

**Measurement of Arts and Culture Industries in Canada  
Balancing the needs of economic accounts vs. culture policy**

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## **1. Introduction**

The measurement of the culture sector in Canada is driven by two priorities. The first is to provide meaningful input to the System of National Accounts. The culture statistics program has also produced data to support policy development in the culture domain, the lead partner being the federal Department of Canadian Heritage.

As a result, surveys of turnover covering the culture sector adhere not only to common classification frameworks (i.e. the North American Industry Classification System or NAICS), but also adhere to the Canadian Framework for Culture Statistics.

The purpose of this paper is to present the competing demands faced by producing turnover statistics that meet the needs in producing a set of integrated economic accounts and the specific needs in producing data that support culture policy. The paper describes how the program that is in place attempts to meet the needs of both communities.

## **2. Defining Arts and Culture**

### **2.1 Meeting the framework of the economic accounts**

Data covering the arts and culture industries are collected and published based on North American Industrial Classification System (NAICS). These industries are typically found in two sectors: information and cultural industries; and arts, entertainment and recreation. Annual production surveys measure revenues, expenses as well as other characteristics of these industries, including the measurement of output by product.

Appendix 1 outlines the definition and structure of the relevant information and cultural industries, as well as industries in the arts, entertainment and recreation sectors. The table also notes which of these industries are not typically considered culture. Appendix 2 provides an ISIC equivalence of these industries.

Commodity information from the turnover surveys also produce information of output by product, aligned with the North American Product Classification System.

By producing measures of output by industry, product, and user the culture statistics program meets the needs of providing coherent measures of output to feed into the integrated system represented by the input-output tables.

## 2.2 Meeting policy needs

A significant aspect of Canadian cultural policy involves providing direct subsidies to enterprises undertaking specific activities. A performing arts company, for instance, may receive direct subsidies to support a production. Tax credits are also provided, for instance, to film producers that undertake activity in Canada. The objective of this support is not only related to economic spin-offs of cultural activity, but also to promote Canadian content, foster cultural participation and strengthen connections among Canadians.

Insofar as these social aspects of culture are concerned, the impacts of the culture sector go beyond its contribution to GDP, and extend to less tangible impacts. Consequently the needs of the user community are not completely satisfied by the framework provided by the economic accounts. To respond to these needs, Canada produced a Framework for Culture Statistics in 2004. This was significantly revised in 2011, with the publication of the *Conceptual Framework for Culture Statistics 2011* and its companion *Classification Guide for the Conceptual Framework for Culture Statistics 2011*.

The Canadian Framework for Culture Statistics (CFCS) defines culture as “creative artistic activity and services produced by it, and the preservation of heritage.”

Key to this is the existence of a culture product. To be considered in scope as a culture product, it must satisfy at least one of the following criteria<sup>1</sup>:

1. It has the potential of being protected by copyright legislation, or in other words, be ‘copyrightable’. Examples include a magazine article, script, manuscript, drawing, choreography, book, newspaper column, sculpture, radio program, film, videogame, etc.;
2. It supports the creation, production, dissemination or preservation of culture products, e.g. recording, manufacturing, printing, broadcasting, podcasting, etc.;
3. It adds to, or alters, the content of a culture product (content services), e.g. editorial services, translation, illustration, layout and design, music, etc.;
4. It preserves, exhibits, or interprets human or natural heritage, e.g. historic sites and buildings, archives, museums, art galleries, libraries, botanical gardens, zoos, etc.;
5. It provides training or educational services aimed at individuals who create, produce or preserve culture products; or
6. It governs, finances, or supports directly culture creation, production or dissemination, e.g. services provided by government, unions, associations, managers, copyright societies, etc.

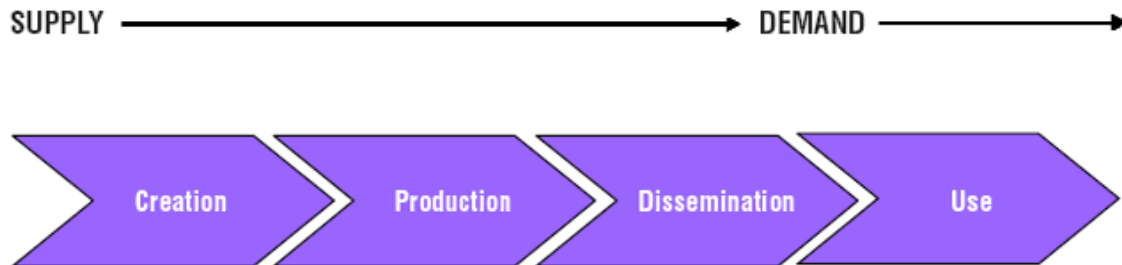
These culture products are the result of an initial creative idea that is combined with other inputs and through a series of interlinked stages result in an output. This is depicted in the Figure 1. This creative chain is used to group various activities under certain “domains” of interest. It also helps to provide a conceptual link between the CFCS and the economic accounts.

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<sup>1</sup> Statistics Canada, *Canadian Framework for Culture Statistics 2011*, <http://www.statcan.gc.ca/pub/87-542-x/87-542-x2011002-eng.pdf>

Creation, production and dissemination are all intermediate users of culture products, where use of a final product represents final demand.

