

VCRs IN CANADA: USAGE PATTERNS AND POLICY IMPLICATIONS

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VCR's as a transmission technology in 50% of households prompt serious questions about further fragmentation of the Canadian audience. Policy alternatives are assessed.

Le magnétoscope, média technologique de réception présent dans plus de 50% des foyers, soulève de sérieuses questions relatives à la fragmentation de l'auditoire canadien. Des propositions alternatives sont présentées.

With the entry of the videocassette recorder into the home entertainment market in 1975, the new distribution system has become the conduit to what has been perceived by some as entertainment bounty and diversity, and by others as yet another tool for cultural onslaught. The proliferation of this technology which has shifted controls to the user rather than the sender has in fact led one researcher to describe the situation as "cultural imperialism by invitation" (Ogan, 1985).

Two aspects about the VCR are significant in terms of the machine's impact on culture: first, it is a stand-alone device, independent of a central programming source. Second, it is user-controlled. These two characteristics wreak havoc on any country's communications policies as they relate to national culture or development because for the end-users, exposure to any national programming becomes a matter of choice and convenience. The contrast in VCR use is particularly evident between the programming haves and have-nots. The VCR in the American home has been primarily useful for controlling entertainment according to one's convenience through the use of time-shifting (Levy, 1980). In many European countries, time-shifting is also a primary function for these devices: an average of 70 percent has been found to record programs while watching another channel (Tydeman and Kelm, 1986).

For third world users, on the other hand, VCRs have promoted a boom in pre-recorded programming, whether produced legally or illegally. From countries as diverse as India (Agrawal, 1986), Turkey (Ogan, 1986), Tonga (Vollan, 1986), and Egypt (Boyd and Strubhaar, 1985), pre-recorded programming is the primary VCR staple. Some researchers have postulated, in fact, that there is a direct correlation between government control of entertainment fare and sales of VCRs (Inter-Media, 1983; TV World, 1984). Saudi Arabia provides a perfect example of this finding. It is a country where government and religion combine to tightly control the amount and type of entertainment fare the country should watch. Not surprisingly, entertainment

programming time is severely curtailed. On the other hand, the country remains one of the world's foremost VCR buyers.

In Canada, the concern over cultural identity and the Americanization of programming content has been a constant with each new communication technology. For various reasons, however, VCRs have not yet elicited any significant degree of concern despite their potential for subverting national broadcasting policy. After all, they are merely a distribution mechanism, a consumer commodity, regulated, like any other consumer product, by *Consumer and Corporate Affairs*. **But are they merely a distribution channel?** It is this issue of VCRs in Canada that will be explored in this paper. Specifically, three questions will be addressed: First, what are the patterns of VCR use in Canada? Second, what is the thrust of current regulatory policies with regard to videocassettes? Finally, what are the implications of current regulation and usage patterns in the context of possible policy options that relate to cultural issues?

VCR Use in Canada

Canadian VCR usage patterns described in this section are based on an in-depth examination of VCR ownership patterns conducted by the Bureau of Broadcast Measurement (BBM) in 1985 and in 1986.¹ As Figure 1 shows, about four in ten individuals nationally live in households with a VCR. Alberta has the highest penetration at 47 percent, while New Brunswick has the lowest, at 36 percent. (BBM, 1987)

Figure 1

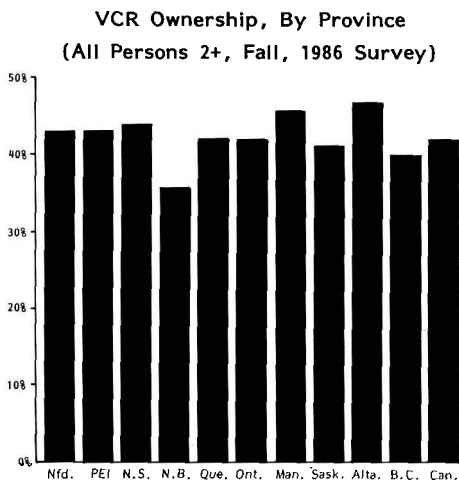


Table 1 indicates that VCR owners tend to be younger and to have families. On socioeconomic variables of income, education and occupation, they do not differ from the Canadian adult population.

