203	35	228	263	193	200	393	200	192	392	158	157	315	168	167	335
Netherlands	77	377	454	159	612	771	110	583	693	226	654	880	449	983	1,432	575	1,068	1,643	429	1,096	1,525
Norway	18	n.a.	18	58	0	58	2	0	2	0	0	0	5	0	5	3	0	3	0	0	0
Portugal	13	45	58	30	56	86	16	38	54	33	32	65	23	38	61	25	29	54	18	11	29
Spain	1	8	9	4	14	18	4	14	18	6	7	13	1	4	5	8	11	19	19	0	19
Sweden	4	8	12	2	32	34	1	22	23	1	17	18	3	4	7	7	7	14	9	5	14
Switzerland	4	7	11	25	6	31	17	5	22	174	21	195	272	43	315	479	45	524	478	143	621
Total Europe	700	3,820	4,520	956	4,790	5,746	1,065	4,786	5,851	2,070	6,261	8,331	3,591	7,341	10,932	3,683	10,610	14,293	2,738	14,802	17,540
Total U.S.A.	8,556	13,641	8,556	8,114	14,666	22,780	8,790	12,190	20,980	8,592	9,207	17,799	11,059	9,124	20,183	9,919	8,609	18,528	9,537	13,718	23,245
Total World	10,045	18,357	10,045	9,413	20,287	29,700	10,597	17,626	28,223	11,160	16,264	27,424	15,385	17,375	32,697	14,381	19,905	34,949	13,701	29,382	43,083

SOURCE: Statistics Canada Catalogue, Imports and Commodities and Countries, C.I.T.C. Detail

Note: Value: \$,000

Figure 8.8
CANADIAN EXPORTS OF PHONOGRAPH RECORDS AND BLANK TAPES TO WESTERN EUROPE (1980 - 1986)

Country of Destination	1980	1981	1982	1983	1984	1985	1986
United Kingdom	3,664	4,383	606	483	201	233	319
Ireland	74	4	0	2	0	0	0
Austria	21	28	20	25	36	0	0
Belgium-Luxembourg	126	148	64	0	0	0	69
Denmark	730	263	23	95	15	0	160
France	68	121	120	84	57	35	91
St-Pierre et Miq.	8	5	10	4	1	1	0
West Germany	1,637	620	149	164	126	105	209
Italy	1,381	896	228	36	0	20	977
Netherlands	4,667	1,754	479	151	142	161	919
Norway	141	434	370	99	73	335	1,213
Spain	16	1	0	0	0	0	0
Sweden	3,421	5,874	1,638	365	914	3,176	2,056
Switzerland	1,111	854	672	235	91	56	817
Total Europe	17,065	15,385	4,379	1,742	1,656	4,122	6,830
Total U.S.A.	7,621	8,629	7,760	5,659	5,515	3,968	4,588
Total World	25,019	24,768	13,013	8,165	7,675	8,462	12,315

SOURCE: Statistics Canada Catalogue, Table 4 Exports by Commodity and Country

Note: Value \$,000

Some of our export decline may be partly explained by the decreasing importance of vinyl records in overall world markets with the increase in importance of tape cassettes and compact discs (CDs). But it is difficult to determine for certain because comparable export figures on tape cassettes, and compact discs are not readily available from Statistics Canada. Similarly, it is difficult to determine from the existing published data the amount of trade that is occurring between Canadian record companies and their European counterparts through licensing agreements and the exchange of master tapes.

There are also some discrepancies in determining our prime markets in Western Europe. Using Statistics Canada published data, it would appear that Canada's main exports of phonograph records and blanks are to Sweden which accounted for \$2,056,000 in 1986. Norway is our second largest market with \$1,213,000. Thirdly Italy which accounted for \$977,000. Then the Netherlands with \$919,000 followed by Switzerland with \$817,000. Our exports of phonographic records to the U.K. have declined from \$3,664,000 in 1980 to a mere \$319,000 in 1986; and our exports to France are also very low at \$68,000 in 1980 to \$91,000 in 1986.

Comparable figures on the exports of tape cassettes and compact discs may alter the relative importance of these markets. Otherwise, it is difficult to reconcile these export figures with the findings of a recent survey performed by the Canadian Independent Record Production Association (CIRPA) which reported in the International Market for

Canadian Sound Recordings that the industry perceived their prime Western European markets to be foremost the U.K. and West Germany, followed by Benelux, Scandinavia and France.

In the CIRPA report, the Canadian industry identified the United Kingdom as the most important market for both licensing and merchandizing income. Germany, Austria and Switzerland (GAS) are important mainly for licensing income and less important for merchandizing income. Licensing income is derived from publishing, performance royalties and mechanical rights. Merchandizing income is derived from the retail sale of records.

Scandinavia and Benelux are identified as the main secondary markets because of their proximity to West Germany. They are viewed as being open to English language products and as a final destination for performance tours. These markets are perceived by the Canadian industry to be ancillary markets with too small a volume to support the launch of a new product or to warrant a separate tour of their own.

France is seen to be a very limited market for English-language Canadian music, however it is viewed by the industry to be potentially an excellent market for French-speaking Canadian pop and rock recordings.

THE UNITED KINGDOM

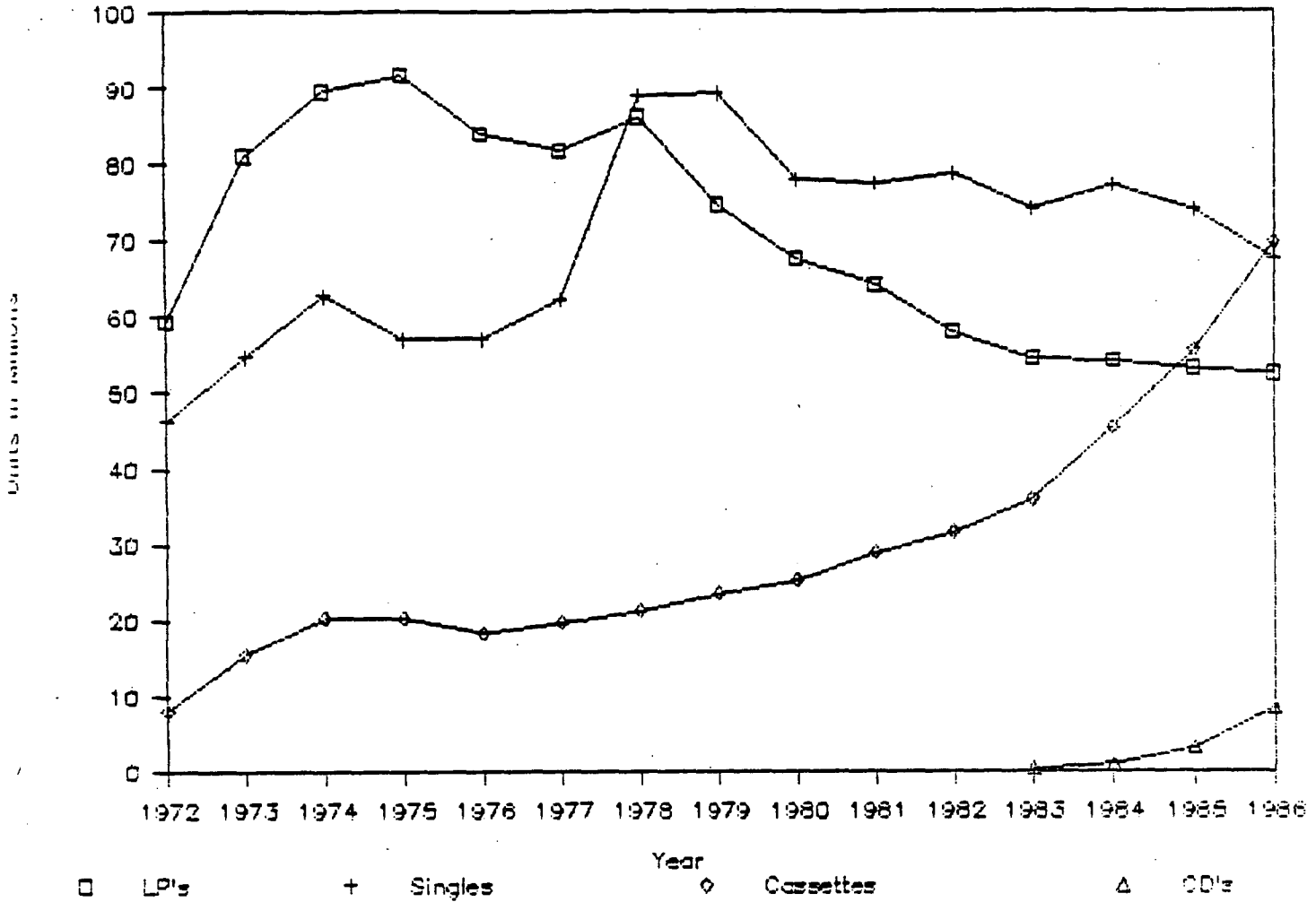
The United Kingdom is perceived by the Canadian recording industry to be a trend setting market for pop music and variety and is the most eclectic and open to new music styles and performers. A major problem for Canadian artists trying to establish a presence in the U.K. market is the high cost of touring. Entry into the U.K. market, success on the U.K. music charts, and radio air time are very important for launching Canadian recording talent in other Western European markets.

Access to the United Kingdom market can be promoted by a variety of means including visits to the country by record label representatives, attendance at MIDEM, access to air play on radio, the use of music videos as a marketing tool for exposure on television, but mainly, by having prior success in the U.S. market.

The U.K. market was worth \$1.09 billion in 1987 (see Figure 8.9). But Canada's exports to the U.K. of records and blanks have been steadily declining from \$3,664,000 in 1980 to \$319,000 in 1986. While during the same period Canada imports from the U.K. increased from a total of \$1,351,000 tapes and records in 1980 to \$5,693,000 in 1986 (see Figure 8.8).

The U.K. imports about 25 percent of its recordings. Most of these imports come from the U.S.A., France, West Germany and the Netherlands. It is interesting to note that the Netherlands has become an important record pressing centre for many multinational corporations and is a main

Figure 8.9
SALE OF RECORDINGS IN THE UNITED KINGDOM (1972 - 1986)



SOURCE: S.N.E.P., November, 1987
Note: Units in millions

supplier of recordings for the U.K. and the whole of Western Europe. There are hundreds of firms in the U.K. record business. Some of the main firms are listed in Figure 8.10.

Figure 8.10
MAIN RECORD FIRMS IN THE UNITED KINGDOM

Distributor	Label
Thorn-EMI (EMI/MFP*)	EMI Capitol Parlophone Odeon United Artist Apple
CBS	CBS Virgin Epic A & M
Polygram	Polydor Arista Chrysalis Vertigo Decca
WEA	Geffen
RCA Ariola Artists Stiff MCA Readers' Digest PYE BMG K-Tel* Pickwick* Harlequin* HMV*	Victor PRT K-Tel

Note: * Mainly distributors of economy records.

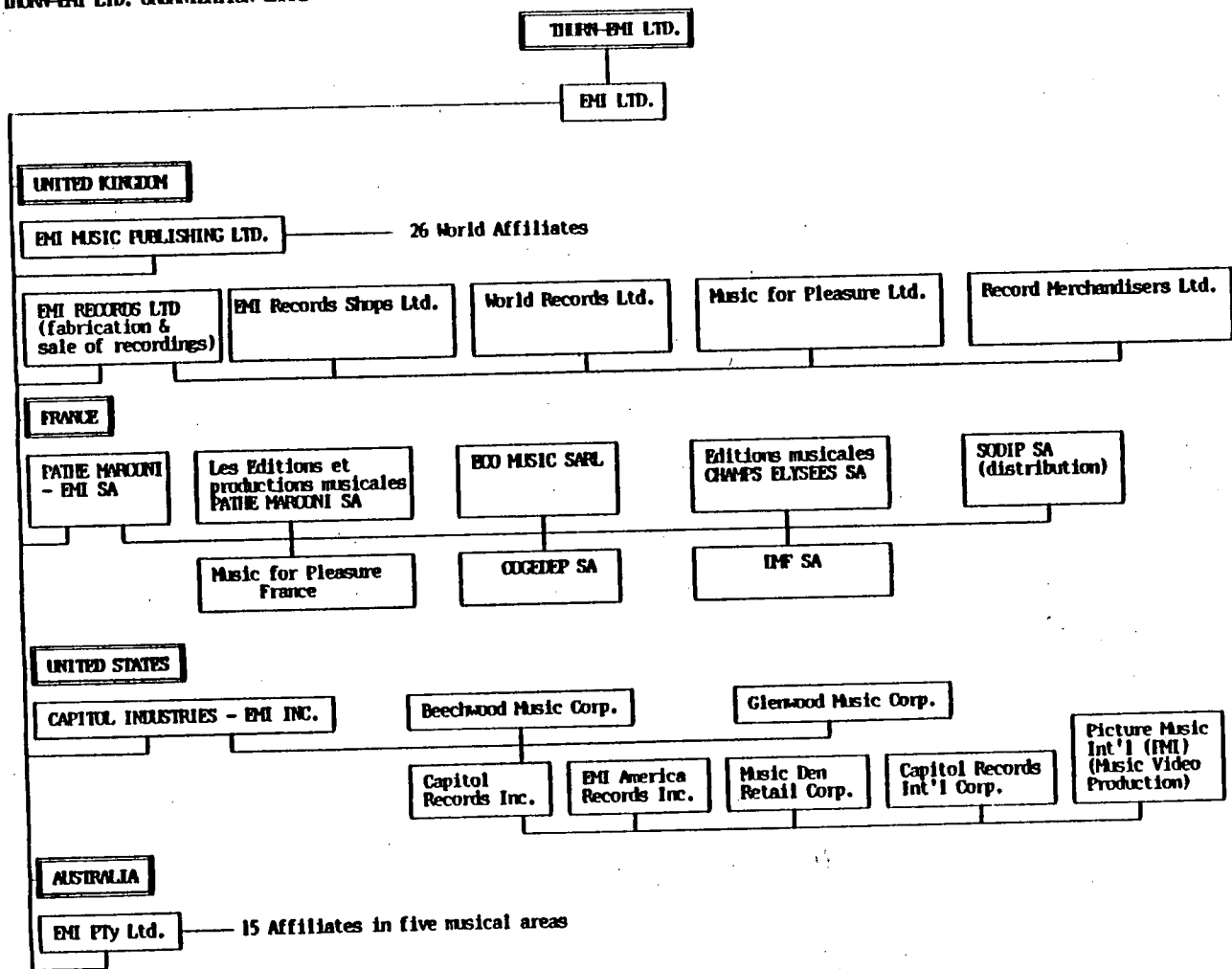
Record Production

Five multinational corporations consisting of Thorn-EMI, Polygram, WEA, RCA Records, and CBS dominate the U.K. market and account for over 70 percent of the record sales. There are also a large number of independent companies such as Virgin, Chrysalis, and Stiff records. In addition, there are specialized firms such as Pickwick, K-Tel, and EMI/MFP, that distribute records in the economic series and account for 63% of the market segment.

Thorn-EMI began as a British corporate merger in 1979 when Thorn electrical industries acquired the EMI recording company. Although EMI was integrated into Thorn, it maintained its independence within the structure of the conglomerate. An organization chart of Thorn-EMI is provided in Figure 8.11. Today, the musical and recording activities of EMI account for 50 percent with the balance of Thorn-EMI activity in domestic appliances and consumer electronics.

The musical and recording activities of Thorn-EMI are based on an extensive commercial network, a widely based mail-order system and a distribution service which includes the HMV retail chain. Thorn-EMI uses its affiliate companies in foreign countries to distribute EMI owned labels and, by agreement, other recording labels by agreement, in the country in which the affiliate is based. Thorn-EMI has five main affiliates: EMI Records (U.K.), Pathé-Marconi (France), Capitol (U.S.A.), EMI (Australia). In 1980, more than 50 percent of the consolidated revenue of Thorn-EMI was derived from foreign affiliates.

Figure 8.11
 THORN-EMI LTD. ORGANIZATION CHART



Also in 1980, Thorn-EMI had 90 registered record labels of which some of the important names were Capitol, Odeon, United Artists and Apple. Thorn-EMI operates a music video production company, Picture Music International (PMI), which services both the company and other record firms such as CBS, Virgin, and smaller independents.

The Virgin Group is a fast growing independent company, founded by Richard Branson, with diversified interests in music, record retailing, property and communications. The group was issued as a public traded stock company in 1986, with profits in 1987 of \$54 million on revenue of \$485.6 million. Its record division accounts for 4 to 6 percent of the U.K. market with a record catalogue which is strong in avant-garde rock music. Virgin depends for distribution of its records on the multinational companies such as CBS in the U.K., Polygram and Ariola-Eurodisc in foreign markets. Virgin has also diversified into film production and television broadcasting through its subsidiaries Virgin Vision, and Virgin Television. The group owns 45 percent in the satellite broadcast service, Super Channel (see page 149). Virgin is also planning to open a series of retail outlets in France that will rival the Fnac stores in the sale of records, books and electronic equipment (see page 288).

The Chrysalis Group PLC, is the U.K. based parent company of Chrysalis Records. The group produces records and owns a number of recording studios including AIR Studios, Wessex Studios, Audio International in the U.K. and the Record Plant in the U.S. The company has diversified

interests in a television facilities company, AIR TV, and a satellite transmission company Scansat (see page 156), as well as an audio visual rental firm REW.