**Figure1: Basic creative chain for culture goods and services**



Source: Statistics Canada, *Canadian Framework for Culture Statistics 2011*,  
<http://www.statcan.gc.ca/pub/87-542-x/87-542-x2011002-eng.pdf>

#### **The Creative Chain in use – the example of music**

- Creation – composition of the initial product, i.e. a music score/song (including music, lyrics)
- Creation – orchestration
- Production – sheet music
- Production – performance by musician(s)
- Production – recording of music performance
- Production – design of CD packaging and information materials
- Production – manufacture of CD (or related good) and packaging
- Dissemination – wholesale or retail distribution of CD
- Dissemination – marketing and promotion to increase the value of the product
- Dissemination – licensing rights to other platforms, e.g. television programs, video games, feature films, radio program, website, concert DVD, music compilation, etc
- Dissemination – broadcast – radio, television, Internet
- Use – Internet download by consumer (free or paid)
- Use – consumer purchase or rental of music as CD, DVD, download
- Use – consumer listens to music by CD, DVD, download, streaming, etc.

Source: Statistics Canada, *Canadian Framework for Culture Statistics 2011*,  
<http://www.statcan.gc.ca/pub/87-542-x/87-542-x2011002-eng.pdf>

The framework recognizes that culture does not exist as a distinct industry sector and those businesses and organizations that are involved in culture can be found in many industries. The CFCS created unique groupings (referred to as domains) that reflect an industry or group of establishments, a group of occupations or a class of products. These domains can be divided into sub-domains.

Visual and applied arts as well as written and published works have both “core” sub-domains, as well as “ancillary” sub-domain.

Finally, the CFCS recognizes certain domains that enable the creative chain to function. These would include the so-called “transversal” domains that include education and training, and governance, funding and professional support.

Culture Domains					
A. Heritage and libraries	B. Live performance	C. Visual and applied arts	D. Written and published works	E. Audio-visual and interactive media	F. Sound recording
<b>Core Culture Sub-domains</b>					
<ul style="list-style-type: none"> <li>Archives</li> <li>Libraries</li> <li>Cultural heritage</li> <li>Natural heritage</li> </ul>	<ul style="list-style-type: none"> <li>Performing arts</li> <li>Festivals and Celebrations</li> </ul>	<ul style="list-style-type: none"> <li>Original visual art</li> <li>Art reproductions</li> <li>Photography</li> <li>Crafts</li> </ul>	<ul style="list-style-type: none"> <li>Books</li> <li>Periodicals</li> <li>Newspapers</li> <li>Other published works</li> </ul>	<ul style="list-style-type: none"> <li>Film and video</li> <li>Broadcasting</li> <li>Interactive media</li> </ul>	<ul style="list-style-type: none"> <li>Sound recording</li> <li>Music publishing</li> </ul>
<b>Ancillary Culture Sub-domains</b>					
		<ul style="list-style-type: none"> <li>Advertising</li> <li>Architecture</li> <li>Design</li> </ul>	<ul style="list-style-type: none"> <li>Collected information</li> </ul>		
<b>Transversal domains</b>					
G. Education and training					
H. Governance, funding and professional support					
<b>Infrastructure domains</b>					
I. Mediating products					
J. Physical infrastructure					

Source: Statistics Canada, *Canadian Framework for Culture Statistics 2011*, <http://www.statcan.gc.ca/pub/87-542-x/87-542-x2011002-eng.pdf>.

**Core culture sub-domains** produce goods and services that are the result of creative artistic activity and whose main purpose is often the transmission of an intellectual or culture concept. By illustration, the Book publishing core sub-domain includes the creation of a written manuscript, the work of editors and publishers, management of copyright, printing and distribution of books, and the use of books by readers (whether purchased from retail, or borrowed from a library).

**Ancillary culture sub-domains** produce goods and services that are the result of creative artistic activity (e.g. designs, architectural plans), but their primary purpose is not the transmission of an intellectual or culture concept. The final products, which have primarily a practical purpose (e.g. a landscape, a building, an advertisement), are not covered by the Framework definition of culture.

**Related domains**, while linked to the broader definition of culture in society, have no culture components according to the criteria outlined in the Framework. Related domains are not included in the measurement of culture but are described in this framework in recognition of their strong links with culture in many Canadian jurisdictions.

Source: Statistics Canada, *Canadian Framework for Culture Statistics 2011*, <http://www.statcan.gc.ca/pub/87-542-x/87-542-x2011002-eng.pdf>

### 2.3 Mapping standard classifications to the framework

The CFCS provides a conceptual underpinning that identifies the agents involved in the culture sector and their linkages. The framework explicitly recognizes that current classification schemes do not fully represent culture, but measures nevertheless need to be developed.<sup>2</sup>

Under the CFCS, the key determinant of a culture industry is to identify whether or not it would cease to exist as a result of an absence of culture. Specifically, to delineate an industry, commodity or occupation as cultural:

**NAICS:** culture industries must rely on creative artistic activity or heritage to exist, or they would cease to exist in the absence of creative artistic activity or heritage.

**NAPCS:** goods and services are in scope if they are based on the output of creative artistic activity, and meet at least one of the framework criteria. Their primary use or purpose should be the transmission of culture content to audiences, or the preservation of heritage, or to support those activities.