TABLE 1
Demographic Characteristics of VCR Owners
Compared to Total Population

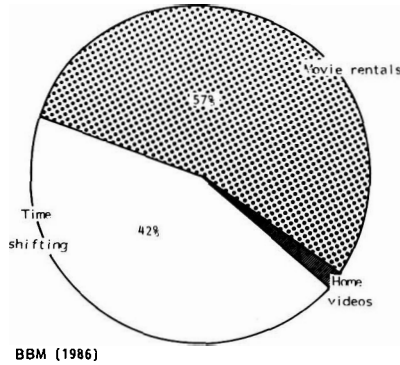
	Total Population	VCR Owners
Age:		
2 - 11	14%	17%
12 - 17	8	10
18 - 34	31	35
35 - 49	21	25
50 +	25	13
Household Size:		
1 - 2	31%	21%
3 - 4	49	57
5 +	11	13
Education: (Adults 18+)		
Grade School	16%	16%
Some H.S.	19	19
Completed H.S./Comm-Tech	33	35
Some University +	16	16
Income: (1985 data)		
\$15K	5%	5%
\$15K - \$25K	12	13
\$25K - \$35K	21	23
\$35K +	47	52
Occupation:		
Student	20	23
Homemaker	13	11
Retired	8	3
Management/Executive	6	7
Professional	8	9
Office	8	9
Farmer/Fisherman	2	1
Skilled Trade	7	9
Sales	3	3
Other	9	10
N/A, no reply	17	14

Compiled from BBM (1987) unless indicated otherwise.

Finally, more VCR owners tend to be cable subscribers than the population as a whole: about three in four VCR owners tend to be cable subscribers compared to two in three in the total population.

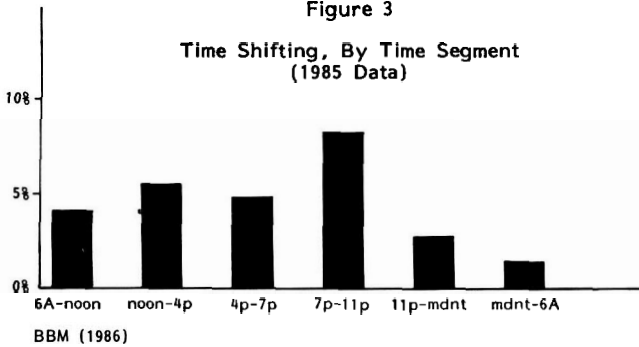
BBM data compiled in Figure 2 indicate that the predominant use for VCRs is for movie rentals, followed closely by time-shifting.

Figure 2
Distribution of VCR Use (All Respondents)



When time-shifting activities were examined according to period of the day, time shifting was found to occur most heavily during prime time.

Figure 3
Time Shifting, By Time Segment (1985 Data)



In terms of content, time shifts were conducted primarily for movies and soap operas. During the four-week period of the Spring, 1985 survey, the top ten time-shifted programs included three American movies, two American prime-time soap operas ("Dallas" and "Dynasty"), one American sit-com ("The Cosby Show"), one American cop show ("Miami Vice"), two American day-time soaps ("Another World" and "Days of Our Lives"), and one type of Canadian sports program - - hockey games (BBM, 1986). In terms of movie rentals, over three quarters of the VCR households were members of a video rental club.

It is interesting to match the above findings with data on availability of programs and amount of time spent viewing various program categories. The data compiled by the Task Force on Broadcasting Policy (1986) demonstrate that during the broadcast day and during prime time, drama is the predominant program available and the most heavily watched as well. These findings appear

to be more applicable to English Canada. Quebecers have traditionally been heavier consumers of Canadian (i.e., French Canadian) content than the rest of the country. For example, while Canadian conventional TV accounts for 70 percent of all TV hours in Canada, it accounts for 87 percent of TV hours in Quebec. (BBM, 1987).

Given that a majority of prime time hours (three quarters of total prime time) are devoted to non-Canadian content especially on private networks (Task Force, 1986), and given that there is direct evidence that those who time shift do, in fact, record American entertainment programs, it is an inescapable conclusion that an even greater diffusion of VCRs among Canadians might potentially distort the intended effects of cultural protection, including policies governing Canadian content, especially among English-Canadians.

Indeed, the Task Force report was sufficiently perturbed about these potential effects when it observed:

The present exotic level of technological development, and especially the science-fiction like future that is predicted by many, is sometimes seen as the end of the road for national control of broadcasting. Has technology become the ultimate de-regulator? The technologically induced challenge to the cultures of the entire globe by American programming is unquestionably real; but does it follow that those who dare resist it have not learned the lesson of King Canute? (p.76)

What are the alternatives for Canadians with respect to videocassette technology?

The Regulatory Environment

VCRs and videocassette tapes in Canada have so far not been given any special consideration as a cultural medium. Falling under the jurisdiction of Consumer and Corporate Affairs, the extent of regulation governing VCR use is to be found in Customs regulations, the activities of provincial censorship boards, and copyright law.

Customs regulations which affect videocassettes address specific issues, namely, the prohibition of the importation of obscene materials, materials constituting hate propaganda, and materials of a treasonable or seditious nature (Revenue Canada, Customs and Excise, 1985). Provincial censor boards exemplified by the Ontario Film Review Board similarly reflect concerns over obscenity, violence, and pornography in films and videocassettes (Ontario Theaters Act). **Copyright law, of course, attempts to protect various works** in different media and to ensure just compensation for their creators for fair use. Taken together, these measures reflect essentially the same concerns as those in many developing countries. However, they provide inadequate defense against cultural incursions via the increasingly ubiquitous home video recorder.

