

# Opportunity BC 2020: Creative Sector

Report for the Business Council of British Columbia



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# 1 Introduction

## 1.1 Study Purpose

This study profiles British Columbia's (BC) Creative Sector as part of the Business Council of British Columbia's Opportunities 2020 series. The objective of the series is to help shape the vision for the province's economic future over the coming decade and beyond. Each profile considers the sector's current role in the BC economy, opportunities and challenges, and actions that can be taken to capitalize on such opportunities and help the sector thrive and grow in British Columbia.

The Creative Sector differs from many of the other sector profiles in the series in that it is made up of a variety of activities that, in turn, relate to other areas of economic activity. As a result, it has proven difficult for the Creative Sector to define itself and to develop cohesive measures of its advancement. In this report we provide a definition and methodology for estimating the contributions of the Creative Sector and its individual component industries (e.g., film and television, print publishing, and new media). We also provide an outlook for both the sector as a whole, and for individual component industries.

## 1.2 Structure of the Report

The remainder of the report is structured as follows:

- **Chapter 2** provides a general definition and description of the Creative Sector, including component industries, market flows, and international trade. The chapter also provides a description of the methodology employed to estimate the economic size and trends of the sector and underlying industries.
- **Chapter 3** assesses the recent economic performance of the Creative Sector as a whole as its individual industries.
- **Chapter 4** presents more in-depth analysis of individual Creative Sector industry trends.
- **Chapter 5** presents an overview of factors shaping the outlook for the Creative Sector and its individual industries.
- **Chapter 6** provides suggestions for potential government and industry actions in the face of current and future trends.
- **Chapter 7** closes the report with a summary and conclusions.

## 2 Background and context

### 2.1 Defining the Creative Sector

Historically, the concept of a Creative Sector has most often been associated with the performing or fine arts – cultural activities that are often subsidized for the common good. But while encompassing most of which can be considered cultural activities, the Creative Sector is much broader. It includes all media and entertainment-based industrial activity, such as film and television, print publishing, and more recently, internet-based entertainment and video games. In today’s globalized knowledge economy, the Creative Sector is gaining more attention as a true industrial sector – one to be nurtured, developed, and utilized as a source of wealth creation. Indeed, the Creative Sector generates a significant amount of revenue for British Columbia through the export of goods and the supply of services to foreign companies and individuals as shown in Table 5.

However, in contrast to traditional sectors like mining, manufacturing, or banking, which have clearly defined products and services, the Creative Sector encompasses several different industries and forms part of others. New technological advancements and global socio-economic trends are quickly changing how media is produced, distributed, and consumed. As a result, it has proven difficult to develop a consistent and adequate definition of creative industries or a Creative Sector.

The most widely used definition for the Creative Sector is that given by the United Kingdom Department for Culture, Media and Sport (DCMS). That definition defines the Creative Sector as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property”<sup>1</sup>. The industries included in the DCMS definition of the Creative Sector are:

- Advertising
- Architecture
- Art & Antiques
- Crafts
- Design
- Designer Fashion
- Video, Film & Photography
- Interactive Leisure Software
- Music
- Performing Arts
- Publishing
- Software, Computer Games & Electronic Publishing
- Radio & TV

### 2.2 The Creative Sector Business Model

Business models for Creative Sector industries are evolving rapidly to reflect changes in the way creative goods are consumed. Generally speaking, creative goods are consumed in three ways:

- Originals or copies for private consumption (e.g., paintings, DVDs, CDs, books)
- Public exhibitions (e.g., movie theatres, concerts, museums)
- Broadcasts

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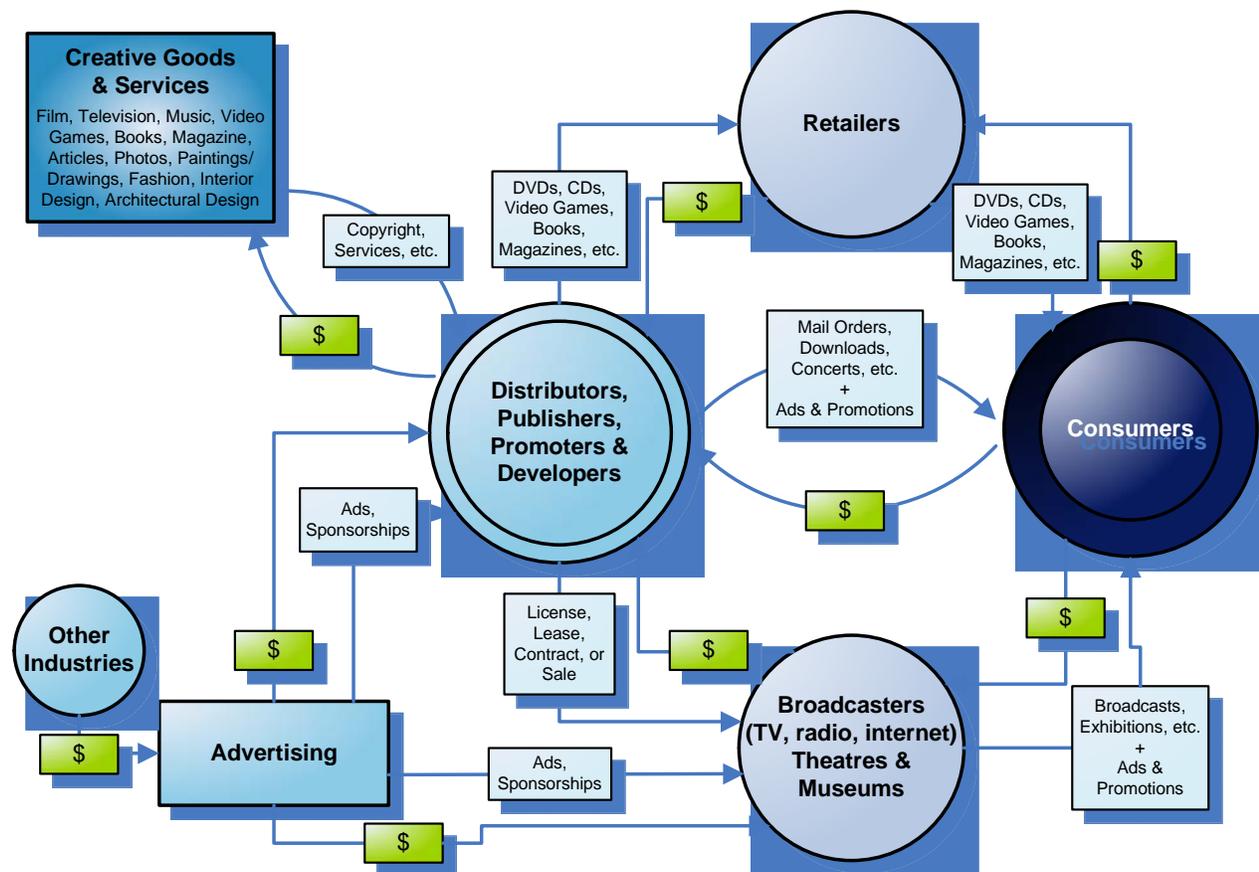
<sup>1</sup> DCMS, Creative Industries Mapping Document 1998.

Where private consumers are involved, the consumer enjoys the creative good or service in exchange for payment, advertising attention, or a combination of both. In the case of publicly-funded creations, governments purchase the creative good or service on behalf of the population.

Between the original creators and end consumers, there are several layers of intermediaries that facilitate the monetization of creative products and the resulting wealth creation. These intermediaries include: producers, distributors, publishers, developers, retailers, broadcasters, theatres, and museums. Participants in the creative market trade intellectual property (IP) in the form of copyrights, distribution rights, broadcast licenses, and exhibition contracts.

The relationship of various Creative Sector participants is presented in the diagram below.

Figure 2.1 Creative Sector Market Flows



Source: PricewaterhouseCoopers LLP

In addition, there is a new layer of enabling industries - namely wired and wireless telecommunications. These industries are providing the platform for internet broadcasting and digital distribution.

### 2.3 Creative Sector Trade

International or interprovincial trade in the Creative Sector comes in the form of physical products (such as books and DVDs), digital products (such as music downloads), regional duplication and distribution rights, broadcast licenses, and finally, services.

An example from the film industry helps to illustrate the nature of imports and exports in the Creative Sector. When foreign films are shown in Canada, usually a Canadian distribution company (or a Canadian subsidiary of an international corporation) purchases the Canadian distribution rights for the film. The distribution

company then negotiates with exhibitors (theatres) for the division of box office revenues. The import in this case would be the Canadian distribution rights.

In the case of services, one can think of foreign producers retaining the services of British Columbians for productions shot in the province. Conceptually, these activities can be thought of as export services.

So it is conceivable that British Columbian production crews could export their services to foreign producers, who then export the distribution rights for the final product back to a Canadian distributor for exhibit in Canadian theatres.

## 2.4 Measuring the British Columbia Creative Sector

For the purposes of this report, we have modified the DCMS Creative Sector definition to reflect the status of BC's Creative Sector. We define BC's Creative Sector to include the following industries:

- Film & Television Production
- Sound Recording (including music recording and distribution)
- Performing Arts and Heritage Institutions (including performing arts companies, promoters, agents, independent artists, writers, and performers, and museums)
- Design (including architectural and other specialized design)
- New Media (including video games, software, and internet-based entertainment)
- Advertising
- Radio & Television Broadcasting, and
- Print Publishing

To examine the relative economic contributions and growth trends of the Creative Sector, it was necessary to assign existing North American Industry Classification System (NAICS) classifications to the various creative industries. In some cases, industries that form part of larger aggregations were estimated using ratios of available data, and in other cases, suppressed data was estimated using ratios and/or annualized growth trends. Industry outlooks are drawn from PwC's *Global Entertainment and Media Outlook: 2009-2013*. Given the degree of estimation, we caution the use of these figures.

### Data Sources

GDP (value-added) data was obtained from CANSIM Table 379-00251: Gross Domestic Product (GDP) at basic prices, by North American Industry Classification System (NAICS) and province, annual (dollars), while Employment estimates were based on Census 2001 & 2006 published figures. In addition, supplementary figures from PwC's *Global Entertainment and Media Outlook: 2009-2013*, and various industry associations were also used in some cases.

The methodology employed to estimate each creative industry is described in detail as an Appendix to this report.

# 3 Recent Performance of the Creative Sector

## 3.1 Gross Domestic Product (GDP)<sup>2</sup> of BC's Creative Sector

As a whole, BC's Creative Sector experienced steady 3% per year real<sup>3</sup> GDP growth over the period of 2002 to 2007. While following the general pattern of growth for the province, the Creative Sector was slightly outpaced by the overall provincial economy, which saw 3.5% real annual growth. In 2002, Creative Sector GDP stood at approximately \$3.5 billion. By 2007, Creative Sector GDP rose to \$4.0 billion<sup>4</sup>, or 2.7% of GDP.

In terms of annual growth, the Creative Sector outpaced many of BC's other major sectors. From 2002 to 2007, the Creative Sector outpaced Agriculture, Forestry, Fishing, and Hunting, Mining and Oil and Gas Extraction, Wood Products Manufacturing, and Accommodations and Food Services. The Creative Sector now contributes a comparable share of provincial GDP as these major sectors.