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<sup>2</sup> An example of this is the representation of the production of crafts. Under NAICS 2007, people involved in the production of crafts (i.e. decorative metalwork), were classified primarily as manufacturers. Under NAICS 2012, they will be classified as visual artists. Policy partners would like a distinction between visual artists and crafts persons.

**NOC-S:** culture occupations would cease to exist without primary tasks and responsibilities that involve or support creative artistic activity or the preservation of heritage.<sup>3</sup>

Mapping industries and products, from their domains allow for a linkage to the economic accounts, which help provide, for instance, a framework for a culture satellite account.

### **3. Units of measure**

The unit of measure for all culture industries is the statistical establishment. An establishment is defined as “the smallest operating entity for which records provide information on the cost of inputs - capital, labour, energy, materials and services - employed to produce the units of output.”<sup>4</sup>

Multiple establishments may be grouped into single enterprise. These multi-unit enterprises may have establishments in multiple industries and/or provinces. Establishments may also be grouped into collection entities to aid respondents in responding to Statistics Canada questionnaires. These do not necessarily correspond to the statistical enterprise.

The establishment is generally a single physical location. In the case of touring performing arts companies, a home location is identified and its operations are attributed to that level of geography.

An additional complexity is faced in the film production industry. Most of the legal entities in this industry are firms that have been set-up for a single production (i.e. film or television season). In its initial period of operation, the entity receives no revenue (apart from tax credits) and only incurs expenses. Once the film is distributed, this entity receives revenue, but has no costs. The entity may be owned by a larger film production enterprise, but it is organized as a separate legal entity. The film production industry also includes the large production companies that may own many of these smaller, single-production entities. Both of these types of establishments are considered to be within the film production industry.

### **4. Market conditions and constraints**

The arts, entertainment and recreation sectors in Canada are heterogeneous with participation from both the public and the private sectors (both for-profit, as well as not-for-profit).

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<sup>3</sup> Statistics Canada, *Classification Guide for the Canadian Framework for Culture Statistics 2011*, Catalogue 87-542-x2011002, <http://www5.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=87-542-X2011002&lang=eng>.

<sup>4</sup> Statistics Canada, *North American Industrial Classification System (NAICS) 2012*, <http://www.statcan.gc.ca/subjects-sujets/standard-norme/naics-scian/2012/introduction-eng.htm#a9>.

#### **4.1 Film, television and video production<sup>5</sup>**

The Canadian film, television and video production industry generated \$3.3 billion in operating revenues in 2010, reflecting an increase of 7.6% over 2009. Operating expenditures also increased by 7.9% in 2010.

As a result of the similar rate of increase for operating revenues and operating expenses, the operating profit margin of 1.8% in 2010 showed a slight decrease from the operating profit margin of 2.1% in 2009.

In 2010, television productions accounted for the majority of production revenues in this industry (53.9%), followed by feature films (15.0%) and commercials (13.3%).

#### **4.2 Film, Television and Video Post-production<sup>6</sup>**

In spite of declining operating revenues, Canada's film, television and video post-production industry posted higher operating profit margins in 2010. Operating revenue fell by 10.7% from \$845.6 million in 2009 to \$755.0 million in 2010. At the same time, operating expenditures fell by 11.5% from \$792.5 million in 2009 to \$701.2 million in 2010. As a result, the industry operating profit margin increased from 6.3% in 2009 to 7.1% in 2010.

Salaries, wages and benefits were the largest expense item with 40.5% of operating expenses, followed by the cost of goods sold at 31.0%.

Canadian post-production firms offer a wide array of services. In 2010, motion picture film laboratory services was the largest with a 44.4% share of turnover (\$316.1 million), followed by visual effects services at 18.6% (\$132.2 million) and editing services at 13.7% (\$97.4 million). Sound editing and design services accounted for 9.4% (\$66.7 million) of the total industry sales.

Domestic clients purchased \$375.5 million of the industry's output in 2010 representing 52.7% of all sales.

#### **4.3 Film and Video Distribution<sup>7</sup>**

Total operating revenues in the film and video distribution industry declined 4.5% to \$2.0 billion in 2010. Total operating expenses declined 9.6% to \$1.5 billion in 2010. As a result, the operating profit margin for the industry rose to 24.4% in 2010, up from 20.2% in 2009.

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<sup>5</sup> Industry highlights obtained from Statistics Canada: *Film, television and video production, 2010*, <http://www.statcan.gc.ca/pub/87-010-x/2012001/part-partie1-eng.htm>.

<sup>6</sup> Industry highlights obtained from: Statistics Canada, *Film, television and video post-production, 2010*, <http://www.statcan.gc.ca/pub/87-009-x/2012001/part-partie1-eng.htm>.

<sup>7</sup> Industry highlights obtained from: Statistics Canada: *Film and video distribution, 2010*, <http://www.statcan.gc.ca/pub/87f0010x/2012001/part-partie1-eng.htm>.

The largest expense item reported by surveyed firms was licensing costs, which represented 40.5% of total operating expenses. Cost of goods sold accounted for 31.0% of expenses, while advertising, marketing and promotions accounted for 13.0%.