Customs law may be a barrier against the influx of video pornography, much of which is American (Special Committee on Pornography and Prostitution, 1985). However, all other videos flow into Canada unrestricted and the government would be hard pressed to make a convincing case for keeping out foreign film and video productions for any other reason. Protection of cultural sovereignty is meaningless if measures taken contradict popular preferences. The experience in the third world suggests that restrictive legislation fosters environments where black markets thrive (see Boyd, 1987).

Theoretically, Canadian copyright law could serve as a means of reducing the impact of VCRs as distribution systems for U.S. television and video productions. While this legislation would have no power over legitimately purchased or rented pre-recorded material, it could essentially stop the copying of protected television and film productions. If the current law was enforced, VCR owners might be less likely to record programs, but this would hold for programs in general, not just U.S. programs, so this hardly addresses the issue at hand. Experience so far has demonstrated that the courts (and the copyright owners) have been reluctant to try cases of home copying infringement due to the minimal penalties imposed, the large number of offenders, and the difficulty of enforcement (Goulet, 1985).

This situation works against Canadian cultural productions in two ways. First, there is no deterrent for watching greater amounts of U.S. fare. VCR owners have their viewing diets made to order from a large menu of alternatives, to be consumed at their leisure, with no fear of penalty. This undermines possible scheduling strategies devised to optimize the conditions for viewing Canadian content, admittedly not a high priority among private broadcasters.

Lax copyright law enforcement also harms Canadian interests by not fulfilling its initial purpose, namely, to protect the economic interests of copyright owners so as to support their incentive to create. The intention of the law is to "increase and improve upon the rate of production of intellectual works which, in the absence of such protection, would be inadequate." (Keon, 1982, p.5). The current state of Canadian production levels would suggest that incentives to create are sorely lacking.

What are some of the forms these incentives might take?

One suggestion is that of a royalty levy imposed on videocassette recorders and/or blank tapes, a move that has been justified on the grounds of probable infringement (Van Dyck, 1984; Goulet, 1986). This, of course, means that purchase of blank videocassettes reflects a potential intent for copyright

violation and, given the impossibility of detecting violators, the blanket levy approach might not be unreasonable. The distribution of revenues would be based on the estimated number of recordings for any given production.² While this arrangement might compensate Canadian copyright owners for the unauthorized copying of their works, it would also compensate American copyright owners whose dominance in the Canadian marketplace would ultimately result in a large net outflow. Canada's involvement in the Berne and Universal Copyright Conventions entails a reciprocal obligation on copyright matters.

The White Paper on copyright reform, From Gutenberg to Telidon (1984a), makes no mention of home copying, let alone a royalty tax. A possible explanation for this omission is provided in the guide that accompanies the document:

Our international treaty obligations prevent the promotion, by means of copyright law, of Canadian cultural output to any great extent. Since many cultural and entertainment sectors in Canada are dominated by foreign materials, any attempt to stimulate a particular sector by means of copyright law may cause an equivalent stimulation of foreign competition and a net outflow of money from Canada. (p.4).

The challenge to policy-makers is to devise new approaches that do not discourage VCR use but makes Canadian cultural fare more competitive in the marketplace. This may be achieved through greater availability and higher quality, and takes advantage of the special features of the VCR medium as a "narrowcast" medium, capable of effectively reaching more specialized audiences.

As Lyman (1983) suggested,

The public policy challenge is to design measures that strengthen cultural producers while skillfully deploying non-tariff barriers to reinforce the position of such producers. The goal (as in other industries) is to upgrade the Canadian content, particularly the concept and its execution. (p.32).

Several approaches could be taken toward this end. First, the government could implement legal sanctions prohibiting the sale or rental of VCRs and videocassette tapes, a move that is highly unrealistic and hardly feasible. Placing an entertainment tax on VCRs and blank videotapes might be a reasonable alternative, but it too has some disadvantages. First, it could be viewed as a monetary disincentive for the use of VCRs in general although this is not very likely. A second disadvantage is that it may prove to be a disincentive particularly for lower income groups, many of whom rely on television as their primary entertainment source.

On the other hand, an entertainment tax could act as an indirect incentive for the use of VCRs for the purpose of viewing greater quantities of Canadian content. If the monies generated contribute to greater production efforts, then VCR owners may be more liable to use their machines to watch indigenous programming. The Task Force report on Broadcasting (1986) questions why it is that "while there is now a federal tax on cable television subscriptions, there is no comparable tax on audio or video cassette sales or rentals, on the sale or rentals of VCRs, or the sale of satellite receiving dishes." (p. 683) They suggest that the revenues through taxation could improve Canadian cultural products' competitive positions by at least increasing their availability.