Retail Distribution

At the distribution level, there is very little wholesaling or rack jobbing of records in the U.K. Most of the distribution is done through specialty stores that account for 33 percent of the market. These specialty stores have trained, knowledgeable personnel and offer more choice and more space devoted to records. Two of the most important specialty chains are HMV and Harlequin.

The cheaper line of recordings in the 'economy series' are sold in supermarkets and small retail chains such as Woolworth's, Superetts, Boots Sound Shop, W.H. Smith. Woolworth's is the largest seller of records in the economic series.

WEST GERMANY

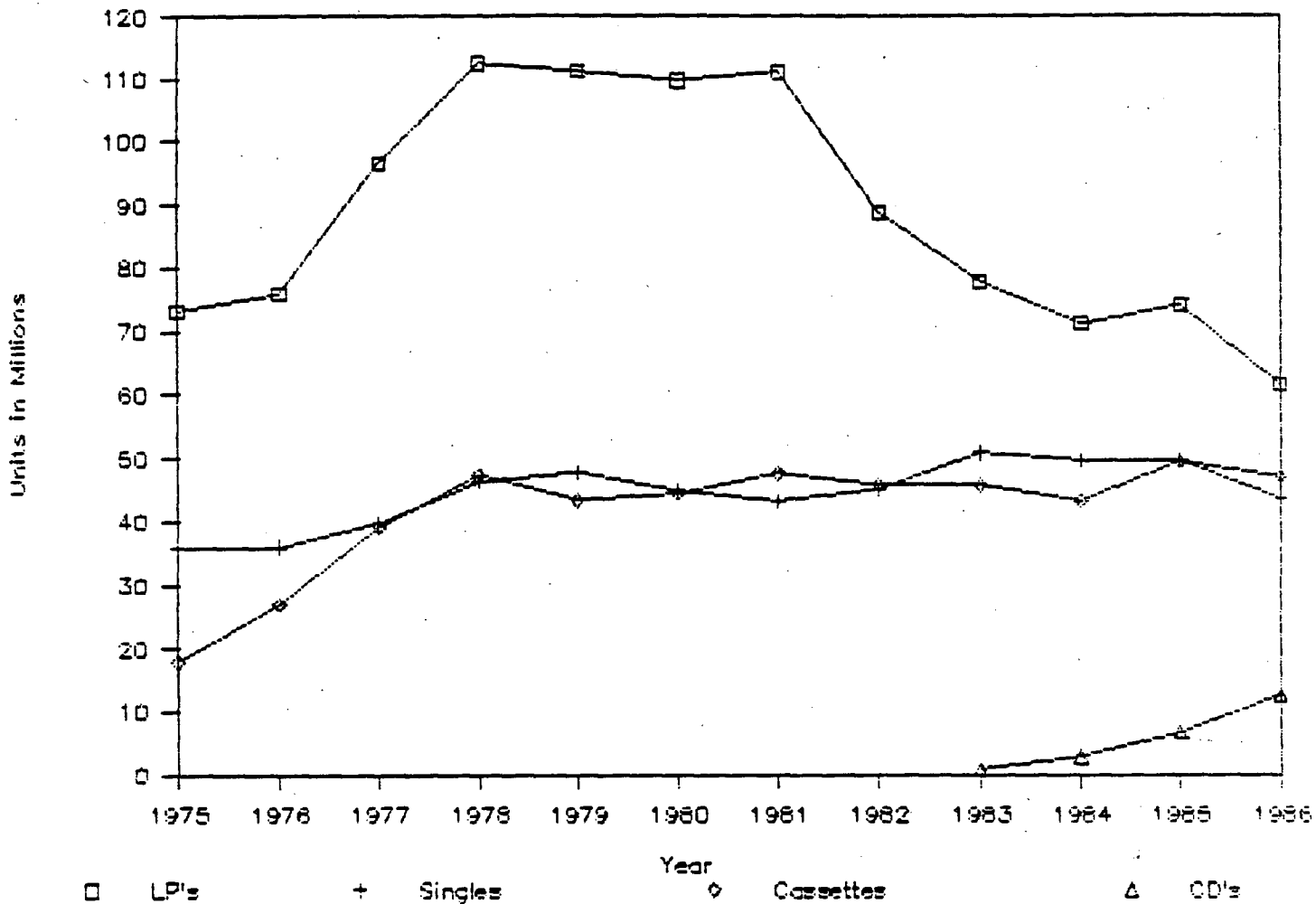
West Germany is considered an important source of revenue for the Canadian recording industry particularly because of the favourable exchange rate on currency but also because of the openness of the market to English language music and the high incomes that can be derived from touring performances. West Germany is a pivotal market because two thirds of its record production is exported to the neighbouring countries of Switzerland, Netherlands and Austria. Important factors in penetrating the German markets include attendance at MIDEM, tours by performing artists, the use of music videos and gaining access to radio air time.

The West German market was worth \$1.2 billion in 1987 (see Figure 8.12). By comparison, Canada only exported \$209 thousand worth of phonograph records and blanks to West Germany and imported \$7,579,000 of tapes and records in 1986. At the moment, this represents a trade balance in favour of West Germany.

Some of the main record labels in Germany include:

- EMI, Electrola
- Teldec Schallplatten (WEA)
- Deutsche Grammophone Gesellschaft
- Ariola
- Phonogram
- BASF
- Fono-Schallplatten
- Disco-Center
- RCA

Figure 8.12
SALE OF SOUND RECORDINGS IN WEST GERMANY (1975 - 1986)



Year	33's	45's	Cassettes	Compact Disks	Total
1975	73.2	35.9	17.9	0	127.0
1976	76.0	36.0	27.0	0	139.0
1977	96.6	39.8	39.2	0	175.6
1978	112.5	46.3	47.3	0	206.1
1979	111.2	47.8	43.4	0	202.4
1980	109.7	45.0	44.4	0	199.1
1981	111.1	43.3	47.6	0	202.0
1982	88.8	45.1	45.7	0	179.6
1983	77.7	50.8	45.7	.9	175.1
1984	71.1	49.6	43.3	3.0	167.6
1985	74.0	49.6	49.4	6.8	179.8
1986	61.5	43.4	47.0	12.6	164.5

SOURCE: S.N.E.P., November, 1987

Note: Units in millions

Three multinational firms dominate the West German recording industry and account for 56% of the sales. Two of these firms are of national origin, Polygram and Ariola. The third multinational is EMI of British origin.

Ariola - Eurodisc is based in Munich and was established in 1977 as an affiliate of the multi-media conglomerate of Bertelsmann press which also owns other record companies including BMG, and RCA-Records. The A-E group have developed an effective marketing strategy of selling records through the mail-order clubs operated by Bertelsmann. Ariola-Eurodisc derives forty percent of its sales in foreign countries, and owns several affiliates in the U.S.A., Switzerland, the U.K. and France. In 1979, it acquired the recording company of Arista from the Columbia Pictures Group, and acquired RCA-Records from General Electric in 1986. It has an affiliate in France called Sarl Arabella.

Polygram is one of the five largest phonographic companies in the world. The company began in the 1930's as Deutsche Grammophone Gesellschaft and subsequently was jointly acquired in the 1960's by Siemens and Phillips who created the common affiliate of the Polygram Group. In 1972, Polygram became the main holding company composed of two corporate entities, one based in the Netherlands and the other in West Germany. The main office is based in Hamburg and is responsible for directing the whole Polygram group. The Netherlands serves as an important pressing centre for records and CD's for Polygram, and is the major export point for master tapes and recordings destined for the U.K.

Polygram is a diversified media company with 80% of its sales derived from its activities in the recording industry, and the balance of its profits coming from music publishing, film, video and commercial activities such as record clubs and rack jobbing. The Polygram Group has five main divisions:

- Polygram Records Operations
- Music Publishing
- Film and TV
- Video
- Commercial Activities

These divisions are organized into nine directorates according to nine national regions including Austria, France, United Kingdom, Netherlands and Scandinavia. The group also owns the Barclay recording company of France, and operates three major affiliates which are market leaders in France: Phonogram SA, Polydor SA, Polygram IMSA. In the U.S.A. and U.K., Polygram is associated with the Robert Stigwood organization which is responsible for assuming record distribution in the U.S.A. while the rest of the world market is controlled by Polydor International. In 1962, Polygram acquired Chappell, one of the largest music publishing firms in the world and a substantial holder of profitable copyrights. Since 1962, Polygram has acquired the following records firms:

- Mercury (United States) in 1962
- MGM (United States) in 1972
- RSO (United States) in 1976

- Barclay (France) in 1978
- Decca (United Kingdom) in 1980.

In addition, the other main recording labels of Polygram are:

- Phillips
- Polydor
- Deutsche Grammophone
- Archive Production
- London
- Polygram Classics

Polygram is particularly well positioned in the classical music market, both in the U.S.A. and in W. Europe. On the other hand, it occupies a relatively weak position with 5% of the U.S. pop market. To redress this balance, Polygram attempted to form a link with WEA in the U.S. but was not permitted to continue because of the American Anti-Trust Laws.

Polygram has been particularly effective as a world leader in the production of recordings on compact discs through its affiliation with Phillips. They are both leaders in the production of CD sound recordings and in the manufacture of CD discs. Polygram owns its own CD pressing firms and operates large automated distribution centres in France and the Netherlands. It is now preparing itself to become a world leading corporation with diversified interests in recording and audio visual products including CD-Video, CD-ROM, etc.

FRANCE

The sound recording market in France could be potentially quite lucrative for Canada since some of our best Québec french language artists are well known and popular in France even though we are encountering some difficulty in market entry. The total French record market was worth \$678 million in 1987. Yet, Canada exported merely \$91 thousand worth of records and blanks to France in 1986, importing at the same time \$1,431 million.

Some of the difficulty Canadian artists have in penetrating the market is also encountered by many local French recording artists, because the market has become dominated by a small number of powerful multinational corporations that are limiting their catalogue to about 30 percent French artists and preferring to promote Anglo-American music products in France. There are also problems at the retail distribution level that are hindering the sale of French language music in favour of mass merchandizing Anglo-American product. These problems are discussed later on in the section on retail distribution on page 41.

Record Production: The Multinationals

Five major multinational corporations account for over 80 percent of the production market in France. These are Pathé-Marconi, Polygram, CBS, GCR, and WCI. There are also over one hundred small and medium sized independent record companies including Hérouville, Aquarium, CBE, Flavinié, 92, Davont, Disc AZ, Vogue and Musidisc.

Figure 8.13
MARKET SHARE OF MAIN RECORD COMPANIES IN FRANCE (1985)

Company	Percent Share
Polygram	26
Pathé-Virgin	18
Ariola-RCA	13
WEA	13
CBS	13
Carrère	11
Vogue	3
Others	3

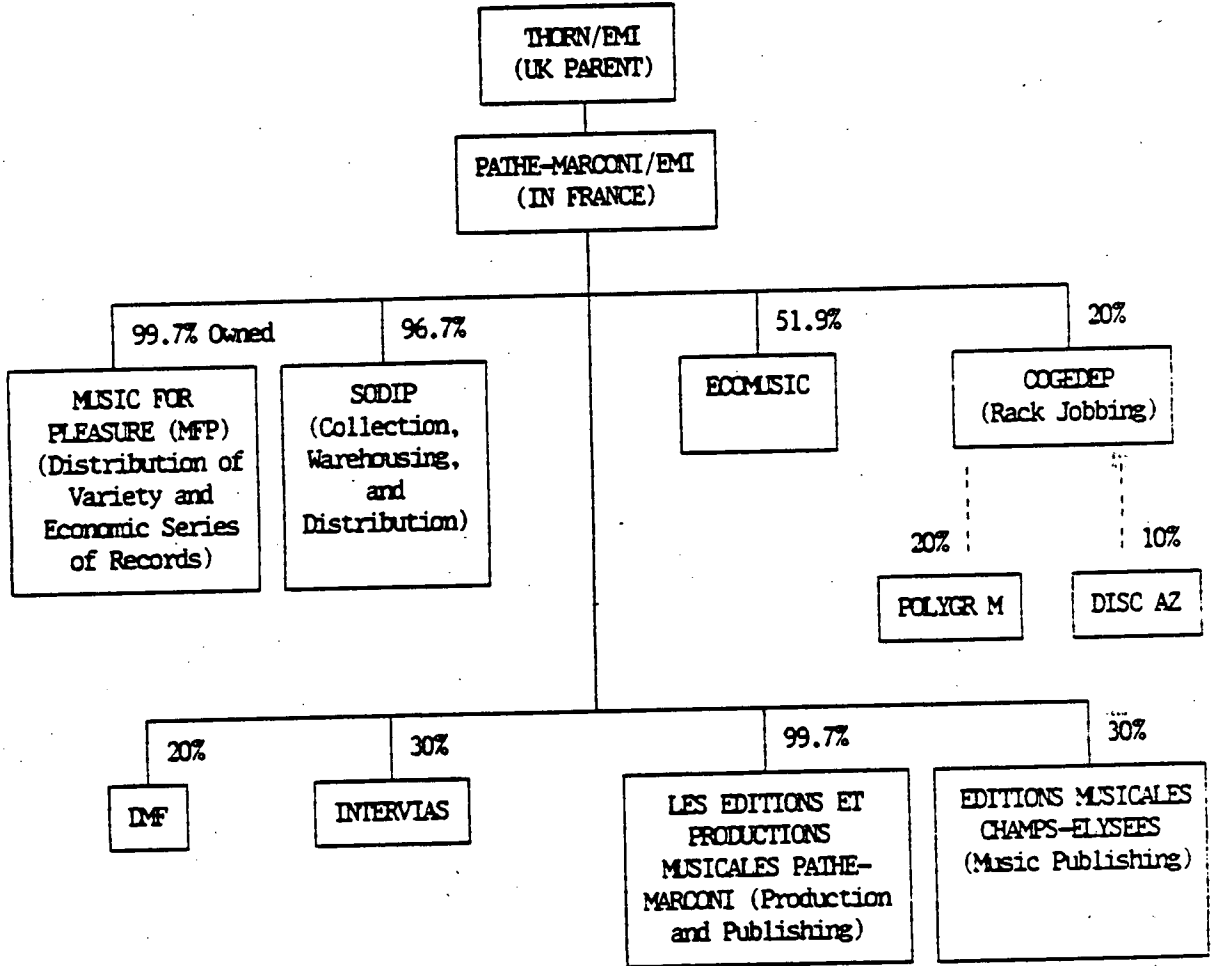
SOURCE: Portraits économiques de la culture

Pathé-Marconi-EMI SA is a publicly traded company on the Paris stock exchange and is a French affiliate of the Thorn-EMI group of Britain. An organization chart of Thorn/EMI is provided in Figure 8.14. The activities of Pathé-Marconi include a fully integrated capacity to record, press, produce and distribute sound recordings. Pathé-Marconi also owns the production and publishing firm of les Editions et productions musicales Pathé-Marconi and the music publishing house of Editions musicales Champs Elysées. It is a joint owner with Polygram and Disc-AZ in the distribution and rack jobbing company of COGEDEP.

Pathé-Marconi has an agreement with Thorn-EMI to distribute over 90 record labels in France. To increase distribution, the firm has acquired a number of organizations in France including Sonopresse, Sodip, Music For Pleasure (MFP) and Arista. Originally, Sonopresse was owned by the Groupe Hachette publishers and was acquired by Pathé-Marconi in 1976,

only to be resold again in 1981. Sodip was created by Pathé-Marconi in 1977 as a messagerie to stock, deliver, and distribute records.

Figure 8.14
THORN/EMI FRANCE ORGANIZATION CHART



Music For Pleasure (MFP) is a distributor with a broad based catalogue specializing in variety music and low budget economy recordings. Arista distributes records in France for both Pathé-Marconi and for Thorn-EMI including the labels of EMI, EMI-America and EMI-Electrola.

Polygram France is an affiliate of the Polygram International group jointly owned by Phillips of the Netherlands and Siemens of West Germany. Polygram France has its own pressing, packaging, and distributing organization for the sale of records, tapes and compact discs on the French market. In addition to owning the Barclay recording company, the company has three major divisions in France that include Phonogram SA, Polydor SA, Polygram IMSA which are involved in production and distribution. Phonogram SA is responsible for the production of French artists, and the distribution of recordings from Phonogram's international catalogue. Phonogram SA owns several record labels, three of which are under license from Phonogram International and six of which are by distribution agreement. The third division, Polygram IMSA has a large recording studio and pressing factory in Louviers, and is mainly involved in the production and manufacturing of records and compact discs. The pressing factory is one of the most important centres in Europe. It has a computerized management system for handling its stock and, in addition to pressing records and compact discs for Polydor, it also performs pressing services on a contractual basis for other record companies. Sometimes, when Polydor has an important title or a special run, it will use the pressing facilities of independent companies such as MPO and Disco France.

CBS-Disque is the French affiliate of CBS and is relatively new to the French market. The parent company, CBS, began in the electronics business in the United States and gradually became a diversified multi-

media corporation that was acquired in 1980 by Japanese interests. The main activities of CBS are centred on marketing and distribution. It has a large distribution centre at Asniers, which is one of the best CBS facilities in the world, and is represented in over fifty countries by a network of corporations linked together by affiliation, joint ventures, license agreements and direct ownership. Among its companies are CBS Records International and CBS-Disque.