The two primary sources of revenue for the industry are distribution of film and video titles and wholesaling of pre-recorded videos. Revenues from the distribution of film and video titles accounted for 65.8% of total national operating revenues in 2010, while wholesaling revenues accounted for 32.6%

#### **4.4 Heritage institutions<sup>8</sup>**

Canada's heritage institutions, excluding nature parks and archives, generated operating revenues of \$1.3 billion in 2010, up 3.4% from the previous year. Heritage institutions' operating revenues come from government and private contributions, admission receipts, membership dues and sales, and other sources.

History and science museums, community museums, planetariums and observatories generated 50.1% of total operating revenues.

Non-commercial art galleries and museums generated 22.6% of total operating revenues. Botanical gardens, conservatories, aquariums and zoos accounted for 20.2%. Historic sites, buildings and communities generated the remaining 7.2% of operating revenues.

The data produced for Canada's heritage institutions industry fall into two categories: for-profit organizations and not-for-profit organizations. The latter accounted for 91.9% of total operating revenues.

The industry's total operating expenses rose 2.8% from the previous year to \$1.2 billion.

Salaries, wages and benefits increased by 4.5% in 2010. They made up 46.4% of the industry's total operating costs, up slightly from 2009 (45.6%).

The overall operating profit margin for heritage institutions was 3.1% in 2010.

#### **4.5 Performing Arts<sup>9</sup>**

Total operating revenues for the performing arts industry reached \$1.5 billion in 2010, up 11.0% from 2009. These revenues were split almost equally between the for-profit and not-for-profit sectors.

Operating expenses for the industry totaled \$1.4 billion. Nearly one-third of operating expenses of performing arts companies consisted of salaries, wages and benefits paid to employees. The salaries and wages expense does not include fees paid to contract workers.

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<sup>8</sup> Industry highlights obtained from: Statistics Canada, *Heritage Institutions, 2012*, <http://www.statcan.gc.ca/pub/87f0002x/2011001/part-partie1-eng.htm>.

<sup>9</sup> Industry highlights obtained from: Statistics Canada, *Performing Arts 2012*, <http://www.statcan.gc.ca/pub/87f0003x/2012001/part-partie1-eng.htm>.



Of the for-profit companies, the profit margin rose from 9.3% in 2009 to 12.7% in 2010.

Musical groups and artists (everything from orchestras to rock groups) accounted for 32% of total operating revenue in 2010, while theatre (except musical) companies accounted for 27%. The remaining 41% was split among musical theatre and opera companies, as well as dance companies and other performing arts companies that include travelling carnivals, circuses, magic and ice skating shows.

For the not-for-profit surveyed establishments, the sales of goods and services generated half of all revenues while grants, subsidies, donations and fundraising generated the other half.

The not-for-profit performing arts surveyed establishments attracted an estimated 14.0 million spectators in 2010, up 2.3 % from 2008. Theatre (except musical) companies comprised the largest segment of the not-for-profit sector in 2010, attracting 57.2% of total attendance and generating 47.2% of total operating revenues.

#### **4.6 Spectator Sports<sup>10</sup>**

The spectator sports, event promoters, artists and related services industry saw turnover advance to \$7.3 billion in 2010, a 20.7% increase from 2009. This increase in operating revenues was driven by the impact of the Vancouver Winter Olympic Games. The largest industry group, promoters (presenters) of performing arts, sports and similar events accounted for 47.5% of the total operating revenues, followed by spectator sports at 35.0%, independent artists, writers and performers at 12.8% and agents and managers for artists, athletes, entertainers, and other public figures at 4.7%.

##### **4.6.1 Spectator Sports**

Comprised of sports teams, horse race tracks and other spectator sports and independent sports professionals, the spectator sports industry earned \$2.6 billion in operating revenues for 2010. This represents a 0.9% decrease from 2009. This decrease was the result of the decline in the horse race track industry. In contrast, the Canadian sports teams experienced another year of growth.

Admissions to live sports or racing events remained steady at 38.4%, while receipts from gambling decreased to 20.8% of the total operating revenue.

##### **4.6.2 Promoters (presenters) of performing arts, sports and similar events**

Operating revenue increased 51.9% from \$2.3 billion in 2009 to \$3.5 billion in 2010. This increase was driven by the Vancouver Winter Olympic Games. The operating profit margin decreased from 7.8% in 2009 to 3.6% in 2010, a drop of 4.2 percentage points.

Operating expenses increased 58.8% to reach \$3.3 billion in 2010 from \$2.1 billion in 2009.

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<sup>10</sup> Industry highlights are obtained from: Statistics Canada, *Spectator Sports, event promoters, artists and related industries, 2010*, <http://www.statcan.gc.ca/pub/63-246-x/2012001/part-partie1-eng.htm>.

#### **4.6.3 Agents and managers for artists, athletes, entertainers, and other public figures**

Agents and managers for artists, athletes, entertainers, and other public figures, realized an increase in operating revenue to reach \$339.2 million, a 7.4% increase from the year previous.

In 2010, the operating profit margin increased to 9.5% from 8.1% in 2009. This is above the pre-recession profit margin of 8.6% in 2007.

#### **4.6.4 Independent artists, writers and performers**

Operating revenues of independent artists, writers and performers reached \$935.7 million in 2010, an 8.0% increase from \$866.1 million in 2009.