Given the disadvantages mentioned earlier involving a blanket tax (or entertainment levy) on blank tapes and VCR machines, another approach might be a tax on pre-recorded cassette rentals. This could make sense in terms of ensuring that the production fund generated from a tax base remains fairly stable (if not increasing). A tax on the VCR hardware would, of course, progressively decrease as saturation levels of machine purchases were reached. Taxing rentals, on the other hand, seems to make sense in terms of Canadian usage patterns described earlier. First, it accounts for much of the use of VCRs and second, the relative affluence of VCR owners makes such a move less onerous. There is, of course, no reason why some tax on both pre-recorded rental tapes as well as blank tapes would not be useful. This way, the majority of VCR users -- both time-shifters as well as renters -- would be putting a little something into the kitty.

To meet the requirements of quality, greater investment in time, attention and money will have to be made. However, penetration of VCRs into Canadian households may offer a unique opportunity for producers to divert specific audiences from the lure of U.S. productions. The increased audience fragmentation brought about as a result of new dissemination technologies opens the market for specialized products, both in Canadian and foreign markets. Under these circumstances, Canadian producers may find themselves in a more economically favorable climate than they have known for years.

The other prong in the mix of approaches is to push the advantages of video as distribution mechanism and its capability for reaching specialized audiences. The public broadcasting and production systems would be naturals to prod in this direction. As Giersing (1986) observed,

...public broadcasting organizations (must) enter the video market themselves -- both as distributor of their own programs and as buyers of domestic and foreign programs with special reference to video distribution.... By going into the video market, public broadcasting organizations could ensure a balanced supply in the video market and could ensure the broadcast of a desired program in the traditional way (p. 251).

In addition to taking advantage of this medium as distribution mechanism, public broadcasting and film production companies can take advantage of VCR's narrowcasting attributes. The targetting of specialty audiences, again demonstrated successfully although to a very limited extent in developing countries, is similarly gaining support in the U.S. with the encouragement of cassette distribution for minority programming.

Already, some steps are being taken in this direction by the National Film Board (Portman, 1987; Shere, 1987) whose recent marketing strategies involve (1) increasing access to its products in a video technology, and (2) reaching special-interest audiences through videocassettes. The production of a program on child abuse on videocassette ("Feeling Yes, Feeling No") resulted in 3,000 copies being purchased by school systems and other social service institutions. Another 3,500 copies were bought by Health and Services Canada for distribution to public libraries throughout the country. While most of the national Film Board's titles have traditionally been stocked via the 16-mm. film, the NFB has more recently decided to extend its reach into the home via videocassette. The film "Feeling Yes, Feeling No", mentioned earlier, has also been purchased by some 4,000 Canadian families (Portman, 1987). The effort to reach specialized audiences is similarly illustrated by the distribution of two videos appealing to railway buffs ("Farewell to Steam" and "Railroaders").

Other examples cited by Portman (1987) and Shere (1987) include the following: Between 1984-1985, the NFB put 7,500 cassettes and 12,000 16-mm. prints into distribution. The following year, 30,000 videocassettes were put into distribution in contrast to 5,400 16-mm prints. A new NFB video catalogue is due for publication containing the entire Canadian Writers series, every production of the Women's Studio D, and the most popular titles in the NFB film library. For particular areas not reached directly by NFB facilities, the Board is exerting a major effort to get their videos into the public library system. In addition, a new "electronic reproduction" policy allows certain approved institutions and organizations copying rights for a modest fee to promote greater circulation of NFB materials.

These instances suggest that while VCR technology represents potential dangers with respect to cultural dependency, there are fruitful alternatives that can be pursued. The solution advocated here is two-fold: first, impose a tax on rental and blank tapes, to be used for continued development of Canadian production efforts. Second, encourage public broadcasting and film production systems - the primary purveyors of Canadian content - to more fully utilize VCR attributes for distribution and narrowcasting. Clearly, there is a long way to go if the potential of video technology is to be fully exploited but the

example of the National Film Board does illustrate that the offensive can and has to be taken because the cultural stakes are too high.

NOTES

1. The VCR surveys were conducted during BBM's Spring television survey in 1985 over a four-week period and their Fall survey in 1986. For the 1985 survey, all television households which indicated ownership of a VCR constituted the sampling frame. Participating households provided VCR data through a specially constructed diary mailed out to 1457 households (sampling error: 3 percent). The study had a 75 percent response rate. 1986 data were obtained via BBM's biannual television survey.
2. There are current measurement developments in the United States and in Canada that will allow continuous monitoring of VCR use.

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