Figure 3.1

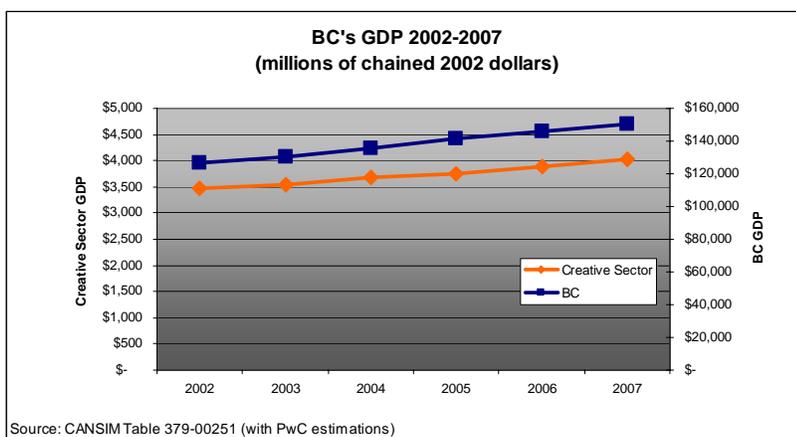
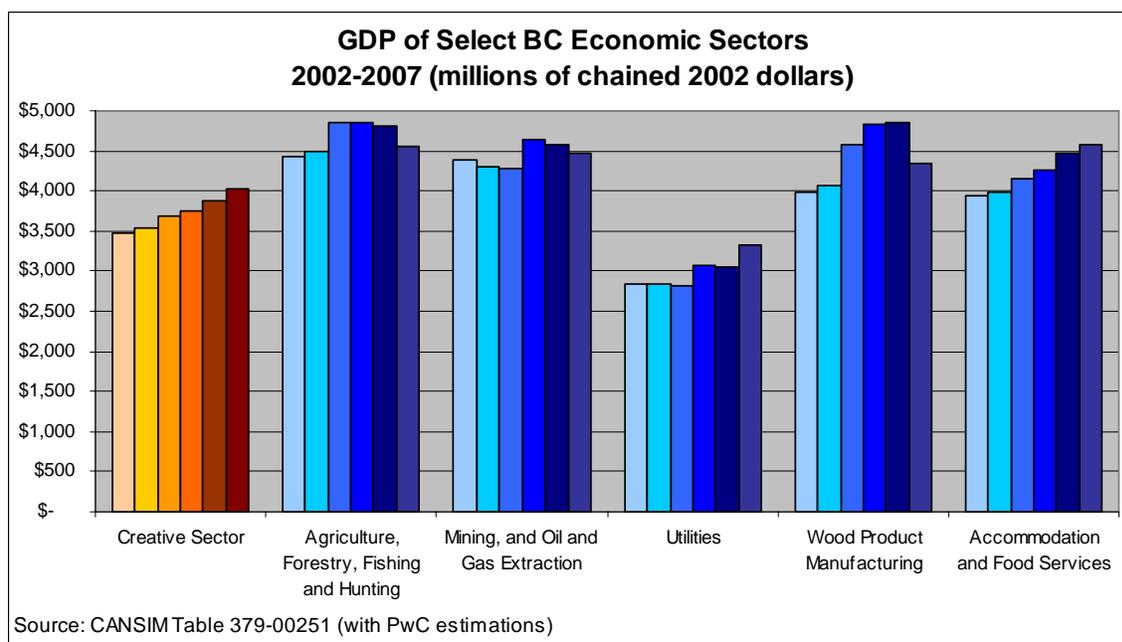


Figure 3.2



<sup>2</sup> Note that the terms GDP and value-added are used interchangeably throughout this report

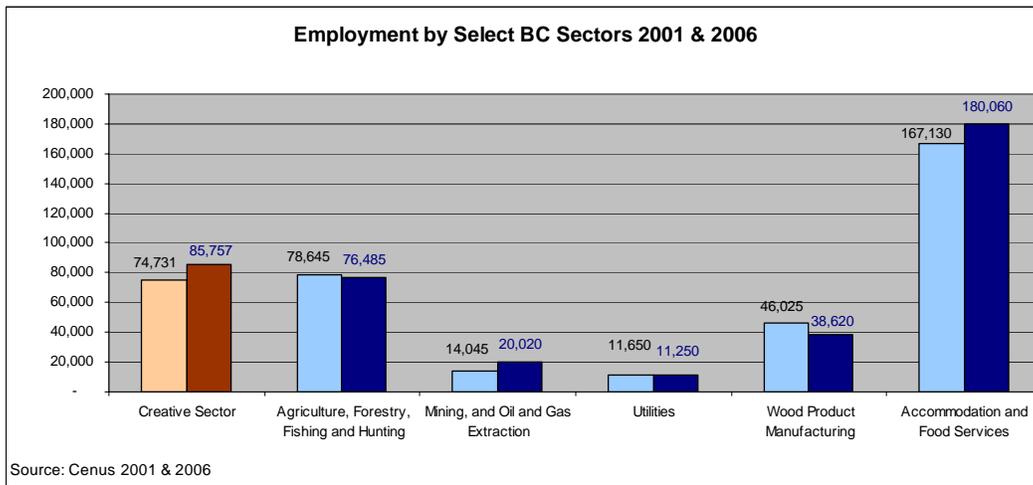
<sup>3</sup> Excluding inflationary effects.

<sup>4</sup> 2002 dollar value equivalent

### 3.2 Employment in BC's Creative Sector

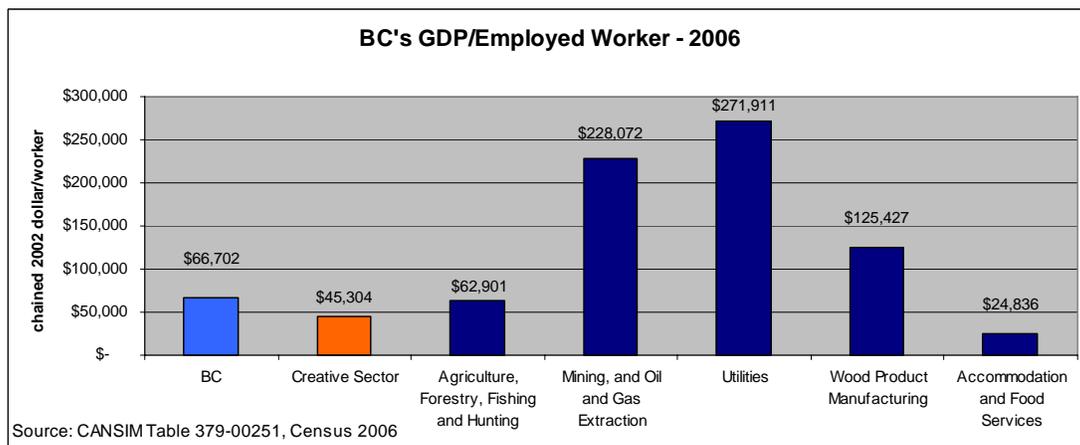
Employment in the Creative Sector has also expanded in recent years, growing from 74,731 in 2001 to 85,757 in 2006. Employment in the Creative Sector now represents 3.9% of the provincial workforce.

Figure 3.3



The relatively high employment estimates for the Creative Sector suggest lower average productivity in terms of GDP per worker. This can partly be explained by the large number of independent contract workers in creative industries who may not work steadily throughout the year.

Figure 3.4



### 3.3 Trade in Creative Goods

As discussed earlier, trade in creative goods involves both shipments of physical goods, as well as digital goods, services, and different forms of IP. Unfortunately, no provincial data exists at levels specific enough to calculate accurately the value of all creative trade in and out of BC. While data does exist on physical trade of creative goods in and out of Canada<sup>5</sup>, those figures largely underestimate total trade activity since digital goods, services, and IP are not included.

Figure 3.5

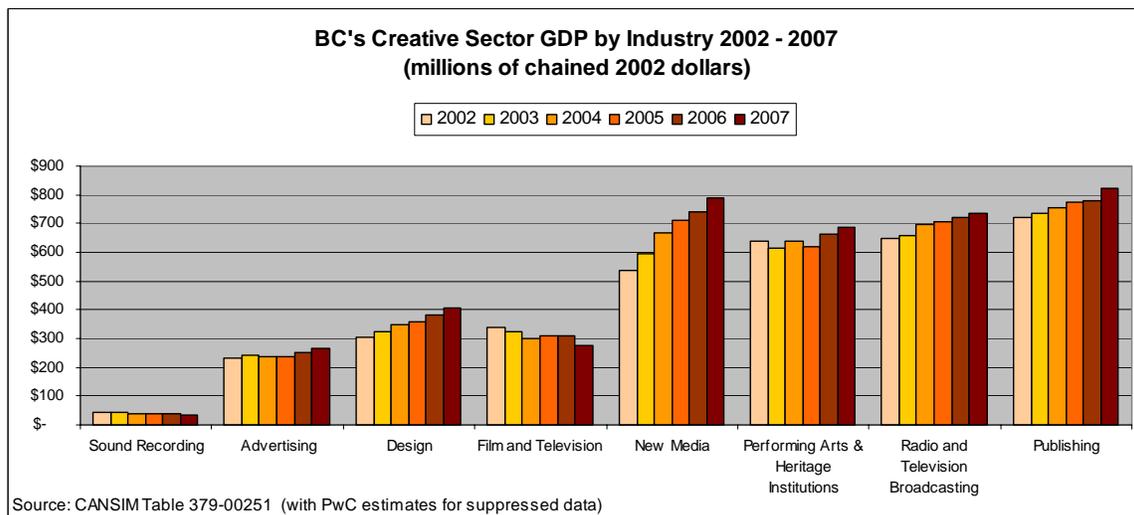


<sup>5</sup> Physical trade in culture goods includes products such as: books, magazines, newspapers, postcards, calendars, films, videos, DVDs, CDs, sheet music, cassettes, LPs, paintings, photographs, sculptures, ornaments and figurines, architectural plans, designs and drawings, advertising materials, museum exhibits, coin and stamp collections, and antiques.

# 4 Individual Creative Sector Industry Analysis

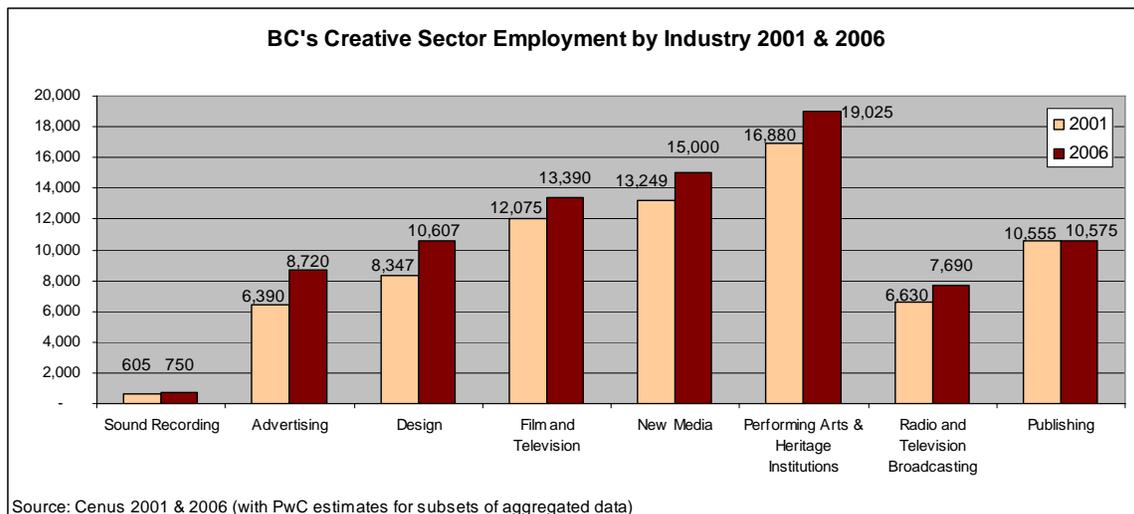
While the Creative Sector as a whole has had steady economic growth over the last five years, that performance has not been shared equally amongst all creative industries. Leading the way was New Media, which grew on average 8.1% per year and accounted for 46% of all Creative Sector growth. At the same time, Sound Recording and Film and Television experienced negative growth, in part due to increasing digital distribution and a devaluation of the American dollar.

Figure 4.1



Between 2001 and 2006, all creative industries saw increases in employment, with Advertising leading the way with 6.4% average annual growth. Publishing showed the smallest growth at only marginally above 0%.

Figure 4.2



An important aspect to employment in the sector is the large number of independent writers, artists, and performers, who may supplement part time creative employment with other activities. This is discussed further in Section 4.3.

Below we analyze each creative industry in greater detail, including recent performance and specific factors influencing the industry.

### 4.1 Film & Television

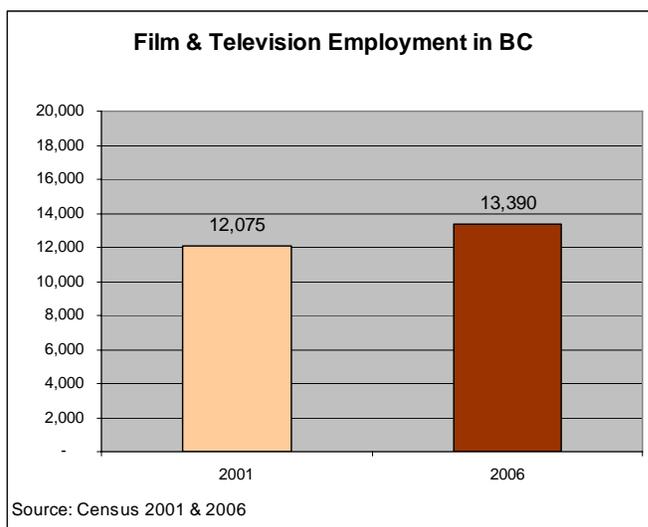
Film and television is BC's best known and most publicized creative industry. This industry group comprises establishments primarily engaged in producing and/or distributing motion pictures, videos, television programs or commercials; exhibiting motion pictures or providing post-production and related services. At present, BC is the third largest centre for film and television production in North America (after Los Angeles and New York) with particular strengths in feature film and television production, animation (traditional and computer generated), and special effects for feature films. A strong industry infrastructure, competitive government policy and support, temperate climate and natural beauty, proximity to Los Angeles, and a favourable exchange rate have all contributed to the strength of the industry.