CBS Records International was created in 1980 to coordinate corporate activities in Europe and to offer technical assistance to its affiliates such as CBS-Disque in France. CBS-Disque was established in 1982 and has two main functions: one is to sell musical instruments, the other is to distribute record labels from the international catalogue owned and produced by CBS, and other records through distribution agreements. Lately, CBS-Disque in France has been giving more emphasis to promoting and distributing local French artists.

GCR is a combined company recently formed to represent Gaumont, Columbia and RCA-Records. Gaumont, of France, and Columbia are large media conglomerates with corporate origins in recording companies established at the beginning of the century. RCA-Records used to be part of a diversified multinational, the Recording Corporation of America (RCA), specializing in electronic equipment, and now owned by General Electric. RCA-Records distributed 45 recording labels concentrating mainly in variety music, but it also carried the well known classified labels of Les Edition Costellat (ERATO) and FY. In 1985, RCA-Records was acquired

from General Electric by the German publishing conglomerate Bertelsmann, which also owns other recording companies such as Ariola-Eurodisc and BMG.

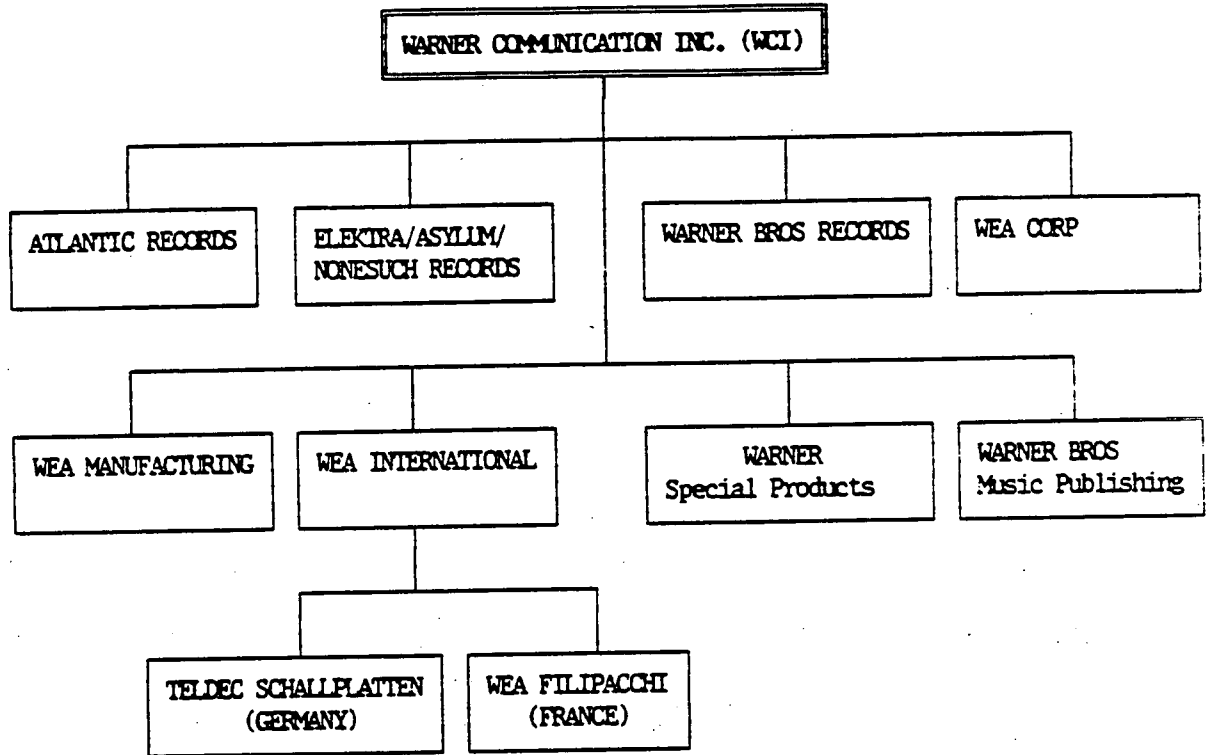
Warner Communications Inc. (WCI) is a large diversified U.S. multimedia company operating in France (see Figure 8.15). It tends to be less committed to promoting local trend talent than other companies because it has a vested interest in selling its very profitable catalogue of American artists. It owns one of the leading American record companies, Warner Electra and Atlantic (WEA), which operates a very profitable and effective U.S. national distribution network. WEA International acquired the German record company, Teldec Shallplatten in 1988.

WCI is represented in 21 countries and has record pressing factories to serve regional markets located in the U.K., Germany, Alsdorf and Brazil. Through its association with the French press group Filipacchi, it has formed the WEA-Filipacchi record company which distributes 50 record labels for WCI and WEA in France.

Independent Record Producers

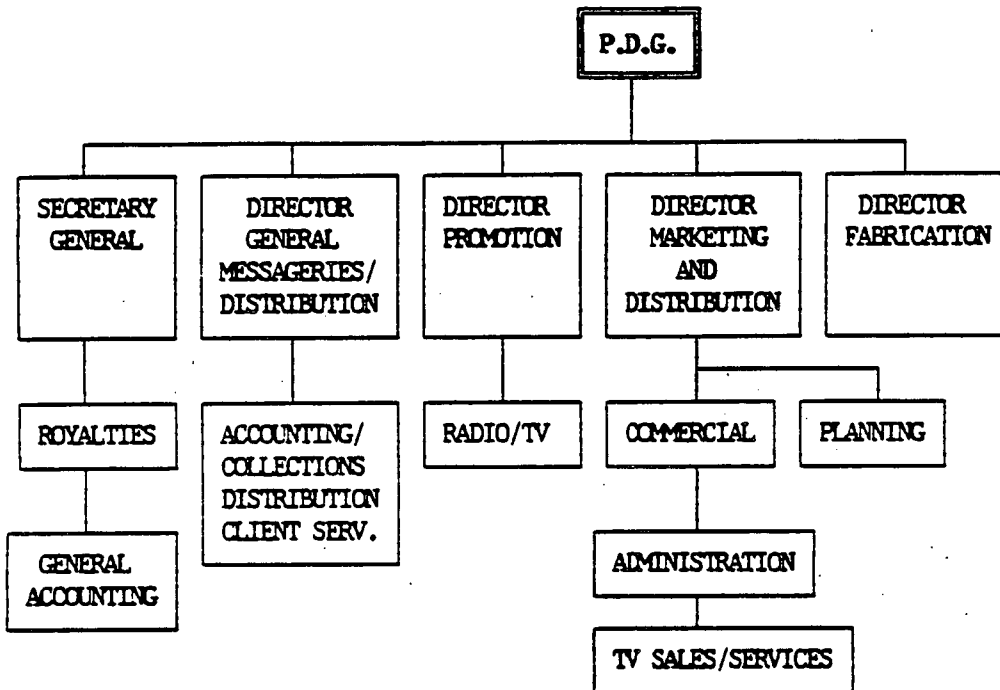
The independent record producers are necessary for the vitality of the French record sector because they represent 20 to 30 percent of the total production of new record titles. Among the well known French independent record companies are: Carrère, Vogue, Disc-AZ, and Le Chant du Monde.

Figure 8.15
WARNER COMMUNICATIONS ORGANIZATION CHART



Carrère was created in 1985 and achieved success in light popular music by capturing 6 percent of the French market (see Figure 8.16). It usually buys or licenses finished products from recording artists and concentrates mainly on distribution through its sale's staff consisting of a director, three sale's chiefs and fourteen sale's agents. In 1985, its annual profit was mostly derived from singles (66 percent), cassettes (20 percent), LP's (9 percent) and CD's (5 percent). Carrère exports about 10 percent of its annual turnover to Benelux, Switzerland, West Germany, U.S.A. and francophone African countries. It also imports foreign artists through licensing agreements from many of those countries.

Figure 8.16
CARRERE ORGANIZATION CHART



Vogue is one of the main independent record companies in France. It is comprised of two organizations, Vogue MPP, which is responsible for manufacturing and distribution, and Vogue PIP which is responsible for record production and distribution. Vogue specializes in variety music, and its repertoire is composed essentially of french artists from France. In addition to promoting its own records, it has also developed a series of distribution agreements with other independent producers such as Celluloid.

Le Chant du Monde is an independent record firm that owns its own labels and specializes in producing traditional music from around the world. For its classical repertoire, it has production and distribution

agreements with other foreign catalogues such as Folkways and with the Soviet classical label Melodyia. Usually, it presses its own recordings in France but sometimes, it imports recordings directly according to the following types of arrangements:

- directly importing the record into France
- importing master tapes and then fabricating and distributing recordings
- directly importing the record but changing the jacket cover and packaging presentation to appeal to the French market.

The Disc 'AZ recording company is an affiliate of the multinational group Europe No. 1. Its music catalogue mainly contains variety records but it also distributes classical music and Hungarian music under the Hungaroton label. Disc 'AZ has a production affiliate, Delphine Production, which specializes in advertizing jingles for radio and television.

Recording Studios

The French possess some very advanced up to date recording studios which many of the international artists use. There are about 30 main recording studios; the ten most important ones are mainly located in the Paris region and are owned by large record producers such as Cidis-Polygram, Pathé-Marconi, Decca, Barclay, or independents such as Vogue, Hérouville, Aquarium, CBE, Flavien, 92, Davont. In addition to the large studios, there are numerous semi-professional studios located in Paris and the provinces.

Record Manufacturing

There are only a few factories in France that mass produce vinyl records, tape cassettes and compact discs (CD's) and these are mostly owned by the larger companies. Since there is a certain amount of surplus production capacity in these plants, the large companies prefer to offset their operating costs by agreeing to press recordings for the small independent producers under license agreement or production contract.

The main French production factories are as follows:

- Polygram converted its vinyl pressing factory to CD's, and is centred in Louviers
- Usine-Pathé has a vinyl pressing plant
- The independent firms, Arecem, Disco Press and MPO have vinyl pressing plants, and MPO is a leader in CD production.

MPO-France began by fabricating vinyl discs, but the market for vinyl records becoming saturated in 1980, it signed a license agreement with Phillips to produce the new Compact Discs (CD's). In 1984, the first french CD's were produced by MPO. By 1985, MPO was exporting 65 percent of its production throughout W. Europe, U.S.A. and Canada. In the same year, MPO entered into partnership with SODICC and SNC to open a CD fabricating plant, disques Améric, in Drummondville (Québec) which employs 120 persons.

MPO, by 1986, was almost the only European company to produce CD's other than Polygram in Germany, and Nimbus in the U.K. which was acquired by Robert Maxwell. MPO is now diversifying into computer data processing, DAT'S, CD ROM, interactive CD's (CDI), and will soon launch CD videos. Its intention is to position itself in anticipation of the unification of the European market in 1992.

Distribution

Distribution of recordings is performed by various well established organizations in France. Success in distribution depends on a large capital commitment and on the ability of the organization to quickly sense where and how well new music is selling. Since all but the most successful recorded music products have a relatively short life cycle, lasting at most a few months, there is no room for distribution inefficiencies. Retailers require that their inventories of music hits be quickly replenished and therefore most records are distributed by large organizations with sufficient capital to stock and ship large volumes of product at short notice. The four main types of distribution channels are through sales networks, distribution intermediaries, central buying organizations, and rack jobbers.

The first type is direct distribution through a network of sales agents that visit points of sale and retailers around the country. Only about 30 of the largest record companies in France can afford their own network of sales representatives which are able to deal directly with retailers rather than rely on intermediary wholesalers for distribution.

The second type are Messageries that act as distribution intermediaries. These organizations have their own warehouse facilities, decide on what records to stock, take care of inventory management, issue catalogues of their stock, and expedite the distribution of recordings when orders are placed from wholesalers and retailers. They are usually very versatile at accommodating a variety of demands and stock records in response to certain requests from retailers, or in anticipation of seasonal consumer demand. The two largest distribution intermediaries are Polygram Imprimerie, and Messageries.

The third type are central buying organizations, centrales d'achat, that provide a common stock purchase and centralized distribution services that belong to a whole chain of large retail stores.

The fourth type are rack jobbers. 'Racks' may operate their own record departments in space leased from department stores; they may also maintain inventories and promotion displays in record department stores and be paid according to a percentage fee based on sales. Rack jobbers are useful to retailers because they can obtain quantity discounts and provide expertise in selecting and maintaining an inventory of music products that usually have a relatively short life cycle of popularity and can become a problem if too much non-saleable product is stocked. Rack jobbers operate on the financial spread between large quantity discount prices from the major record distributors and their own marked up wholesale prices. They also spread their risks by diversifying their

stock over many titles, and to some degree through return privileges they have on stock from major distributors. COGEDEP and D.C.F. are the two largest rack jobbers. COGEDEP operates as a common affiliate to Polygram, Pathé-Marconi, Carrère, Virgin, Vogue, Disc 'AZ, and WEA. It takes care of the record and CD distribution to their retailers and accounts for 20 percent of the total French record market.

Retailing Outlets

There has been a massive attrition in the past decade in the number of small retail record outlets in France. Many of the specialty record dealers have been forced out of business by changes in cultural consumption patterns, and from fierce competition and discounting by supermarkets and hypermarkets.

In 1983, there were about 8,600 outlets selling records in France, outside hypermarkets, supermarkets and department stores. These outlets accounted for 62.5 percent of the French market as shown in Figure 8.17. The rest of the market, 37.5 percent, was through hypermarkets, supermarkets, and department stores. By 1983, the supermarket/department store share had increased to 40 percent and the number of specialty record dealers had declined to 500 in a shrinking universe of 6,430.

Figure 8.17
RETAIL RECORD OUTLETS IN FRANCE (1983)

Outlet	Number of Stores	Percentage of Market
Electrical Appliance Shops	2,818	30
Radio and TV Stores	1,348	16
Music Shops	1,131	13
Gas Stations	1,041	12
Bookshops, Gift Shops	998	12
Various	786	9
Record Dealers	701	8

Today, the number of supermarket/department stores has risen to 5,500 and their market share has risen to 45 percent. The number of specialty record shops has slumped to under 300, accounting for just 4 percent of the market. Only about 60 of these specialty shops are in good economic condition.

There are several reasons for the drastic decline in the small and medium specialty record retailing, and the shift toward mass merchandized, cheap budget recordings. After the high growth of the world record market in 1978, there was a decline in profit margins because the cost of vinyl LP's increased while the purchase of records decreased since consumer spending power was reduced during the recession. To counter this trend, large record houses reduced their record inventories by limiting their catalogues of available records, promoting less artists, and by discontinuing their policy of accepting back unsold records stocked by retailers. This squeezed the small and medium sized specialty record retailers because they were selling less LP's and having to finance their

record inventory at high interest rates, while their catalogues of available records was shrinking. At the same time, the mass merchandize stores were increasing their market share by offering a restricted title range, drastically reducing the price of LP's to the consumer and often using them as lost leaders to generate store traffic.

The small and medium sized stores were caught in the middle of a market squeeze between the large retail outlets, les grands spécialistes, such as la Fédération nationale d'achats des cadres (Fnac), NASA, Nuggets, and the mass merchandisers, les grandes surfaces (supermarchés and hypermarchés) which offer records at highly competitive discount prices on display that are geared to impulse buying.

Adding to this pressure was the introduction of technological advances using tape cassettes and compact discs (CD's). To encourage the sale of these new items, the large record houses had an additional incentive to clear out their stock of LP's by drastically reducing prices and unloading inventory through the cheap mass merchandise outlets. Also, more of the French public began using blank cassette tapes for home recording from their favourite music albums, radio, and television, increasing pirate copies which resulted in less record sales. These conditions forced many specialty record stores out of business. Those that survived did so by modernizing their management practices and using the latest marketing and promotion techniques.

Some retailers have shifted their retailing patterns from being specialty stores to becoming multi-commodity megastores offering discount prices on products, such as Fnac, Nuggets, and the Madison chain. The Fnac stores are sited in 21 locations in most of the major French metropolitan centres. They currently account for 21 percent of the record market in France. In addition to recording products, they also sell cameras, video equipment and books as is described on page 288 of this report. The Fnac's have been particularly successful at selling more compact discs (CD's) than any other retail outlet in France. They are also importing CD's directly from foreign countries. Fnac intends to be the first bookseller and largest record retailer in Europe. It recently established Fnac-Campus stores specializing in the sale of records catering to youth. It has also started a chain of small retail outlets, Fnac-Club, selling records, best selling literature, and some hi-fi electronics equipment.

Francis Causson, who runs the Madison chain, has recently opened his 10th store and is aiming for 20, using franchising. His stores create a leisure environment and offer T-shirts, posters, postcards, books and magazines as well as records and tape. The stores have a common marketing strategy based on putting the consumer in a mood to buy.

Nuggets is another franchising operation whose policy embraces four key elements: a convenient location, wide choice of product, expert help for the client, and an attractive and welcoming layout. With centralized administration, accounting and inventory control, the Nuggets chain has

prospered and grown from six shops in 1985 to more than 30 today. Sales this year are expected to top 150 million francs (some \$25 million).

Recently, there has been a coalition of interests including record companies and record dealers to rebuild France's decimated network of specialty record outlets. SNEP, the collection and distribution society for artists and musicians is endeavouring along with SDRM, the French mechanical rights society to help revive the French record retail trade. A major initiative is being launched in conjunction with the mayors and chambers of commerce of large French towns to encourage the establishment of retail record outlets. Part of the plan is to forge a strong link among all the small record label producers and enable them to have their product made available in all sale's outlets. There is also some mention of a return to a system of resale price maintenance that was existing in the 1960's in France.