Operating expenses increased 4.4% to \$617.4 million, resulting in an operating profit margin of 34.0%. This is a 2.3 percentage point increase in profit margin from 31.7% in 2009.

#### **4.7 Book publishers<sup>11</sup>**

Total operating revenues for the book publishing industry were \$2.0 billion in 2010, down 2.7% from 2009. Operating expenses also showed a decline of 2.6% to \$1.8 billion. As a result of the similar rate of decrease for operating revenues and operating expenses, the operating profit margin of 11.1% in 2010 remained relatively stable compared to 2009 (11.2%).

It is the first year since 2007 that the industry has shown a decline in operating revenues, operating expenses, operating profit and salaries, wages and benefits. The decline from 2009 to 2010 brings these variables below the 2007 totals.

The largest operating expense for the industry was cost of goods sold at 35.2%, followed by salaries, wages and benefits at 21.1% and royalties, rights, licensing and franchise fees at 7.8%. These results remained relatively stable from 2009.

Book publishers in Canada primarily releasing English language titles had the largest share of total operating revenues at 77.8%. Sales by publishers primarily releasing French language titles increased by 1.7% from 2008, representing 22.2% of the total industry.

In 2010, Canadian sales accounted for 72.3% of the total operating revenues while exports and other foreign sales made up 11.9%. Educational books generated the largest portion of the total national sales at 45.1% followed by other trades, all formats at 32.8% and children's books at 15.1%.

In 2010, 69.8% of operating revenues were by Canadian controlled book publishers. Canadian controlled establishments showed a share increase of 1.2% from 2008. Since 2006, Canadian controlled establishments have continued to show an increase in operating revenues and profit margin.

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<sup>11</sup> Industry highlights are obtained from: Statistics Canada, *Book publishers, 2010*, <http://www.statcan.gc.ca/pub/87f0004x/2012001/aftertoc-aprestdm1-eng.htm>.

Book sales by customer category remain relatively unchanged from 2008. Bookstores and other trade sales generated 38.6% of the total book sales in Canada. It was followed by educational institutions at 22.6%, exclusive agents, distributors or wholesalers at 17.5% and the general public at 9.5%.

#### **4.8 Periodical Publishers<sup>12</sup>**

The periodical publishers industry generated \$2.2 billion in operating revenues in 2010, down 1.2% from the previous year.

Operating expenses fell by 4.2% from 2009 to 2010. As a result, operating profit margins rose from 5.7% to 8.5% in 2010.

In 2010, 31.7% of the industry's operating expenses consisted of salaries, wages and benefits, similar to last year's level. However, these expenses declined 3.7% to \$624.5 million.

#### **4.9 Newspaper publishers<sup>13</sup>**

Operating revenues earned by newspaper publishers increased by 1.4% in 2010, to \$5 billion, largely due to increasing advertising revenues. The newspaper industry realized operating revenue increases from 2002 to 2008. Although operating revenues increased in 2010, the level of turnover is still below 2004.

Approximately two-thirds of the industry's operating revenues were generated from sales of advertising space. In 2010, the advertising revenues increased by 3.8%. Daily newspapers accounted for \$2.4 billion of the industry's advertising revenues, compared to \$908 million for community and other newspapers.

Circulation sales accounted for 18.0% of newspaper publishers' revenues. In 2010, circulation revenues increased by 1.0%.

Distribution of flyers and inserts accounted for 8.3% of the total operating revenues. It is the only type of revenue that did not show a decrease since 2004 when it was 5.2%.

The industry's profit margin returned to historical levels in 2010, at 12.3%, after a decline to 10.7% in 2009.

Labour costs for the industry increased by 1.0% in 2010. The largest cost item for newspaper publishers continues to be salaries, wages and benefits, which comprised 40.1% of the industry's operating expenses in 2010. This was followed by cost of goods sold (13.9%), delivery, warehousing, postage and courier (13.2%) and contract work (11.5%).

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<sup>12</sup> Industry highlights obtained from: Statistics Canada, *Periodical publishing, 2010*, <http://www.statcan.gc.ca/pub/87f0005x/2012001/part-partie1-eng.htm>.

<sup>13</sup> Industry highlights obtained from: Statistics Canada, *Newspaper publishers, 2010*, <http://www.statcan.gc.ca/pub/63-241-x/2012001/part-partie1-eng.htm>.

#### **4.10 Sound recording and music publishing<sup>14</sup>**

In 2010, the combined operating revenues for the Canadian sound recording industry totalled \$819.9 million, down 4.9% from 2009. This represents another year of decline in revenues for this industry.

The largest industry group, record production and integrated record production and distribution, accounted for 67.4% of the total revenue, followed by music publishing at 18.1%, recording studios at 13.1% and finally, all other sound recording industries at 1.4%.

##### **4.10.1 Record production and integrated record production and distribution**

A 6.4% decline in operating revenues combined with a less than 1 percent drop in operating expenses resulted in a decrease in operating profit margins for companies in the record production and integrated record production and distribution industry. Operating revenues fell from \$590.4 million in 2009 to \$552.7 million in 2010. Businesses managed to reduce slightly their operating expenses from \$495.1 million to \$492.1 million for an overall operating profit margin of 11.0% for 2010 down from 16.1% in 2009.

