Video cassette recorders and cultural protection: Are changes in the Canadian policy-making processes necessary?

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Video Cassette Recorders and Cultural Protection:
Are Changes in the Canadian Policy-Making Processes Necessary?

by

Jeffrey James Hewitt

A thesis
presented to the University of Windsor
in partial fulfillment of the
thesis requirement for the degree of
Master of Arts
in
Communication Studies

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The effects of foreign programming on Canadian identity has been an issue of concern in Canada since the early days of radio. Today, these effects are exacerbated by the number of content delivery systems available in Canadian households. One such system is the video cassette recorder (VCR), a machine which has penetrated over 40% of these households in less than ten years time.

VCRs, by means of their ability to play pre-recorded cassettes and to record programming off-the-air, allow Canadians more exposure to foreign, primarily American, programming. By doing so, the video cassette recorder has reduced the capability of Canada's broadcasting regulations to achieve their intent.

In this thesis, the researcher looks at the pervasiveness of the VCR in both Canada and the United States of America, and at how the citizens of these two countries are using these machines. After examining how previous content delivery systems have influenced Canada and Canadian programming, the same issue is investigated with respect to the video cassette recorder.

Finally, the researcher critically analyzes the video cassette recorder's place in the regulations developed in
Canada to both protect and control Canada's culture and the cultural industries.

The researcher concludes that, although regulating a content delivery system such as the video cassette recorder would be both difficult and impractical, the VCR is capable of aiding the production industries in Canada if new policies were implemented to stimulate Canadian production.
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To Hugh, Mary and John, without whom this work could never have been completed;

To Ann, Sheila, Karen and Jim, who make the "fourth" a special place;

To Reg, whom I've never met yet will never forget;

To Debbie and Don, to whom I'm indebted for their assistance and friendship;

To Bob, who took a skinny kid and showed him the fun things in life;

And to Mom, Dad and Zak, who have supported me, put up with me, and been there for me:

Thanks.
DEDICATION

I'd like to dedicate this thesis to Kyle Mark in the hopes that his future is as filled with the opportunities, family and friends, and good fortune as mine.
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Chapter I

INTRODUCTION

1.1 Background

Historically, concerns have been raised over foreign content in the media affecting the Canadian identity and way of life. New media channels have had the ability to disseminate programming containing those qualities that make us Canadian, thus reinforcing our national identity. But these same channels have permitted the flow into Canada of foreign materials that some politicians, critics and scholars have claimed harbour the potential to slowly dissolve the very fibre that composes that identity. The difficulty has arisen in attempting to determine a proper balance between the two.

Although the concern for identity or cultural protection has existed since the early days of radio, this concern has grown with the technological advancements in the manner by which content can be delivered. In a 1983 report entitled, "Towards a New National Broadcasting Policy", Canada's Department of Communications wrote:

New technologies are now coming into play, and these will greatly increase the reach and number of broadcast signals transmitted both within Canada, and across our borders.
These technologies are creating a broadcasting environment characterized by dramatically increased choice for the viewer and intense competition for domestic broadcasters.

Though these technological innovations promise many benefits, there is a very real possibility that they could undermine the present Canadian broadcasting system and weaken our cultural integrity as a nation. (EOC, 1983)

Similar thoughts are echoed in the most recent analysis of Canada's broadcasting system. In the Report of the Task Force on Broadcasting Policy, co-chaired by Gerald Caplan and Florian Sauvageau, the investigators noted that, "broadcasting is entering a third age of integrated communications in which it is becoming a selective and specialized medium as well as a mass medium" (Caplan, 1986:45). This specialized nature of the new distribution techniques makes "content quota requirements used alone problematic because regulation can easily be bypassed by simply shifting to other delivery systems such as videotape recorders" (Caplan, 1986:26).

The Caplan Report expressed concern over the apparent dysfunction of regulations in light of new content delivery systems:

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?
We are not prepared to agree. To understand the implications of technology is one thing, to surrender to it another. The fact that culture is at stake cannot be overlooked. If anything, the decades-old responsibility of the Canadian broadcasting system to help Canadians remain Canadian is more crucial than ever. (Caplan, 1986:76)

The importance of cultural independency is, according to some, all too valuable to be ignored. Pierre Juneau, chairman of the Canadian Broadcasting Corporation (CBC), stated the following at a conference devoted to the issue of cultural sovereignty:

...[C]ulture is a matter of concern, even of worry, to many Canadians. Maybe even that is part of our identity. Moreover, at a time when there is to be more and more economic and military interdependence, many Canadians feel that culture lies at the very heart of political sovereignty. They feel strongly that there can be no political sovereignty, and thus no authority over their own lives, without cultural autonomy and vitality. (Juneau, 1986:27)

1.2 Technology and Regulation

Traditionally, Canadian culture and identity has most often been "protected" in the broadcast media by content quotas. These regulations have ensured that a given percentage of broadcast time, be it radio, television or pay TV, be Canadian. However, such regulations have been weakened because of technology. For example, in Windsor, Ontario, which borders Detroit, Michigan, radio broadcasters recently asked the CRTC, the Canadian regulatory agency, for an easement of content restrictions because Windsorites did not discriminate between Windsor or Detroit radio stations.
They chose to listen to those stations that played their desired selections; stations that usually broadcast from the American side of the border. After much deliberation, the CRTC granted Windsor broadcasters more freedom to operate in the highly competitive market by reducing the amount of Canadian content.\(^1\) In doing so, the CRTC recognized the role of technology in determining broadcasting policy. CRTC commissioner Jim Robson stated:

> We're aware of technological changes in the communication environment and we understand the need to re-evaluate the relevance of certain policies. If we have an innovative broadcast industry burdened by an archaic regulatory system, the two will never work well together. (Mietkiewicz, 1986)

A second recent example of a modification of regulations occurred within the pay television industry. In 1981, when pay TV movie channels were first licensed, the operators of such were bound by conditions of license to show 50% Canadian content in prime time and 50% overall after five years. However, the movie channels were unable to obtain these levels and asked for a reduction. The CRTC granted a reduction to 30% Canadian content in prime time and 20% during the rest of the day (Windsor Star, 3 September 1986).

Both of these examples found a change in regulation necessitated by the need to keep broadcasting 'alive'; without such changes these media channels would perish economically, and outlets for cultural expression would be further limited.

\(^1\) These new operational guidelines are not national in scope and apply only to some Windsor FM stations.
Has technology then really become, as Caplan et al. asked, "the ultimate de-regulator?" The answer to this query may be found by studying the evolution of a technology from its beginnings to the present and by analyzing its effects on the existing broadcasting structure. One such technology is the home video cassette recorder (VCR), a machine that has gained mass acceptance in only ten years time; a machine that was described in the Caplan report as being, "the most important development since the beginning of TV because it has changed viewing habits" (Caplan, 1986:58).

The video cassette recorder was first introduced to North Americans in 1975 by the Sony Corporation. The machine, called the Betamax, sold for approximately $2,200 U.S. (Zoglin, 1984:42) and was considered to be just another elaborate toy in the burgeoning home electronics market - a toy only the wealthy could afford.

However, as the prices of VCRs have dropped to levels more affordable by the general populace, the machines have increased in popularity, and may become pervasive in Canadian society.

The video cassette recorder therefore may represent a new technology for the delivery of content which has the potential to bypass many of the cultural controls implemented in the past.²  Its newness brings with it certain qualities

² The VCR is the "newest" example in that other media, such as cable and pay-TV, have preceded it, with each of these media requiring introspective looks at regulation. It is
that make it a special content delivery system. This study will examine whether the VCR will become a mass medium in terms of numbers and penetration into our society.

However, it may not be a mass medium in terms of viewing content. Echoing the words of the Report of the Task Force on Broadcasting Policy, the VCR is a selective and specialized medium as well as a mass medium because the user selects his or her programming at his or her own convenience; although the content is mass produced, it is not viewed en masse. In this respect, the video cassette recorder may be labelled the "individual's mass medium."

The selectivity of the video cassette recorder's content can occur in two forms: first, in time-shifting, and second, in pre-recorded tapes. With time-shifting, a VCR user tapes a program from a source, be it traditional television, cable television, or pay-TV. The user then plays back this tape when convenient. With pre-recorded tapes, the VCR user usually rents a videotape, often of a feature film, and plays it on the machine. Both uses of the video cassette recorder have inherent problems with respect to culture.

When one time-shifts, he or she is recording a program off the air for later use. This is, obviously, a two step process: recording and playback. Therein lie two concerns; 1) What is being recorded?, and 2) When is the recording also "current" in that, even in 1986, the future is still hard to predict - the creators of technology are sure to develop new content delivery systems that will replace the VCR in terms of popularity and in areas of cultural concerns.
being played back?

The answers to these two questions would give an indication of how the video cassette recorder is affecting several of the Canadian cultural industries. If the VCR is enabling Canadians to record and playback Canadian programming which they would otherwise be missing, then the VCR would be a benefit to the Canadian broadcasting media. If, on the other hand, the VCR is enabling Canadians to increase their video consumption of foreign programming, it would also be decreasing exposure time to Canadian programming by providing another viewing alternative. This aspect of the VCR would reduce the capability of our broadcasting regulations to achieve their intent.

The second area of use of the VCR, pre-recorded tapes, would also seem to circumvent cultural regulations. Pre-recorded cassettes of movies, concerts, how-to instructionals, and so on, are treated like a commodity to be sold or rented. In this respect, some tariff regulations apply as they would in the music record industry. Such tapes are also amenable to provisions in the theatre acts of the provinces which regulate content to a certain extent, for example in terms of pornography. However, such tapes and their use are not regulated in terms of Canadian content.
1.3 The Thesis

Regulation has been used to protect and control the cultural industries in Canada. In radio, it helped to create a Canadian voice, a tradition carried through the early days of television. However, as more technologies have been added to the list of content delivery systems, such as cable and pay TV, the regulatory process has become more complex and, as evidenced in the two preceding examples, less effective in achieving the desired cultural results. How, then, does a technology such as the video cassette recorder fit the cultural objectives of our national broadcasting structure?

Any role the VCR holds in this respect should not be overlooked. First, the issue of cultural sovereignty through the media is an important one. A glance at today's newspaper headlines, an inventory of recent government reports and task forces, and a review of recent seminars across Canada would indicate that this issue of cultural sovereignty is of great concern. However, simply because people are "talking about it" is not sufficient; Canadians must ask themselves if they are honestly willing to jeopardize the Canadian identity. Insurance taken now could very well pay benefits in the future.

And second, the time, thought, and money that have been spent in Canada on studying previous technologies would give precedent to the investigation of the influence of the video
cassette recorder on Canada's cultural industries. It would be remiss to ignore the VCR as a force in broadcasting simply because it is not a broadcast undertaking as traditionally defined.³

1.3.1 Research Questions

As stated previously, it may be possible to ascertain if technological innovation has truly become the "ultimate de-regulator" by studying the diffusion of a technology such as the video cassette recorder into our society. Such research need examine the media environment in which the VCR functions, including an investigation of previously existing technologies, which would be followed by an accounting of the evolution of the VCR from its beginnings to the present, and an analysis of its effects on the existing broadcast structure.