CHAPTER 9
PUBLISHING MARKET



WESTERN EUROPEAN PUBLISHING MARKET

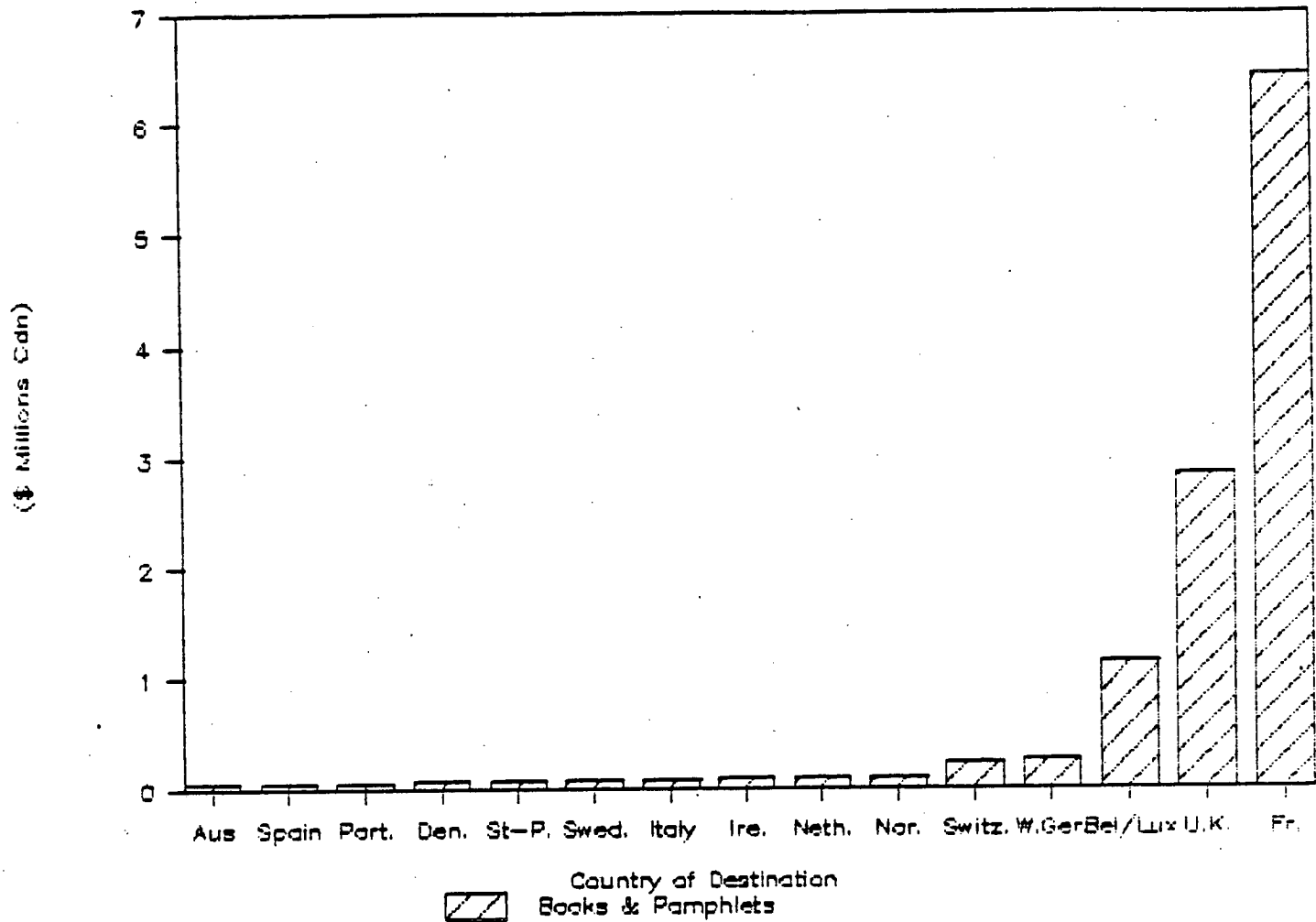
The Canadian domestic publishing market represents about \$1.3 billion per year. By comparison, Canadian exports account for only about 3.5 percent of the total Canadian book market. Canada's trade is principally with the United States which represents 94.3 percent of export sales; its second major publishing market is Western Europe which represents 3.0 percent of export sales.

In general, the Canadian-controlled publishing houses tend to outperform foreign-controlled ones both in the percentage of export sales and in the dollar value of exports. In 1987, Statistics Canada estimated that Canadian publishers exported world wide about \$396.6 million annually of books, pamphlets, magazines and periodicals. Of this amount \$11.8 million was exported to Western Europe.

Figure 9.1
EXPORTS OF THE CANADIAN PUBLISHING INDUSTRY (1987)

1987	Newspapers	Magazines & Periodicals	Books & Pamphlets	Total (\$000)
U.S.	212,587	65,516	95,928	374,031
Western Europe	85	470	11,263	11,818
World Total	212,693	72,159	111,790	396,642
US % World Total				94.3%
W. Europe % World Total				3.5%

Figure 9.2
CANADIAN EXPORTS OF BOOKS AND PAMPHLETS TO WESTERN EUROPE (1987)



* Cumulative Total: \$11,263,000 Cdn

International marketing can be important for Canadian publishers because it can assist the development of a balanced viable domestic industry. Since the Canadian domestic market is limited in size, the expansion of the market through international sale of rights and the export of books can strengthen the financial position of Canadian publishers. This is particularly the case in Québec where the French language domestic market is substantially smaller than the English market, and therefore it

is crucially important for the Québec publishing industry to actively market abroad to develop copublishing ventures and achieve foreign sales.

Marketing in Western Europe and attendance at the main book fairs, such as Frankfurt and Bologna, raises the profile of Canadian publishers abroad and increases the international recognition of Canada as a distinct market, separate from the United States. As Canadian publishers achieve international prominence, they can improve their negotiating position with international publishers and agents for the sale of Canadian title rights and the purchase of foreign title rights. This in turn can enable Canadian publishing houses to achieve an economic balance between publishing Canadian titles and international titles. It can also assist them to exploit the subsidiary rights markets such as paperback rights, club rights, translation rights, film and television rights.

Book Title Rights

The advantages of selling foreign rights is that foreign publishers are usually required to pay Canadian publishers and authors outright with an up front fee for the rights to publish a title in the foreign market. The Canadian publisher can use this fee to cover some of the initial costs of production and distribution. The sale of foreign rights also spares the Canadian publisher some of the frustration of trying to penetrate a foreign market, because a foreign publisher that has paid cash for the rights has a strong inducement to market the book title, is probably in close contact with local market conditions and has established an effective network to distribute the book. The down-side

of selling foreign rights is that the per unit profit to a Canadian publisher is less than if the publisher sold its own books directly into the foreign market.

Copublishing

Foreign sales can be important for achieving economies of scale by increasing the size of print runs which reduce the unit cost for individual titles of trade books. Usually, this can be achieved through copublishing agreements where a Canadian firm can either have its books added to the print run of a foreign publisher, or can print for the foreign publisher. In the context of the E.E.C. policies, copublishing is increasingly becoming an industry practice throughout Western Europe with the reduction in barriers to trade and the unification of the market. Publishers in France and Québec are also using co-production arrangements to share printing runs for both French and Québec editions. For example, Hachette in France has an agreement with a Québec publisher, La Courte Echelle to print for both the Canadian and French market and tranship some of the printed editions to France.

Copublishing is a special type of rights agreement between publishing houses in which houses agree to share the costs of both acquiring and publishing a title. There are several technical variations of copublishing. Sometimes, the text of a book is printed in one run for both markets but the covers are varied to suit a particular market. In the case of full colour runs, the black copy text can be changed to suit the linguistic preferences of a particular market, but the photography

and four colour artwork is retained in the same position so it can be reprinted in several different language versions. Other times, the complete set of negatives used to make printing plates are shipped between publishers in different countries, and printing is split into separate runs for different national markets.

The Québec government has a program to assist copublishing ventures but less and less funds are being made available each year. The federal government is still deliberating on instituting a copublishing program to support Canadian publishers in foreign copublishing arrangements.

Major Export Markets

The major export markets for Canadian publishers in Western Europe are: France, the United Kingdom, Belgium-Luxembourg, Switzerland and Germany. On the other hand, our export of magazines, periodicals and newspapers is very small compared to the export of books.

Our largest market for French language books is France, where we have increased our exports of books and pamphlets from \$4.9 million in 1983 to \$6.4 million in 1987. In comparison, our imports from France decreased from \$58,100,843 in 1985 to \$177,354 in 1986. Most of this market is accounted for by the active trade between Québec and France.

Canada's largest market for English language books and pamphlets is the United States, followed by the United Kingdom which is its second largest market. Our export sales to the U.K. have stabilized or marginally

Figure 9.3
CANADIAN EXPORTS OF PUBLISHED MATERIAL TO WESTERN EUROPE (1983-1985)

Country	Newspapers (\$000)					Magazines and Periodicals (\$000)					Books and Pamphlets (\$000)				
	1983	1984	1985	1986	1987	1983	1984	1985	1986	1987	1983	1984	1985	1986	1987
United Kingdom	3				3	157	132	89	170	299	1,904	2,059	2,488	3,563	2,841
Ireland											31	14	33	18	61
Austria							4		4	22	7	25		13	3
Belgium-Luxembourg							3	3	1	1	761	980	1,019	1,114	1,136
Denmark											20	7	6	6	15
France					55	15	114	134	139	88	4,947	5,717	6,637	7,291	6,424
St. Pierre et Miq.					27								12	18	15
Germany West						2	13	9	18	5	246	206	133	268	260
Italy							1		3		111	92	114	28	55
Netherlands							10	2	2		57	155	46	54	65
Norway											20	4	3	34	95
Portugal											2	4			4
Spain								2	2	12	40	3	3	15	3
Sweden										4	25	11	45	75	49
Switzerland						26	31	152	13	7	138	221	88	143	237
Total Europe	3				85	200	303	391	398	470	8,309	9,498	10,627	12,640	11,263
World Total	75,654	65,815	82,220	211,487	212,693	66,890	120,851	135,491	84,189	72,159	(85,252)	(98,495)	107,157	122,350	111,790
						(61,890)	(111,595)								

SOURCE: 1. Statistics Canada, Catalogue "Exports by Commodity and Country", Table 4
2. Statistics Canada, Catalogue 65-004, "Export by Commodity Annex"

stabilized or marginally increased from \$1.9 million in 1983 to \$2.4 million in 1987. Our third largest market is Belgium-Luxembourg, where our export sales have marginally increased from \$761 thousand in 1983 to \$1.1 million in 1987. The fourth largest market for Canadian books and pamphlets is Switzerland where we exported \$228 thousand, and West Germany, the fifth largest market, where we exported \$224 thousand in 1987.

From an earlier study, conducted by CPER Inc. in 1985, we also know that Scandinavia is identified as an important market for Canadian children's books, and that Holland is mentioned as a potential market for English language trade books.

The export performance of the Canadian publishing industry is rather lackluster when it comes to the Western European market, except for the active french language trade between Québec and France. One of the main reasons may be because English language publishers prefer to deal in the United States. Another reason may be because of the structural fragmentation of our domestic industry and its domination by foreign owned companies, and our dependence on the sale of imported books for one third of our domestic market. With the exception of the Harlequin Inc., which outperforms every other Canadian publisher in exports, there does not appear to be any widespread concerted effort by English language publishers to market in Western Europe.

Our weak export performance in Western Europe may also be because the level of federal assistance for publishers, that is specifically allocated for international marketing, is only about \$2.1 million per year since most of the federal money is still concentrated in supporting domestic supply rather than in international marketing and promoting export demand. Almost all of this small amount of funding goes to our book publishers, since our periodical publishers receive almost nothing from the federal government for international marketing assistance.

It is difficult to determine the level of Canadian private sector expenditures on international marketing for publishing in any given year, by country, because it does not appear to be nationally recorded or documented by DOC or Statistics Canada. Some estimates could perhaps be obtained from industry reports that are submitted by book publishers after they receive government assistance to attend trade fairs.

GOVERNMENT MEASURES TO ASSIST BOOK EXPORTS

Federal government efforts to develop the export market have been shared between DOC, Canada Council, and External Affairs through various support measures. The main program that DOC administers is the \$13.7 million Book Publishing Industry Development Program (BPIDP) which was based on an earlier program and established in 1986. The main part of the program is oriented toward assisting domestic supply and is designed to increase the viability of 51 percent Canadian owned and operated book publishers.

However, the BPID program has a separate component for International Marketing Assistance with a fund of \$1.2 million which is administered by the private sector Association for the Export of Canadian Books (AECB). The Marketing Assistance fund can be used by Canadian-controlled publishers for participation at international trade fairs and for export marketing activities including export advertizing, foreign market research, promotion, distribution, and assisting in the sale of foreign rights of Canadian cultural books. DOC provides no funding assistance to Canadian periodical publishers nor to literary agents wishing to market abroad, and discontinued its assistance to European book fairs.

Most of Canada Council's support is for domestic publishing activities; it does, however, provide financial assistance for author's tours and readings, but these are limited to the United States and does not apply to Western Europe. The Council, in conjunction with DEA, also supplies some funds for publishers to translate Canadian authored books into languages other than English or French for publication abroad.

The Department of External Affairs (DEA), in the Arts Promotion Division, also offers international assistance to Canadian publishers and authors, through the Literature and Publishing Program (LPP) which is part of the International Arts Promotion Program (IAPP). The IAPP program is reported to have spent \$239,167 in Western Europe in 1986-1987 out of its modest budget of \$4,352,605.

The Literature Arts Promotion Program (LAPP) of DEA allocated approximately \$700 for world-wide activities to showcase Canadian cultural excellence in key countries abroad, and to promote foreign sales of Canadian books and publishing rights. About half of the LAPP budget is used for the purchase of books used as annual donations to foreign universities and institutions; the rest of the budget is allocated to international touring by Canadian writers, publishers and literary agents, and for the distribution of promotional kits on Canadian literature to foreign publishers and literary agents. Data on the amount of LAPP funds allocated to Western Europe are not readily available.

Figure 9.4

FUNDS SPENT ON ARTS PROMOTION (LAPP) BY THE DEPARTMENT OF EXTERNAL AFFAIRS (1981-1987)

Region	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Canada	\$ 1,018.00	\$ -	\$ 540.00	\$ 8,770.00	\$ 25,243.43	\$ -
Western Europe	153,831.50	539,594.00	69,561.00	920,136.00	414,643.04	239,167.00
United States	190,585.00	12,113.00	136,300.00	158,260.20	21,166.00	97,645.00
Communist Countries	56,000.00	19,100.00	2,325.00	18,954.00	-	65,739.00
Australia/New Zealand	5,545.00	15,000.00	18,005.00	-	100,000.00	-
Asia	4,190.00	95,206.00	44,717.00	381,993.00	25,044.00	55,116.00
Latin America	700.00	6,295.00	1,382.00	81,886.00	11,438.49	48,095.50
South America	13,900.00	3,025.00	7,100.00	57,151.00	50,929.00	35,158.50
Africa	-	-	-	53,380.00	64,941.00	22,357.00
TOTAL	\$425,769.50	\$690,333.00	\$279,930.00	\$1,680,530.20	\$713,404.96	\$563,278.00

The cultural centres within Canada House in Paris and London, also have their own budgets to purchase Canadian books for their libraries, and to support the travel expenses of visiting Canadian literary artists that are touring abroad. Most of the books they have bought are from Sogides, and the larger publishers like Key Porter, Doubleday, Gage, and Canada Publishing Corporation. For some inexplicable reason DEA no longer purchases Canadian periodicals for circulation to the missions abroad and thereby deprives our periodical publishers of some international promotion and support.

DEA has been active in providing services to Canadian book publishers and authors through the posts abroad. These services include the use of post facilities for author's readings, book launchings and the hiring of locally employed staff (LES) that are knowledgeable in publishing and distribution, acting as referral agents for Canadian book publishers seeking contacts in the local market of a particular country. Some notable successes have been achieved recently by the locally employed personnel responsible for publishing in the Paris mission and in the post in Holland.

DEA provides some cost shared assistance to Canadian publishers through the Program for Export Market Development (PEMD). The program is jointly administered by DEA in Ottawa, and through a memorandum of understanding with the regional offices of the Department of Industry, Science and Technology (DIST). The program funds international marketing activity.

bid preparation, export consortia, attendance at foreign trade fairs and conferences. From 1983 to 1988, PEMD provided a total of \$1,076,152 which, on average, is only about \$215 thousand per year for about 30 to 40 eligible Canadian publishers for international marketing activity around the world. From these ludicrously limited funds most went to book publishers, since PEMD is not appealing to the periodical publishers. Estimates on PEMD funding levels provided to Canadian publishers for marketing in Western Europe are not readily available.

There are indications that DEA has decided to withdraw its presence at the Frankfurt Book Fair and that PEMD intends to reduce its funding assistance to book publishers at Western European book fairs. Some of this decrease may be offset by an increase in funding by AECB, but this funding shift is as yet unclear. It is certain, however, that two or three hundred thousand dollars a year to sustain a vital industry sector, like publishing, is quite inadequate for international marketing.