Generally, the BC film and television industry follows a service model. The producer, often US-based, purchases local creative services involved in producing the end product, including writing, directing, and acting. Under such a model, the producer owns the rights, including the worldwide distribution, to the film or show. Once made, the producer will sell rights to distribute the property, or alternatively, distribute the property directly themselves. The producer bears the ultimate risk of failure but also stands to gain from the rewards of success. Under this model, a producer will spread such risk across a portfolio of projects that generate revenues from all present and future distribution. For those providing the creative services, wealth generation ends upon the completion of production and the exchange of wages for services rendered.

The 2006 census statistics indicated roughly 14,000 workers were employed full time in the motion picture and video industries (NAICS 5121). We note that many contract workers are captured under "independent artists, writers, and performers" and thus do not appear in these figures (see Performing Arts and Heritage Institutions below).

While employment has increased, value-added dropped by approximately 4.1% per year between 2002 and 2007, largely due to a drop in foreign productions. Real value-added in 2007 is estimated at approximately \$265 million<sup>6</sup>.

Figure 4.3



<sup>6</sup> In constant 2002 dollar value

Figure 4.4

The province experienced a boom throughout the 1990s and early 2000s with film and television production spending rising from \$211 million in 1992 to a peak of \$1.4 billion in 2003 – nearly a seven-fold increase. A major share of that boom was driven by big-budget foreign productions, mostly owned by the large major US studios, such as Warner Brothers, Paramount, and Sony. Foreign production projects spend on average \$11 million in BC compared to \$2 million per domestic production project.

Following the rapid ascent of foreign production spending, which peaked in 2003, foreign activity has been somewhat volatile over the past years. This volatility can be attributed to labour and writers' strikes in Hollywood, an appreciation of the Canadian dollar, and a growing number of jurisdictions hoping to attract the film industry.

North American and international competition for lucrative production services work from major studios has become spirited with many jurisdictions adopting aggressive tax credit or other forms of government support schemes. In North America alone, 42 jurisdictions currently offer cost reduction incentives for film and television production. On a level playing field basis, BC retains a competitive advantage given its excellent locations, established film services and infrastructure, and reliable tax credit system. However, this competitive advantage is constantly under attack by competing jurisdictions, some international but most recently within Canada, from Ontario.

While foreign spending has been volatile in recent years, domestic spending has steadily increased in number of projects and total spend, only slightly retreating in 2008. However, these gains have not been enough to fully offset the drop in foreign numbers. Furthermore, CRTc Canadian content broadcasting and government funding requirements in many ways hamstringing producers from producing internationally appealing and marketable

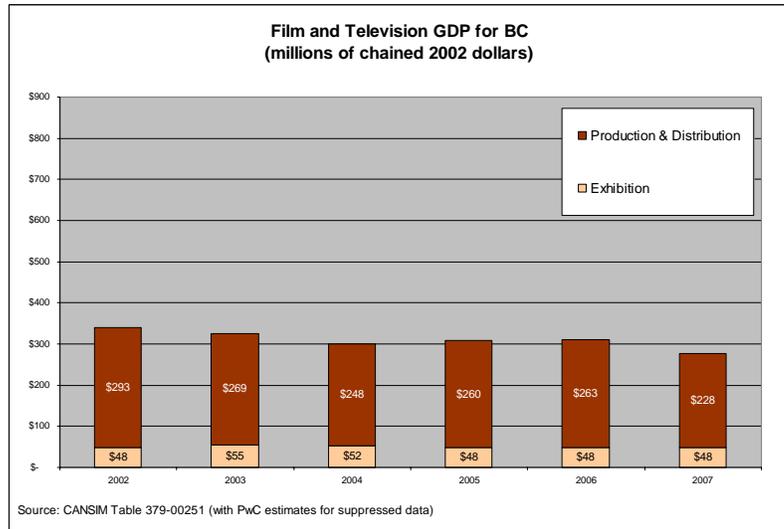


Figure 4.5

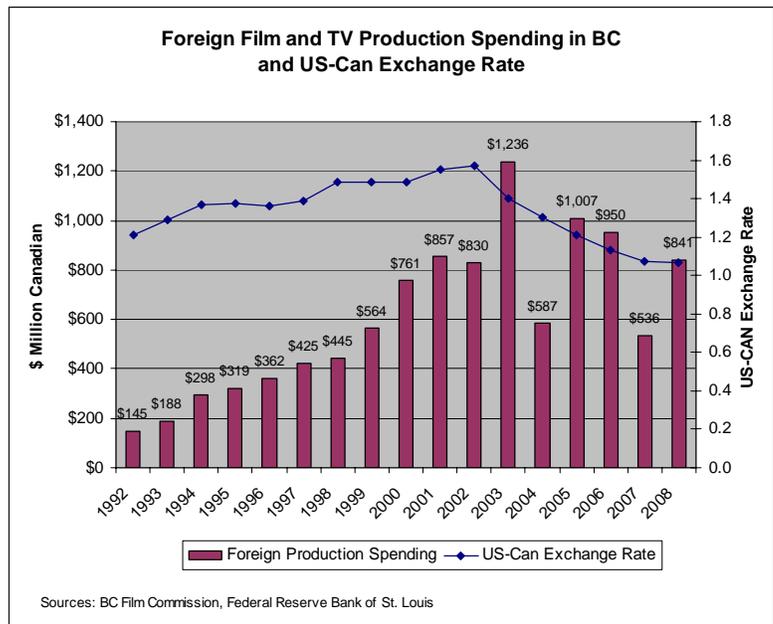
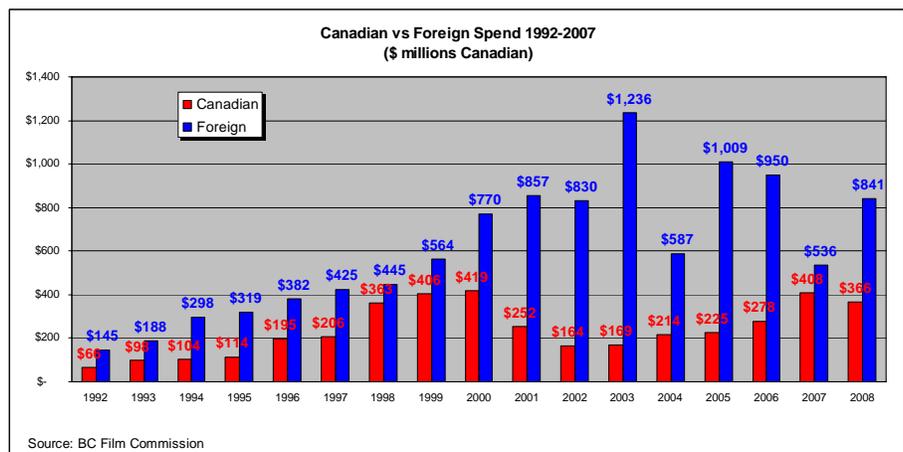


Figure 4.6



content. Domestic demand for Canadian content is not expected to appreciate significantly, especially given the convergence of media platforms (e.g., internet) not subject to current levels of broadcasting regulations imposed on television and radio. Currently, Canadian films still represent less than 5% of Canadian box office revenues, with the large majority being French language films in Quebec.<sup>7</sup>

## 4.2 Recorded Music

Nationally, the music industry is concentrated in Ontario and Quebec and dominated by a few large foreign-owned companies. While BC is well known for its independent music industry, the commercial music industry itself is modest in scale. In 2006, the music industry comprising of operations primarily engaged in producing and distributing music recordings, publishing music, or providing sound recording and related services, was reported as generating approximately \$84.1 million in revenues<sup>8</sup> and employing just 750 people in BC<sup>9</sup>. In 2003 (the last year for which unsuppressed data exists), value-added from the music industry totaled approximately \$33 million.

The Canadian music industry, like the global music industry, is facing the challenge of the digital age and music downloading, which is causing major shifts in the music industry business model and the profitability of traditional music companies. Domestic retail sales in Canada have been declining since the late nineties, dropping some 37% between 1998 and 2004<sup>10</sup>.

This declining trend mirrors the global market, which has seen the physical music distribution market decline 39.3% between 2004 and 2008<sup>11</sup>. Digital distribution, on the other hand has seen an almost six-fold increase in sales over the same period and now represents 26% of total recorded music sales. In Canada, digital distribution is set to pass physical distribution in 2011 – one year ahead of when digital will overtake physical on a global basis.

Music exports have also been declining in Canada and physical trade in music goods has gone from a net export to a net import situation since 2004.

While the declining trends of the traditional music industry pose serious problems for studios in Ontario and Quebec, they represent fresh new opportunities for British Columbians not tied to studio contracts, allowing them to exploit innovative new distribution and marketing channels.

Figure 4.7

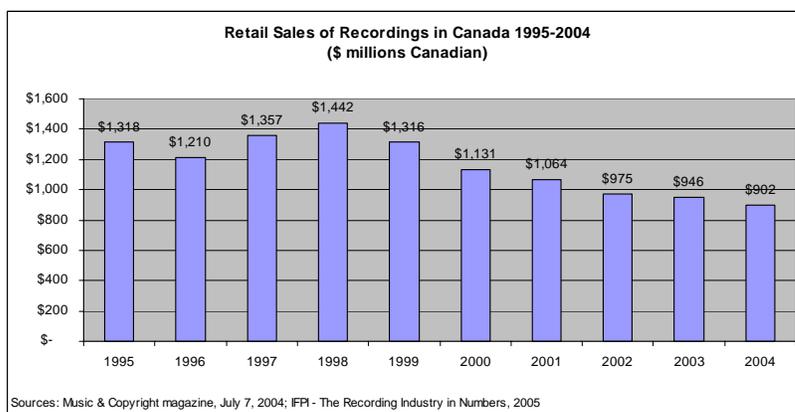
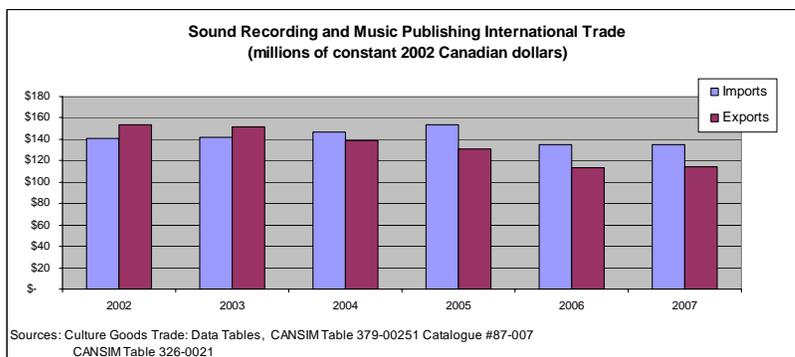


Figure 4.8



7 "The Economic Contribution of Copyright Industries to the Canadian Economy", Wall Communications Inc.

8 Statistics Canada, Sound Recording and Music Publishing: Data Tables 2006, Catalogue number 87F008

9 Census 2006

10 Canadian Heritage, The Canadian Music Industry: 2005 Economic Profile

11 PwC Global E&M Outlook: 2009-2013

### 4.3 Performing Arts and Heritage Institutions

This sub-sector encompasses a variety of activities undertaken by performing arts companies and independent writers, artists, and performers, as well as promoters, agents, and heritage institutions. It is one of the largest creative subsectors but has experienced only modest 1.4% per year GDP growth between 2002 and 2007. Due to aggregation of public accounts, this category not only captures performing artists and companies such as the ballet or symphony, but also artists participating independently in the film, television, and music industries.

The large number of independent artists, writers, and performers are likely to be employed largely on a part time or short-term contractual basis, thus somewhat inflating the employment figures.

Export value from the performing arts is difficult to measure, but can be thought of as being part of tourism trade. That is, a proportion of revenues from concerts, museum exhibits, and other such activities are usually derived from tourist spending. According to a Tourism BC Visitor Study<sup>12</sup>, 25% of visitors to BC visit art galleries, museums, or exhibits during their stay.