The research questions have been designed to follow a linear progression tracing this evolution. The first three questions are derived from one general thought, "Is the video cassette recorder an area for cultural concern?":

Question #1 - How has the introduction of new technologies of content delivery affected Canada in terms of content and regulations in the past?

Question #2 - How do these technologies inter-relate with cultural industries?

³ The 1966 Broadcasting Act interprets 'broadcast undertaking' as: including a broadcasting transmitting undertaking, a broadcasting receiving undertaking and a network operation, located in whole or in part within Canada or on a ship or aircraft registered in Canada.
Question #3 - To what extent has the video cassette recorder influenced other nations' cultural development?

These three questions comprise the research topic of Chapter II, which looks at the role of technology in the development of culture and the cultural industries.

The next questions are to determine the function the video cassette recorder currently has in North America:

Question #4 - How pervasive is the video cassette recorder in Canada? In the United States?

Question #5 - To what extent and in what manner is the video cassette recorder being used?

Within the scope of these questions, which form the basis of Chapter III, are several related questions: What form of programming is most preferred by Canadians who use VCRs? What is its origin? And, how much time is spent using the VCR?

The next research questions involve the potential effects of the video cassette recorder:

Question #6 - How is the video cassette recorder affecting existing media and cultural industries?

Question #7 - Does the video cassette recorder represent a method of content delivery worthy of concern in Canada's cultural industries?

Obviously these two questions are highly related: If the video cassette recorder is having little or no effect on existing media, then does it warrant any attention at all? Chapter IV will analyze the impact of the VCR on traditional television, cable and pay TV, and theatrical productions.
The final two research questions study the video cassette recorder vis-a-vis those methods that have been employed in the past to protect and foster national unity:

Question #8 - Does the video cassette recorder, as it is currently used, contribute to the spirit or intent of Canada's current Broadcasting Act?

Question #9 - Are existing methods of cultural regulation as employed by the CRTC appropriate or effective in dealing with a technology such as the video cassette recorder? Are other forms of legislation, such as copyright, appropriate or effective?

The basic tenet of protecting cultural sovereignty through use of the media is noble and significant. However, can such a doctrine be realized in light of 1980s technology? This will be the foundation of Chapter V.

Finally, Chapter VI will be the concluding section of the thesis, dealing with the objectives that are generated by these nine research questions:

Objective #1 - To determine if the impact of a new technology can be appropriately handled to meet cultural goals.

Objective #2 - To determine if cultural goals are realistically obtainable in the light of new content delivery systems.

1.3.2 Methodology

The most appropriate manner to research the above questions utilizes a historical/critical analysis of the video cassette recorder.

A quantitative/statistical approach would be inappropriate in studying the impact of the VCR. Such research would
be sufficient when looking at how the machines are used but would be a costly and massive undertaking, which explains why it has only been done recently by Canada's two largest audience measurement companies. However, it is more important to look at what the VCR means to existing media, what it means to cultural policy, and what it means to Canada and Canadians.

The historical review of earlier media in Canada and the impact the VCR has had in other nations (Chapter II) are developed from a review of appropriate literature.

The analysis of the use of the video cassette recorder (Chapter III) is a compendium of studies done in this field. The two main Canadian reports analyzed are the evaluations performed by the Bureau of Broadcast Measurement (BEM) and the A.C. Nielsen Company in 1985.

Due to the relative newness of the video cassette recorder, there is a lack of research indicating the effects of such a technology on existing content delivery systems. As a result, the analysis of VCR effects (Chapter IV) is based on the popular literature, i.e. newspaper and magazine articles. The task is to compile all of these materials into one, cohesive unit, and to interpret effects from the materials.

Finally, a critical approach will be utilized to analyze the video cassette recorder with respect to Canada's methods of cultural protection (Chapter V).
1.3.3 Definitions and Limitations

One of the more difficult tasks when discussing the impact of anything on culture is the exact definition of 'culture': the same may be said when speaking of Canadian 'identity'. For reasons of understanding within the context of this thesis, the definitions employed are similar to that used by Pierre Juneau:

...Let us talk about culture and its relation to identity. These two words are almost synonymous. Identity is the total set of factors which makes us an individual or a nation what it is. Culture - if I may be so bold as to attempt a definition - is the expression of identity.

...Culture is the ability and ultimately the art of expressing identity, knowledge, meaning and aspirations. ...Identity is personality. Culture is consciousness and the ability to describe, articulate, structure and modulate with thoughts, words, sounds, colours, movements, stories, songs, images. (Juneau, 1986:9)

Similarly, when the "cultural industries" are mentioned, the reference is to the efforts of film-makers, broadcasters, publishers, musicians, etc., who are creating the stories, songs, and images through which our culture is disseminated.

This introduction outlines progressively that which is going to be researched. It is equally important to elucidate that which is not and can not be evaluated in this thesis. First, other than the preceding definition for 'culture', it is not within the scope of this research to determine what comprises Canadian culture. Nor is it attempting to ascertain the video cassette recorder's actual effects on Canadian culture.
It would be pure conjecture if one were to attempt to state the effects on Canada's culture because they may not materialize for years. However, the effects of the video cassette recorder on the cultural industries may be evident now, and an understanding of them today could benefit our culture tomorrow.

And second, no attempt is made to determine whether cultural regulations are justifiable. An unbiased approach that is neither nationalistic nor continental has been adopted based upon the historical precedents of Canadian policy-making. That is, the researcher accepts regulations because they do exist and have done so for many years. Regulations are the Canadian way; whether they are beneficial or detrimental to the development of Canadian culture is a separate area of research.

This thesis is concerned with the effectiveness and appropriateness of regulations in light of a new technology. Its goal, as the Caplan Report wrote, is "to understand the implications of technology."
Chapter II

THE INFLUENCE OF FOREIGN PROGRAMMING ON CANADA

2.1 Radio Broadcasting

In the late 1920s, Canada faced a technological invasion that some feared threatened the nation's sovereignty: radio signals from American stations were being received on Canadian radio sets. This increasing penetration of American radio signals into Canadian cities forced the Canadian government to officially recognize the important influence of foreign voices broadcast over the airwaves. In December of 1928, the government created the Royal Commission on Radio Broadcasting, which would issue the Aird Report, to investigate the role of radio technology in Canada's development.

The Aird Report recognized that American radio held several advantages at that time over Canadian radio. First, the American system had more money available for development. It also had a larger potential audience. With more money and more people, the Americans developed more broadcasting clout as the result of there being more American stations. Canadians, on the other hand, were struggling to generate revenues from a significantly smaller market in order to purchase equipment, the price of which was the same for Canadians as Americans. In addition, Canadians were...
fighting the limitations of the spectrum of radio frequencies. As the American radio broadcasting system quickly prospered, it utilized more radio frequencies; frequencies that paid no attention to international borders.

Thus, the Aird Report saw the need for a network of radio stations that would have nation-building properties capable of bringing together the widely spread populace of Canada. However, radio could only be effective in this manner if the Canadian government acted quickly to counteract the growing American influences. Then Prime Minister Bennett stated that,

...this country must be assured of complete control of broadcasting from Canadian sources, free from foreign interference or influence. Without such control radio broadcasting can never become a great agency for communication of matters of national concern and for the diffusion of national thought and ideals, and without such control it can never be the agency by which national consciousness may be fostered and national unity still further strengthened (Ellis, 1979:7-8).

Parliament responded in 1932 by passing the Canadian Radio Broadcasting Act to protect national sovereignty, to extend broadcasting to all settled parts of Canada, and to control the public airwaves.

2.2 Television Broadcasting

In sixteen years time, the issue of Canadian sovereignty was again being discussed in conjunction with the sudden introduction and growing popularity of television. Again, the United States was leading in the new medium, with tele-
vision signals permeating the Canadian borders and providing Canadians with American programming. Canadians had become so enamoured with American television that even before Canada had any domestic television service, there were approximately 146,000 television receivers in Canadian homes (Ellis, 1979:33).

In response to this old threat that had once again been renewed, the Canadian government established in 1949 the Royal Commission on National Development in the Arts, Letters and Sciences, better known as the Massey Commission. The Massey Commission had praised the Canadian Broadcasting Corporation (CBC), the public national radio network, for meeting the objectives outlined in the 1932 Radio Broadcasting Act and for the "successful resistance to the absorption of Canada into the general cultural pattern of the United States" (Ellis, 1979:30). The Massey Commission suggested a national system for television, similar to that of radio, be established with the CBC becoming the national broadcaster of television signals in Canada.

However, the Canadian government was not willing to sufficiently finance a television network so that it could effectively achieve any national cultural objectives. Television was (and is) a more expensive venture than radio, and the government was not prepared to give the CBC the millions of dollars required to establish studios or purchase transmitters to outfit all of Canada. As a result, private
broadcasters were then allowed to build television stations in those places not serviced by the CBC. By 1959, although affiliated with the CEC, private television stations in Canada outnumbered CBC-owned television stations by over four-to-one (Ellis, 1979:35). These private stations had one goal which was not to provide, in Bennett's words, "a national consciousness", but to make money.

In 1958, a new Broadcasting Act was introduced in the hopes that it would encourage private television broadcasters to promote the Canadian identity and protect national sovereignty, in the same manner that CEC radio had done. Such encouragement was provided by means of Canadian content quotas which required broadcasters to maintain a programming schedule with a minimum of 45% Canadian content in 1961, rising to a minimum of 55% in 1962. Thus, quotas would ensure a Canadian voice on Canadian airwaves, and employ more Canadian talent because of increased production.

However, the private broadcasters objected to these percentages and quickly found means around the quotas, thereby defeating the purposes of the legislation:

The problem, of course, was with the private broadcasters, especially those in television, where there was an irresistible temptation from the very beginning to buy U.S. programs at dumping rates in order to keep costs down and sustain high profit margins. When control of the system passed out of the CBC's hands in 1958, there were already 44 private television stations in the country and still only eight CBC stations. Even a government very sympathetic to the concerns of private enterprise realized that content regulations were absolutely indispensable to the health, the very existence, of a domestic program production industry, if not the broadcasting system as a whole.
However, the 55 per cent objective was one thing in principle; it was quite another in practice. Under pressure from the private interests and, undoubtedly, certain members of the government, the EBG [Board of Broadcast Governors] conceded that its requirement... was perhaps too harsh, and so proceeded to dilute it. For one thing, broadcasters would be allowed to average out their content on a four-week, rather than on a one-week basis, and starting in 1962, the 45 per cent figure would continue to apply over the summer season. More importantly, the notion of "Canadian content" was defined very loosely, and included, besides all manner of broadcasts originating within Canada, programs originating outside Canada but having Canadian participation, or simply deemed to be of general interest to Canadians, such as the World Series or an address by the President of the United States. Allowance was also made for programs originating in Commonwealth or francophone countries, a certain proportion of which could be counted as "Canadian". And so on. (Ellis, 1979:50)

The private broadcasters were generally achieving their quotas on a daily basis, but by loading their schedules with popular American programming during the prime time hours from eight to eleven in the evening. Although the legislation was changed to encourage 40% Canadian content during the hours of six in the evening to midnight, broadcasters still aired American shows between eight and ten p.m., when most Canadians were watching television.