Under the current system, there are quite a few flaws in the federal assistance programs to publishers for international marketing. Most of DOC's and Canada Council's programs have traditionally been directed toward protecting the domestic cultural aspects of the book industry rather than fostering an international, commercially competitive industry that is actively engaged in world wide marketing of Canadian products. Most of the federal government's measures have been concentrated on the

supply of books, whereas measures to stimulate the international demand for Canadian published products have been rather limited.

Some of DEA's programs, which have been focussed on international marketing, tend to be event oriented programs structured around main trade fairs and promotion of touring authors, and are not intended to provide sustained assistance or support to the industry over the complete life cycle of production and international marketing and promotion.

To provide sustained marketing presence in Western Europe, the Canadian publishing industry requires a consistent policy and program assistance from the government for the following types of activities:

- regular marketing trips to contact foreign publishers for the buying and selling of rights to individual titles, and to maintain regular contact with foreign distributors, agents, retailers and institutional buyers to encourage the ordering and sale of individual published titles;
- regular repeat attendance and participation at foreign book fairs, such as Frankfurt, Bologna, Salon du Livre in Paris, and Salon du Livre in Brussels;
- establishing foreign sales offices and international marketing sales forces;
- promotion and support for author's international tours and readings;
- encouragement of joint publishing and copublishing ventures;

- export insurance for foreign receivables, or financial provisions through the Export Development Corporation to factor foreign receivables;
- up to date, reliable international market data and research on foreign buyers, purchasing patterns, competition, and regulatory environment by region and by country;
- establishing (help to establish) permanent marketing representatives in Paris and London;
- production and distribution of catalogues, brochures, store displays, and advertizing material in multiple languages for distribution to publishers, agents, retailers, institutions and embassies.

We are entering a stage, in our national development, where our current programming initiatives are patently inadequate. We need to provide more focussed resources to assist Canadian publishing companies to export, and to compete against the ever increasing dominance of the multinational enterprises.

MULTINATIONAL ENTERPRISES

Multinational publishing houses engaging in foreign investment, mergers and acquisitions, and international licensing agreements are becoming more common. The large printing and publishing multinationals include McGraw-Hill and Prentice-Hall in the U.S., Bertelsmann and Von Holtzbrink in Germany, Longmans and Penguin in the U.K., Hachette in France, Elsevier and VNU in the Netherlands and Thomson International in Canada.

German, French, British and American publishing and communications interests are beginning to merge and consolidate within certain Western European markets, and are being controlled by a few publishing conglomerates. In the book distribution and retail sector, there are also signs of heavy consolidations, particularly in the United Kingdom.

The United Kingdom has recently undergone a series of mergers and acquisitions that have placed more than one half of U.K. publishing in the hands of only eight companies. There is a clear trend in the U.K. toward vertical integration, particularly with the hardback and paperback firms. In France, two companies dominate much of the publishing sector, and in Germany, the Bertelsmann group have become the largest media conglomerate in the world.

Western European companies, such as Bertelsmann of Germany and W.H. Smith of the U.K., are also actively involved in the Canadian domestic market. Bertelsmann recently acquired Bantam Books Canada, and through a joint venture with McClelland and Stewart, have formed Seal Books to publish Canadian titles in a mass market format. W.H. Smith is consolidating its position in the retail sector across Canada.

Canadian publishing and media conglomerates are beginning to consolidate their own international media holdings, particularly through direct investment in newspapers, such as the Thomson Group in the U.K., and through broadcasting ventures such as Télémedia in France. MacLean

Hunter has printing operations in Italy and the United Kingdom. Pierre Péladeau of Québecor has extensive links with publishers in France.

PUBLISHING IN FRANCE

France is our largest publishing market in Western Europe. Most of the market exchange can be attributed to the strong trading links between Québec and France because of the traditional linguistic and cultural affinities between both societies.

However, there are some discrepancies in reporting the precise amount of trade in the publishing industry between Canada and France. According to Statistics Canada, data as shown in Figure 9.3, Canadian publishers exported \$7.3 million to France in 1986. Whereas, according to the official French customs reports compiled by the BILE Syndicat National de l'Edition as shown in Figure 9.5, Canada only exported \$5,300,760 million to France and imported \$56,039,113 million from France in 1986.

Publishing in France is a flourishing \$2.2 billion per year business. The publishing industry is financially very concentrated and geographically centralized. There are 3,500 publishing houses, of which 387 are major publishers accounting for 99 percent of the total national sales.

Figure 9.5
CANADIAN EXPORTS AND IMPORTS FROM FRANCE (1986)

Category	Exports to France	Imports from France
Scholarly Books: Primary, Secondary, Technical	\$ 210,296	\$ 134,633
Technical, Scientific, Professional, Medicine, Architecture	591,647	654,953
Humanities: Law, Religion, Political, Economics	291,813	1,042,374
General Literature, History Geography	2,655,150	33,903,617
Dictionaries and Encyclopaedias	19,946	5,218,376
Fine Arts, High Quality Limited Edition Books	1,951	701,131
Youth	75,230	1,352,182
Practical Books, Misc.	1,365,406	12,058,849
Foreign Language Books	84,335	573,219
Folios and Brochures	4,986	399,779
Total Value	\$5,300,760	\$56,039,113

SOURCE: Le Commerce Extérieur du Livre pour l'année 1986, d'après les statistiques douanières, Bureau d'Information et de Liaison pour l'Exportation (BILE) du Syndicat national de l'Édition.

Note: Value in \$ Canadian

Most of the major publishing houses, 276 in number, are concentrated in Paris, some 34 are located in the Greater Paris area, and the remaining 77 establishments are distributed throughout the provinces, as can be seen in Figure 9.6

Thirty four of the major publishing houses produce more than 200 book titles and account for 63.7 percent of the total book titles; they also produce more than 60 percent of the reprinted book titles. Similarly, the magazine sector is dominated by a small group of major publishers like Hachette, Filipacchi and Hersant.

Regional publishing is flourishing, particularly in Brittany and Alsace, but most of these houses are recent establishments and very small. There are a few exceptions such as Privat in Toulouse, which was founded as early as 1839. There are a small number of university presses that publish about thirty titles annually, most started in the 1970's, and these are located in Aix-en-Provence, Grenoble, Lille, Lyon, Nancy and Nice.

Figure 9.6
PUBLISHING HOUSES IN FRANCE BY REGION (1986)

Region	Number of Publishing Houses	Percentage of Total
• Paris/Arrondissements		
1er	9	2.3
2e	7	1.8
3e	3	0.8
4e	5	1.3
5e	31	8.0
6e	84	21.7
7e	24	6.2
8e	20	5.2
9e	14	3.6
10e	8	2.1
11e	3	0.8
12e	2	0.5
13e	8	2.1
14e	16	4.1
15e	16	4.1
16e	4	1.0
17e	17	4.4
18e	4	1.0
19e	1	0.3
Paris Sub-total	276	71.3
• Greater Paris/Région parisienne	34	8.8
• Provinces	77	19.9
TOTAL French Publishers	387	100.0

SOURCE: Syndicat National de l'Édition, données statistiques sur l'édition de livres en France, année 1986, p.61.

Publisher's Profile

The French book market is dominated by two publishing conglomerates. One is Groupe Hachette, which is owned by the aerospace and armaments company Matras, and the other is Presses de la Cité. These two groups account for over 30 percent of the national gross revenues in publishing. The fifteen largest enterprises, which individually make over \$244 million per annum, are listed as follows:

- Hachette
- France-Loisirs
- Le Livre de Paris
- Sélection du Reader's Digest
- Librairie Larousse
- Librairie Nathan
- Presses de la Cité
- Librairie Flammarion
- Editions Robert Laffont
- Berger-Levrault
- Editions Bordas
- Istra
- Editions Gallimard
- Atlas
- Editions Techniques

Three of these fifteen enterprises, Nathan, Larousse, and Bordas, have been acquired by Presses de la Cité. Robert Laffont is owned by the large media investment group Compagnie Luxembourgeoise de Télédiffusion (CLT), which has publishing and broadcasting interests in France, West Germany, Belgium and Luxembourg.

The Hachette Group

The Hachette group, founded in 1826, is by far the largest publisher in France and the second largest publisher in Western Europe after the Bertelsmann group. It sells 30 percent of all books in France, and accounts for 17 percent of all French book exports. In 1986, the Hachette group had a turnover of \$2,973 million on which it made a pre-tax profit of \$43.53 million.

In 1980, Hachette became part of the giant armaments and electronics conglomerate owned by Matras. The Hachette publishing organization is totally vertically integrated with its own production, printing and distribution. Its organization is divided into a large number of departments such as Hachette Littérature Générale, Hachette Jeunesse, and Hachette Classiques. Its publishing interests include the following companies:

- Hachette
- Guides bleus
- Grasset-Fasquelle
- Fayard
- Lattès
- Stock
- Le Chêne
- Mazarine
- Trévisé
- Le Livre de Poche
- Librairie des Champs-Élysées
- Compagnie Internationale du Livre
- Edition No. 1
- Harlequin

Hachette also controls a number of newspapers and magazines including Elle, France-Dimanche, La Pointe and Télé 7 Jour, and holds a major share in the French newspaper distribution system. Hachette has a virtual monopoly on the distribution outlets in French train stations, airports and harbours.

Hachette is the largest publisher of encyclopaedias, and is a leading publisher of popular fiction and detective novels where it is renowned for its Le Masque collection. Hachette pioneered the development of the domestic pocket book market, Le Livre de Poche, starting back in 1953. Since then, it has sold well over 500 million copies and controls 20

percent of the domestic market, with annual sales of 20 million copies. In schoolbooks, Hachette Classiques account for 20 percent of the market, and in children's books, including its Livre de Poche Jeunesse, account for 25 percent of the market.

In 1987, Hachette successfully started a new edition of best selling books called Les Editions de la Seine. It established a distribution company called Adepte to market these books through book clubs, through three hundred book stores and three hundred supermarket outlets.

Hachette intends to become one of the world's leading publishers. It recently acquired Grolier in the U.S.A. and is now the largest U.S. publisher of dictionaries. Hachette has also associated itself with Rizzoli, which is part of the Agnelli group in Italy. Hachette, along with News International owned by U.K. press magnate Rupert Murdoch, has been active in launching the English version of Elle magazine in the U.K. and U.S.A.

In addition to its publishing interest, Hachette has a communications group which includes Europe 1 radio station, as well as a wide range of film production and distribution interests. These include Télé-Hachette, HEM Productions, Canal J, Hachette Première, Caudim, Philippe Dussant, Vision 7, Hachette Média Câble and Hachette-Fox Production.

Hachette Links to Canada

Hachette formerly had extensive publishing interests in Canada, and at one time dominated the distribution system for french books by acquiring 45% of Centre éducatif et culturel and control of la librairie Garneau. In the 1970's, Hachette International Canada was acquired by Marlis S.A.; similarly, Groupe Hachette Québec was acquired along with NMIL and renamed Québec Livre by Pierre Péladeau, president of the media conglomerate Québecor.

The Québec publisher La Courte Echelle has benefited from its participation at the International Book Fair in Bologna and Frankfurt and recently signed a successful copublishing agreement with Hachette-Jeunesse. According to the agreement, the product concept entails "children's books with games or jigsaw puzzles". The books are designed and manufactured in Canada and exported to France where they are purchased by Hachette for distribution. Since the books are copublished, no major adaptation is required and production proceeds simultaneously for both the Québec and French market. In France, the products is marketed under both publishers names which appear together on the book covers. Hachette is responsible for providing the promotion and distribution of the books throughout France.

The agreement was signed because Hachette liked the concept and it proved to be successful. In the first six months, 50 thousand

book-boxes were sold at \$19 each in a collection of three titles: Alphabet; Numbers; Birth. Four new products will be issued this year.

Other collections by La Courte Echelle are marketed in France by "de Vecchi", but the cost is charged to La Courte Echelle. In a six month period, 50 thousand units were sold on a collection of 37 titles. The total six month sales in France by La Courte Echelle is reported to be \$400 thousand base wholesale price, of which \$300 thousand is distributed through Hachette and \$100 thousand is distributed through Vecchi. Since business is flourishing for La Courte Echelle, they are planning a permanent representative in Paris.

Harlequin Inc., the successful Canadian publisher of popular romance fiction, signed an agreement in 1979 with Hachette to distribute its books in France; they now control 60 to 70 percent of the romantic novel market.

Presses de la Cité

After Hachette, the second largest publisher in France is Presses de la Cité. As can be seen from Figure 9.7, it is owned through Générale Occidentale by a holding company called Groupe de la Cité. The group's publishing interests through Les Presses de la Cité include:

- Fleuve Noir
- Plon
- Julliard
- G.P. Rouge et Or
- 10/18
- Bordas
- Gauthier-Villars
- Le Club France-Loisirs
- Librairie Académique Perrin and its subsidiaries Editions du Rocher, Edition Christian Bourgois, Aredit, Solar, and Presses-Pocket

Presses de la Cité annually publishes 36 million copies per year and controls 15 percent of the French book market. It concentrates on the production of less expensive publishing editions. It accounts for 85 percent of the detective novel market, and includes Simenon among its best known authors. The company has 20 percent of the general literature market, 15 percent of the children's books market, and 5 percent of the pocket book market.

Presses de la Cité has an important share of the rapidly developing supermarket trade. In France, the term for this market is "les grandes surfaces" and includes the large chain stores, supermarkets and hypermarkets, but does not include department stores which are known as "grands magasins". The "grandes surfaces" accounted for 3.1 percent of total book sales in 1983. Their book departments mostly sell recent

popular fiction in pocketbook editions, hobby and leisure titles on how-to and gardening books, dictionaries and encyclopaedias.

Presses de la Cité jointly owns 50 percent shares of the largest French book club, France Loisirs. The club was established in 1969 by the large publishing and communications conglomerate Bertelsmann of Germany that owns the other 50 percent shares. The club has over 2.6 million members and accounts for over half of all mail order book sales in France. The club also sells books through 80 shops, which it directly owns, and distributes through 110 other book shops. France Loisirs has established a subsidiary in Belgium called Club Belgique Loisirs with five shops, two of which are in Brussels, a subsidiary in Switzerland called Loisirs Suisse with outlets in Lausanne and Geneva, and a subsidiary in the province of Québec called Québec Loisirs.

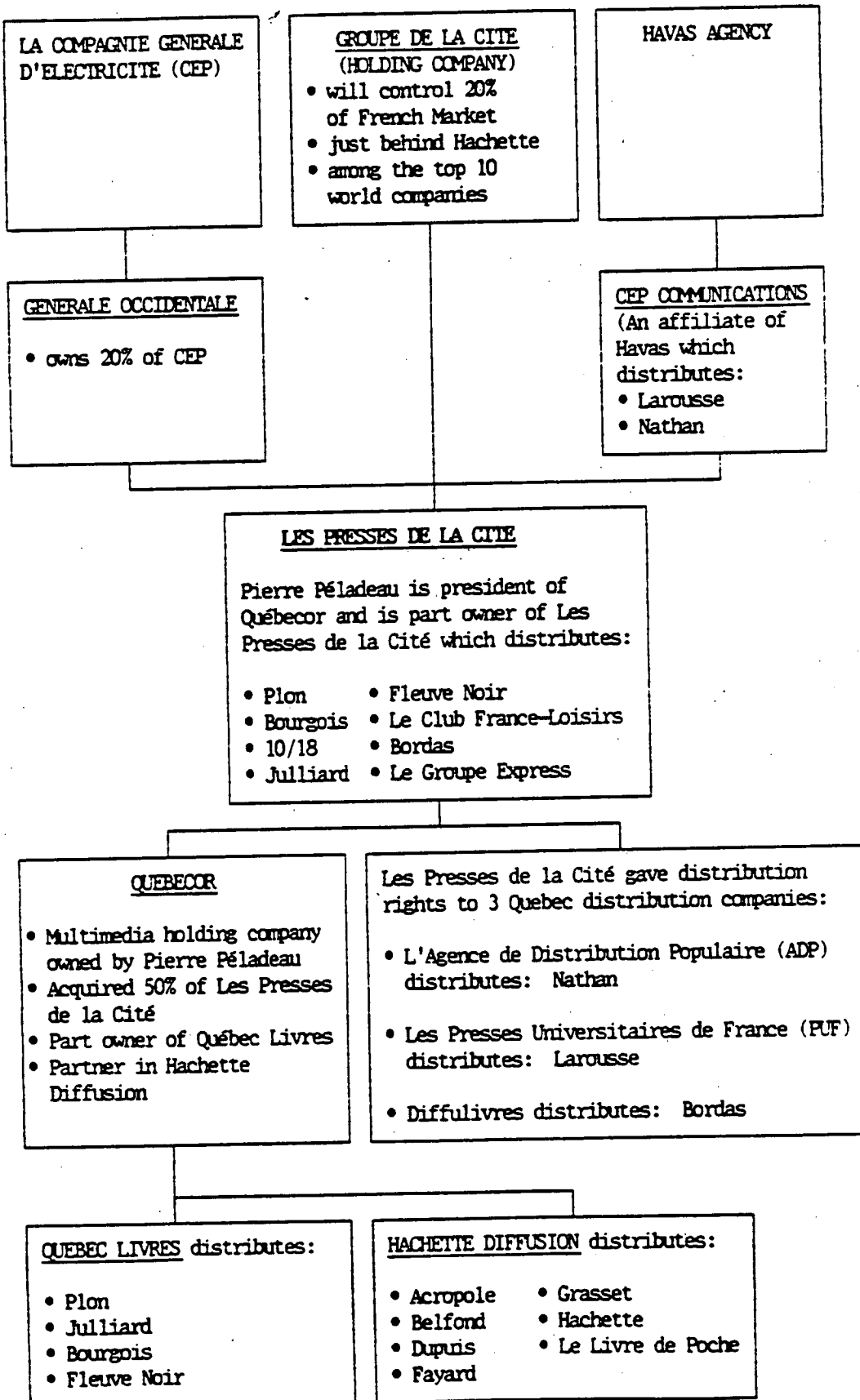
Presses de la Cité Links to Canada

Presses de la Cité gave distribution rights to three Québec distribution companies:

- L'Agence de Distribution Populaire (ADP) with exclusive rights to distribute Nathan
- Les Presses Universitaires de France (PUF) with exclusive rights to distribute Larousse
- Diffulivres with exclusive rights to distribute Bordas

Recently, the publishing house Québecor, owned by Pierre Péladeau, acquired 50 percent ownership in the Québec operations of Les Presses de la Cité and established a separate company called Québec-Livres to

Figure 9.7
 LES PRESSES DE LA CITE LINKS WITH QUEBEC PUBLISHERS



distribute Plon, Julliard, Bourgois, Fleuve Noir and other French books. Québecor also acquired Libre Expression, which is a Canadian company active in publishing and distribution in Québec. Québecor is now one of the most important distributors of books in Québec.