Figure 4.9

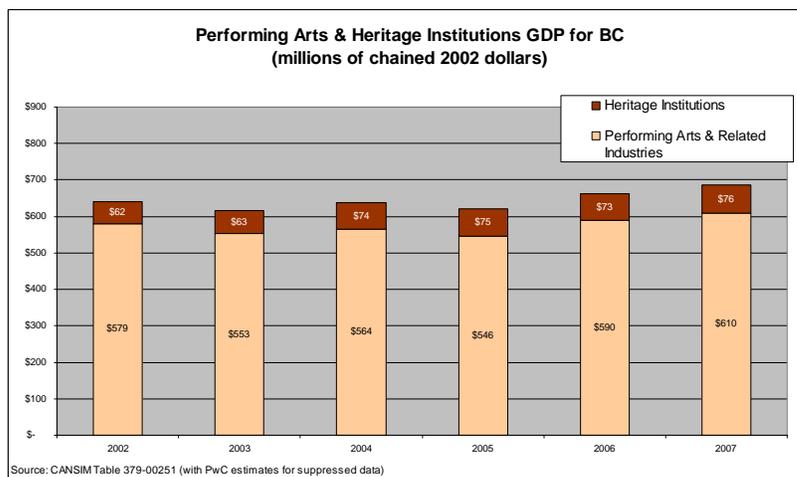


Figure 4.10

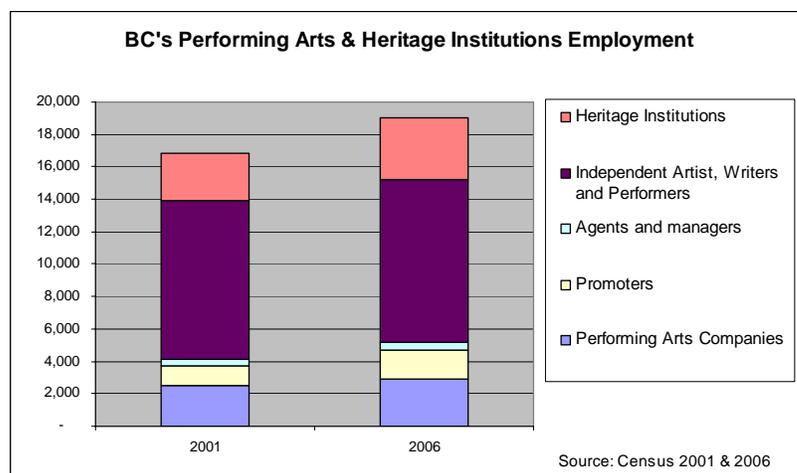


Figure 4.11

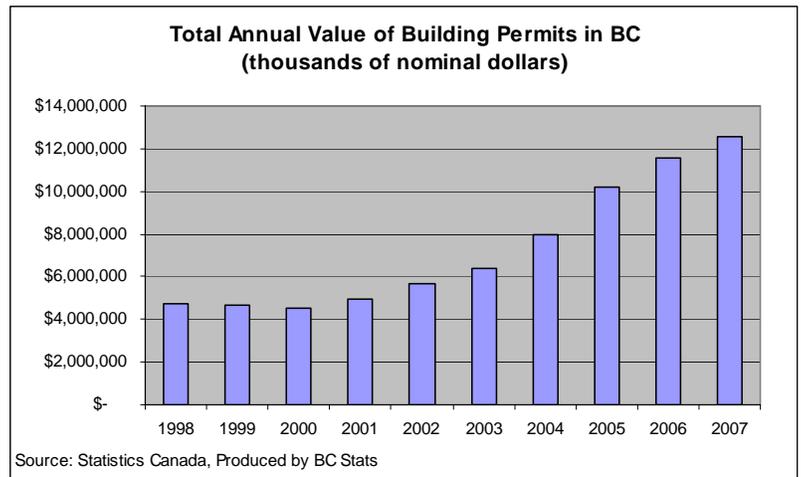
Activities While Visiting BC	Non-resident Total
Art galleries/museums/exhibits	25%
Sightseeing in the city/town	16%
Freshwater Fishing	15%
Sightseeing in the country	9%
Visiting friends and relatives	8%
Zoos/natural displays/gardens	8%
Hiking/backpacking	7%
Nightlife	4%
Resting/relaxing	5%

<sup>12</sup> BC Visitor Study: Report on Travel in British Columbia, Tourism BC, 1998

Figure 4.12

## 4.4 Design

Design includes architectural design as well as fashion, interior, industrial, and graphic design. These activities are recorded as part of NAICS 5413 – Architectural, Engineering, and Related Services and NAICS 5414 – Specialized Design Services. Both these sectors saw employment growth between 2001 and 2006, rise from 24,040 to 31,025 and 6,535 to 8,535, respectively. Similarly, value-added from Architectural, Engineering, and Related Services increased from \$1.2 billion in 2002 to \$1.4 billion in 2007. However, the gains can largely be attributed to the construction boom in BC, which is now moderating.



Furthermore, it is uncertain which proportions creative design activities represent of these totals. Based on statistics from the Architectural Institute of BC, it can be estimated that approximately 7% of employment in the NAICS 5413 industry classification is architecture-related, which we have then used to estimate value-added.

Figure 4.13

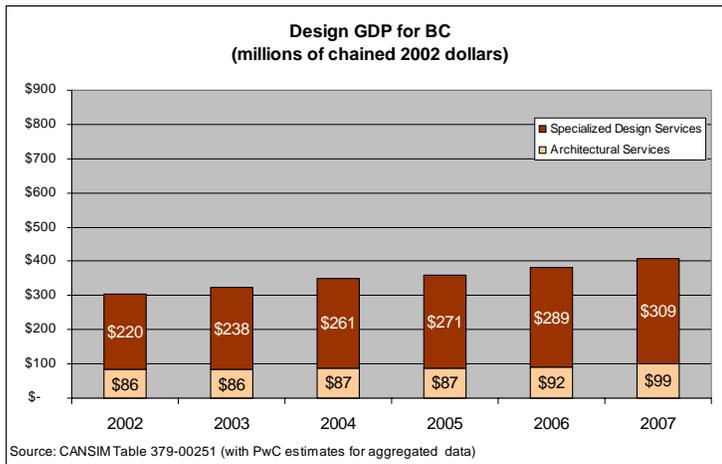
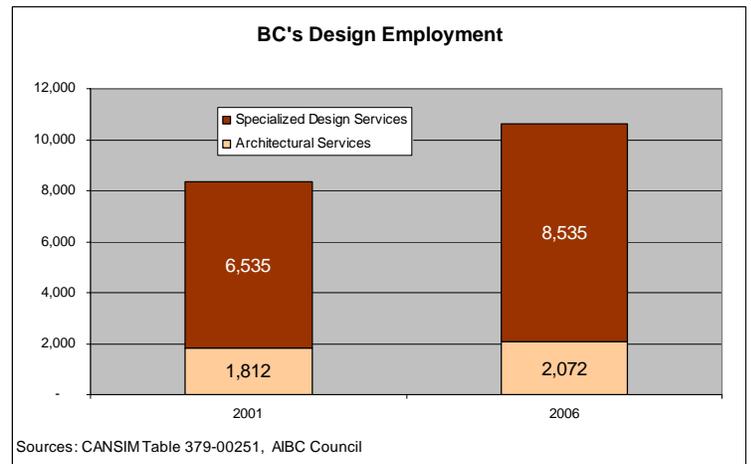


Figure 4.14



While BC is known for its world-class architects and architectural firms, including Author Erickson and Bing Thom and Associates, international trade in architecture is minimal. Nationally, both architectural-related imports and exports have ranged between \$1 and \$3 million annually over the last decade.

Industrial Design, which relates to “the professional service of creating and developing concepts and specifications that optimize the function, value and appearance of products and systems”<sup>13</sup>, is gaining more attention as BC strives to transition from a resourced-based to a technology and knowledge-based economy. While investment in the sector has historically been low in BC, the province is building capacity in the field as the Emily Carr University of Art and Design now offers both a BA and an MA in industrial design, graduating about 30 students each year. In addition, Simon Fraser University hosts a Design Research Canada network that links design researchers to industry.

<sup>13</sup> Industrial Design Society of America

## 4.5 New Media

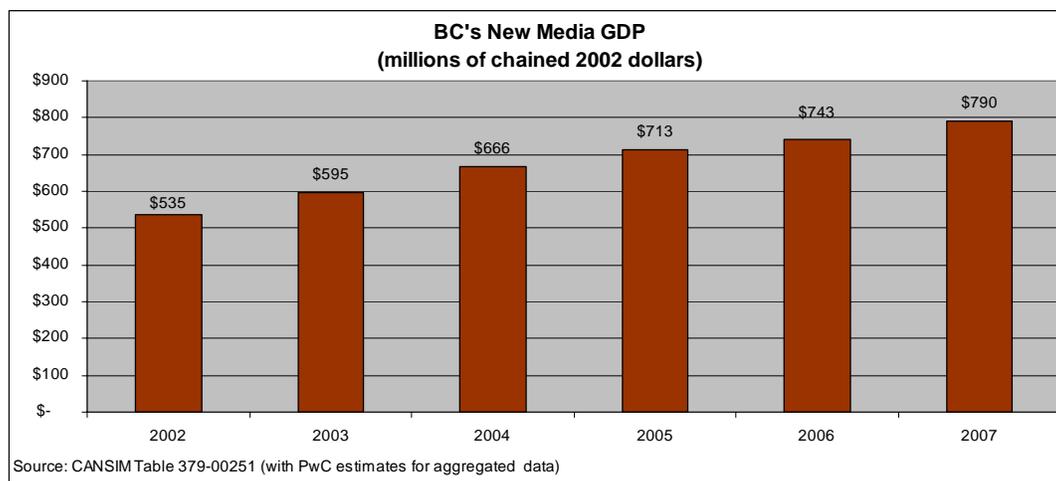
The term New Media generally refers to digital interactive media such as internet content and video games. In contrast to “old media” like print publications and analogue radio and television broadcasting, “new media” involves active participation by the user rather than one-way static communication. New media sub-sectors include games and digital entertainment, animation and digital film, interactive design (including web), mobile content and applications, e-learning, software, and sector-based services. With this broad range of activity, it has proven difficult to develop a precise classification of the New Media industry.

BC’s New Media sector is among the world’s top performing clusters, comprising over 1,000 companies employing approximately 15,000 people, with revenues of over \$2 billion a year<sup>14</sup>. The sector is particularly strong in interactive design, game development, e-learning, mobile content and digital film/animation. The sector is supported by a steady stream of skilled graduates from world-class institutions like British Columbia Institute of Technology (BCIT), Emily Carr Institute of Art and Design, Simon Fraser University (SFU), the University of British Columbia (UBC), and the Vancouver Film School. In addition, the recently opened World Centre for Digital Media, a collaboration of BCIT, Emily Carr, SFU, and UBC, is one of a small number of graduate programs in North America teaching advanced topics in business and creative management of digital media.

The largest New Media sub-sector in BC, representing the majority of current and potential future activity, is the interactive games industry. Vancouver is home to approximately 45% of the 300 interactive games companies identified in Canada, which employ over 2,400 employees<sup>15</sup>. The industry is dominated by a small number of in-house development houses, including Electronic Arts, Radical Entertainment, and Relic Entertainment that produce content for large foreign owned publishers with international reach. In many cases, these large publishers – such as Vivendi – have purchased local developers – such as Radical Entertainment.

Within BC, the industry has seen a series of successful local companies bought out by bigger foreign companies, which then adopt the service model with no real prospect of IP retention or growth. Similar to the film and television industry, this has been the product of a lack of sufficient risk capital flowing to the industry as well as lack of senior level business talent.

Figure 4.15



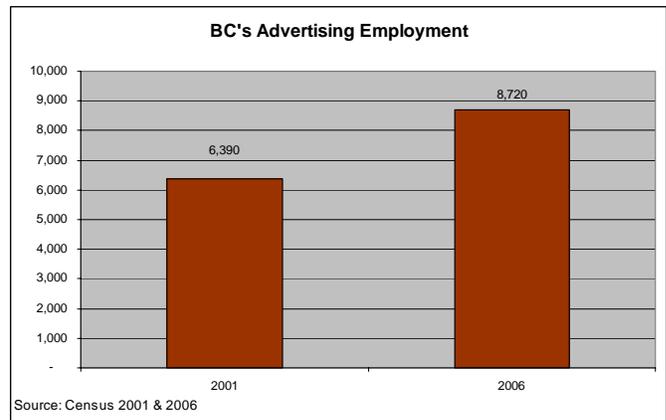
14 New Media BC

15 New Media BC, National Game Map. Prepared for the National Research Council, 2005

Figure 4.17

Nevertheless, the New Media sector has been the fastest growing creative sub-sector in recent years with GDP estimated to have grown from \$535 million in 2002 to \$790 million<sup>16</sup> in 2007, for an average annual growth rate of 8.1% per year. New Media BC estimates new media employment to be some 15,000 in the province. However, amidst the recent global economic downturn, many of the major foreign-owned operations have already begun to experience significant lay-offs.

Also, like the film production sector, New Media's competitiveness has been and is increasingly, effected by the widespread use of popular government incentives to attract this sector to their jurisdictions. No such incentives are currently available to this sector in British Columbia.