Two important aspects of Canadian television emerge out of this broadcasting environment. First, Canadians, after exposure to American programming, indicate a preference for these shows. The consequence of such a preference is that it becomes very difficult for these programs to be removed. Although the notion of national sovereignty is noble, a gov-
ernment is unlikely to want to upset its people by removing that which is popular.

Second, the interests of those private individuals or groups with a financial stake in broadcasting had gained importance. With such a large investment in television, these people had much to lose if tough government regulations were implemented. Therefore, collectively as a private body, they developed, and maintain, a lobbying power effective at modifying regulation that, although productive to the nation's sovereignty, is counterproductive to their task of staying in business and making money.

These problems with the broadcasting system initiated the need for a new broadcasting act. In 1965, the Fowler Committee was established to once again look at Canada's broadcasting system. Although the Committee investigated those aspects of the system that had been studied before, such as the CEC and the Board of Broadcast Governors, its report neglected the new technology that was quickly developing across the country, threatening traditional broadcasting as it grew. This new threat was that of cable television, which was bringing in more American stations and presenting more American programming to Canadians than before. Yet cable was largely ignored by Fowler (Ellis, 1979:60).

However, concern was developing over these new technologies that, just as television did to radio in the early 1950s, had the potential to upset the balance of broadcast-
ing in Canada. The White Paper on Broadcasting of 1966 asked: "How can the people of Canada retain the degree of collective control over the new techniques of electronic communication that will be sufficient to preserve and strengthen the social and economic fabric of Canada, which remains the most important objective of public policy?" (Ellis, 1979:63) Unfortunately, for Canada's culture and sovereignty, no solutions were offered.

In 1966, Canada received its latest Broadcasting Act, which espoused that, "the Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada" (Broadcasting Act, Sec. 3b). However, the Act still did not acknowledge cable television, a technology that had been in existence for over a decade at the time of the new Act. Similarly, the Act did not foresee nor address any problems that might be created by the new technologies of the seventies and eighties. The Act did, however, establish the Canadian Radio-Television Commission (CRTC, now the Canadian Radio-Television and Telecommunications Commission) to replace the Board of Broadcast Governors and to deal with the concerns of broadcasting in Canada.
2.3 Pay Television

One such concern dealt with by the CRTC was the implementation of pay television in Canada. The manner in which this issue was handled is indicative of the difficulties in carrying out today the mandate of Section 3 of the 1960 Broadcasting Act. In 1970, the CRTC first considered pay TV when a proposal to carry scrambled U.S. signals was rejected because it did not meet the standards set out in Section 3(d) of the Broadcasting Act (Wilson, 1985:32). Section 3(d) states that, "the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources"; qualities the American channels obviously did not possess.

Proposals for pay TV in later years were also rejected for similar reasons, namely that they could not meet the objectives of the Broadcasting Act. The CRTC released a position paper in 1975 on the topic of pay TV, indicating that this form of television could have negative effects on the Canadian broadcasting system by fragmenting audiences; by importing more foreign programming, namely American; and, by siphoning existing Canadian programs from free-access to pay-access venues (Wilson, 1985:33).

Paradoxically, the CRTC also felt that pay TV could provide the impetus for increased production of Canadian programming, namely movies and television productions, by becoming a national exhibitor for such.
In 1983, thirteen years after pay television was first proposed for Canada, Canadians received their first pay TV signals from six licensees across the country. The pay TV broadcasters, like their conventional counterparts in Canada, had to obtain a level of Canadian content as outlined by CRTC quotas. Initially, these quotas were established as 30% Canadian content overall in the first years, rising to 50% in the last fifteen months of the pay TV licensees' five year term.

However, Canadians did not readily accept the pay TV channels and the benefits of such programming, such as increased production, never materialized. The CRTC had created a competitive environment for the pay TV networks - an environment not conducive to growth because of Canada's limited population. As a result, the pay TV networks were having difficulties surviving and were unable to provide monies, as outlined by the CRTC, for Canadian productions. Compounding this problem was the Canadian public's increasing desire for big-budget American films: Canadians subscribed mainly to the pay television networks so that they could watch American movies. As such, Canadian productions did not fare well (Wilson, 1985).

In 1984, First Choice, primarily a movie pay channel, lost $23.7 million while Montreal-based Premier Chcix lost $13.8 million. In 1985, Canada's pay channels began making money, although the profits are small when compared to pre-
vious losses: First Choice made $990,000, and Premier Choix $246,000 (Windsor Star, 24 June 1986). With small profits countered by massive losses, investment in Canadian productions has not been as great as the CRTC had hoped.

In order to facilitate greater profits, the pay networks have asked the CRTC to reduce Canadian content quotas from 50%, which rose from 30% in early 1986, to 15%. Critics of this plan believe 15% is absurdly low and would do little to promote production in Canada. They point out that during some months Home Box Office (HEO), an American pay network, carries more Canadian programming than 15%, and that HEO has spent more money acquiring Canadian films and productions than the three main Canadian pay TV operators combined - over $220 million in the past several years (Windsor Star, 24 June 1986). Eventually, the CRTC did reduce content quotas to 30% during prime time and 20% during the remainder of the day (Windsor Star, 3 September 1986).

Thus, the Canadian broadcasting industries, in which pay television may be included, find themselves in the difficult position of trying to meet the objectives of the Broadcasting Act, while simultaneously trying to generate revenues; revenues that are not only necessary for return on investment but crucial to the development of the Canadian production industries.
American Programming on Canadian Stations

Canadian broadcasters' reliance today on foreign programming can be justified from a common-sense, business point-of-view, just as it was in the late 1950s. In television, the purchase of foreign programming, primarily American, is inexpensive yet yields beneficial results in terms of ratings and consequently revenues from advertising.

For example, to produce a one hour show of CBC's Seeing Things in Canada costs $500,000, while a one hour episode of the American-produced program Remington Steele costs $1,000,000. However, the CEC may purchase the rights to broadcast a Remington Steele program for $40,000 (ACTRA, 1985).

Compounding the problem of cost-per-episode is the tendency for Canadians to prefer the American programming, thus resulting in greater advertising revenues for the broadcaster. The Seeing Things program generates about $60,000 in advertising revenue for the CBC, resulting in a loss of $440,000 per episode. The CBC can earn approximately $80,000 in advertising revenue from the one Remington Steele program, or $40,000 in profit, because more Canadians will watch the American import (ACTRA, 1985).

In fact, American dramas and situation comedies are the most watched television programming in Canada. Of the top fifteen television shows on the English networks in Canada, ten were sitcoms from the United States, and three were

* All dollar amounts in this example are in Canadian funds.
American drama shows. The only two Canadian shows were news-oriented; no Canadian dramas or sitcoms were in these top listings (See Table 1).

Table 1: Ranking of Broadcast Television Programs in Canada

The following is a listing of the top five shows for each English-language television network broadcasting in Canada for the week ending August 3, 1986. Included is the country of origin for the programming, as well as the programs' home network affiliation. Source: TV World, October 1986:41.

<table>
<thead>
<tr>
<th>RANK</th>
<th>PROGRAM</th>
<th>VIEWERS</th>
<th>ORIGIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBC</td>
<td>Newhart</td>
<td>2,232,000</td>
<td>USA (CBS)</td>
</tr>
<tr>
<td>2.</td>
<td>CBC National News</td>
<td>1,991,000</td>
<td>CAN (CBC)</td>
</tr>
<tr>
<td>3.</td>
<td>CBC Journal</td>
<td>1,761,000</td>
<td>CAN (CBC)</td>
</tr>
<tr>
<td>4.</td>
<td>Kate &amp; Allie</td>
<td>1,476,000</td>
<td>USA (CBS)</td>
</tr>
<tr>
<td>5.</td>
<td>Remington Steele</td>
<td>1,390,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>CTV</td>
<td>Cosby Show</td>
<td>3,069,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>2.</td>
<td>Family Ties</td>
<td>2,975,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>3.</td>
<td>Night Court</td>
<td>2,664,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>4.</td>
<td>Cheers</td>
<td>2,411,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>5.</td>
<td>Miami Vice</td>
<td>1,765,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>Global</td>
<td>Who's the Boss?</td>
<td>704,000</td>
<td>USA (ABC)</td>
</tr>
<tr>
<td>2.</td>
<td>Growing Pains</td>
<td>642,000</td>
<td>USA (ABC)</td>
</tr>
<tr>
<td>3.</td>
<td>Hunter</td>
<td>620,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>4.</td>
<td>You Again?</td>
<td>532,000</td>
<td>USA (NBC)</td>
</tr>
<tr>
<td>5.</td>
<td>Valerie</td>
<td>433,000</td>
<td>USA (NBC)</td>
</tr>
</tbody>
</table>

Because of the economic benefits and popularity of American entertainment programming, the Canadian television networks' schedules are heavily populated with American shows. Less than 3% of all prime time television hours are com-

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prised of Canadian drama and situation comedies. However, 56% of these hours are American drama and sitcoms. Averaged over the whole day, the rate drops to 1.5% hours of Canadian drama and sitcoms. Of all programming available to Canadians on English language stations, 22% are considered to be Canadian (ACTRA, 1985).

Thus, Canadian broadcasters have created their own dependence on American programming by generating Canadian audience preference for these shows over Canadian programs. However, such dependence was most likely inevitable in that other media delivery systems have provided the programming Canadians desired. Similar in nature to the private television stations supplying American programs to Canadians in the 1950s when there was only the CEC, alternative outlets of programming have developed as the need has arisen. Cable television brought in distant Canadian signals to remote areas; however, it brought in American signals as well. Satellite earth receiving dishes allow Canadians to intercept programming being transmitted from the United States.

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5 The Report of the Task Force on Broadcasting Policy reached a conclusion that appears contradictory to this statement. The Report indicated that, "Canadians watch Canadian performance programming in proportion to its availability" (Caplan, 1986:128). This may be true and is well documented by the Task Force. However, preference of programming is a different concern; the most preferred performance programming is American. Of the 22% regularly scheduled Canadian performance programming, none reaches the top of the ratings lists. The Task Force argues that more Canadian programming would lead to more Canadian viewing, which is very possible. However, would it necessarily result in more favourable viewing of Canadian content by Canadians?
Today, the video cassette recorder provides Canadians with the freedom to watch American films and provides them with more opportunities to view American programming.

These new media technologies are once again threatening Canada's "cultural sovereignty", just as radio did in Prime Minister Bennett's time.