In 1987, Libre Expression in Québec associated itself with another distribution house in France called Centre Québec-France des Diffusions du Livre (CQFDL) for the purpose of exporting and distributing Québec books to France. CQFDL is headed by Monique Marion in Paris, who is professionally knowledgeable about the book market in France and personally connected to the management of Presses de la Cité. The intent of CQFDL is to identify specific profitable sub-market niches (créneaux) for selling Québec books in France and to distribute practical books for the following Québec publishing houses:

- Libre Expression
- Broquet
- Trécarré
- Mortagne
- Pierre Tisseyre
- Guy St-Jean
- Presses Universitaires

Three other Québec publishing firms have cooperative links with Les Presses de la Cité in France. Les Editions de l'Homme, belonging to the group Sogides, has two permanent marketing representatives in Paris and has entered into cooperative ventures with the publisher Robert Laffont.

Les Editions de l'Homme distributes two thirds of its titles in France, particularly its how-to and practical books, and this represents about 30 percent of its total sales. Québec Amérique, run by Jacques Fortin, is reported to have a publishing agreement with Larousse. Québec Amérique usually does not export its books, but it sells its derived rights which represents 10 to 12 percent of its stock and 50 percent of its annual profit. Another Québec company, Boréal, has separate copublishing agreements with Les Editions du Seuil and with Distique. Distique is an independent French distributor, with a large warehouse in Paris, specializing in distributing books in France from smaller publishers in Belgium, Switzerland and Québec. Seuil is part of the Presses de la Cité group and, therefore, has considerable marketing clout in France.

Export Problems

We are developing ways and means to market and distribute Canadian books in France through companies such as CQFDL and Sogides. But problems arise because distribution in France is dominated by the large distributors who view most of Québec publishers as small clients.

This situation means that our publishers have to deal with the medium and small independent distributors. Since some of these smaller houses are not always financially reliable, it can lead to cash flow problems for our publishers when they come to try and collect from French distributors who default on payment for books that our publishers have shipped to France. Under the current situation, there is no export insurance scheme available for Canadian publishers within

Export Development Corporation (EDC) to deal with the receivables problem incurred during exporting. One possibility would be for EDC to consider factoring overseas receivables held by Canadian publishers.

Retail Distribution

In France, marketing and distribution of books is handled by the sales department of each publisher, or by a distributor known as a 'diffuseur'. Most of the large publishers own their own distribution companies. Some large publishers, such as Flammarion, that have their own distribution houses, also offer distribution services to smaller 'satellite' publishers. These satellite publishers are either owned by the larger publisher, or sometimes operate with separate autonomy and complete editorial and financial independence from the larger publishing house. There are also a few independent distributors who handle several publishers at the same time. The seven largest distributors are as follows:

- SODIS delivers for Gallimard
- INTERFORUM delivers for Laffont
- NMPP distributes for Hachette with 16 regional warehouses; it also supplies other publishers and retail outlets
- DI MEDIA distributes for Seuil
- MESSAGERIE DU LIVRES distributes for Presses de la Cité
- FLAMMARION UNION DIFFUSION distributes for Flammarion
- ODEON-DIFFUSION

About 75 percent of French publishers still have trade counters in the city centre of Paris from which titles can be collected, and others have

warehouses in the outskirts of the city. Many Paris book shops still retain a courier or messenger, who collects directly from the trade counters or warehouse. Paris also has a small number of independent distributors who act as specialty wholesalers in specific fields such as Arnette for medical books, Maison du Livre Spécialisé for legal, scientific and technical titles, and Nouveau Quartier Latin, specializing in foreign-language titles.

In the provinces, some booksellers use special collection services, maisons de courtage, which go round to collect orders from the publishers trade counters in Paris. Other provincial book seller order directly and are supplied through the SNCF's delivery service. There are also regional distribution centres run by publishers, or as independent wholesaling organizations such as the Société Française du Livre (SFL), operating within a specific region. Some of these independent wholesalers work directly with the large national distributors, such as Interforum. Some regional distributors specialize in titles of regional interest, and a few handle foreign titles in foreign languages, such as Maison des Editeurs in Nice.

The major wholesaler for foreign-language titles in France is Nouveau Quartier Latin (NQL). NQL have a spacious retail book shop on the boulevard Saint-Michel in Paris as well as their new warehouse in Montrouge, which stocks approximately 60,000 titles.

NQL began in the 1950's and then took over the stock of Hachette's international division when it closed down in 1978. They supply direct to Hachette's regional distribution centres, and to some 3,000 outlets throughout France, including street kiosks, airports and station book stalls as well as news agents and traditional book shops. They employ five exclusive representatives for their foreign books section, two of them visiting book shops in Paris, the other three travelling round the rest of the country. Booksellers in large provincial cities are visited by an NQL representative roughly every two months; those in smaller towns about every three months.

They do not claim to cover the whole range of publications, but have good stocks of mass-market and quality fiction in paperback, dictionaries and other reference books, art books, guide books and children's titles.

Representation

Only a small number of publishers have their own network of representatives, because most French book stores rely on the office system of distribution to obtain their copies. Usually six or seven representatives is considered to be adequate to effectively cover the whole of France. Some companies use freelance representatives who work for several companies, but usually their performance has not been good. Other companies are represented by one of a small number of promotion agencies who sometimes also handle distribution. Recently, small groups of publishing houses have been forming cooperatives to handle their promotion and representation.

Booksellers

France has a particularly dense network of book shops. There are over twenty five thousand retail outlets selling books and other merchandise of which about 5,000 are mainly involved in selling books and stationary. A small number of about five hundred retail outlets are stockholding book shops that specialize in selling books and employ qualified staff capable of providing advice to book reading customers.

Book shops currently account for approximately 40 percent of domestic book sales. There is a heavy concentration of book shops in Paris where most of the specialty book shops and largest book shops are located. The majority of French book shops are independently owned. As is customary in the French tradition of éditeur-libraire, there are a few larger book shops that are wholly or partly owned by book publishers such as Flammarion, or Gallimard. Some of the large book stores are commercially very successful and account for the largest turnover in annual sales such as les Presses Universitaires de France, le Furet du Nord, and the Fédération nationale d'achat des cadres (Fnac). There is a recent trend among some of the larger book shops to centralize their buying and dispatching procedures, such as the Flammarion 4 book shops, the Libraires L, the Fnac's and the Furet du Nord.

The giant Furet du Nord expanded into towns in northern France, and has established branches in Valenciennes, Maubeuge and Tourcoing, all of which are supplied centrally from Lille.

Libraires L group owns over forty four book stores, of which nine are located in and around Paris, and over thirty five in provincial towns and cities. These include Richer in Angers, Petit in Limoges, Decitre in Lyon and Maupetit in Marseille.

Flammarion publishers own a number of book shops in Paris and in the provinces. Some operate under the company title of Flammarion; others retain their original name such as the well known arts book shop La Hune in Saint-Germain-des-Prés in Paris, and the Librairie de l'Université in Dijon. They have recently expanded into museum outlets grouped as the Flammarion 4 book shops.

The Fédération nationale d'achats des cadres (Fnac) started as a purchasing federation in 1954 and opened its first book store in Paris in 1974. The tremendous commercial success of the Fnac is due to the 20 percent discount prices its book stores offered in the sale of its books. In 1982, the French government instituted the Lang Act on price maintenance, referred to as the Loi Lang, to halt discounters and to establish a prix unique or one-price regime. In accord with this new law, publishers decided the price of their new titles and booksellers were bound by law to sell them at not less than 95 percent of the set price, higher discounts applying to copies that have been in stock for at least six months, or to titles that were published two years prior to 1982.

The clientele of Fnac's are predominantly young, under 35 years of age, and include a high proportion of educated professionals. Books account for about 19.5 percent of the Fnac's turnover, and they also sell records, cassettes, photography supplies, and consumer electronic equipment. They stock an impressively wide selection of book titles drawn from the major publishers and small regional houses, and their range is unsurpassed by even some of the larger traditional book stores. It is useful to note, for Canadian marketing purposes, that the Fnac's usually order foreign titles through the Paris wholesaler Nouveau Quartier Latin.

Since opening the first book store, the Fnac's have expanded at a phenomenal rate. They now have over 21 stores, located in Paris, including Fnac-Montparnasse, Fnac-Forum, Fnac-Etoile, and the more than eleven Fnac stores in the provinces. Outside the country, Fnac has expanded in Belgium where it has four stores including a large store in Brussels. Several new outlets, Fnac-Campus, have been established, and they operate as a grande surface specializing in the sale of music, catering mainly to the youth market. Small retail outlets have also been established; these stores called Fnac-Club are selling records, best selling literature and some hi-fi electronic equipment. A European bookstore owned by Fnac has just opened, and it is presently selling 172 thousand titles in nine languages representing all of the European Community. The long term plans of Fnac are to increase its locations in other Western European countries and possibly into Canada. Its intention is to become the leading bookseller and the foremost record retailer in

Western Europe. However, the Virgin Group of the U.K. intends to establish a competitive chain of stores offering the same features as the Fnac outlets. The first Virgin store is soon to be opened on the Champs-Élysées.

Fnac has also diversified into television broadcasting by creating TV Fnac. It will be the first multicultural, multilocal channel in Europe. It will be broadcast by cable network via Telecom 2 and will also be received in Belgium. Its programming will include a large quantity of rock music, and information on books and literature.

L'Oeil de la Lettre is an association of book shops operating in Paris and the provinces that undertake joint promotion. They stock a high proportion of literary fiction, serious non-fiction, poetry and criticism. Many of the associated book stores organize literary debates and cultural events that appeal to their intellectual clientele.

Les maisons de la presse are a large number of retail chains and news agents throughout Paris and the provinces known by the general term of maisons de la presse. They stock sizeable quantity of books alongside a wide range of newspapers, magazines and stationery, and are recently beginning to sell records and cassettes. Sometimes they are the only outlet selling books in a small town. Their annual book prize, Prix des maisons de la presse, has an important effect on book sales throughout the country.

Traditional book stores are now being challenged by the growth of large chain stores, supermarkets, and hypermarkets. Les grandes surfaces represent a vast, expanding, new readership market that is quite distinct from the traditional book store market. The clientele of les grandes surfaces are the product of increased literacy among the French population which consist of occasional readers that rarely go to libraries, who like to read popular best sellers, books that are a source of humour, or practical information. For them, books are not treated as cultural products but as consumer items, where impulse buying based on the price of the books, is the determining factor.

In 1983, les grandes surfaces accounted for 3.1 percent of the total book sales; by 1986, they had increased threefold to 9.4 percent. The growing importance of the grandes surfaces is mainly due to their mass appeal and concentration of popular best sellers and children's books. Their book department mostly sell a variety of recent fiction, light popular fiction in pocketbook editions, dictionaries and encyclopaedias.

Québec publishers and distributors, such as Sogides, have been very successful at exporting books into the French mass market, particularly practical how-to books and books with popular appeal on para-psychology. Mass market books were not a traditional product in France but now, the french publishers are equipped to print these for les grandes surfaces. We should continue to build on our market advantage in this area, and provide further support to Canadian publishers to export into this market.

Les grands magasins. Department stores in France are known as grands magasins and all have large book departments. These include the more exclusive Galeries Lafayette, Au Printemps, and the popular Bazar de l'Hotel de Ville, and Bon Marché. They carry a good selection of titles in all categories, and often organize special promotions in conjunction with a publisher or literary magazine.

Kiosk Outlets. Most of the Kiosk outlets are supplied by Hachette which has a virtual monopoly on stations, airports, harbours, and many of the tobacconist counters that sell books. Their selection of books includes bestsellers, classics and regional interest books usually printed in pocketbook format. Their foreign titled books are usually supplied by Nouveau Quartier Latin and distributed by Hachette.

Book Clubs and Mail-Order Sales

Book clubs are largely an untapped market for Canadian titles, and more emphasis should be given by our book publishers and literary agents to penetrate this market. One notable success is the bestseller *Le Matou* by Yves Beauchemin, where the Canadian rights were sold to a book club publisher for distribution in France.

Usually, book club terms for the sale of subsidiary rights are about 7 percent of the retail price for each book (excluding 7 percent VAT). Since the financial returns on book rights are determined by the number of books sold, it can be quite profitable to sell to book clubs, because

often the print runs are quite high and books are distributed in large numbers.

Mail order selling and book clubs represent a growing share of publishers turnover accounting for approximately 19.8 percent of all book sales in France. Some of the largest book clubs in which major publishers are involved are as follows:

Figure 9.8
MAIN BOOK CLUBS IN FRANCE (1988)

Book Club	Publisher
France Loisirs	Presses de la Cité, and Bertelsmann
Sélection du Readers' Digest	Readers' Digest
Le Guide International du Disque	
Livres de Paris	Hachette
Rombaldi	
Tallandier	
Le Grand Livre du Mois	Laffont

Book club membership runs in the millions in France. Book clubs are particularly popular among the young adults below the age of 35, and they constitute 61 percent of the membership.

The largest club is France Loisirs with over 4.1 million members. The club has its own team of over four hundred door-to-door salesmen, and also owns about one hundred book stores throughout France, where club members can order books directly rather than through the mail.

The second largest book club is Sélection du Readers' Digest which sells titles specifically marketed to French readership. In addition to its mail order operation, it has considerable book store sales.

The third in terms of turnover is Le Guide international du disque which sells mostly books, but also some records. The fourth is Le Livre de Paris, owned by Hachette, which includes many children's titles. Jean Claude Lattès, the Director of Hachette, has developed a mixed formula of selling books simultaneously both to book clubs and to book stores.

Le Grand Livre du Mois, which belongs to Robert Laffont and Albin Michel, operates on a different basis from the other clubs: instead of selling at lower prices than in the book shops, it offers members a hardback version at the same price as the standard large-format paperback edition. It does not therefore need to wait the statutory nine months for circulation release. It also runs Le Club Express, which is advertised in the weekly news magazine L'Express, which tends to offer rather more sophisticated titles, again in hardback editions.

Several publishers, such as Larousse and Plon, run their own mail-order service for some of their general and referent titles. Various book specialists also exist, such as the Maison du livre spécialisé (a Masson subsidiary), which handles mostly scientific and technical books in various languages, or Prat-Europa for legal titles. A number of Paris book shops offer a mail-order service to individual provincial

customers at the same price as in their shops, plus a post and packing charge.

Door-to-Door Sales

Direct sales of books through door-to-door selling is declining, but it still accounts for 9 to 10 percent of publishers turnover. The books offered are mainly expensive editions, such as reference books and encyclopaedias.

Buying Patterns

The traditional book stores are still the main source of book purchase in France, supplying 27.2 percent of the market. Book clubs and the mail-order sector account for 19.8 percent of the market. Kiosk outlets and maisons de la presse such as news agents, tobacconists account for 17.6 percent of the market. Both les grandes surfaces and les grands magasins account for 17.7 percent of the market. Large scale specialist outlets such as the Fnac's account for 4.1 percent of the book market.

Reading is an increasingly popular past-time in France among those with a higher standard of education, particularly among professionals, middle management and students. Literature and novels are the largest sales category at 28.8 percent, followed by sales in practical books at 16.8 percent, children and youth books 16.8 percent, and scholarly books 16.2 percent, as can be seen in Figure 9.9.

Canada has been particularly successful at exporting french language books on practical subjects into the grandes surfaces market. It is also quite successful with children's books. Québec has several dynamic scholarly book publishers such as Les Editions Guérin and Lidec, but the scholarly market in France is a highly specialized market controlled by the large French publishers, and almost totally closed to Canadian exports.