Cost of goods sold accounted for the largest industry operating expense at 31.4%, followed closely by royalties, rights and licensing fees at 28.7%. Salaries, wages and benefits claimed an additional 15.0% of the total operating expenses. These ratios are similar to the distribution for 2009.

##### **4.10.2 Music publishing**

Despite a decrease in operating revenues from \$159.6 million in 2009 to \$148.3 million in 2010, the music publishing industry's operating profit margin showed a slight increase in 2010 at 10.3% up from 10.0% in 2009. This was due to a stronger decrease in operating expenditures from \$143.6 million in 2009 to \$133.0 million in 2010.

Royalties, rights, licensing and franchise fees accounted for 46.2% of total industry operating expenses, followed by salaries, wages and benefits at 15.1%.

##### **4.10.3 Sound recording studios**

Sound recording studios generated \$107.4 million in operating revenues, an increase of 7.9% from 2009. However, operating expenses increased by 11.3% in 2010 to give an overall operating profit margin decline of almost three percentage points from 13.0% in 2009 to 10.2% in 2010.

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<sup>14</sup> Industry highlights obtained from: Statistics Canada, *Sound recording and music publishing, 2010*, <http://www.statcan.gc.ca/pub/87f0008x/87f0008x2012001-eng.htm>.

Salaries, wages and benefits accounted for the largest portion of total industry operating expenses for sound recording studios (30.0%), followed by cost of goods sold (13.0%), subcontract expenses (9.6%) and rental and leasing (9.1%).

## **5. National accounting concepts and issues**

The Canadian System of National Accounts publish data on arts, recreation and culture in a number of products, including the Input-Output Accounts, the Monthly Industry Gross Domestic Product (GDP) program and the provincial GDP program. Sales of these commodities also are used in estimates of personal expenditure.

The annual surveys on arts, recreation and culture were designed to meet the specific needs of the CSNA. Variable definitions for all financial variables are aligned with the Canadian Chart of Accounts. With the modernization of the Input-Output (IO) program, both the service industries program and the IO accounts will align to NAPCS, making easier the integration of data. Conceptually, the survey aligns well with the needs of the CSNA.

While the production surveys fit well in the national accounts, the CSNA does not meet all the needs of the culture policy community. Culture can cut across published commodity and industry groupings. For this reason, Statistics Canada, in collaboration with the Department of Canadian Heritage, has been developing a Culture Satellite Account (CSA).<sup>15</sup>

The CSA is derived from the Input-Output accounts, with details relevant to culture highlighted. Starting with the CFCS, IO industries and commodities that contain culture are identified. A culture industry may derive only a portion of its revenue from the sale of culture products. In addition, some culture products are sold from industries that are not typically considered as "culture". The development of the CSA has involved splitting out cultural activities and products from higher level aggregates.

In this respect, the CSA provides a link between the economic statistics program and the CFCS. This allows for a more complete and precise measure of the contribution of culture to the Canadian economy.

## **6. Surveys of Turnover**

Statistics Canada collects structural business statistics on the culture industries through a series of annual surveys.

The survey consists of modules of financial questions (revenues and expenses) that are generic to all service industry questionnaires. It also includes industry-specific questions. Many of these specific questions are designed to meet the policy development needs of the Department of Canadian Heritage and may relate, for instance, to the language or genre of the output.

Examples of some of the unique characteristics collected on these surveys (for reference year 2010) are listed below.

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<sup>15</sup> Bisailon, Monique (2011), "Feasibility Study for a Culture Satellite Account: Phase 2 Final Report", Statistics Canada (unpublished).

**Table 1: Culture surveys and selected characteristics variables**

Survey	Industry-specific characteristics
Film, Television and video production	<ul style="list-style-type: none"> <li>• Production revenue for titles produced in-house and contract productions by type</li> </ul>
Film, Television and Video Post-production	<ul style="list-style-type: none"> <li>• Sales by type of revenue (i.e. type of product)</li> <li>• Sales (domestic and foreign) by type of revenue</li> <li>• Post-production sales by type of client</li> <li>• International transactions</li> </ul>
Film and Video Distribution	<ul style="list-style-type: none"> <li>• Sales by type of revenue (i.e. type of product)</li> <li>• Primary market (i.e. inside/outside Canada; theatres, television), for Canadian and non-Canadian productions</li> <li>• International transactions</li> </ul>
Heritage institutions	<ul style="list-style-type: none"> <li>• Sales by type of revenue (i.e. type of product)</li> <li>• Revenue from royalties, rights, licensing and franchise fees</li> <li>• Grants, subsidies, donations, corporate sponsorship and fundraising</li> <li>• Capital projects</li> <li>• Salaries, wages and benefits and contract fees (performing artists; production personnel; administration)</li> <li>• Volunteers</li> <li>• Number of live performances and attendees</li> <li>• International transactions</li> </ul>
Book publishers	<ul style="list-style-type: none"> <li>• Sales by type of revenue (i.e. type of product, grants)</li> <li>• Net sales value of titles sold in Canada by customer category</li> <li>• Cost of titles sold</li> <li>• Number of copies sold by commercial category</li> <li>• Sales of own titles and exclusive agency by:               <ul style="list-style-type: none"> <li>○ Commercial category</li> <li>○ Language</li> <li>○ Authorship (Canadian vs. foreign)</li> </ul> </li> <li>• International transactions</li> </ul>
Newspaper publishers	<ul style="list-style-type: none"> <li>• Circulation sales by type of newspaper               <ul style="list-style-type: none"> <li>○ Single copy vs. subscription</li> <li>○ Print vs. online sales</li> <li>○ Advertising space by type of paper (daily, community)</li> <li>○ Other sources of revenue</li> </ul> </li> <li>• Distribution of advertising revenue by type (national, local, classified)</li> </ul>

Data on operating revenues and expenses; salaries wages and benefits; and operating profits are published at a 4 or 5-digit NAICS level of detail and by province.