2.5 Technology and Culture

The role technology plays in the evolution of cultural industries is significant (Lyman, 1985). One component of this evolutionary process is that of rapid change and adjustment: the existing media reacting to the presence of new media. Such adjustment may be illustrated by the impact of television on radio: Although television reduced the financial and social importance of radio, radio developed specialized interests in areas television could not serve well, such as music programming.

The manner in which technology shapes form, content and consumption of the media is another aspect of the evolutionary process. Originally, a new medium will provide content in a form that is similar to that of existing media. After a short period of time, content often becomes shaped specifically for those qualities of the new medium that make it new. Such shaping of content is perhaps the most critical step in the development of the cultural industries in that if a country does not exploit the new medium to create a new
cultural industry the only alternative is to import content and product.

Future directions of cultural industries are then indicated by four characteristics:

1. The growing convergence or interrelationship of cultural industries;

2. The advent of "segmentation" (i.e., the development of products or services that cater to specialized needs);

3. Culture increasingly being consumed at home;

4. More extensive "globalization" of cultural industries (i.e., an even greater proportion of sales of successful cultural products in international markets).

(Lyman, 1985:14)

Convergence occurs when producers of programs can create material that finds a market in more than one medium. Convergence has the potential to disrupt the manner in which the cultural industries operate by introducing new markets needing product, increasing competition for existing products.

Segmentation dissects cultural markets into smaller, specialized segments reflecting unique interests. Segmentation leads to more individual choice: the user of the service can select those aspects of the medium that best suit the individual's needs. However, segmentation leads to fragmentation, or the decreasing of audiences for existing services.
Convergence and segmentation have been areas of concern analyzed by the CBTC during the discussions regarding pay television. This new media delivery system would require product; the CBTC did not want pay TV to utilize existing programming at the expense of traditional broadcasting.

The manner in which the cultural media are used has evolved. In the past, as with movie theatres and stage plays, the consumption of culture has been public. Technology is moving the culture into the home. Such private activity leads to a decrease of social interaction and an increase in technological interactivity. That is, the consumer acquires most of the cultural industries in private through home receiving devices such as the telephone, television, and computer.

Finally, the cultural business is international. Production and distribution of cultural media products, such as films and television programs, are geared toward sales in foreign lands. More often than not, the domestic market is insufficient in size to ensure a proper return on investment, as evidenced by the previous Seeing Things example.

In Canada, the adoption of new technologies is usually quick. However, the creation of the cultural industries to provide domestic content for these technologies is less so, and therein lies the problem faced by Canada's Broadcasting Act, by the CRTC, and by broadcasters and program content producers: Canada must develop those industries for new
technologies necessary to foster cultural development before foreign interests capture and dominate the marketplace.

2.6 **The Newest Home Technology**

This issue is of current relevance with the newest home technology, the video cassette recorder (VCR). It is a device that enables the media consumer to record television programs off the air and play them back at a later time. In addition, it is a device that plays pre-recorded video fare such as movies and instructional tapes. The machine, a stand-alone device in that it need not be linked to a central source of programming, renders current national cultural protective measures ineffective as its "retail-distribution system by-passes the broadcasting system, which is presently subject to...government regulation." (Lyman, 1985:31) In other words, the VCR has the potential to provide a source of foreign content without contributing significantly to the "cultural, political, social and economic fabric of Canada."

2.6.1 **The VCR in Other Nations**

Research studies indicating the influence of new technologies such as the video cassette recorder are not prevalent for North American societies such as Canada or the United States. Studies of the VCR in these countries, as will be discussed later, tend to concentrate more on the basic uses of these machines and not on their effects. However, some
researchers are concerned about how new media in lesser developed nations will affect economic, political, social and personal interaction systems. Overall, they are concerned about the influence of machines, like the video cassette recorder, on the cultural evolution of societies.

The problem faced by Third World nations is similar to that faced by Canada: the increased access to foreign programming. More specifically, the Western view of the world, presented through imported media, confuses their cultural identity:

The traditional media, for instance, the theater, makes use of the very same mechanisms of perception, emotions, and consciousness for interaction. However, there is a basic difference between traditional media and the moving images created by modern media. The spectator of traditional media understands what is involved in the performance, who produced it, how, and for what purpose. The production of reality produced by modern media is based on an economic, social, and especially technological system of which the viewer remains oblivious. When people watch a puppet theater in Java, when they see and listen to the epic poem of Ramayana, they are confronted with a reality which is as far from theirs as that of a cowboy movie which comes to them via videocassette. Through their cultural system, they learned in their early childhood to distinguish the reality of the play from the experience of their daily lives. In contrast to this, American fiction is foreign to them. They are ignorant of its roots and therefore absolutely incapable of incorporating what they see into their internalized conceptions of reality and fiction. (Jouhy, 1985:417)

Thus, programming from foreign sources presents cultural systems that are not known by people in Third World nations.

The manner in which the video cassette recorder is used in these countries compounds the problem of cultural confu-
sion. In Latin America, 75% of VCR owners purchase prerecorded fiction, usually foreign in origin. Such usage is, "in a purely consumptive way without any attempt to use it to increase personal culture or to encourage individual development." (Jouhy, 1985:420) Thus, little domestic programming is being created and national cultural industries are suffering. The monopoly of both the technological hardware and software, the machines and cassettes, by Western concerns deprives developing countries of controlling their own cultures through the media.

Foreign programming, imported by the existence of technologies like the video cassette recorder, is changing the basic hierarchy of needs for people in Third World countries. In nations where food and shelter are truly the basic needs, foreign programming introduces the wealth, glamour and "good life" of American society. Such an introduction may ultimately lead to social unrest, as it creates needs that are irrelevant, and often not realistically obtainable, in these countries. It also introduces the need to acquire, at great expense, video hardware: "the Indonesian taxi driver, the Nigerian oil field worker, the Indian shopkeeper choose to remain for a lifetime in debt for the satisfaction of being able to watch television programs." (Jouhy, 1985:425) Since these individuals cannot achieve this foreign lifestyle, they desire to acquire the means necessary for audio-visual fantasizing of other cultures in order to escape the realities of their own world.
The introduction of new technologies can also drive government policy decisions. In the South Pacific island nation of Tonga, the arrival of the video cassette recorder has forced the government to reconsider its decision to delay the introduction of television. Tongan officials felt it was in the islands' best interest not to implement television broadcasting because, in addition to being too expensive, there was little opportunity to create national and local programming with content relevant to the Tongan culture. Being isolated in the Pacific Ocean, there was no cultural threat of foreign signals reaching Tongan shores—a threat that has forced other countries, such as Canada, to start television broadcasting.

However, a cultural threat quickly materialized with the arrival of the video cassette recorder. Before 1982, there were no VCRs in Tonga. After 1982, the machines gained rapid popularity: A study of usage of VCRs in Tonga shows that, on the average week day, Monday to Thursday, the occupants of the average household used their VCR for 4.3 hours of viewing. On Fridays, 5.7 hours are spent with the VCR, with Saturday and Sunday having 8 and 6 hours, respectively. In less than four years time, the use of television has risen from almost none to over one day each week, in total time.

The type of programming watched ranges from motion pictures to musicals, with little pornography because of Ton-
gans' strong religious convictions. Most tapes are pirated, or illegally copied, cassettes from foreign nations.

Although Tongan users of VCRs see many benefits ranging from education (it serves as an English teacher) to socialization (it brings family and friends together), there appear to be more negative aspects. Tongan young people are being exposed to sex and violence. People's electric utility bills are higher. There has been a cutback in the amount of time devoted to social activities, such as card playing and talking. More significantly, the time available to attend to the government-controlled media (cinema, radio, books) is being decreased.

With reduced government control, orderly social and cultural development is difficult to achieve. Video cassette recorders do not present news and information; they do not present national and local cultural concerns. Because of this, the Tongan government was forced to review its broadcasting policies and had to introduce television before it was desirable to do so. In Tonga, the secondary technology, the VCR, became the primary technology before the first technology, the television, could (Vellan, 1986).

Technology, therefore, can shape policy - policies that are developed for the welfare and benefit of a nation's people. The video cassette recorder is one such technology that is upsetting planned development devised by Third World government policy makers.
The home VCR has already circumvented to some extent the television monopoly most developing countries have enjoyed. Television has lost its attraction in many countries as the major outlet for development and political messages of the government in power. There is considerable concern about VCR ownership among operators of national television systems, national economic planners, those who see the electronic media as a means of perpetuating the status quo, Third World film producers, and those proposing media as a means of promoting indigenous culture by encouraging local television production as preferable to that imported from the West. (Boyd & Straubhaar, 1985:14)

Policy makers in developing nations do not know how to handle the video cassette recorder.

In Saudi Arabia, the government introduced television in the 1960s with the hopes of regulating culture, entertainment, and information. However, with the introduction of the video cassette recorder and unregulated programming from foreign sources, the government no longer has control. Similarly, the Egyptian government had complete control over what the Egyptian people saw, but the VCR has negated any advantages of a state-operated broadcasting system. For example, the Egyptian government banned the film Sadat, an American-made movie about Egypt's former president, because it depicted Sadat poorly. However, the video cassette version of the film circulates freely throughout the nation, much to the dismay of government officials. Through the proliferated use of pirated copies of programming from the West, the VCR is replacing to a large extent the state-run television system (Boyd & Straubhaar, 1985:12).
In India, video cassette recorders have proven to be extremely popular. They are responsible for the growth of numerous makeshift movie theatres, and operators of long distance bus trips offer VCR movies in transit. However, because of this increased viewing of foreign movies on cassette, Indian officials are concerned about the impact of the video cassette recorder on their successful film industry. In Nigeria, which has similar problems with pirated Western programming, the VCR has had a positive effect: It has been responsible for the development of small video production companies which allow local artists to produce video content for the domestic market (Boyd & Straubhaar, 1985:13). Such usage in most nations, although ideal, is rare.

In Malaysia, the government's attempts to integrate several cultures has been thwarted by the introduction of the video cassette recorder. The Malaysian Chinese are heavy VCR users and are increasing their exposure to the Chinese culture and value system by viewing imported cassettes. By viewing these foreign tapes and not regular over-the-air broadcasts, the Malaysian Chinese VCR watchers miss government programming concerning national ideals and policies carefully selected to shape a Malaysian culture. Changing Malaysian television to make it more attractive to the Chinese would only lessen national integration goals (Lent, 1984:27).
Government officials in Singapore have also watched as VCR use has increased. However, in Singapore the concern is not over the increased Westernization of programming but over the drop in the amount of reading being done. In the Philippines, the government's concern is over a loss of $2.1 million (U.S.) in exhibition taxes, as theatrical attendance has decreased by 30%. The same has been true for Bangladesh, where government revenue from film taxes has decreased between 30 and 40 per cent. In all these cases, the reason for the decreases has been placed upon the video cassette recorder (Lent, 1984:28).