Figure 9.9
TRENDS IN THE VALUE OF BOOKS SOLD IN FRANCE (1970-1986)

Category of Books	1970	1985	1986
Scholarly Books	15.4	12.5	16.2
Scientific, Professional and Technical Books	6.8	6.2	6.3
Human Sciences	7.5	8.4	7.1
Literature	31.0	25.4	28.8
Encyclopaedias and Dictionaries	15.8	15.9	2.9
Art Books and Luxury Editions	5.8	6.3	2.6
Children and Youth Books	7.9	10.5	16.6
Practical How-To Books	4.0	11.9	16.8
Miscellaneous	6.0	.9	6.8
TOTAL PERCENTAGE	100.0	100.0	100.0

Source: Syndicat National de l'Édition (SNE)

A market for books on computers and software is emerging, with an interest in Québec computer books because they are in the forefront of developing computer language and terminology for the French market.

Representation and Marketing

French publishing is a close knit affair based on long standing personal contacts and lasting business relationships. The best way to achieve business rapport, in order to increase export sales, is by establishing regular direct contact between our publishers and agents with French publishers and booksellers or their representatives. Some publishers use freelance representatives, others use the services of agencies. Other publishing houses prefer to have members of their export sales staff visit France at least twice or three times a year.

In some cases, Canadian publishers have concentrated their promotional efforts on working with specific wholesale distributors in France. This arrangement can work provided it is not an exclusive agreement, because it is difficult to encourage many French booksellers to order from wholesalers when they are used to ordering directly from abroad at a lower price. Many book stores that are equipped to order from abroad resent the use of middlemen and prefer to be contacted directly by foreign publishers.

The optimal approach is to have a full-time permanent representative based in Paris that is entrusted with promoting the Canadian publishing company, and building a sales force that continually circulates in Paris

and the provinces promoting Canadian books to French publishers, agents, distributors and local book stores. Even when the Canadian publisher has an arrangement with a wholesale distributor, the company should still plan to establish its own personal representative in Paris. Some examples of Canadian publishers that have permanent representation in Paris include Les Editions de l'Homme, and La Courte Echelle.

It should be noted that most of the government programs for Canadian publishers do not provide assistance for long term sustained market representation abroad. In the interest of promoting further export sales by Québec publishers in France, a review should be made of existing government programs in order to considerably increase funding levels to assist these export market activities.

Print Promotion

Canadian books can be effectively promoted through brochures, catalogues, mailing pieces, specimen copies and point of sale materials. General book store outlets prefer to receive book catalogues, whereas many specialist book stores prefer to receive individual mailing pieces which are targeted to their title specialty.

Many of the specialist outlets in the provinces sent out mailings on individual titles, or groups of titles, particularly to academic customers. It is important for publishers to supply these outlets with suitable individual mailing pieces in order to enclose them in their circulation to customers. Other specialist book stores regularly

publish their own catalogues based on information provided to them by publishers in various titles. The Paris art book store, Articularial, publishes a Christmas catalogue of suggested titles; the scientific and technical book stores, Lavoisier and Offilib, send out regular specialized lists to customers. Some of the large book stores may consider using well packaged and appropriately designed point of sale materials, but the smaller outlets are restricted by limited space and are unable to use point of sale displays.

Generosity with specimen copies is a feature of French publishing. Their brochure and book catalogues are of very high quality, often printed in full colour with text and illustrations making it very appealing to the readers. Canadian publishers should be prepared to send specimen copies to a select group of book stores, even though it is an expensive proposition to supply several book stores with numerous specimen copies. Some government assistance should be provided to Canadian publishers to offset costs for promotional material, if we want to compete with the same high quality material distributed by the French publishers.

Media Promotion

Gaining access to media coverage is a necessary part of marketing books in France and an area where Canadian government assistance could be very useful. The Embassy in Paris could become more actively involved in assisting our French language publishers to gain media access. It should be noted, however, that it is very difficult to gain media coverage for Canadian authors and book titles unless the book is actually published in

France. Most of the literary reviews in the press feature articles on French published authors and only very occasionally on foreign publications. Foreign authors rarely appear on French radio and television unless they are actually published and promoted in France.

The French public are accustomed to having their authors built up into nationally recognizable personalities by the media. The publicity departments of the French publishing houses are very adept at obtaining reviews and interviews in the daily press and in literary magazines, and getting coverage on radio and television. Books on politics, economics and current affairs and those of topical interest are reviewed in the news weeklies *l'Express* and *Le Point*, and the more intellectual weekly *Le Nouvel Observateur* usually has several pages devoted to book reviews, as does *l'Événement du jeudi*. *Le Figaro Magazine* (weekly) also has one or two feature pages devoted to book reviews. In October 1986, the literary periodical called *Magazine Littéraire* produced an excellent special feature edition on Québec authors.

The host of France's well-known television book programme *Apostrophes*, Bernard Pivot, is also the editor of *Lire*, a highly readable monthly publishing extracts from new titles, both fiction and non-fiction, with notes on the authors and quotes from reviews of their earlier work, plus a certain amount of publishing information and book critiques. It periodically conducts surveys of reader habits, reactions to book prizes and consumer attitudes. Considerable space is devoted to non-French authors, but usually only when their work is published in France.

Book Prizes

There are over a thousand book prizes awarded each year in France; of these, about one dozen attract widespread national attention making their winning authors national celebrities and substantially increasing books sales. Only two of these book prizes are usually awarded to foreign authors and these are the Médicis Etranger, awarded in November and the Baudelaire Prize, awarded for translation from English to French and announced in the spring.

The best known French book prize is the Prix Goncourt, which is a prestigious national event when it is awarded in November and attracts a large amount of media coverage. According to the statutes of the prize, the winner must be young or a recent recruit to fiction and is awarded a symbolic \$10 in prize money. On receiving this prize, an author can expect to sell several hundred thousand copies of the novel. It is noteworthy that one of our best known Canadian authors, Antonine Maillet from New Brunswick, won the Prix Goncourt a few years ago for her book *Pélagie-la-Charrette*.

Book Fairs

There are a large number of book fairs that are held in France which provide a good opportunity to market French language Canadian book titles. The Salon du Livre is the major book fair that attracts over 150 thousand annual visitors. It is open to those who publish in French, and

is held in the centre of Paris at the Grand Palais in March or early April.

The Québec government participated in the Salon and helped to double the sales of Québec published books last year. The Salon provides an opportunity to acquire business contacts, to see what the public is buying and what is being produced throughout France. It is especially useful for identifying small regional publishers from France that could be interested in foreign right sales, and for meeting with French language publishers from Belgium and Switzerland.

Another popular fair is the Foire du Livre de Poche that is held in Nogent-sur-Marne near Paris in October and is devoted to displaying only titles published in pocket-book format. The market for pocket books is expanding rapidly in France.

Prices of Books

For wholesale prices on imported books it is normal practice to offer French retailers 30 to 35 percent discount on general books, and a 45 percent discount to distributors. Retail prices for imported books are determined by the French bookseller.

French booksellers that import direct or through a wholesale distributor are free to calculate their own margins, and price their foreign title stock accordingly. It is customary for French booksellers to mark-up the price of their stock according to various currency conversion rates.

Mark-ups on the original foreign book price can vary from 20 percent to over 100 percent depending on the booksellers margins. Some of this mark-up is used by booksellers to defray freight costs because postal rates for shipping books are high in France. This contributes to the expense of books in France.

Royalty Payments

French publishers have the reputation of being tough negotiators and pressure from agents has not yet persuaded them to drop from their contracts the notorious clause de passe, whereby a fixed percentage of each printing does not qualify for royalty payments to allow for possible damaged copies.

Pocketbook royalties (the equivalent of paperback royalties) tend to be less advantageous to the author than in most other countries. As the number of paperback imprints and the pocket-format share of overall output grows this situation seems increasingly unsatisfactory and tough negotiating skills are invaluable in obtaining improved royalties.

The next conflict area with France may well be over the issue of translation rights of American books into the French language. France views Québec as part of its traditional market area and believes that books should be translated firstly in France, and then exported to the Québec market. Whereas Québec recognizes its own distinct domestic market separate from France for french books. It also cites the

proximity to the U.S. as being advantageous for U.S. publishers to have their books translated into french by Québec translators, and then have the french editions exported to France.

French publishers tend to be slow in deciding whether or not to buy translation rights. Long delays are still common; pressure from a representative on the spot is more likely to produce results than a gentle reminder from a distance.

Payment Terms

French publishers and booksellers are known to be slow payers and are often among the worst debtors in Western Europe. Publishers often take a long time to honour their commitments under rights deals. Booksellers regularly take up to 90 to 120 days before payment of invoices. University libraries are notoriously slow payers because of the integrated procedures of their accounts departments. Payments are also delayed by stringent French exchange controls.

Since delayed payments are an endemic problem peculiar to this market, surely there is a need for Québec publishers that are exporting into France to be provided by Export Development Corporation with some form of export insurance. EDC could underwrite the export risks by issuing insurance guarantees to cover up to 70 percent or 90 percent of export credit losses, and provide a special facility to factor export receivables in order to compensate for the long credit terms that are required for marketing and distributing in France.

UNITED KINGDOM

Canadian publishers exported \$2.8 million in 1987 of books and pamphlets to the United Kingdom and \$302 thousand of magazines, newspapers and periodicals. In comparison, we export three times more magazines and periodicals to the U.K. than we do to France, but we export half the amount of books and pamphlets to the U.K. than we do to France. Canada is running a deficit with the U.K. in the trade of books and pamphlets since we import more than we export. There is no readily available data showing the categories of Canadian book titles sold in the U.K. and into which market, and this should be the subject of a separate study.

Figure 9.10
THE NUMBER OF PUBLISHING ESTABLISHMENTS BY SIZE IN THE U.K.¹ (1981)

Size Group ² Average No. of Employed	Establishments	Enterprises ³
1 - 10	8,233	7,871
11 - 19	1,861	1,783
20 - 49	1,033	973
50 - 99	380	329
100 - 199	232	182
200 - 299	81	62
300 - 399	44	37
400 - 499	40	32
500 - 749	31	24
750 - 999	17	14
1,000 - 1,499	13	11
1,500 - 1,999	5	5
2,000 - 2,499	5	5
2,500 - 2,999	3	3
3,000 - over	6	3
TOTAL	11,984	10,722

1. All U.K. establishments classified to the industry including estimates for establishments not making satisfactory returns, non-response, and not selected for the Census;
2. Average number employed (full and part-time) during the year including working proprietors;
3. Some enterprises control establishments in more than one size group; the sum of the figures for the size groups therefore exceeds the total for the industry.

SOURCE: Census of Production

There are more than 10 thousand publishing establishments in the U.K. but because of recent corporate mergers and acquisitions eight companies now dominate one-half of the publishing market. There is a clear trend in the U.K. toward vertical integration particularly with hardback and paperback firms. Penguin and Longman, two of the book publishing companies belonging to the Pearson PLC conglomerate now represent the largest group in the British book trade with annual sales of \$544.2 million. Blackwell is second and Octopus is third.

Retail distribution accounts for 70 percent of the total market sales and is dominated to a great extent by the large W.H. Smith chain who claim almost 20% of book sales, followed by the country's second chain, John Menzies. Confectionery, tobacconists and news agents account for 10 percent of sales.

Figure 9.11
RETAIL DISTRIBUTION OF BOOKS IN THE UNITED KINGDOM (1982)

Book Retailers	Retail Sales (\$ million)	Market Share (%)
W.H. Smith	261	20
John Menzies	65	5
Other book shops	457	35
CTN outlets	131	10
Book clubs	109	8
Department & variety stores	98	7
Direct mail	65	5
Supermarkets	26	2
Others	115	8
TOTAL	1,327	100

SOURCE: Euromonitor

There has been a steady increase in the output and range of book titles available in the U.K.. Part of this increase in titles is due to the importation of large quantities of cheap books from overseas printers in Hong Kong, Spain, Italy, and the Netherlands, which are used as a source of printing capacity by U.K. publishers. There is also an increased inflow of remainder books from the U.S.A. along with titles from the U.S. university presses which are flooding the market.

Figure 9.12
ORIGIN OF IMPORTED BOOKS IN THE UNITED KINGDOM (1982)

Country of Origin	Import Value (\$ million)	All Imports (%)
USA	145.2	43.7
Hong Kong	46.8	14.0
Italy	29.4	8.9
Other EEC	44.8	13.5
Japan	8.5	2.6
Singapore	6.7	2.0
Others	50.9	15.3
TOTAL	332.3	100.0

SOURCE: Overseas Trade Statistics: classification 'Books and Booklets'

In terms of the subject of books being read, the most popular titles in 1983 were: humour, literature, geography, archaeology, mathematics, photography, geology, meteorology, travel, aeronautics, biography and history. Romantic fiction and modern novels have risen significantly since 1983.

WEST GERMANY

West Germany is the largest book publishing nation in Western Europe. In 1985 it published 67,176 titles making it the third largest publisher in world after the U.S.A. and the Soviet Union, both of which publish about 85 thousand titles a year. The domestic German market offers enough size and diversity to support 90 percent of the publishing industry's sales, the rest being exported primarily to German speaking neighbouring countries of Austria and Switzerland. A considerable amount of West German published editions are translated directly into English because there is a larger market for these English editions throughout Western Europe.

Canada exports only about \$260 thousand worth of books and pamphlets into the West German market. German translations of Robertson Davies, Margaret Atwood and Aritha Van Herk books sell reasonably well. Some additional outlets for Canadian books in original English and French language exist at German Universities where there are Canadian studies programs such as at the University of Augsburg. The way to improve marketing sales of Canadian books is to encourage German publishers and translators to regularly dialogue with Canadian publishers and writers organizations by means of official exchanges and government sponsored marketing tours, including a continued presence at the Frankfurt Book Fair.

The publishing industry in West Germany is dominated by about 3 percent of the major publishers who account for over half of the publishing

titles. Two of the largest companies are Bertelsmann, and Axel Springer Verlag. There are some 6,000 companies engaged in the book trade in Germany, of which 1,973 are publishers and 3,794 distributors/booksellers. Of this total, 5,042 are registered as members of the Borserverein des Deutschen Buchhandels.

Munich is the most important city in the publishing industry with 333 publishers and 268 booksellers, followed by West Berlin (203 publishers) and with an output in 1982 of 10,003 titles (16%), followed by Stuttgart with 5,913 (10%) and Frankfurt and Main with 5,290 (9%). There are relatively fewer publishers in Frankfurt (138), but it is widely accepted as the centre of the German book trade by virtue of the Frankfurter Buchmesse, the great annual International Book Fair.

Bertelsmann Group

Bertelsmann AG, owned by Reinhard Mohn, is one of the largest communications companies in the world with annual sales of \$7.3 billion. Bertelsmann recently acquired Bantam Books in Canada and has launched a joint venture with McClelland and Stewart to publish Canadian titles through Seal Books. There is no readily available information indicating whether Seal Books are also published in West Germany. In addition to Bantam books, its other north American holdings include Doubleday Co. and RCA Records which it recently acquired for \$775 million.

Bertelsmann was founded in 1835 and was primarily a middling publisher of religious books up until the 1950's when the company expanded into book

clubs. The company took the unprecedented approach of signing up club members through retail book stores and, as an incentive bookseller, got a 30 percent commission on referred business. Today, records and book clubs account for more than 20 percent of sales and are considered Bertelsmann's core business. The company has a 50 percent interest in France Loisirs in France, and has diversified its publishing interests into other media holdings including magazines, music, and broadcasting. It is a world leader in the music business through its Ariola label which has merged with RCA records. Its 1985/86 turnover was sourced as follows:

Books and Record Clubs.	\$	353.6 m
Publishing, Printing & Manufacturing	\$	464.4 m
Grüner and Jahr Publishing	\$	428.7 m
Electronics, Video & Music Media	\$	104.4 m

Bertelsmann owns electronic media investments including the German TV broadcasting channel RTL Plus, and the Swiss pay TV Teleclub AG and film interests in UFA film, Unversum Film, Stern, TV, GEO Films, and radio broadcasting interests in G & R Hamburg, Radio 1 Munich, Rheinland Praelzischer Rundfunk. It is also a leading developer of storage media and digital information systems including Sonopresse, the European leader in compact disc production.

Springer Verlag is Germany's largest scientific publisher and a pioneer in English language publishing in Germany. Its English titles in 1982 were 56 percent of its total 800 titles.

Translation Rights

In terms of translation, every ninth title published in Germany is translated from a foreign language. English is the principal original language accounting for 67% of translated titles, ahead of French language titles accounting for 13%. Translations of children's literature accounted for over 26% of titles published in 1982. The other large categories in translations were of paperback books on general literature, philosophy, and psychology.

Types of Books

In terms of type of book published in West Germany, several categories experienced a decline in title output during the 1980's; social sciences fell 20% between 1980 and 1982, politics 30%, literature 12%, natural sciences 24%, technology 37%, among others. Increases were registered mainly by children's books (31%) and schoolbooks (71%).

The number of titles published as paperbacks rose from 3,957 in 1970 to 8,602 in 1982. In 1983-84, the industry concentrated more strongly on paperbacks, which now hold a bigger share of the market (14%) than at any time in the 1970's. Paperbacks are concentrated in the categories of literature which account for 48.7% of paperback titles and children's books (9.7%), with 41% of titles published in 1982 being new editions rather than new titles. The preponderance of new editions and reprints shows that many books are published initially in hardback cover and then later in the cheaper paperback format to reach a greater proportion of

the population unwilling to purchase a desired title first available in the more expensive hardback cover.