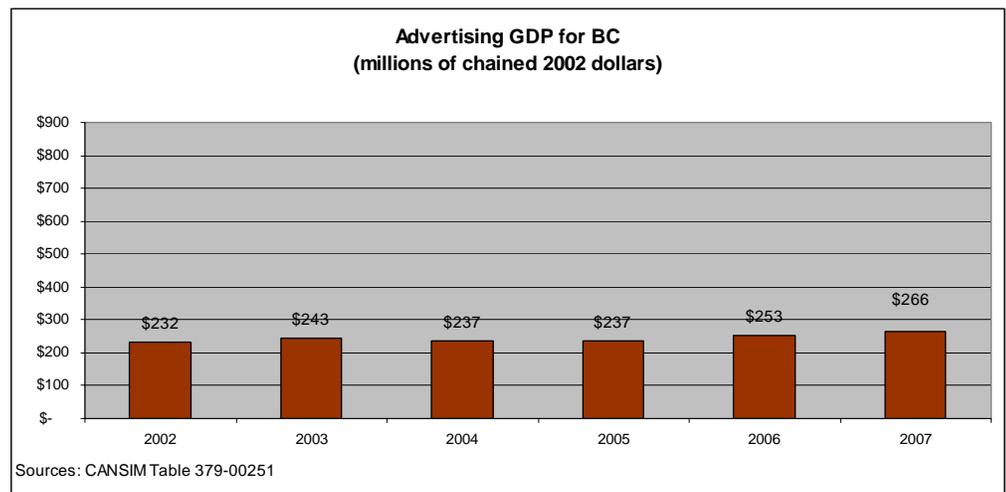
## 4.6 Advertising

This industry group comprises establishments primarily engaged in creating mass-media advertising or public relations campaigns; placing advertising in media for advertisers or advertising agencies; selling media time or space to advertisers or advertising agencies for media owners; creating and implementing indoor or outdoor display advertising campaigns; creating and implementing direct mail advertising campaigns; delivering (except by mail) advertising materials or samples; creating and implementing specialty advertising campaigns; providing related services, such as sign painting and lettering, welcoming services and window trimming services.

While not all related advertising activities have their origins in creativity, a significant amount do. Furthermore, advertising products ultimately are tied to media outlets including television and magazines. New forms of advertising including internet, mobile, and in-game ads have emerged of late and are likely to change the advertising landscape going forward.

Over the period 2002 to 2007, advertising GDP rose 14.8% from \$232 million to \$266 million. At the same time, employment also jumped, increasing from 6,390 to 8,720 between 2001 and 2006, leading all creative industries in employment growth.

Figure 4.16



<sup>16</sup> In constant 2002 dollar value

Figure 4.18

## 4.7 Radio and Television Broadcasting

Broadly, this creative industry comprises Radio and Television Broadcasting, Pay and Specialty Television, and Cable and Other Program Distribution.

The industry has undergone a shift away from traditional analogue broadcasting to digital cable distribution, which is reflected in recent GDP figures. Overall the industry experienced 2.6% per year real average growth between 2002 and 2007, with employment following a similar trend.

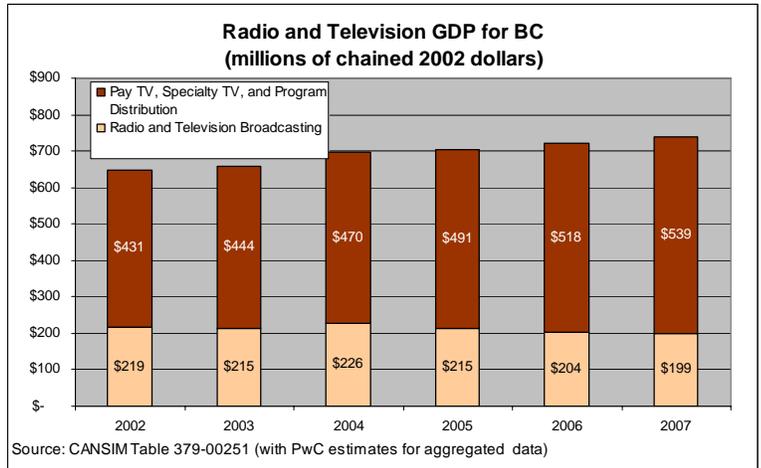


Figure 4.19

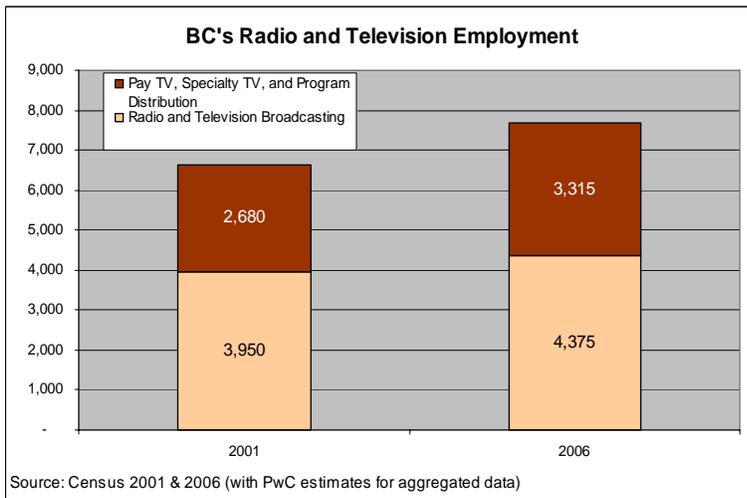
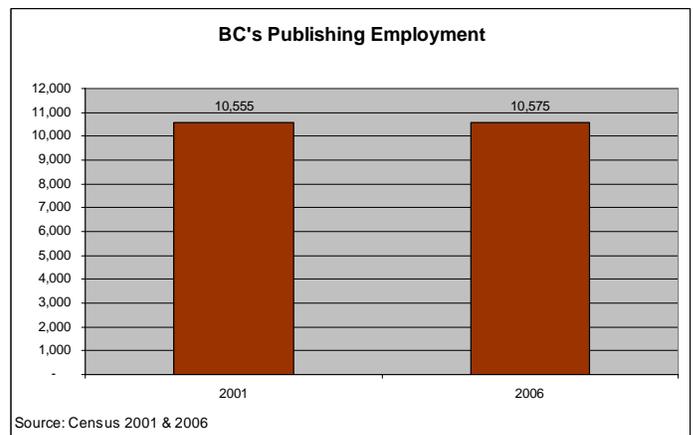


Figure 4.20

## 4.8 Print Publishing

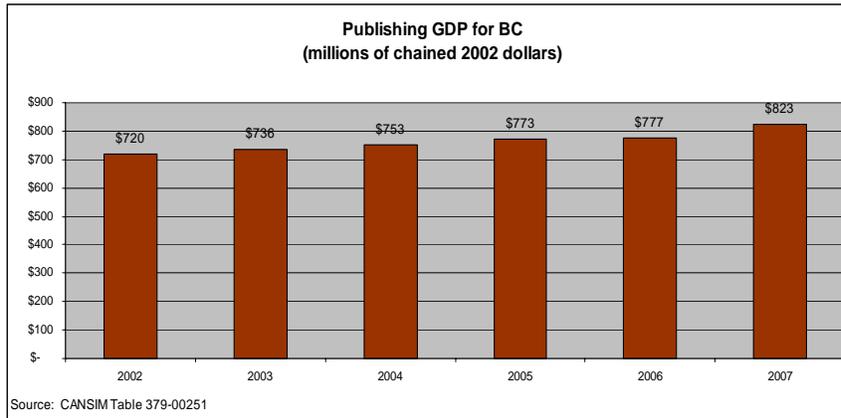
While New Media and film and television industries received much of the attention when considering the Creative Sector, traditional written media remains a major employer and wealth generator in British Columbia. In 2006, Newspaper, Book, and Magazine publishers employed 10,575 people<sup>17</sup> and in 2007, generated \$823 million in value-added for the province<sup>18</sup>, with steady 2.7% compound annual real growth between 2002 and 2007. However, employment has remained virtually flat. These figures do not include the contributions of independent writers.



<sup>17</sup> 2006 Census

<sup>18</sup> Statistics Canada

Figure 4.21



Nationally, Canada remains a large net importer of written and published works, with exports experiencing a slide in recent years.

Figure 4.21 Writing and Published Works International Trade with Canada

	2000	2001	2002	2003	2004	2005	2006	2007
	<i>thousands of current \$</i>							
<b>Imports</b>								
<b>Writing and published works</b>	\$ 2,745,106	\$ 2,721,347	\$ 2,793,628	\$ 2,845,013	\$ 2,822,840	\$ 2,817,419	\$ 2,843,971	\$ 2,835,173
Books	\$ 1,420,694	\$ 1,422,811	\$ 1,525,891	\$ 1,452,666	\$ 1,429,695	\$ 1,412,619	\$ 1,404,843	\$ 1,411,274
Newspapers and periodicals	\$ 1,059,383	\$ 1,037,956	\$ 1,004,600	\$ 1,120,124	\$ 1,126,665	\$ 1,157,647	\$ 1,156,351	\$ 1,141,968
Other printed materials	\$ 265,029	\$ 260,580	\$ 263,137	\$ 272,223	\$ 266,480	\$ 247,153	\$ 282,777	\$ 281,931
<b>Exports</b>								
<b>Writing and published works</b>	\$ 867,139	\$ 960,038	\$ 969,564	\$ 940,422	\$ 862,527	\$ 853,187	\$ 787,728	\$ 694,272
Books	\$ 382,468	\$ 478,411	\$ 486,745	\$ 459,933	\$ 430,802	\$ 398,851	\$ 398,805	\$ 385,252
Newspapers and periodicals	\$ 244,997	\$ 207,877	\$ 228,252	\$ 224,003	\$ 183,078	\$ 211,197	\$ 205,903	\$ 154,020
Other printed materials	\$ 239,674	\$ 273,750	\$ 254,567	\$ 256,486	\$ 248,647	\$ 243,139	\$ 183,020	\$ 155,000
<b>Net Exports</b>								
<b>Writing and published works</b>	(1,877,967)	(1,761,309)	(1,824,064)	(1,904,591)	(1,960,313)	(1,964,232)	(2,056,243)	(2,140,901)
Books	(1,038,226)	(944,400)	(1,039,146)	(992,733)	(998,893)	(1,013,768)	(1,006,038)	(1,026,022)
Newspapers and periodicals	(814,386)	(830,079)	(776,348)	(896,121)	(943,587)	(946,450)	(950,448)	(987,948)
Other printed materials	(25,355)	13,170	(8,570)	(15,737)	(17,833)	(4,014)	(99,757)	(126,931)

Source: Statistics Canada, Culture Goods Trade: Data Tables, Catalogue no. 87-007

## 5 Factors Shaping the Outlook for the Creative Sector

Over the coming decade, the global entertainment and media markets are poised to undergo rapid transformation and growth that will be driven by rising incomes in the developing world, converging technology platforms, and changing demographics. All three factors will contribute to changes in how entertainment and media is produced, distributed, and consumed. Using analysis drawn from PwC's *Global Entertainment and Media Outlook: 2009-2013*, each of these three factors is discussed below. It should be noted that the Outlook assumes the current recession will run for approximately 24-36 months with recovery beginning in 2011 with expectations of healthy growth during 2012-2013.

### 5.1 Global Entertainment and Media Outlook: 2009-2013

In PwC's *Global Entertainment and Media Outlook: 2009-2013*, the global entertainment and media (E&M) market is forecasted to grow at an average rate of 2.7% per year. This includes growth from Internet Advertising at 7.3% per year, Video Games at 7.4% per year, and TV Subscriptions and License Fees at 6.3% per year. Established segments like Filmed Entertainment and Book Publishing are expected to achieve modest average annual growth of 4% and 0.6% respectively. Segments that are expected to either experience no growth or a contraction include Television Advertising (0.0%), Radio Advertising (0.0%), Recorded Music (-3.0%), Newspaper Publishing (-2.0%), Magazine Publishing (-0.9%) and Business to Business Publishing (-2.3%).