The increased use of pornographic video cassettes has induced Indonesian officials banning imports of cassettes to "protect public morals." Similarly, in China, all video cassettes must be approved as being "healthy for mind and body." And, in South Asia, after weapons, the most smuggled items through the Khyber Pass were X-rated video cassettes (Lent, 1984:29).

Video cassette recorders are also creating concerns in developed nations as well. In Sweden, the broadcasting mandate is to broadcast "in the service of the public" and to make programs "accessible and comprehensible to the public and that they shall maintain standards of good quality" (Hulten, 1980:26). According to Sveriges Radio (SR), the public Swedish television network, VCRs are not amenable to this mandate. The video cassette recorder, by its ability
to record and preserve shows from the airwaves, increases the viewership of popular programming, which in this case usually is foreign. The concern at SR is that video technology is stealing viewers from Swedish productions (Hulten, 1980:26).

The Soviet Union is cautiously watching the growth of the video cassette recorder. The black market for VCRs and cassette has forced the Soviet government to legitimize the industry. Soviet factories now produce VCRs, eliminating the need to smuggle in machines from Western nations. More significantly, ideologically safe Soviet films are being released on cassette in the hopes of suppressing popular Western films, which are officially banned in the Soviet Union (Taubman, 1985). The Soviet government's carefully controlled media and information system has been challenged by the video cassette recorder.

The current video revolution with the video cassette recorder is different from previous media revolutions in that the source of the content cannot be controlled. Unlike radio or television, in which stations or channels may be manipulated or regulated by government interests, the VCR presents a vehicle for unrestricted content. Further compounding the problem is the relatively short time it has taken the VCR to gain a share of the media market, thus catching the governments of many nations unprepared:

For countries that have been fighting against media imperialism through formal mass media, the new video technology has been baffling, bringing

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foreign, and often dangerous, messages and values into homes through more elusive back doors. (Lent, 1984:30)

2.7 Summary

Based on the historical analysis of the introduction of radio, television, cable and pay TV into the Canadian broadcasting system, the following general points may be concluded:

1. Broadcasting has been established in Canada with the basic philosophy that the system should be under Canadian control and that it should foster national consciousness and strengthen national unity.

2. From the beginning, broadcasting in Canada has suffered from a lack of funds, a problem exacerbated by the introduction of each new content delivery system. Consequently, private enterprise has been allowed to fill the voids left by public concerns. Broadcasting has therefore evolved more into an 'industry' than an outlet for cultural expression.

3. There has been a lag between the introduction of a technology (such as cable) and the introduction of appropriate regulations.

4. Regulation (as with pay TV) can be economically detrimental to a technology, thus threatening its very existence as a content delivery system.
5. Canadian viewers and broadcasters have grown fond of and indicate a preference for American programming. Overall, there appears to be a struggle between public and private interests, as well as between what the public likes and what is thought it should like.

The role of technology in the cultural industries is shaped by the creation of new content, the inter-dependence of technologies for existing content, and the dependence upon international success of content for a prosperous domestic industry.

In other words, with the introduction of each new technology capable of delivering content, there is a period during which existing content must be shared before new content is created. New content will usually only develop if it has international appeal because of limited economic benefits in the domestic market.

The major consequence of technology is that if the national cultural industries do not adapt to tap the home and international market, foreign cultural industries will.

In terms of a specific technology, the video cassette recorder has played a role in cultural development elsewhere. The VCR has influenced other nations' cultures by:

1. introducing foreign cultures and ideologies through the often illegal exchange of content;
2. shifting citizens' priorities from the obtainable to the unrealistic by altering the basic hierarchy of needs;

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3. forcing governments into making reactionary, instead of evolutionary, policy decisions;
4. rendering existing regulations ineffective; and,
5. adding another channel of content thereby decreasing exposure time to national broadcasting systems.

What role, then, is the video cassette recorder playing in Canada's current media/broadcasting environment? Canada is not much unlike those Third World nations previously discussed: Its broadcasting history has been shaped by government control with the ultimate goal of developing and/or protecting Canadian culture. Although we, as Canadians, do not have to worry about the VCR altering our basic hierarchy of needs, we should be concerned about several attributes of the video cassette recorder that have emerged in these other nations. We should also keep in mind the historical side of broadcasting in Canada to obtain the foresight necessary to see the future progression of technologies such as the VCR.
Chapter III

VCR USAGE IN NORTH AMERICA

3.1 Origin of Data

It has taken ten years for the video cassette recorder to penetrate a sufficient number of homes for advertisers, broadcasters, and others to become concerned about the potential impact of home video recording technology. Before one can look at this potential impact on the traditional, or existing, media systems, an analysis of VCR penetration into both Canadian and American societies is required.

However, an analysis of VCR penetration is not without problems: at best, one can only arrive at a general approximation of how many homes actually have one of these machines. The problems arise in the sources of available statistics. Figures regarding VCR penetration are available from three primary areas: government statistics, research studies or surveys, and industry approximations based on sales.

Government statistics are perhaps the most reliable in terms of actual numbers of VCRs in households across the country. Unfortunately, they are compiled too infrequently; the dramatic increase in VCR sales, as will be shown, usually renders such statistics outdated.
Research studies or surveys, such as those by the A.C. Nielsen Company or the Bureau of Broadcast Measurement (BBM), also suffer from lack of timeliness. These surveys, because they are of the diary variety and not a metered measurement, require long periods of research and compilation, resulting in statistics that are relevant for only a short period of time. Additionally, by the time these private studies are released to the public, the information contained therein is further dated.

The final source of figures is perhaps the most up-to-date in terms of numbers of VCRs in the country. These statistics are provided by the industry itself; that is, the manufacturers of video cassette recorders report the number of machines shipped to dealers each month. Problems inherent in these statistics are two fold: One, the numbers represent machines shipped to dealers and not sold to consumers; thus, the figures include machines sitting in boxes on warehouse shelves. And two, the numbers do not account for those people who are buying or have bought second and third VCRs.

However, by combining the figures from all three sources, a general penetration level into Canadian and American households may be determined.
3.2  The Penetration Level of Video Cassette Recorders

Information regarding VCR sales in Canada prior to 1979 is not readily available, most likely because such sales would be negligible. In 1979, the manufacturers reported sales of approximately 20,000 units. Based on 9.3 million Canadian households, this represents less than one-quarter of one per cent. In 1980, penetration reached a level of 1%, followed by an increase to 2-3% in 1981 (Wright, 1984b).

1982 appears to be the year that VCR sales started to become significant in Canada. According to a BBM survey, 6% of all households had VCRs by the end of 1982 (Arderson, 1986). Based on manufacturers' data, the number of machines shipped was 450,000, making a total of approximately 715,000 units or 9% of all Canadian households (Wright, 1984a). In 1983, the level of penetration had increased to between 12% and 15% (Wright, 1984a).

According to the Globe and Mail, one out of every five Canadian households had a video cassette recorder in 1984 (Motherwell, 1985). The figures for 1985 indicate that the strong sales surge continued. BBM reported that in the spring of 1985, 25% of Canadian homes had a VCR (Purdye, 1985:2), while the A.C. Nielsen Company reported a similar level of penetration at 24% (VideoGram, 1986). Nielsen also

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* The 1981 Canadian Census places the total number of occupied private dwellings at 8,281,530. The 1986 Census would provide an up-to-date accounting of the number of homes when it is released. A conservative Statistics Canada projection suggests there will be 9,128,200 households by 1986.

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indicated that in seven months time, from March to September of that same year, the penetration level increased 7%, bringing to a total of 31%, or 2,775,000 of the nation's households having a video cassette recorder. The penetration in specific areas throughout Canada is even higher, as evidenced in Table 2.

<table>
<thead>
<tr>
<th>Area</th>
<th>March</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicoutimi-Jonquiere, Que.</td>
<td>27%</td>
<td>42%</td>
</tr>
<tr>
<td>Prince George, E.C.</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>Thunder Bay, Ont.</td>
<td>30%</td>
<td>39%</td>
</tr>
<tr>
<td>Calgary-Lethbridge, Alta.</td>
<td>30%</td>
<td>39%</td>
</tr>
<tr>
<td>Sudbury-Timmins-North Bay, Ont.</td>
<td>24%</td>
<td>39%</td>
</tr>
<tr>
<td>Windsor, Ont.</td>
<td>25%</td>
<td>39%</td>
</tr>
<tr>
<td>Dawson Creek, Yk.</td>
<td>27%</td>
<td>37%</td>
</tr>
<tr>
<td>Montreal, Que.</td>
<td>26%</td>
<td>35%</td>
</tr>
<tr>
<td>Kingston, Ont.</td>
<td>21%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Higher accountings also exist. The 1986 Task Force Report on Broadcasting placed recent penetration levels at 40% of all Canadian households (3.3 million), which would mean 45% of the population have access to a VCR (Caplan, 1986:58).

One BEM report even suggests that a VCR penetration level of 44% was achieved in Canada by March of 1986 (Arderson, 1986). Although this may appear high based on other data, it is not entirely unreasonable and certainly possible in the near future at the current rate of penetration.
As explained previously, the accuracy of these numbers may be questioned. However, they are reflective of the rapid growth of the home video cassette recorder in Canadian households. A study of home video services, conducted in 1981, attempted to establish future penetration levels of VCRs in both Canada and the United States:

Makintosh International of Great Britain forecasts VCR penetration in the U.S. to be more than 10% of households in 1985 and nearly 20% in 1990.

It would be unreasonable to expect a greater percentage of household penetration in Canada. Assuming over eight million Canadian households for 1985 would mean about 800,000 VCRs ... and about 1,800,000 VCRs ... in Canada by 1990 as maximums. The minimums may be about half these figures. (Edmunds, 1981:8)

Even these maximum estimates, at the time labelled "unreasonable", did not predict the overwhelming popularity of the video cassette recorder in the mid-1980s. A practical estimate, based on available data, would indicate a penetration level of around 30% in Canada by the end of 1985, or over 2,500,000 video cassette recorders. Two inferences may be drawn in this instance: 1) the video cassette recorder is a popular technology, and 2) predicting the popularity of a new technology is difficult, if not impossible.

When the available information concerning the number of VCRs is plotted on a graph, a characteristic "S" demand curve forms. In his book Canada's Video Revolution, Peter Lyman points out that such curves are typical of the cultural technologies. The bottom of the curve (Figure 1), from
1976 to 1981, indicates that VCR sales were slow, most likely because the public had not yet assessed the value of the machines and were unlikely to pay the high prices to acquire this new technology. After 1981, sales began to increase dramatically as both the VCR hardware and software became more popular, because of accessibility and affordability. This take-off in sales represents the second stage of the curve in which the public grasps the new technology.

It is unlikely that the third stage, saturation, at the top of the curve, has yet been reached. Current penetration rates suggest that Canada is still experiencing the second stage of the curve. Industry predictions place levels of penetration at 50% by 1987 (Marketing, 4 February 1985), at 66% by 1990 (Wright, 1994b), and, on a level equivalent to the television set, at almost 100% by the turn of the century (Anderson, 1996).