Publications that detail the statistics produced by these surveys are listed in the bibliography.

## **7. Summary**

Culture statistics are an example of a subject-matter area that has an interest beyond the production of economic accounts. Supporting the development of cultural policy has led to the development of a framework that seeks to identify the linkages between the various actors in the culture sector. This development has led further to the development of a Culture Satellite Account.

In addition, in unique content has been developed for production surveys to collect not just information on inputs and outputs, but also the characteristics of these outputs (i.e. language).

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**Appendix 1: NAICS representation of arts and culture industries**

Industry group (4 digit)	Industry (5 digit)	Definition
5111 - Newspaper, periodical, book and directory publishers	511110 - Newspaper publishers	This Canadian industry comprises establishments primarily engaged in carrying out operations necessary for producing and distributing newspapers, including gathering news; writing news columns, feature stories and editorials; and selling and preparing advertisements. These establishments may publish newspapers in print or electronic form.
	511120 - Periodical publishers	This Canadian industry comprises establishments, known as magazine or periodical publishers, primarily engaged in carrying out operations necessary for producing and distributing magazines and other periodicals, including gathering, writing, soliciting and editing articles, and preparing and selling advertisements. Periodicals are published at regular intervals, typically on a weekly, monthly or quarterly basis. These periodicals may be published in printed or electronic form.
	511130 - Book publishers	This Canadian industry comprises establishments primarily engaged in carrying out various design, editing and marketing activities necessary for producing and distributing books of all kinds, such as text books; technical, scientific and professional books; and mass market paperback books. These books may be published in print, audio or electronic form.

	511140 - Directory and mailing list publishers	<p>This Canadian industry comprises establishments primarily engaged in publishing compilations and collections of information or facts that are logically organized to facilitate their use. These collections may be published in one or more formats, such as print or electronic form. Electronic versions may be provided directly to customers by the establishment or third party vendors (except exclusively on Internet).</p> <p><b>Not considered to be a cultural industry.</b></p>
	511190 - Other publishers	<p>This Canadian industry comprises establishments, not classified to any other Canadian industry, primarily engaged in publishing other works such as calendars, colouring books, greeting cards and posters.</p> <p><b>Not currently surveyed</b></p>
5121 – Motion Picture and video industries	51211 - Motion picture and video production	<p>This Canadian industry comprises establishments primarily engaged in producing, or producing and distributing, motion pictures, videos, television programs or commercials.</p>
	51212 - Motion picture and video distribution	<p>This Canadian 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.</p>
	51213 - Motion picture and video exhibition	<p>This Canadian 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.</p>

	51219 - Post-production and other motion picture and video industries	This Canadian industry comprises establishments, not classified to any other Canadian industry, primarily engaged in providing post-production services and services to the motion picture and video industries. This may include specialized motion picture or video post-production services, such as editing, film/tape transferring, subtitling, creating credits, closed captioning, and producing computer graphics, animation and special effects, as well as developing and processing motion picture films.
5122 – Sound recording industries	51221 - Record production	This industry comprises establishments primarily engaged in record production. These establishments contract with musical artists, and arrange and finance the production of original master recordings. They hold the copyright to the master recording and derive most of their revenues from selling, leasing, and licensing master recordings. They do not have their own duplication or distribution capabilities.
	51222 - Integrated record production/distribution	This industry comprises establishments primarily engaged in releasing, promoting and distributing sound recordings. These establishments manufacture or arrange for the manufacture of recordings, and promote and distribute these products to wholesalers, retailers or directly to the public. They produce master recordings themselves, or obtain reproduction and/or distribution rights to master recordings produced by record production companies or other integrated record companies.
	51223 – Music Publishers	This industry comprises establishments primarily engaged in acquiring and registering copyrights in musical compositions, in accordance with the law, and promoting and authorizing the use of these compositions in recordings, on radio and television, in motion

		pictures, live performances, print, multimedia or other media. These establishments represent the interests of songwriters or other owners of musical compositions in generating revenues from the use of such works, generally through licensing agreements. They may own the copyrights or act as administrators of the music copyrights on behalf of copyright owners.
	51224 - Sound recording studios	This industry comprises establishments primarily engaged in providing the facilities and technical expertise for sound recording in a studio, and audio production and post-production services for film, television and video. These establishments do not hold the copyrights to the sound recordings produced in their facilities.
	51229 - Other sound recording industries	This industry comprises establishments, not classified to any other industry, primarily engaged in providing sound recording services.
7111 – Performing Arts Companies	71111 - Theatre companies and dinner theatres	This industry comprises establishments primarily engaged in producing live presentations that involve the performances of actors and actresses, opera singers and other vocalists. Included are theatre companies that operate their own facilities, primarily for the staging of their own productions, as well as establishments, known as dinner theatres, engaged in producing live theatrical entertainment and in providing food and beverages for consumption on the premises. Examples of establishments in this industry are theatre companies, opera companies, musical theatre companies, community theatres, multidisciplinary theatres, puppet theatres, mime theatres and comedy troupes.