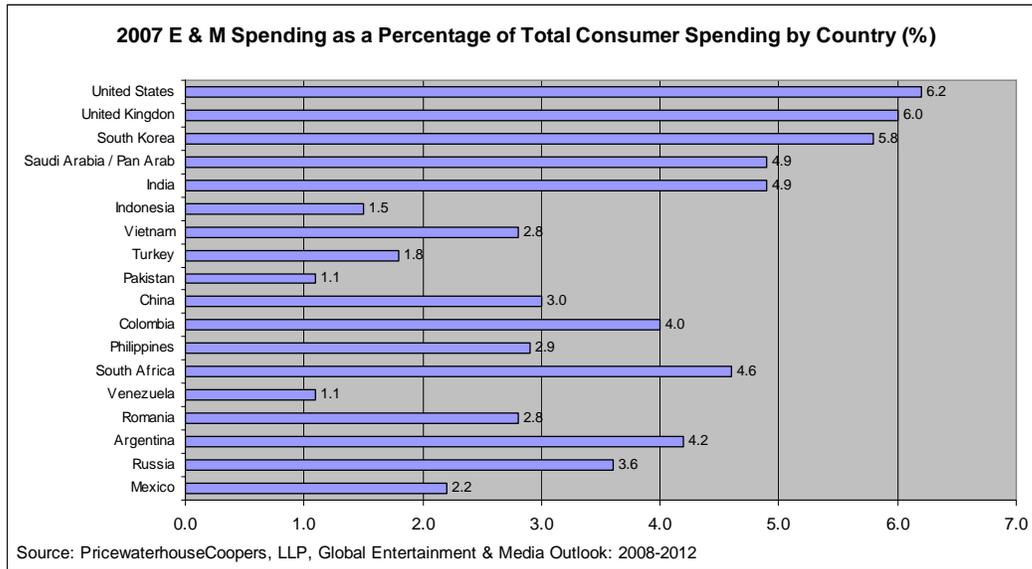
The forecasts take into account the recent global economic crisis, which will undoubtedly slow global economic growth and curtail spending on luxury goods in the short term. As such, the forecasts presented in the outlook are subdued. That being said, however, longer term trends still look favourable for the global E&M market.

### 5.2 Emerging Markets Leading the Way

The global growth in E&M is being led by emerging markets such as Vietnam, Indonesia, India, and Saudi Arabia/Pan Arabia all of which are expected to experience double-digit annual growth in the E&M market between 2009 and 2013, compared to the rest of the world at 2.7%. E&M growth in emerging markets such as Vietnam, Indonesia, Turkey and Russia will also outpace GDP growth in those nations post-recession forecasted to occur from 2011-2013, as rising disposable incomes from the expanding middle class translates into increased consumer spending on luxury goods like E&M. Currently, in wealthier countries including the US and Canada, E&M constitutes around 6% of consumer spending, whereas E&M in developing countries captures 3% or less. As the rest of the world plays catch-up, the E&M market in those countries will expand quickly. Indeed, major US film studios already receive the majority of their filmed entertainment and home video revenues from foreign market sales.

As a leading E&M production centre with cultural linkages to many emerging markets, BC is well positioned to capitalize on this trend. However, emerging markets also represent increased competition for Creative Sector employment. Developing country governments are mounting coordinated strategies to develop and support their Creative Sectors while integrated global distributors of content are looking to reduce development costs.

Figure 5.1



### 5.3 Convergence and the Digital Age

Convergence is the melding of four historically separate sectors – telecommunications, information technology (IT), media & entertainment, and consumer electronics – made possible by the ability of different network platforms to easily exchange data, and the merging of consumer devices. Media is no longer being consumed on separate devices like televisions, audio equipment, cell phones, personal computers, or video game consoles. Instead, technologies are blending so that consumers can enjoy a seamless stream of data, video, and music anywhere. At the same time, advances in broadband and wireless infrastructure are facilitating transfers of greater and greater amounts of data at faster and faster speeds. Convergence signifies an ending of one-way information flows and the emergence of interactive media consumption and communication. By 2020, all media will likely be consumed over the same internet-based platform and be available on-demand virtually anywhere via wireless communications.

Before we reach a completely wireless world, wired communication will still be a critical technology facilitator. Wired broadband spending is growing rapidly in every region of the world, driving global Internet access spending to \$334 billion in 2013 – a 9.2% compound annual growth rate. In 2008, there were 380 million broadband households worldwide – an increase of 19.7% from 2007. During the next five years, the broadband household universe is expected to almost double, rising to 647.8 million in 2013 – a 11.5% compound annual increase.

Table 5.1 – Projected Number of Broadband Households (millions)

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2009-13 CAGR[1]
United States	30.6	39.6	50.9	65.9	74	77	80	87	96.5	103.5	
YoY change		29.4%	28.5%	29.5%	12.3%	4.1%	3.9%	8.8%	10.9%	7.3%	7.7%
EMEA	37.4	57.7	81.7	108.0	131.7	141.8	153.8	172.6	198.3	223.8	
YoY change		54.5%	41.6%	32.2%	21.9%	7.7%	8.5%	12.2%	14.9%	12.9%	12.1%
Asia Pacific	59.5	79.1	97.2	119.0	144.7	168.4	192.7	215.1	238.8	264.3	
YoY change		33.0%	22.8%	22.5%	21.6%	16.4%	14.5%	11.6%	11.0%	10.7%	11.9%
Latin America	3.9	7.1	10.7	15.6	20.3	23.3	26.7	31.7	37.7	43.9	
YoY change		82.7%	50.4%	46.6%	29.6%	14.8%	14.8%	18.5%	19.1%	16.3%	13.5%
Canada	5.4	6.4	7.5	8.5	9.0	9.5	10.0	10.7	11.5	12.3	
YoY change		18.6%	16.0%	13.9%	5.9%	5.6%	5.3%	7.0%	7.5%	6.5%	6.6%
<b>Total</b>	<b>136.7</b>	<b>189.9</b>	<b>247.9</b>	<b>317.0</b>	<b>379.6</b>	<b>419.9</b>	<b>463.2</b>	<b>517.0</b>	<b>582.8</b>	<b>647.8</b>	
<b>YoY change</b>		<b>38.9%</b>	<b>30.5%</b>	<b>27.9%</b>	<b>19.7%</b>	<b>10.6%</b>	<b>10.3%</b>	<b>11.6%</b>	<b>12.7%</b>	<b>11.1%</b>	<b>11.4%</b>

Sources: PricewaterhouseCoopers LLP, Wilkosky Gruen Associates

Wireless network upgrades and the rollout of third-generation (3G) and in some countries fourth generation wireless services will stimulate demand for mobile Internet access in every region. Global mobile Internet access spending is expanding at an 16.5% compound annual growth rate to \$111.4 billion in 2013. By 2013, it is expected that nearly 30% of wireless telephone subscribers in North America will use their handsets to access the internet compared with 3.4% in 2008.<sup>19</sup>

Convergence is most profound again in the emerging markets, where media is consumed far more over the internet on computers and phones than on the traditional hardware used more in the West. Indeed, a recent global Nielsen survey suggests that the computer has already outgrown the television in terms of usage with 77% of respondents indicating they had used a PC during the past month, versus 75% reporting television usage<sup>20</sup>.

For business, convergence means new business models involving mergers, acquisitions, partnerships, and collaborations of companies across the value chain. For content providers, it means new distribution channels, products, and formats.

## 5.4 Demographics

A third component to the E&M boom, adding to rising incomes and enabling technologies, is the rise of the “Net Generation” – the first to grow up digital. This global, connected youth generation was born from 1977 to 1997. Where their parents spend on average 20 hours every week watching television, the Net Generation consumes on average 20 hours of media every day, actively multitasking through the Internet, listening to music, and watching TV.

The E&M consumption habits of the Net Generation are changing how entertainment and advertising are produced, consumed, and distributed.

<sup>19</sup> PwC Global E&M Outlook: 2009-2013

<sup>20</sup> Nielsen Global Online Consumer Survey (September 2008)

Table 5.2 - Net Generation

Country	2007 Under -25 Population (Millions)	%of Total Population Under 25
India	568,288	50
China	496,616	38
United States	103,630	34
Brazil	82,299	43
Mexico	53,221	49
Russia	43,412	31
Japan	31,010	24
Germany	20,988	25
France	19,867	31
United Kingdom	18,430	30
Canada	10,217	31
Spain	10,199	25

Sources: PricewaterhouseCoopers LLP, US Census Bureau international database, Wilkofsky Gruen Associates

At the same time, the rise of the Net generation also represents a coming period of labour imbalance as fewer younger workers will be available to replace the aging Baby Boomers. The Creative Sector, especially high tech New Media, will likely see increasing wage pressures necessary to attract and retain educated young workers. This adds concern in the face of increased competition from lower waged regions of the world.

## 6 Individual Creative Sector Industry Outlooks

The Creative Sector is on the cusp of a global boom. Rapid technological change and continued growth and integration of the global economy will impact all Creative Sector industries. The already blurred lines of distinction between industries will only get fuzzier as the internet emerges as the main media, entertainment, and communication platform.

Again, with estimates and analysis drawn from PwC's *Global Entertainment and Media Outlook: 2009-2013*, we look at the outlooks for individual Creative Sector industries.

### 6.1 Film & Television

Globally, the filmed entertainment market, consisting of consumer spending at the box office, on renting at video stores or through online orders, or on purchases of home video products, is projected to grow globally at 4.0% per year on average through 2013. The Asia Pacific market is leading the way at 5.7%, while the US and Canada stand at 3.3% and 4.2%, respectively.

While home video sales are still roughly twice those of box office sales, the latter is expected to outpace the former over the coming years, enhanced by digital cinemas and digital cinema upgrades to 3-D and by modern theatres and more screens in a number of countries outside of North America. Online rentals and digital downloads is also expected to make a significant reach into the market, growing from 3.8% of the global market in 2008 to 9.7% in 2013.

The television subscriptions and license fee market, consisting of revenues generated by distribution of television programming to viewers, is forecasted to grow at 6.3% per year through 2013. Again, Asia Pacific leads at 10.5% with the North American market more modest at 5.5% and 3.8% for the US and Canada, respectively. Strong international demand growth for content should translate to increased demand for content providers and services. However, as noted above, international productions are sensitive to exchange rate fluctuations.

The combination of increased Canadian television subscriptions and CRTC Canadian content rules should also translate to increased demand for Canadian productions. But again, the international marketability of such products is limited. Increased Canadian demand for film and television also represents growth potential for Canadian distributors of foreign productions.

Moving forward, significant growth in wealth creation will only be possible if BC is successful in a domestic proprietary model, one in which major domestic studios are able to produce content, retain IP, and market internationally. However, many obstacles lie in the way of making such a model reality. Chief among these is the attraction of a critical mass of capital investment sufficient to withstand the inherent risks involved in the highly competitive, hit-driven film and television industry. Deep pockets are needed to spread risks over time and over multiple projects. New and coordinated government and industry approaches are needed to move the industry up the value chain from the service to the proprietary model. The economic downturn may actually represent a great opportunity to move in this direction as US studios and broadcasters look to cut costs, reduce risks, and take an overall more conservative approach by perhaps partnering with BC based content owners and producers..

### 6.2 Recorded Music

The global music market saw the physical distribution market decline 39.3% between 2004 and 2008. Digital distribution, on the other hand has seen an over five-fold increase in sales over the same period and now represents 26% of total recorded music sales. In Canada, digital distribution is set to pass physical distribution in 2011 – one year ahead of when digital will overtake physical on a global basis.

The Canadian radio market, consisting of advertiser spending on radio stations, as well as satellite-delivered radio subscriptions is forecasted for modest growth at 3.3% per year through 2013. Of this growth, satellite radio will take the greater share, forecasted to grow at 21.5% compared to radio advertising at -2.1%.

For the new breed of BC musicians and labels, success is no longer measured in record sales but rather is based on all business units – touring, licensing, merchandising, and writing for commercials, movies, and video games. Again, the theme of convergence arises as the industry lines get crossed. And again, like the film and television industry, the retaining and exploiting of IP will be the key to true wealth creation for the province.

### 6.3 Design

The slowdown of the BC construction market and the general global recession will negatively impact demand for architectural and other specialized design services. However, one area of potential future growth in architectural design may be in the area of green, or energy efficient design. As global energy demand from emerging markets continues to grow, price pressures and environmental concerns will drive economies to greater energy efficiency. Architectural and industrial design will be challenged to minimize environmental footprints of buildings and goods.

The Canadian Green Building Council, which has an office in Vancouver, provides certification under the Leadership in Energy Efficient Design (LEED) green building certification. Since 2001, 868 people have become LEED Accredited Professionals in British Columbia, and 211 projects have been registered for LEED certification, of which 23 projects have been certified.

As a national leader of efficient building design, BC professionals are well positioned to exploit the green trend by exporting their services to other jurisdictions.

Industrial Design promises to be a key growth area, especially in the technology sectors. Investments in Industrial Design education will likely reap rewards for the province in the forecast horizon if supported by business investment.