Levels of penetration in the United States have lagged, albeit slightly, behind those of Canada in terms of percentage of households (McMahon, 1986). Based on approximately 100 million households, VCR penetration in the U.S. was estimated to be around 30% at the end of 1985 (Advokat, 29 May 1986), up from 16% the previous year (Waterman, 1985:222). The A.C. Nielsen Co. reported a VCR penetration level of 39.9% of all U.S. homes by July of 1986 (Advokat, 13 November 1986). The S-curve representation of penetration in the U.S. (Figure 2) indicates that that country is
Based on 8.3 million households

(Each dot represents a reference to the number of video cassette recorders.)

Figure 1: Number of Video Cassette Recorders in Canada since 1979. The number of video cassette recorders plotted against the number of households in Canada. Data compiled from several sources; see Appendix A.
in the early phases of the second stage, as VCRs achieve a greater popularity.

The number of machines for both Canada and the United States serve to illustrate that this 'new' technology currently exists, or has the near potential to exist, or a mass basis. However, quantity or numbers alone cannot accurately represent any potential impact on the existing media structure a new technology, such as the video cassette recorder, may have. It is therefore important to see how these machines are used by the consumers of the media.

---

7 There is no set definition indicating the point at which a technology functions on a mass basis; such a decision is somewhat arbitrary. One definition of a 'mass media' states that the medium must reach many people and be technologically based (Whetmore, 1979:5); although such a definition is rather simplistic, one could argue that VCRs reach "many people".

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Figure 2: Number of Video Cassette Recorders in the U.S.A. The number of VCRs plotted against the number of households in the United States of America. Data compiled from several sources; see Appendix A.
3.3 The Use of Video Cassette Recorders in the Home

Canadian studies on early VCR usage are rare. Most studies concerning the video cassette recorder utilize American statistics because, even though the national penetration level is slightly lower than Canada, the actual number of machines is greater in the United States. However, an analysis of American usage of the VCR is not entirely without merit. The technology has grown in popularity at approximately the same rate on both sides of the border since 1976, as the machines were developed for the larger American market. Therefore, the software for these machines, such as pre-recorded movies, usually only becomes available in Canada as it becomes available in the U.S. The American public's usage of the video cassette recorder indirectly affects the Canadian public's usage as well.

3.3.1 The American Public and the VCR

The work of Mark Levy documents the early use of the video cassette recorder in the United States. Levy's research is based on the VCR-use diaries of 247 households, filled out during the first three months of 1979.8

When VCRs were first introduced for home use, they were promoted as time-shifting devices for recording programs off of traditional broadcasting services. The earliest purchasers of these machines were up-scale, professional, and bet-

8 Diaries of this nature are completed by individuals using the VCR. They are subjective in that they rely on the accuracy of the person reporting his or her viewing habits.
ter educated than the general population (Levy, 1980a:327).

In terms of how much was recorded off-the-air, Levy found that the average VCR household played back between three and four tapes of recorded broadcast material a week, while 25% did not play back any home-recorded tapes. Overall, 85% of all home recordings were eventually watched in their entirety.

With respect to what type of off-the-air recorded programming was watched, movies represented 23% of all plays, followed by situation comedies (sitcoms) with 15%, and daytime soap operas at 12%. A complete listing of replay preferences is in Table 3.

Table 3: Ordering of VCR Replay Content Preferences


<table>
<thead>
<tr>
<th>RANK</th>
<th>PROGRAM TYPE</th>
<th>% of TOTAL REPLAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Movies</td>
<td>23.15</td>
</tr>
<tr>
<td>2</td>
<td>Situation Comedies</td>
<td>14.56</td>
</tr>
<tr>
<td>3</td>
<td>Soap Operas (Daytime)</td>
<td>11.69</td>
</tr>
<tr>
<td>4</td>
<td>Entertainment Series</td>
<td>8.71</td>
</tr>
<tr>
<td>5</td>
<td>Entertainment Specials</td>
<td>5.73</td>
</tr>
<tr>
<td>6</td>
<td>&quot;Kid-vid&quot;</td>
<td>5.01</td>
</tr>
<tr>
<td>7</td>
<td>Police/Detective</td>
<td>4.89</td>
</tr>
<tr>
<td>8</td>
<td>News/Public Affairs</td>
<td>4.18</td>
</tr>
<tr>
<td>9</td>
<td>Dramatic Series</td>
<td>4.18</td>
</tr>
<tr>
<td>10</td>
<td>Talk Shows</td>
<td>3.93</td>
</tr>
<tr>
<td>11</td>
<td>Mini-series</td>
<td>3.22</td>
</tr>
<tr>
<td>12</td>
<td>Sports</td>
<td>3.10</td>
</tr>
<tr>
<td>13</td>
<td>Science Fiction</td>
<td>2.63</td>
</tr>
<tr>
<td>14</td>
<td>Miscellaneous</td>
<td>2.37</td>
</tr>
<tr>
<td></td>
<td>Unclassifiable</td>
<td>2.65</td>
</tr>
</tbody>
</table>
As can be seen from the listing of programs in Table 3, most of the programs recorded were available from the major American television networks. Programming originating from a network affiliate accounted for 77% of all home-recorded material; 9% were recorded off an independent station, while 8% were from public television stations. Of the households in the data set, 10% had cable TV and 13% subscribed to pay TV; however, the VCR was used only 4% of the time to replay materials taped from these sources. Pay TV was the primary source for those movies that were recorded in those households.

Levy concluded then that this early analysis of video cassette recorder usage indicated that the VCR was a "complement to established patterns of TV viewing," and that, "the first wave of VCR adopters are comparatively loyal to current program offerings." This complementary status could only serve to strengthen the broadcasting industry since "the television networks appear to be the principal beneficiaries" of home recording practices. Levy does caution that as the penetration of the VCR grows and home-tape libraries increase, the size of the broadcasting audience may decrease (Levy, 1980a:335).

Levy later did further analysis on the same survey-diary data. In this study he looked at the times of off-the-air recording and subsequent playback, as well as the increasing use of pre-recorded video cassettes.
The times at which most home recordings were made off-the-air occurred on weeknights between 9:30 and 11:30 p.m., and on Saturdays from 11:30 p.m. to 1:00 a.m. Similarly, the most popular time for playing back tapes was during the prime time hours.

With respect to pre-recorded videocassettes, Levy found that the typical VCR household watched, on the average, less than one pre-recorded cassette per week during the diary period. Although Levy did not speculate as to why so few pre-recorded cassettes were watched, one may hypothesize that it was due to the low availability of such tapes in early 1979.

Of those pre-recorded tapes watched, X-rated or R-rated movies represented the largest proportion at 38.9%. Comedy films came next at 13.3%. Less than 4% of these pre-recorded tapes were of a non-filmic variety, such as sports or rock concerts. The high proportion of X and R-rated films could be attributed to the fact that such video fare was not available on standard broadcast channels.9

Pre-recorded tapes were most often played on Saturday nights, followed by weekday nights after 9:30 p.m. As will be discussed later, such viewing preferences could have serious implications for the traditional broadcasting industries.

9 Such films are still not available today in their theatrical forms on broadcast American television. Although the films are broadcast, they are usually edited for general audiences, further enhancing the appeal of unedited movies on videocassettes.
Levy indicates that, although the VCR may initially increase the size of the viewing audience because it allows more programs to be seen through time-shifting, the size of the broadcast audience will most likely decrease as more pre-recorded materials become readily available at less expense (Levy, 1980b:27).

In 1983, Levy continued updating his research with a study of time-shifting use of home video recorders, using a sample of 249 VCR households in the autumn of 1981 (Levy, 1983:264). He found that each household made an average of 3.31 recordings each week during the period of study. Of these 3.31, only 2.42 programs were played back, down from the average of 3.39 recordings played back in 1979. Levy does not compare this data and offers no explanation for the difference; however, it is possible that the increased competition for a limited amount of individual media time, such as pre-recorded cassettes, has decreased the importance of playing back time-shifted material. Thus Levy's hypothesis of a shrinking broadcast audience because of pre-recorded material could be receiving support.

The study also revealed that only 52.7% of the programs recorded were played back within a week of the initial recording. A majority of these programs not immediately played back consisted of movies and cultural programs, indicating that home VCR users were starting to form video libraries of programming that they could select to view at
their own convenience. First-run regular network programming was most often played back within a week.

Levy looked at viewer attention to programming depending on how and when the programming was recorded. Programs may be recorded in three ways. The first is without attending the machine or the program; that VCR's internal timer records the materials as pre-determined by the viewer. The second involves recording one program while the viewer is simultaneously watching another. The final method is to record a program while it is being watched. Each method is reflective of viewer interest in the material being recorded.

When an individual sets the VCR to do unattended recordings, this person is most likely to be highly motivated to watch that program and will make an effort to view the tape later. However, when an individual records one show and simultaneously watches another, possibly in an attempt to circumvent counter-scheduling by the networks, this person is already indicating a preference by watching the one show "live" as opposed to a home-taped version later. The final method of recording the program that is being watched usually indicates interest in the show to the extent that it may be kept for the home video library.

Cable households were less likely to play back home recorded tapes than non-cable households, suggesting that the wide selection of materials made available by the cable channels hindered play back behaviour (Levy, 1983:267).
3.3.2 The Canadian Public and the VCR

In 1985, the major audience measurement services in Canada, the A.C. Nielsen Company and the Bureau of Broadcast Measurement (BBM), undertook the first major studies of VCR use by the Canadian public.

The BBM study (Furdy, 1985) was behavioural in that it asked respondents to describe what they did with respect to their use of VCRs. They surveyed 1098 VCR households consisting of 3676 individuals. These individuals were younger, used less television, and had a greater family income than the average Canadian household. In 1985, the typical VCR owner in Canada tended to be more affluent.

The video cassette recorders were used in these homes an average of 6.75 hours per week, with 39% of the time spent recording program material off-the-air, 29% utilized playing back home-recorded material, and 31% spent watching pre-recorded movies, usually rented.

However, BBM was more concerned with how people, not households, used their video cassette recorders. When broken down to the average person, the VCR was used for only 2.5 hours of playback a week. Rented movies accounted for 57% of this use, with the remainder being play-backs of home-recorded material. Further analysis of who was using the VCR indicated that 29% of people with VCRs accounted for 66% of all VCR use, and that such use usually occurred with recent purchasers of a video cassette recorder. These heavy
users demographically fell into the 25-34 age range and tended to be in the lower income groups.

With respect to time-shifting, or the playback of material recorded from television, 34% of the people used their VCRs for this purpose during the period of the study. BBM found that VCR-use in this manner was fairly equal each day of the week, with Sunday showing slightly more use. As with regular television viewing, VCR viewing tends to be greater during prime time hours. Time-shifting also appears to be equal across most demographic groups, except that women tend to do so more than men.