Retail Distribution

The retail distribution of books are sold through 10,000 various outlets in Germany. About 3,500 of these outlets are book stores, and the other types of outlets include department stores, food outlets, kiosks and consumer markets (Verbrauchermarkt). The structure of distribution has not altered significantly over the last few years and traditional book shops have held on to their share of publisher's sales with an estimated 61% of the total (see Figure 9.13).

Figure 9.13
RETAIL DISTRIBUTION IN WEST GERMANY (1977-1981)

Retail Distribution	1977	1979	1981
Book shop	61.3	61.3	61.6
Department store	6.7	7.5	7.3
Other retail outlet	5.2	5.3	5.3
Mail order	6.9	6.6	6.6
Direct from publisher	11.8	11.6	11.6
Book club	8.1	7.7	7.5
% TOTAL	100.0	100.0	100.0

SOURCE: Buchmarkt/BDB

BELGIUM AND LUXEMBOURG

Canadian publishers sold \$1.1 million to Belgium and Luxembourg in 1987, making it our third largest market in Western Europe. It is difficult to determine which language editions Canada is exporting the most (whether French language or English language editions), because the data is not readily available from Statistics Canada. Some trade is probably being encouraged by the copublishing fund, which has been created between Québec and the French speaking community in Belgium, where both parties contribute \$32,820 for the publishing of scientific works and youth books. Moreover, it is important to note that Belgium, renowned as the largest market for adult comic books, should be the most profitable market to penetrate for our highly talented comic book designers.

Belgium Publishers

There are about 3,928 publishers operating in Belgium, of these there are about 244 major publishers and the rest are small firms with low title output. The leading publishing houses are as follows:

- Standaard
- Dupuis
- Lombard
- Marabout
- Casterman
- Manteau
- Acco
- Dargaud Benelux

There are some major publishers such as Elsevier and Kluwer who mainly publish in the Netherlands but also have a significant presence in Belgium. The main publishers in the country are all members of the Fédération des Editeurs Belges (FEB) and are also members of either the Dutch or French speaking publishing associations such as the

Vereniging van Uitgevers van Nederlandstalige Boeken (VUNB), or the Association des Editeurs Belges (ADEB). The largest proportion are in the Flanders area which number about 109 publishing houses, although the main growth area has been in Wallonie which number about 49 mainly French-speaking publishers. In the capital, Brussels, the situation has remained constant at about 90 publishing houses.

Title Output

Output in 1982 was reported to be 8,041 titles of which 90 percent were first editions. A high proportion of the titles are on literature, social sciences, and applied sciences. A rise in French language titles accounted for one-third of the market share in 1982. There is an active two-way trade in books between Belgium, France, and the Netherlands. About 57 percent of all books sold in Belgium in 1982 were imported, most of which are from France and the Netherlands which account for 78 percent of the market share. Belgium also exports about half of its production of which 75 percent are destined for the Netherlands and increasingly to France.

Figure 9.14
MEMBERSHIP OF THE MAJOR PUBLISHING ASSOCIATIONS IN BELGIUM (1982)

Associations	Number of Members
ADEB	136
VUNB	128
Sub-Total	264
Less joint members	(20)
TOTAL	244

SOURCE: ADEB

There are about 6,000 outlets selling books in Belgium. These include 300 pure specialist book shops; 5,000 news agents (of which 3,500 stock a significant volume of books) and 700 large stores, including department stores, supermarkets and hypermarkets. A breakdown of retail sales by type of outlet is featured in Figure 9.15.

Figure 9.15
RETAIL DISTRIBUTION OF ALL BOOKS IN BELGIUM (1980)

Retail Distribution	Percentage
Book shops, including shops selling paperbacks	50
News agents	15
Large stores, including department stores	10
Book clubs, mail order sales	12
Sales direct to schools and institutions	12
Other	1
TOTAL	100

SOURCE: Euromonitor

The Belgium government has implemented about fifteen measures to assist the book publishing industry in French-speaking regions. Most of these measures are for editing and publication and there are relatively few measures for promotion, retail trade and support to libraries.

NETHERLANDS

There are 400 active publishers in Holland. Three huge diversified publishers formerly dominated the industry, but this changed with the 1980's recession, and the decrease in sales of high volume glossy packaged books, which brought about a restructuring of the industry. Several imprint houses were established by former editors of the three large houses and some of the independent publishers. The imprint houses publish editions under contract to the larger houses, and share in operating overheads and accounting services, as well as access to the working capital of the parent company.

The Dutch publishing industry serves a very cosmopolitan domestic market of 14 to 16 million people, in which 58 percent of the book titles are published in the Dutch language and the rest in English, German and French. Holland is a leading international printing centre and it has a long standing interchange of production with its neighbours in Belgium, France, Germany and the U.K. It is a major exporter of books to Belgium (33 percent of production) and to Germany, and has an active two way trade with the U.K. and France.

Since the English language has become the lingua franca of science, about 90 percent of the books used in Dutch technical universities are in English. Two of the largest Dutch technical houses, the Elsevier/North Holland Group and the Kluwer N.V. Group, currently publish about 70 percent of their annual scientific output in English. Corporate linkages between Dutch publishers and English publishers are beginning to form

such as between Elsevier NV and the British publishing conglomerate of Pearson PLC, in September 1988.

The Netherlands is the largest market on the continent for English language books. Although Canada only sold \$65 thousand worth of books and pamphlets in the Netherlands in 1987, there are some market prospects for Canadian literature.

Usually, Dutch publishers look to the United States, the U.K., France, Italy and Germany for foreign authors. Intellectual property from virtually any other country must be sanctioned by one or more members of this group of countries before it becomes of interest to a small market like the Netherlands. To date, the Dutch publishers have only acknowledged and taken Canadian authors seriously through the U.S. or U.K. editions. They are aware of Canadian writers; however, Dutch publishers will normally only consider rights and editions if and when the Canadian author has achieved recognition in the U.S. or U.K.

An interest in Canadian literary works was stimulated by the energetic ongoing promotion of Canadian books by personnel of the Canadian embassy, and by the Association of Canadian Publishers who went on a DEA sponsored trade mission to the Hague in 1986.

Dutch publishers have shown an interest in expanding the number of translations as well as original works from Canada. The publisher, Rob Van Geneep, simultaneously launched the translated works of three

Canadian authors: Jane Rule, Mordecai Richler and Guy Vanderhaghe, as well as an anthology of Canadian short stories. Contact publishers launched the translation of the first volume of Robertson Davies' Deptford Trilogy and a translation of Margaret Lawrence's Manawaka novel into Dutch. A special supplement of Bzzletin, Europe's largest literary journal, produced by the Dutch publisher Bzztoh, was scheduled for release in 1988. The 90 page journal is featuring an edition entirely devoted to Canadian English and French poetry and prose. Bzztoh also launched a translation of Les Fous de Bassan, the work of Canadian author Anne Hébert.

The Association of Canadian Publishers prepared a report on their mission to the Netherlands which describes the Dutch publishing industry as follows:

Central Bookhouse

The Central Bookhouse (CBH), which stocks about 50,000 titles carrying a Dutch imprint, is the single most important distribution system for Dutch books in Holland. The distribution facility was founded as a non-profit society 100 years ago by the booksellers in Amsterdam, and is now jointly owned by the Dutch Publishers' Association and the Dutch Booksellers' Association. In 1973, it became a limited company, and moved to Culeburg, located in the centre of Holland.

The Central Bookhouse carries books from over 400 Dutch publishers and distributes all genres, including educational and technical books, to

2,000 booksellers in the Netherlands. Seven years ago, it supplied books accounting for approximately 25% of the market. Today it accounts for 55% of the publishing market.

The Central Bookhouse has a fully automated warehouse, with its own fleet of trucks. It specializes in small orders, including single book orders, which it receives, chooses and consolidates with other small orders, and delivers to the bookseller's door within 24 to 48 hours. About 80 booksellers are linked to the Central Bookhouse by on-line computer, about 400 order via smaller micro computers and the remaining 1,300 or so order with machine readable cards which are circulated by the delivery fleet.

Some publishers in Holland have their own warehouses for larger orders (either bestsellers, textbooks, or initial releases) which are fulfilled directly by the publisher. About 85 publishers have the Central Bookhouse handle everything for them, and this type of publisher-user is on the increase. A new warehouse to handle bulk orders will soon be opened to facilitate increased distribution.

The Central Bookhouse does not discourage "selling around" and it offers its regular delivery vans as a carrier to publishers fulfilling their own orders; besides, CBH delivery is cheaper than common carriers or the postal service. The Central Bookhouse delivery system works like a postal service, carrying parcels in and out, and offering this piggyback service to both publishers and booksellers. The CBH has a 98%

fulfillment record: only 2% of all orders are backordered because information flow is so well organized. Booksellers who are not on-line use constantly updated microfiche for stock information.

The Central Bookhouse also distributes foreign books in Holland, mostly from England, France, Germany and Belgium. A minimum volume of 2,000 parcels per year is required for CBH to have an interest in this business. This automated distribution system has had a profound positive effect on Dutch bookselling. It has allowed booksellers to stock a much wider selection of books, since they do not have to stock large quantities of a single title to keep up with demand. The negative effect however, is that there has been a large decline in initial orders from booksellers which makes it more and more difficult for publishers to determine first printings based on advance order sizes. It should also be noted that some publishers rarely use the Central Bookhouse as a stock point since they maintain their own direct contact with booksellers, and only use the Central Bookhouse vans for deliveries from the publisher to the booksellers who order from them directly.

Distributors of Foreign Books

Proost & Brandt Distribution is owned by a paper company in Amsterdam. The mainstay of their business is the distribution of Time-Life. Proost & Brandt Distribution (PBD) distributes both the books and periodicals of Time-Life everywhere in the world except the USA and Latin America. They are primarily a periodical distributor, and they have developed their book distribution from their periodical/journal business. PBD

consolidates their American book shipments once a week out of Long Island, piggybacking on their regular periodical air freight shipments via Sabina and Emery Air Freight at \$1.60 U.S. per kilo. They also tender for large book shipments to primarily third world countries, supported by institutions such as the World Bank.

They have a European subscription service, and 6 travelling book representatives servicing the European market except Portugal and parts of Spain. These representatives sell only to bookstores, whereas university professors and libraries are reached through direct mail. They currently have 13,000 titles in stock, of which 60% are scientific and technical, 40% are trade.

Booksellers ordering from them are billed once a month, and must pay European shipping costs, brokerage, and prepaid Value Added Tax (VAT). Booksellers receive between 25-40% discount, for an average of 35%. Publishers are paid in 90 days. Minimum volume for participation in this system is \$100,000 U.S. per year. Proost & Brandt have about 2,000 customers in Europe.

Proost & Brandt is not anxious to take on a great many new publishers and their title range is not really compatible with that of most Canadian trade publishers.

Nilsson & Lamm distributes through Europe, but concentrates its efforts in Holland. Publishers can use the distribution service of Nilsson &

Lamm outside Holland, but because Nilsson & Lamm representatives only operate in the Netherlands, publishers must have their own sales representative in other non-Dutch territories.

Nilsson & Lamm own several bookstores and an art book publishing company. They specialize in art books, mass market titles, travel guides, and are not interested in carrying "specialty publishers". They own 49.99% of the new Dutch Penguin which does a tremendous amount of business in the Netherlands. They have 12 sales representatives in Holland, operate a full marketing and promotion department, and carry over 60,000 titles in stock. They buy titles, as a wholesaler, at 50% less than the publisher's domestic price, and, in addition to their trade sales business, they deal directly with a public library purchasing consortium.

European Book Services (EBS) is one of the three major international distributors in Holland. EBS is the most interested in business from Canada. EBS stocks about 25,000 titles from approximately 70 publishers. These titles are listed on their computer printouts by subject categories. They produce a selected, subject oriented catalogue twice a year as the basis for their biannual sales trips in all of Europe, followed up with individual publishers' catalogues. EBS uses three sales persons plus stringers on the continent, but 25% of their business comes from the U.K.

EBS is interested in the distribution of a consortium of Canadian publishers, and reports can be subtotalled for members of such a

consortium. However, their "Books Canada" experience of ten years ago makes them aware that they do not want a consortium made up of only small volume publishers. They have also learned another lesson from "Books Canada"; in order for such a consortium to work, both the book shipments and book information must be consolidated regularly from a single point in Canada. The bare minimum of book information to be consolidated on a regular and accurate basis is: correct out-of print, back order, new title, forthcoming title, and price information. EBS works on an exclusive distribution basis for the publisher in territories designated by the publisher (i.e. publishers may exclude one or more countries from their EBS territory).

Retail Distribution

There are about 2,000 retail outlets for books in Holland. About 750 of these outlets are regular bookstores and these are the main distribution channel accounting for 53 percent, supplying both the trade and the institutional market. Several large bookstores, such as the Broese Jmink BV in Utrecht, have separate trade and academic/educational /institutional departments, which are physically distinct. The large chain and department store bookstores primarily sell bestsellers. There are also many independents and mini-chains consisting of 3 to 8 stores which are very active in retail sales.

There are two reasons why the independents are active and viable in Holland:

- they have access to institutional business, some of them having built this business literally for centuries
- Holland has a "net book agreement". According to this agreement, no bookseller may discount the publisher's "suggested retail price" until two years after date of publication, at which point a great many of the titles are remaindered

This "net book agreement" is administered by the Dutch Publishers'/Booksellers' umbrella organization, and transgressors are fined heavily and ultimately boycotted by this organization, a system which keeps violations at a minimum. This same umbrella organization also regularly sets and adjusts the foreign exchange rate applied to incoming books from other countries. According to Dutch law and EEC law, a representative of the federal government's Ministry of Finance sits on this price fixing committee of the umbrella organization and advises them on how to best accomplish their aims. In addition, the Dutch government defends these policies in the European Parliament in the Hague whenever they are challenged, on the grounds that they are necessary for the preservation of Dutch culture, and despite the fact that they are not legally sanctioned, even under Dutch law.

CHAPTER 10
CONCLUSION



EMERGING MARKETS

The Western European market is undergoing spectacular developments in television broadcasting, cable, satellite services, home video, sound recording and publishing. Several converging trends are occurring that are impacting on the cultural industries market. These trends include the development of new technologies, the internationalization of production, the migration of advertizing revenues from publishing to the electronic media, the emergence of multi-media conglomerates, the deregulation of broadcasting and the trend toward the unification of Europe. All these converging tendencies are having a profound effect on the way Canadian cultural industries conduct their business operations in Europe in their quest for new market opportunities. It is therefore crucial for Canadian industries to be provided with the appropriate level of increased government assistance in order to sustain the international marketing effort required to capitalize on these trends.

We have seen in the previous sections how Canadian cultural industries are already successfully penetrating the Western European market. This is particularly evident in the case of Québec based companies who have established a market presence in sound recording, publishing, television broadcasting and production, satellite and cable systems in Western Europe. To a lesser degree, it is also evident with the English language parts of Canada whose industries are making some in-roads into the European sound recording industry and in TV production, but have been noticeably unsuccessful in publishing and conspicuously absent from

investment in television broadcasting, satellite and cable systems in Europe.

Among the trends that are occurring in the publishing industry, particularly in the periodical and newspaper sectors, is the high degree of corporate concentration coupled with a general concern about the potential loss of advertizing revenue which is migrating to the new electronic media with the advent of broadcast deregulation and privatization. The large publishers are now consolidating their market position while internationalizing their production by shifting their operations to contract printers in Asia because of lower wages and manufacturing costs. They are also diversifying into the new electronic media to regain any lost advertizing revenue and to retain some control of the new media forms in TV, cable, satellite, broadcasting and home video production.

At the technological level, the publishing industry is undergoing a revolution in its printing processes. In the pre-press composition stage, computers are having a widespread impact on typesetting and page composition systems that can also be linked to telecommunications and satellite networks for transnational production. In the presswork stage, new reproduction and printing technologies are coming to the fore with electronic scanning, colour separation equipment and improvements in printing techniques. In the post-press stage, new types of automated in-line finishing equipment are handling the binding, packaging and distribution of copies as a continuous process. It is no wonder that


these developments are enabling some of the large printing conglomerates such as Bertelsmann and Axel Springer in West Germany, and Maxwell and Murdoch in the U.K. to achieve economies of scale, and realize profits which enable them to diversify into the electronic media.

In the television and satellite business, the price of transponders are gradually being reduced while the channel capacity is increasing and these developments are opening up opportunities for a whole new array of broadcasting services. At the same time, deregulation of broadcasting is permitting more commercial operations to flourish which are reaching across national frontiers with the advent of satellite technology. New land line cable systems, using fibre optic technology, will permit interactive computers and video systems to be linked to transnational telecommunications networks.

In the sound recording business, vinyl records are being superceded by compact discs and digital audio tape equipment and the advent of compact disc systems linked to computers with CD-ROM. In turn, these systems will also be hooked into the interactive telecommunications and cable systems to provide truly interactive electronic cultural services.

In essence, the cultural industries have emerged from being regarded as a loose collection of cottage industries to becoming multinational concerns. We are now on the threshold of an ever increasing electronic environment that will determine the markets for our cultural industries. At the cutting edge of these new cultural forms will still remain our

artists that will interpret and create our new cultural expression. Their artistic expression will have multiplied by the use of these new technological forms but access to these technologies will in part be determined by the commercial interests of corporate enterprise.

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