7112 - Spectator sports	71121 - Spectator sports	<p>This industry 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.</p> <p><b>Surveyed, but not considered to be part of the culture sector.</b></p>
7113 – Promoters (presenters) of performing arts, sports and similar events	71131- Promoters (presenters) of performing arts, sports and similar events with facilities	<p>This industry comprises establishments primarily engaged in operating arts, sports and mixed-use facilities, and in organizing and promoting performing arts productions, sports events and similar events, such as festivals, held in these facilities. These establishments may also rent their facilities to other promoters.</p>
7121 – Heritage institutions	71211 - Museums	<p>This industry comprises establishments primarily engaged in acquiring, conserving, interpreting, and exhibiting collections of objects of historical, cultural and educational value.</p>
	71212 - Historic and heritage sites	<p>This industry comprises establishments primarily engaged in maintaining, protecting and making accessible for public viewing, sites, buildings, forts or communities that illustrate events or persons of particular historical interest.</p>
	71213 - Zoos and botanical gardens	<p>This industry comprises establishments primarily engaged in constructing and maintaining displays of live plant and animal life for public viewing.</p>

	71219- Nature parks and other similar institutions	This industry comprises establishments, not classified to any other industry, primarily engaged in operating other heritage institutions. Establishments primarily engaged in operating, maintaining and protecting nature parks, nature reserves or conservation areas, are included.
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## Appendix 2: Concordance between NAICS and ISIC for arts and culture

NAICS Code	Title	ISIC Code	Title	Comment
511110	Newspaper publishers	J5813	Publishing of newspapers, journals and periodicals	Newspaper publishers (except exclusively on Internet)
511120	Periodical publishers	J5813	Publishing of newspapers, journals and periodicals	Periodical publishers (except exclusively on Internet)
511130	Book publishers	J5811	Book publishing	Books, publishing (except exclusively on Internet)
511190	Other publishers	J5811	Book publishing	Year books, publishing or publishing and printing (except exclusively on Internet)
512110	Motion picture and video production	J5911	Motion picture, video and television programme production activities	
512120	Motion picture and video distribution	J5913	Motion picture, video and television programme distribution activities	Motion picture and video distribution
512130	Motion picture and video exhibition	J5914	Motion picture projection activities	
512190	Post-production and other motion picture and video industries	J5912	Motion picture, video and television programme post-production activities	
		J5913	Motion picture, video and television programme distribution activities	Motion picture booking agencies
512220	Integrated record production/distribution	J5920	Sound recording and music publishing activities	Integrated record production and distribution
512230	Music publishers	J5920	Sound recording and music publishing activities	Music publishers
512240	Sound recording studios	J5920	Sound recording and music publishing activities	Sound recording studios
512290	Other sound recording industries	J5920	Sound recording and music publishing activities	Other sound recording industries (e.g., recording books on tape)
711111	Theatre (except musical) companies	R9000	Creative, arts and entertainment activities	Theatre (except musical) companies
711112	Musical theatre and opera companies	R9000	Creative, arts and entertainment activities	Musical theatre and opera companies
711120	Dance companies	R9000	Creative, arts and entertainment activities	Dance companies
711130	Musical groups and artists	R9000	Creative, arts and entertainment activities	Musical groups and artists
711190	Other performing arts companies	R9000	Creative, arts and entertainment activities	Except carnivals
		R9329	Other amusement and recreation activities n.e.c.	Carnivals
711211	Sports teams and clubs	R9312	Activities of sports clubs	Sports teams and clubs
711213	Horse race tracks	R9311	Operation of sports facilities	Horse race tracks, racing stables and training
		R9319	Other sports activities	Owners of sporting horses, horse trainers; horse racing stables off-site from racetrack
711218	Other spectator sports	R9311	Operation of sports facilities	Operation of race tracks (except horse)
		R9319	Other sports activities	Except operation of race tracks
711311	Live theatres and other performing arts presenters with facilities	R9000	Creative, arts and entertainment activities	Live theatres and other performing arts presenters with facilities
711319	Sports stadiums and other presenters with facilities	R9311	Operation of sports facilities	Sports stadiums, promoting events; and other presenters with facilities n.e.c.
		R9319	Other sports activities	Sports organizers and operators with facilities
		R9329	Other amusement and recreation activities n.e.c.	Agricultural fair organizers and rodeo promoters with facilities
711321	Performing arts promoters (presenters) without facilities	R9000	Creative, arts and entertainment activities	Live arts events organizers without facilities
		R9329	Other amusement and recreation activities n.e.c.	Booking agencies (e.g., concert, theatrical)
711322	Festivals without facilities	R9000	Creative, arts and entertainment activities	Festival (e.g., arts, dance, music) promoters without facilities
		R9329	Other amusement and recreation activities n.e.c.	Agricultural fair promoters, without facilities