In terms of what was recorded, the results are similar to that which Levy found in his early U.S. studies (Levy, 1980a/1980b). According to the BBM survey, movies and soap operas were the program types most often time-shifted (See Table 4).

Of the shows recorded during the four weeks of the BBM study, the top ten individual shows recorded were as follows: the mini-series Deceptions, Dallas, play-off hockey games, Another World, Dynasty, The Cosby Show, Miami Vice, Days of Our Lives, and two made-for-tv movies. The number of people who watched these programs on their VCRs was less than 4% of the survey's sample; after the top ten, the figures are less than two percent. BBM interpreted that such low reach figures indicated that the VCR, as of 1985, was not yet appreciably affecting audience size.
Table 4: Ordering of VCR Replay Content Preferences - Canada

Preferences of Canadian video cassette recorder users for time-shifted program material during the summer of 1985. Source: Purdye, 1985:89.

<table>
<thead>
<tr>
<th>RANK</th>
<th>PROGRAM TYPE</th>
<th>% of TOTAL REPLAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Movies</td>
<td>36.6</td>
</tr>
<tr>
<td>2</td>
<td>Daytime Soaps</td>
<td>16.6</td>
</tr>
<tr>
<td>3</td>
<td>Cartoons</td>
<td>7.1</td>
</tr>
<tr>
<td>4</td>
<td>Mini-series</td>
<td>6.8</td>
</tr>
<tr>
<td>5</td>
<td>Variety/Entertainment</td>
<td>5.3</td>
</tr>
<tr>
<td>6</td>
<td>Live Sports</td>
<td>4.8</td>
</tr>
<tr>
<td>7</td>
<td>Adventure/Mystery</td>
<td>4.7</td>
</tr>
<tr>
<td>8</td>
<td>Children's</td>
<td>3.5</td>
</tr>
<tr>
<td>9</td>
<td>Rock Videos</td>
<td>2.5</td>
</tr>
<tr>
<td>10</td>
<td>Talk Shows</td>
<td>2.2</td>
</tr>
<tr>
<td>11</td>
<td>Prime-Time Soaps</td>
<td>2.1</td>
</tr>
<tr>
<td>12</td>
<td>Situation Comedies (New)</td>
<td>1.5</td>
</tr>
<tr>
<td>13</td>
<td>Documentaries</td>
<td>1.4</td>
</tr>
<tr>
<td>14</td>
<td>Situation Comedies (Striped)</td>
<td>1.0</td>
</tr>
<tr>
<td>15</td>
<td>Current Affairs</td>
<td>.9</td>
</tr>
<tr>
<td>16</td>
<td>Game Shows</td>
<td>.5</td>
</tr>
<tr>
<td>17</td>
<td>Exercise Shows</td>
<td>.5</td>
</tr>
<tr>
<td>18</td>
<td>Other Sports</td>
<td>.4</td>
</tr>
<tr>
<td>19</td>
<td>Tele-romances</td>
<td>.4</td>
</tr>
<tr>
<td>20</td>
<td>Cultural</td>
<td>.4</td>
</tr>
<tr>
<td>21</td>
<td>News</td>
<td>.3</td>
</tr>
<tr>
<td></td>
<td>Others (Miscellaneous)</td>
<td>.5</td>
</tr>
</tbody>
</table>

In terms of immediacy of play back, the study indicated that 30% of all programs played back were watched on the same day that they were recorded, and 46% of home-recorded materials were watched within one week's time. Most recordings were played back sooner than later. Recorded soap operas were most often watched on the same day, while current affairs and news programs, although recorded, were seldom viewed.
The BBM study addressed the issue of pre-recorded movies. It found that 36% of the people surveyed watched a rented movie during an average week, spending 1.5 hours doing so, while 35% did not rent a movie during the fourweek period of study. Over two-thirds of all movie-watching was accounted for by 22% of those VCR owners who rented movies. Furthermore, 77% of the households were "members" at a movie rental club, and had rented, on the average, 12 pre-recorded tapes in the previous three months.

Demographically, those individuals renting tapes tended to be 18-34 year-old, blue collar males.

The Bureau of Broadcast Measurement drew several conclusions from its findings. First, the level of use of the video cassette recorder was low compared to standard television use: 2.5 hours per week for the average VCR to television's twenty-four hours per week. The actual number per person could be smaller when one considers that 28% of the VCR owners account for two-thirds of all video cassette recorder use.

Second, the VCR was a movie machine with 57% of its use accounted for by movie-rentals and 37% by movies recorded from television.

Third, the video cassette recorder was demographically a "yuppie" machine.

Fourth, the occurrence of time-shifting was low and fragmented.
And finally, the VCR market could be divided into two markets: one for time-shifting and one for movie rentals (Purdye, 1985:6).

The A.C. Nielsen Company’s study (A.C. Nielsen, 1985) covered 902 VCR households and was conducted during the same approximate time frame as the BBM’s research. A majority (44%) of respondents indicated that they were recent VCR owners, having acquired their machines in the last six-to-eighteen months.

When asked why they purchased a video cassette recorder, 71% rated the ability to “record programmes off TV and replay them at my own convenience” as very important. The number two response, at 39%, was the ability to “rent pre-recorded cassettes.” These statistics reflect the findings of the BBM report that the VCR is a two-market machine, yet lists the markets in opposite priority. BBM concluded that movies were more important than time-shifting to a VCR owner. The discrepancy could possibly be explained by the nature of the methodology of each study: BBM’s research was behavioural, drawing results from actual viewing habits and practices, while Nielsen’s report is based on replies from questions that are subjective in design.10

In the area of home recording, the Nielsen report reflects findings similar to both Levy and the BBM. Nielsen’s respondents, of which 53% have a household income over

10 The A.C. Nielsen study took the approach of, “What do you do with your VCR?”, whereas the BBM’s research was more, “What did you do with your VCR?”.
$35,000, indicated that the majority of households record between one and five television programs each week. More than half, 54%, used their VCRs to time-shift, or to perform unattended recordings. These results are similar for playbacks of home-recorded programs.

When asked during what part of the day most recordings were made, 52% of the respondents in Nielsen's study stated that the prime time hours, between 7 and 11 p.m., were the most frequent hours of recording. 60% indicated that these same prime time hours were the time of day during which most playbacks were viewed.

The most frequently recorded programming types in the Nielsen report were movies at 49%, followed by regular nighttime series (11%), and daytime soap operas (9%). Although daytime soaps do not hold the second position in this survey as in the others (even though the difference between second and third is slight), the dominance of movies as play back material is again to be noted.

With respect to pre-recorded video tapes, 94% of the A.C. Nielsen respondents had rented a tape, while only 14% had purchased pre-recorded video. Of those that had been purchased, 81% were movies with the remainder being exercise tapes.

11 The Nielsen report does not break down the findings as explicitly as Levy or the FFM. It reported that 40% of the people indicated they recorded one-to-two shows a week, and 32% recorded three-to-five shows a week.
Other studies undertaken by various organizations and groups add further support to these findings. The National Broadcasting Company (NBC), one of the major American networks, commissioned a study that indicated television movies and dramas were the program types most frequently recorded by owners of video cassette recorders in the U.S. in early 1986 (McMahon, 1986). This study also found that the average American VCR user played back two-to-three hours of network recorded material, and watched one-to-two hours of rented programming per week.

3.4 Summary

Perhaps the most important point to retain from this chapter is the relative quickness by which the video cassette recorder has permeated North American society. In Canada, less than 1/4 of one per cent had a VCR in 1979; today it is estimated that the national average is almost 40%, with penetration levels of over 50% being forecast for the end of 1987.

Studying usage patterns of the video cassette recorder by Canadians indicates that:
1. although the machines were originally used primarily to record programs off of traditional sources, people are watching pre-recorded programming on their VCRs because of the availability of such cassettes:
2. pre-recorded cassettes are popular because of their ability to deliver content that has not been readily available elsewhere;

3. programming that is recorded 'off-the-air' is usually American entertainment programming; and,

4. peak replaying hours (of both home-recorded and pre-recorded materials) have been during prime time.

Thus, the VCR has provided another outlet for both rational and foreign content reception: an outlet that is in direct competition with existing media for an audience with a finite number of viewing-time hours. The precedence for concern over the erosion of the Canadian audience has been demonstrated in research investigating the impact of cable:

The...significant finding was that cable appears to have lead to an increase in the market shares of American stations and a decrease in the market shares of Canadian stations. Since smaller audiences lead to smaller revenues, this switching of viewers has reduced the revenues of Canadian broadcasters. (Liebowitz, 1982:523)

Any concern generated by these findings may be easily negated by the Bureau of Broadcast Measurement's claim that, because of the small number of machines and their low frequency of use, any effects caused by the video cassette recorder would be small and thus not a problem (Purdye, 1985:6).

However, such logic does not address problems that may develop in the future. First, as of the end of 1985, the VCR's use on a day-to-day basis was small compared to the
overall use of television. However, this disproportionate ratio of use may be explained by the demographics of video cassette recorder owners. Currently, they are better-educated and wealthier than the general population, and are traditionally a group that has watched less television.

As the consumer's cost to purchase these machines falls and more people acquire one, the market penetration will be pushed higher. Logically, in terms of total time, the use of the machine will increase as the numbers of machines increase. It is because of this decrease in price and the corresponding increase in sales that current statistics may be misleading and should not evoke a feeling of complacency about the VCR.

And second, the BBM's study indicated that demographically the highest users of the video cassette recorder were blue collar males between the ages of 18 and 35 (Anderson, 2 May 1986). As the price of VCRs drop, more and more of the 'average' Canadian will have one, and its use will escalate. Therefore, as penetration increases, as demonstrated by comparing Levy's early statistics to recent data, and the VCR permeates downward through more class levels, today's statistics regarding use and BBM's evaluation of such may

12 The price of a low-end VCR (that is, one without stereo hi-fi, wireless remote, special effects, etc.) is expected to be around $200 U.S. as cheaper Korean-built machines enter the market place (Advokat, 6 October 1985). Additionally, video cassette players (VCFs), machines that only play and do not record, will be even less expensive and are designed to tap the pre-recorded movie market.
change in a relatively short period of time.

And finally, pay TV, which is regulated in Canada to maintain levels of Canadian content, accounts for less than three per cent of all English-language television viewing (Caplan, 1996:475). As in the case of the VCR, such a low percentage can be accounted for by pay TV's recent introduction; however, low frequency of use does not mean that the method of content delivery can be ignored.
Chapter IV

THE CURRENT EFFECTS OF THE VCR ON EXISTING MEDIA

Although the number of content delivery systems has increased, the amount of time the average Canadian can devote to them has remained relatively the same (Liebowitz, 1982:523). Thus, there is increasing competition for viewer time and their patronage. With the video cassette recorder being the latest content delivery system, its use must be at the expense of other systems.

4.1 The New Permanency of Television Broadcasts

As discussed, the ability of the video cassette recorder to preserve programming was its primary attraction to the television viewer. Today, this home recording function competes with pre-recorded video fare, usually movies, as the main reason for owning a VCR.