Figure 6.1

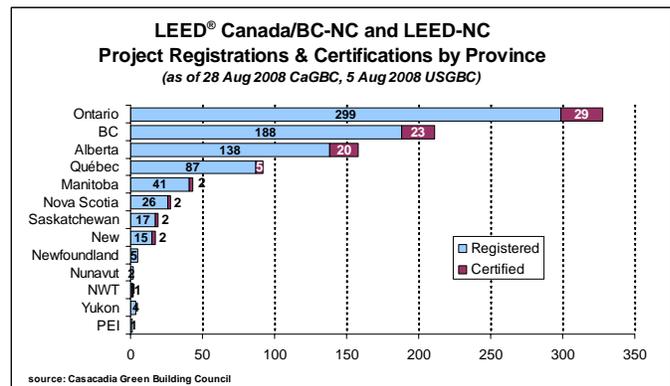
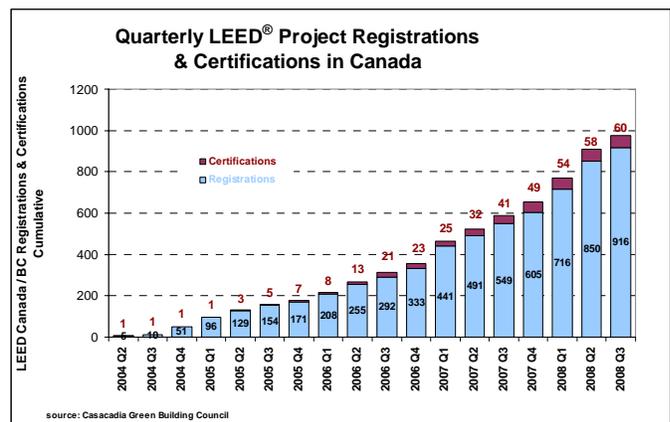


Figure 6.2



### 6.4 New Media

The video game market, reflecting consumer spending on console games, personal computer games, online games, and wireless games, as well as video game advertising, is forecasted to expand globally by 7.2% per year through 2013. The largest video game market is Asia Pacific and the largest video game product is console games, which bears well for Vancouver-based developers like Electronic Arts. However, online and wireless games represent the largest growth areas at 10.6% and 13.8% per year, respectively, again reinforcing the convergence trend.

Principal drivers of the market include the next generation of consoles, the continued success of the latest handheld devices, and the increased popularity of massive multiplayer online games.

Given the forecasted growth trend for the New Media sector globally, a strong service-based industry cluster will still likely attract foreign investment and generate solid employment and wages in the province. However, although the skilled workforce and training support infrastructure exists in British Columbia, the province's high standard of living will continue to put upward pressure on labour and real estate costs, making the interactive game industry vulnerable to competition from lower cost international centres such as Korea and India and within Canada, principally Ontario and Quebec. Where physical location matters significantly for film and television production, it matters much less for games production.

## 6.5 Advertising

Canadian advertising spending increased slightly with a 0.1% increase in 2008, down from a 6.0% increase in 2007, hampered by a decline in all publishing segments and radio advertising. Leaders included internet advertising at 8.6% and a small video game segment at 13.9%.

Over the next five years, it is expected that internet advertising will be the fastest growing advertising category in Canada at 8.6% compounded annually between 2009 and 2013, driven by increases in paid search and mobile advertising. In-game video game ads will also be a high growth area, forecasted at 6.2% per year. Out-of-home ads (e.g., billboards) will expand at 1.5% per year, while television advertising will increase by a modest 0.3%. All other forms of advertising will experience negative growth over this time frame.

Even though advertising growth will decline in the short term, trends and forecasted growth in digital advertising spending represent new opportunities for innovative ad agencies as well as challenges for established companies to move with the times.

## 6.6 Print Publishing

Consumer magazine publishing, consisting of advertiser spending in consumer print magazines, magazine Web sites and mobile sites, as well as reader spending on subscriptions or retail purchases, is globally forecasted to decline on average at -0.9% per year through 2013. Canada is below the average at -1.1% per year while the US is further below at -1.7%. The magazine industry, like the music industry, is undergoing a digital shift, with more and more online subscriptions cutting into physical distribution sales. In addition, the impact of the economy is reducing the amount of consumer discretionary spending on items such as consumer magazines and other published materials.

Global consumer book publishing is expected to grow modestly between 2009 and 2013 at 0.6% per year. While the Canadian market is expected to grow at slightly above the global average at 0.8% per year, Canada's largest export market, the United States, has slightly lower forecasted growth at 0.7% per year. Electronic browsing technologies will raise awareness of titles and stimulate consumer book sales in the short to medium term, but an expanding electronic market will begin cutting into print sales into the future.

# 7 Potential Responses and Actions to Help Realize Long-Term Opportunities

Assuming the global financial crisis will be resolved over the next two years global trends in the entertainment and media market suggest a modest expansion over the coming decade. As incomes grow around the world and technology becomes more accessible, demand for creative content will also grow. BC is well-placed to capitalize on this trend as a world-class production service centre, attracting foreign investment into the province.

Moving up the value-chain from service exports to IP exports, however, will require significant coordinated development efforts. A number of government, institutional, and industrial measures could be taken to help realize the full potential of BC Creative Sector. Highlighted below are examples of near-term actionable policy improvements.

## 7.1 Specific policy objectives

Provincial policy-makers and industry players will need to develop and agree upon specific objectives for the Creative Sector. At its core, BC's must decide whether it wants to continue to be a world class service centre providing creative services to foreign investors, and/or if it wants to move up the value chain and become a world class production centre, retaining creative intellectual property and distributing from within the province.

While the latter option may appear to be the most desirable, it may not be achievable for the province or within the capacity of government and industry to achieve. Furthermore, securing production houses in BC may not necessarily correspond to increased service demand. While it may be possible to obtain both, it may well be BC's place to be a breeding ground for creativity and leave high risk production investments to outside interests. While such a situation leaves the province vulnerable to global forces and decision-makers, much can be done to sustain BC's competitive advantage as a service centre.

Furthermore, policy makers must clearly distinguish between cultural policy and economic policy. While policies aimed at advancing Canadian culture can help develop Canadian talent, targeted economic/industrial policies will be needed to help develop commercially viable companies capable of producing exportable products.

## 7.2 Ensure the right infrastructure is in place

As the world becomes more integrated and technologies converge, the way creative content is produced, distributed and consumed will evolve. To be a leader in developing convergent content, BC residents need to be exposed to the technologies and products on a daily basis, as innovation is often driven from the ground up.

While BC is one of the best-connected regions globally (currently, 92% of British Columbians have access to broadband service), other jurisdictions are leapfrogging infrastructure installments with higher adoption rates, at a faster speed, and increasingly on converged systems that serve both fixed and mobile access. Furthermore, BC consumers appear not to be driving change in the marketplace. If convergent technologies are not used and taken up by consumers and businesses, the local market for developing convergent technologies and content will be low.

Government has a clear role to play in maintaining and updating technology infrastructure and in providing education and training to enable citizens to not only access technology, but to profit from it. The 2010 Winter Games will provide a tremendous opportunity to invest in and showcase cutting edge technology in BC.

### **7.3 Maintaining production services**

Maintaining a solid Creative Sector production service centre in BC is absolutely necessary as a foundation for further expansion into the IP market (should this be an objective of policy makers).

BC has successfully developed a film and television services sector by investing in education, through industry coordination, and with government subsidies and targeted tax incentives. However, the interactive games industry does not enjoy the same tax credits afforded to film and television.

Going forward, BC will face increased competition from lower cost centres for lucrative film, television, and games development contracts and investment dollars. As such, the BC government should consider providing longer-term certainty of tax benefits and expand existing criteria to encompass a wider range of creative activities or just media generally.

### **7.4 Moving up the value chain**

BC will leverage its service sector to become a world leader in content production and distribution only if world-class IP can be retained in the province. To do this, significant investments and expertise will be required to manage risk. First, an abundance of high risk venture capital is required to take on endeavors the scale to which is needed to compete on the world stage. The unique nature of the Creative Sector requires unique understanding of the business and risks associated with various investments. Second, high level executive talent with the vision and ambition to reach such scales are equally required. While BC has seen some local success stories, they did not reach the highest level before being bought out and relegated to production house status.

To keep and grow its successful companies, BC needs to establish itself as a uniquely desirable destination for both companies and executives. Such status can be achieved through business-friendly regulatory and tax regimes, immigration incentives, labour and infrastructure, and quality lifestyle.

As BC is a relatively small jurisdiction in terms of population and economic activity, successful companies that are competing, or have the potential to compete, globally should be nurtured and encouraged to stay and grow in the province. With a few large anchor companies firmly established, the province could position itself as world leader in a few limited but focused areas of the Creative Sector. Currently, its strengths lie in film production, visual effects, and interactive gaming. As the global outlook for these sectors looks strong, perhaps this is where the greatest returns could be made for the province. However, time is running short to secure the critical capacity needed to navigate through the expansion and changes to come.

### **7.5 Measuring and supporting the Creative Sector**

Targeted investments and policy can have positive impacts on wealth creation from the Creative Sector. But unless the sector is formally defined and its economic value consistently measured and benchmarked, it will be difficult to track progress, attract investment, and make improvements to policy. Like tourism and technology satellite accounts currently produced for BC Stats, a Creative Sector satellite account should be developed and reported on frequently to allow for greater analysis of trends and benchmarking against other jurisdictions.

Given the converging trends of media and technology, it would also make sense to eliminate the historic distinctions given to various creative activities when providing public support. For example, the successful BC film production tax credit could be provided to all creative media undertakings, including film post-production, interactive game production, and other new media.

Further, cultural content regulations should be dropped in exchange for merit-based public funding. A merit-based, rather than content-based funding program would help accelerate growth of promising companies. As many producers are already limited by Canadian content rules, provincial support should be focused on developing commercially viable companies and less on developing culture.

## 8 Summary and concluding thoughts

BC's Creative Sector is a diverse mix of artists, technicians, and business people operating in a range of industries. The sector has emerged as a major contributor of wealth and culture in BC. Going forward, the sector will not have the luxury of relying on past success and reputation as the global marketplace evolves. While rising global incomes will expand market opportunities for the Creative Sector, rapid technology advancements are changing how information and creative content is distributed and consumed. In the new converged and globalized world, innovation will be the key to sustaining market presence and competitive advantages.

### 8.1 Bigger than you think

The Creative Sector is by all measures very much an important economic contributor to BC. In today's knowledge-based economy, creative skills are quickly moving up the value chain as demand for entertainment and media grow and technology continues to open up new markets. In recognition of the economic value of the Creative Sector, more efforts are being made to define and account for its activities. Using the NAICS system to approximate the various industries that compose the Creative Sector, we estimate that the Creative Sector adds some \$4 billion dollars in wealth to BC, representing 2.7% of provincial GDP. In addition, the Creative Sector employs over 85,000 people. Overall, the Creative Sector is comparable to the traditional resource-based sector of agriculture, forestry, fishing, and hunting.

However, despite the large economic contributions of the Creative Sector, there has yet to be political focus on developing and exploiting it to its fullest potential. This may be a contribution of factors: historical stigma associated with the performing arts, a lack of clear definition for the sector, and a lack of industrial unity across various creative industries and subsectors. It may well be time for government and industry to get organized in their approach to the Creative Sector. While now comparable to other well-established provincial economic sectors, the Creative Sector is very much still at the low end of its potential growth curve.

### 8.2 On the verge of a global boom

Despite the current global economic downturn, long run projections see the continued advancement of emerging markets. As standards of living rise, demand for entertainment and media will follow. Wired and mobile internet investment and uptake is exploding, leading to the convergence of media distribution and consumption – most prominently in emerging markets. These countries are leapfrogging the technologies of the past – television, DVD, CD, video game consoles – to instead enjoy the world of media entertainment through their desktop, laptop, and now mobile phone.

For media providers, the race is on to produce and distribute entertainment geared toward the young and savvy global market.

### 8.3 BC well suited but still lacking core fundamentals

Over the past decade, BC has built a strong infrastructure of industry and education, well suited to capitalize on the growing entertainment and media market. However, key core fundamentals are still lacking if the province truly wants to be a major player on the global scene. While BC currently produces world class content and has the education system to sustain the flow of talent, what it lacks are business leaders capable of taking successful businesses to the global scale, world leading technology infrastructure, innovative distributors, or a culture of technological adoption. None of these are shortcomings are insurmountable, but time is of the essence in the rapidly changing world of culture and technology.



# Appendix A

## Mapping the NAICS into Creative Sector Industries and Sub-sectors

### Methodology

To examine and compare the relative economic contributions and growth trends of the various industries that compose the Creative Sector, and to compare the Creative Sector as a whole against other BC sectors, it is necessary to assign existing NAICS industry classifications to creative industries. In some cases, industries that form part of larger aggregations we estimated using ratios of available data, and in other cases, suppressed data was estimated using ratios and/or annualized growth trends. As such, we caution the use of these estimates.

### Data Sources

GDP data was obtained from CANSIM Table 379-00251: Gross Domestic Product (GDP) at basic prices, by North American Industry Classification System (NAICS) and province, annual (dollars), while Employment estimates were based on Census 2001 & 2006 published figures. In addition, supplementary figures from PwC's Global Entertainment and Media Outlook: 2009-2013, and various industry associations were also used in some cases.

The methodology employed for each creative industry is discussed in turn below.

## Film & Television Production

The Film & Television Production industry is broadly classified under NAICS 5121: Motion Picture and Video Industries, which is comprised of establishments primarily engaged in producing and/or distributing motion pictures, videos, television programs or commercials; exhibiting motion pictures or providing post-production and related services.

While provincial employment is reported at this aggregation, GDP is further disaggregated into the following two sub-categories:

### NAICS 51213 Motion Picture and Video Exhibition

This industry comprises establishments primarily engaged in exhibiting motion pictures. Establishments primarily engaged in providing occasional motion picture exhibition services, such as those provided during film festivals, are also included.

NAICS 5121A0 Motion Picture and Video Production, Distribution, Post-Production and Processing and Developing Services, an aggregation of:

### NAICS 51211 Motion Picture and Video Production

This industry comprises establishments primarily engaged in producing, or producing and distributing, motion pictures, videos, television programs or commercials.

### NAICS 51212 Motion Picture and Video Distribution

This industry comprises establishments primarily engaged in acquiring distribution rights and distributing film and video productions to motion picture theatres, television networks and stations, and other exhibitors.

### NAICS 51219 Post-Production and Other Motion Picture and Video Industries

This industry comprises establishments, not classified to any other industry, primarily engaged in providing post-production services and services to the motion picture and video industries, including specialized motion picture or video post-production services, such as editing, film/tape transferring, dubbing, subtitling, creating

credits, closed captioning, and producing computer graphics, animation and special effects, as well as developing and processing motion picture films.

#### *Estimations*

Data for NAICS 51213 has been suppressed since 2003. To estimate annual values, published national growth rates for box office revenues from the PwC Global Outlook were applied against 2002 values.

Suppressed 2003 GDP for NAICS 5121A0 was estimated using the compound annual growth rate between 2002 and 2004 published values.

## **Music**

Both Employment and GDP is reported for NAICS 5122: Sound Recording Industries, comprising establishments primarily engaged in producing and distributing music recordings, publishing music, or providing sound recording and related services.

#### **Estimations**

GDP data has been suppressed since 2004. As such, figures were estimated based on published national growth rates for recorded music revenues from the PwC Global Outlook.

## **Performing Arts and Heritage Institutions**

The Performing Arts and Heritage Institutions subsector is broadly classified under NAICS 711000: Performing Arts, Spectator Sports and Related Industries and NAICS 712000: Heritage Institutions:

### **NAICS 711 Performing Arts, Spectator Sports and Related Industries**

This subsector comprises establishments primarily engaged in producing, or organizing and promoting, live presentations that involve the performances of actors and actresses, singers, dancers, musical groups and artists, athletes and other entertainers. This subsector also includes independent (free lance) entertainers and artists and the establishments that manage their careers. The classification recognizes four basic processes: producing events; organizing and promoting events; managing and representing entertainers; and providing the artistic, creative and technical skills necessary for the production of artistic products and live performances.

This subsector makes a clear distinction between performing arts companies and performing artists (independents). Although not unique to arts and entertainment, free-lancing is a particularly important phenomenon in this subsector; however, it is difficult to implement in the case of musical groups (companies) and artists, especially pop groups. These establishments tend to be more loosely organized and it can be difficult to distinguish companies from free lances. Therefore, this subsector includes one industry that covers both musical groups and musical artists.

The sector is an aggregation of the following disaggregations:

#### **NAICS 7111 Performing Arts Companies**

This industry group comprises establishments primarily engaged in producing live presentations that involve the performances of actors and actresses, singers, dancers, musical groups and artists, and other performing artists. Examples of establishments in this industry group are theatre companies, dance companies, musical groups and artists, circuses and ice-skating shows.

#### **NAICS 7112 Spectator Sports**

This industry group comprises professional, semi-professional, or amateur sports clubs primarily engaged in presenting sporting events before an audience. These establishments may or may not operate the facility for presenting these events. Independent professional, semi-professional or amateur athletes (in their role of athletes), and operators of race tracks are also included.

#### NAICS 7113 Promoters (Presenters) of Performing Arts, Sports and Similar Events

This industry group comprises establishments primarily engaged in organizing and promoting performing arts productions, sports events and similar events, such as festivals. Establishments in this industry group may operate arenas, stadiums, theatres or other related facilities, or they may present these events in facilities operated by others.

#### NAICS 7114 Agents and Managers for Artists, Athletes, Entertainers and Other Public Figures

This industry group comprises establishments primarily engaged in representing or managing creative and performing artists, sports figures, entertainers, and celebrities. These establishments represent their clients in contract negotiations, manage or organize the client's financial affairs, and generally promote the careers of their clients.

#### NAICS 7115 Independent Artists, Writers and Performers

This industry group comprises independent individuals (free-lance) primarily engaged in performing in artistic productions, creating artistic and cultural works or productions, or providing technical expertise necessary for these productions. Independent celebrities, such as athletes, engaging in endorsement, speaking and similar services, are included.

#### NAICS 7121 Heritage Institutions

This industry group comprises establishments primarily engaged in preserving and exhibiting objects, sites and natural wonders of historical, cultural and educational value.

### Estimations

While employment data was provided at the 4-digit level, GDP data was aggregated to the 3-digit level. As such, to estimate the creative components of NAICS 711000, the share of spectator sports to total employment from the sector was applied against and subtracted from the aggregated GDP values.

### Design

The Design subsector is composed of both architectural and specialized design services, which form part of NAICS 5413: Architectural, Engineering and Related Services, and NAICS 541B00 Other Professional, Scientific and Technical Services, respectively.

#### NAICS 5413 Architectural, Engineering and Related Services

This industry group comprises establishments primarily engaged in providing architectural, engineering and related services, such as structure design, drafting, building inspection, landscape design, surveying and mapping, laboratory and on-site testing, and interior, industrial, graphic and other specialized design services.

NAICS 541B00 Other Professional, Scientific and Technical Services, an aggregation of:

#### NAICS 5414 Specialized Design Services

This industry group comprises establishments primarily engaged in providing specialized design services, except architectural, engineering and computer systems design.

#### NAICS 5416 Management, Scientific and Technical Consulting Services

This industry group comprises establishments primarily engaged in providing expert advice and assistance to other organizations on management, environmental, scientific and technical issues.

#### NAICS 5417 Scientific Research and Development Services

This industry group comprises establishments primarily engaged in conducting original investigation, undertaken on a systematic basis to gain new knowledge (research), and in the application of research findings or other scientific knowledge for the creation of new or significantly improved

products or processes (experimental development). The industries within this industry group are defined on the basis of the domain of research; that is, on the scientific expertise of the establishment.

#### NAICS 5419 Other Professional, Scientific and Technical Services

This industry group comprises establishments, not classified to any other industry group, primarily engaged in providing professional, scientific and technical services. Examples of establishments included in this industry group are marketing research and public opinion polling houses; photographic studios; translators and interpreters; and veterinary practices.

### Estimations

To estimate the share of architectural services within NAICS 5413, non-retired membership figures published by the Architectural Institute of BC were compared to total census employment figures. The average ratio was applied to GDP figures to estimate architectural-related value-added.

To estimate specialized design GDP, the average employment ratio of NAICS 5414 to NAICS 541B00 was applied against NAICS 541B00 GDP.

### New Media

Broadly, New media is defined to include games and digital entertainment, animation and digital film, interactive design (including web), mobile content and applications, e-learning, software, and sector-based services. For the purposes of this report, in attempts to limit double counting from the film and television industry, statistics have been limited to the following industry classifications:

#### NAICS 5112 Software Publishers

This industry group comprises establishments primarily engaged in publishing computer software, usually for multiple clients and generally referred to as packaged software. Establishments in this industry carry out operations necessary for producing and distributing computer software, such as designing, providing documentation, assisting in installation and providing support services to software purchasers. These establishments may design and publish, or publish only.

#### NAICS 51913 Internet Publishing and Broadcasting, and Web Search Portals

This industry comprises establishments exclusively engaged in publishing and/or broadcasting content on the Internet or operating web sites, known as web search portals, that use a search engine to generate and maintain extensive databases of Internet addresses and content in an easily searchable format. The Internet publishing and broadcasting establishments in this industry provide textual, audio, and/or video content of general or specific interest. These establishments do not provide traditional (non-Internet) versions of the content that they publish or broadcast. Establishments known as web search portals often provide additional Internet services, such as e-mail, connections to other web sites, auctions, news, and other limited content, and serve as a home base for Internet users.

#### NAICS 5415 Computer Systems Design and Related Services

This industry group comprises establishments primarily engaged in providing expertise in the field of information technologies through one or more activities, such as writing, modifying, testing and supporting software to meet the needs of a particular customer, including the creation of Internet home pages; planning and designing computer systems that integrate hardware, software and communication technologies; on-site management and operation of clients' computer and data processing facilities; providing advice in the field of information technologies; and other professional and technical computer-related services.

## Estimations

Similar to the method employed for Design, to estimate the share of New Media within these high technology industries, employment estimates published by New Media BC were applied against total census employment statistics. The average ratio was applied to GDP figures to estimate New Media-related value-added. Due to interaction with the technology and other Creative Sectors, as well as data aggregation, the New Media sector is subject to a significant degree of estimation and thus derived values should be used with caution.

## Advertising

Advertising is only creative industry with a clearly defined industry classification and without suppressed data:

NAICS 5418 Advertising, Public Relations, and Related Services

This industry group comprises establishments primarily engaged in creating mass-media advertising or public relation campaigns; placing advertising in media for advertisers or advertising agencies; selling media time or space to advertisers or advertising agencies for media owners; creating and implementing indoor or outdoor display advertising campaigns; creating and implementing direct mail advertising campaigns; delivering (except by mail) advertising materials or samples; creating and implementing specialty advertising campaigns; providing related services, such as sign painting and lettering, welcoming services and window trimming services.

## Radio & Television Broadcasting

Broadly, this creative sub-sector comprises Radio and Television Broadcasting, Pay and Specialty Television, and Cable and Other Program Distribution, which in the later two cases, form part of a larger industry aggregations:

NAICS 5151 Radio and Television Broadcasting

This industry group comprises establishments primarily engaged in operating broadcasting studios and facilities for the transmission of a variety of radio and television broadcasts, including entertainment, news, talk shows and other programs. These establishments produce, purchase and schedule programs; and generate revenues from the sale of air time to advertisers, from donations and subsidies, or from the sale of programs.

NAICS 51BA Pay TV, Specialty TV and program distribution and telecommunications, an aggregation of:

NAICS 5152 Pay and Specialty Television

This industry group comprises establishments primarily engaged in broadcasting television programs, in a defined and limited format, via operators of cable and satellite distribution systems. The programming is delivered to subscribers by operators of cable or satellite distribution systems.

NAICS 517 Telecommunications

This subsector comprises establishments primarily engaged in providing telecommunications and/or video entertainment services over their own or leased networks, on a resale basis or over client-supplied high speed Internet connections. The establishments of this subsector are grouped into industries on the basis of the nature of services provided (fixed or mobile), the type of network used to deliver those services (wireline or wireless), and the business model they employ (facilities-based or resale). Subsectors include:

NAICS 5171 Wired Telecommunications Carriers

This industry group comprises establishments primarily engaged in providing telecommunications and/or video entertainment services to their customer premises over network facilities operated by them. The establishments of this industry can own a network, lease a network or combine leased and owned facilities and their networks can integrate various technologies.

NAICS 5175 Cable and Other Program Distribution CAN

This Canadian industry comprises establishments primarily engaged in providing telecommunications and video entertainment on networks originally designed for the distribution of television channels. Establishments in this industry are generally known as cable, satellite and wireless cable television operators. They operate co-axial based distribution networks, satellite-based distribution networks and fixed wireless-based distribution networks and they primarily serve the residential market. The establishments of this industry can offer a range of telecommunications and video entertainment services or specialize in the latter. Establishments providing a similar range of services through a copper twisted pair based network are classified in 517111, Wired Telecommunications Carriers (except Cable).

## Estimations

First, suppressed 2005 GDP data for NAICS 5151: Radio and Television Broadcasting was estimated using the annualized growth rate between 2004 and 2006 published values. Second, suppressed 2004 and 2005 GDP data for 5171: Wired Telecommunication Carriers was estimated using the annualized growth rate between 2003 and 2006 published values. Finally, 5171 values (or estimates) were subtracted from 51BA: Pay TV, Specialty TV and Program Distribution and Telecommunications totals.

*As with the New Media sector, due to significant data aggregation and suppression, the radio and television broadcasting sector is subject to a great degree of estimation and thus derived values should be used with caution.*

## Print Publishing

Estimates for Print Publishing were taken directly from:

NAICS 5111 Newspaper, Periodical, Book and Directory Publishers

This industry group comprises establishments primarily engaged in publishing (or publishing and printing) newspapers, periodicals, books, maps, directories, databases and other works, such as calendars, catalogues and greeting cards.

## Estimations

Suppressed 2003 GDP data was estimated using the annualized growth rate between 2002 and 2004 published values.

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