Home recording creates concerns for both the creator and broadcaster of television programming. Television, by its technical nature, is transient, in that, "once broadcast, a television program becomes unavailable for repeated viewing unless it is rebroadcast" (Levy & Fink, 1984:56). The video cassette recorder, however, changes this aspect of television. The VCR allows television broadcasts permanency, making programs available for repeated viewing.
There are two primary reasons why a video cassette recorder owner records a program off of traditional sources and each reason for recording has potential effects on these sources.

The first method may be classified as time-shifting and is the process in which the video cassette recorder is preset to record a program by way of an internal timer. During the recording process, the user of the machine need not be present and the television set need not be on. As pointed out in earlier studies, such recordings can only help the broadcaster by increasing the audience that is viewing the program:

"...the major consequence of VCR use seems to be to perpetuate the relative positions of strength within broadcasting. The television networks appear to be the principal beneficiaries, since in virtually all categories of replay, the prime source for materials recorded is network affiliated stations. Other types of stations provide important amounts of material in some categories, but in general most of what gets taped has been initially broadcast by network affiliates. (Levy, 1980a:335)"

Therefore, with respect to time-shifting, VCRs complement traditional television use by potentially increasing their audience size.

In a study that utilized empirical models for estimating VCR demand, it was found that VCRs and broadcast television are indeed complements and that, as the number of broadcast stations available increases, more homes will acquire a video cassette recorder (Levy & Pitsch, 1985:77).
The time-shifting ability of the VCR may justifiably be seen as having the potential to increase the audience size for a program, and if the video cassette recorder were used solely in this manner it would be a benefit to suppliers of programming. However, it is the VCR's other qualities that also make it a threat to these same people. The other reason for recording, the capability to make telecast material permanent, is a prime example.

Often an individual will record a program with the intent of placing that program in a home library of video tapes. Unlike regularly scheduled programs that are normally erased after being watched on video tape, these programs are preserved for future viewing. Such librarying creates possible problems for both creators and senders of program material. If a program, such as a popular movie, is recorded, saved on tape, and watched at the individual's discretion, it lessens the value of that work for most parties involved. The copyright holder, or the creator, is at a disadvantage which will be discussed later. As far as the broadcaster is concerned, the value of the program, in this case a movie, is diminished, lessening the value of repeated showings. However, what is more concerning to these senders of the program is the potential loss of viewers as home libraries grow.

Researchers have concluded that as home libraries and pre-recorded cassettes increase in numbers, the broadcast
audience will decrease in numbers (Levy, 1980a:335); a conclusion based in part on more media competing for a finite number of users. Recent statistics would seem to support this view. Table 5 indicates that even though the total time spent in front of the television is increasing, the existing media are capturing smaller audiences (Stevenson, 1985). Although independent television stations, and cable and pay TV have been labelled contributors, the video cassette recorder has been attributed as the major reason for this erosion of the network's audience size (Stevenson, 1985).

<table>
<thead>
<tr>
<th>Year (Season)</th>
<th>Percentage Share of Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-1977</td>
<td>91%</td>
</tr>
<tr>
<td>1977-1978</td>
<td>91%</td>
</tr>
<tr>
<td>1978-1979</td>
<td>90%</td>
</tr>
<tr>
<td>1979-1980</td>
<td>87%</td>
</tr>
<tr>
<td>1980-1981</td>
<td>84%</td>
</tr>
<tr>
<td>1981-1982</td>
<td>80%</td>
</tr>
<tr>
<td>1982-1983</td>
<td>77%</td>
</tr>
<tr>
<td>1983-1984</td>
<td>76%</td>
</tr>
<tr>
<td>1984-1985</td>
<td>77%</td>
</tr>
</tbody>
</table>

It is estimated that by the end of 1987, commercial television viewership in the United States will decrease another
one per cent directly because of the video cassette recorder (Zoglin, 1984:49).13

With decreased viewership the basic structure upon which over-the-air broadcasting in North America has been founded is threatened. Smaller audiences mean smaller rates that may be charged by television networks and stations. Less advertising revenue will eventually result in less money available for program production.

4.1.1 The Effects on Broadcast Advertising

Advertisers are also wary of the video cassette recorder's capability to 'zip' and 'zap' commercials from programming. Zapping is the process whereby the commercials are deleted, or zapped, during the recording process. It requires the viewer to initiate and terminate zapping; that is, one must attend to the program "live" and press a pause button to zap commercials.14 Since the commercials must be watched originally by the viewer, zapping does not overly concern advertisers.

Zipping does. When a broadcast program is time shifted, it usually is taped in its entirety including commercials. During playback, the viewer can fast forward, or zip,

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13 Programs recorded off-the-air are usually courted as "being watched" by the audience measurement services. Therefore, a VCR playing a program that has been taped off-the-air does not decrease audience size; however, a VCR playing a pre-recorded movie will.

14 An electronic device does exist that will, when attached to a VCR, delete commercials from a program. The machine has not experienced wide-spread use because of imperfections in the technology. (Advokat, 16 April 1995)
through the commercials at an increased rate of play. Thus, sixty seconds of commercials can be zipped through in under ten seconds.15

BEM's 1985 survey found that the commercials in 22% of playbacks were zipped through by viewers. A.C. Nielsen looked at zipping and reported that 54% of respondents said they always skip the commercials and 26% said they usually skip them.16 NBC's study showed that 34% of the viewers surveyed zipped through commercials. A study carried out by Statistical Research Inc. also indicates that about one-third of VCR users fast forward through commercials (Advokat, 1986).

However, as the BEM study pointed out, zipping does not appear to have an immediate effect on advertising because it does not occur frequently enough. When the current VCR penetration levels, the number of times VCR users time-shift, the actual number of playbacks, and the number of people who actually zip are combined, the number of commercials zipped through is small compared to the total number broadcast. However, as each of these factors increases in frequency, the negative impact on advertising revenue may be

15 Your zipping rate may vary. The actual rate of play is dependent upon the original recording speed and the electronics of the video cassette recorder.

16 The difference between the two surveys may again be explained by the methodology used. Nielsen's study was attitudinal in design and people would be more than likely to say, "Yes, I zip through commercials," rather than, "No, I always watch all commercials." The BBM study calculated the amount of zipping by comparing the length of the original recording with the length of the playback.
Advertisers are responding to the video cassette recorder's existence. They believe better and shorter commercials are the solution to any potential problems caused by the VCR. One plan utilizes the fact that a viewer must still attend to the television to zip through commercials; advertisers feel that a more creative commercial will grab the viewer's attention, halting the zipping process. Another approach involves shorter commercials, possibly only fifteen seconds long, interspersed throughout programs making zipping an inefficient function (Anderson, 1986; Wright, 1984a).

Such short commercials are currently being used by advertisers; however, they are still part of longer commercial segments.

Other advertisers are acknowledging the VCR by catering specifically to those individuals who own one. The demographics of the typical VCR owner are similar to those highly sought after by advertisers: wealthy, educated, young people. To utilize this market, pre-recorded videocassettes are available that are essentially long commercials. In the United States, Luv's diapers and Creft detergent are co-sponsors for a series of videocassette programs called What Every Baby Knows; Red Lobster Inns of America sponsored an Eat to Win video showing people eating at Red Lobster restaurants. Advertisers view this form of programming as video magazines (Wollenberg, 1986). In Seattle, Washington,
advertising on video is taking a different approach: a company called the Consumer Video Network offers cassettes of just commercials free to people when they rent movies from their video stores. The free commercial programming has been deemed successful as people are voluntarily taking the cassettes home (Douglas, 1986:28). The advertisers are acknowledging and adapting to the new technology.

4.1.2 The Effects on Cablecasting

The above discussion has centred primarily on the impact of the video cassette recorder on over-the-air broadcasters. The VCR is also having an effect on cablecasters. In 1981, studies reached the conclusion that VCRs could co-exist with traditional media because, at the time, VCR sales were highest in cable and pay TV households (Edmunds, 1981:5). This high correlation resulted from VCR owners wanting to tape movies and programs from these specialty channels. However, such early forecasts did not accurately foresee the popularity and magnitude of the video cassette rental market. Today, although some cable operators have taken the approach that VCRs complement cable services, the same study that showed VCRs to be a complement to broadcast television shows the opposite. It found that the VCR is actually a substitute for cable television (Levy & Pitsch, 1985:81).

The primary reason for this substitution is the nature of the attraction for both cable and the video cassette recorder — theatrical movies on television. Cable originally
proliferated primarily because it brought signals into areas where reception was poor. However, as cable operators expanded into major urban areas which already received many broadcast signals, added incentives were necessary to entice people to subscribe to cable. In the United States, these incentives took the form of specialty and movie channels, such as Home Box Office (HBO) and Showtime, available on cable.

The video cassette recorder provides the same programming as these movies channels, however, at an earlier date. Feature films are often available in video stores up to six months before they are broadcast on pay TV (Anderson, 1986). Therefore, as more people acquire VCRs and satisfy their needs to watch movies by renting pre-recorded cassettes from video stores, there is a smaller demand for the pay TV channels available from cable services.

Recent statistics seem to support the theory that VCRs are siphoning viewers away from cable. According to the A.C. Nielsen Company (U.S.), while VCR penetration continues to increase, cable and pay TV subscriptions in the United States have become stagnant, with no growth (Advokat, 10 July 1986), and even declines in subscribers (Advokat, 27 January 1986). HBO reports that the video cassette recorder is "cannibalizing" its ratings, and that the number of people watching the top ten movies in 1984 was down 25% from 1982. Although an argument may be made that the movies avail-

---

17 Although an argument may be made that the movies avail-
video cassette, are viewer stale by the time they are put on a pay TV channel.

Studies by Showtime and HBO show that VCR households which do not subscribe to pay TV channels are more likely, after acquiring a video cassette recorder, to purchase that type of channel. However, this effect is only temporary in that households tend to downgrade their cable subscriptions after owning a VCR. In other words, VCR owners who initially subscribe to a movie channel to record feature films will eventually decide to eliminate pay channels because of redundancy of video product: the local video store offers movies sooner, cheaper, and at a more convenient time (whenever one wants it). The popularity of pre-recorded cassettes over pay TV channels is further supported by an HBO study that indicated that while 41% of pay subscribers thought pay to be a better bargain than cassettes in early 1984, only 33% felt the same less than six months later. Those who said rentals were better increased from 30% to 33% during the same period (Easton, 1985:5).

The cable companies and pay TV channels are responding by attempting to exploit the time-shifting abilities of the VCR. The channels wish to be VCR-friendly and are encouraging people to tape movies and create home libraries, thus avoiding the "inconvenience" of renting (Sarnia Observer, 1984). Able in 1984 were of inferior quality, such a claim is unlikely. In 1982, the top movies offered on pay services were Arthur and Cannonball Run; in 1984, Raiders of the Lost Ark and Tootsie were on HBO's list of most watched movies.
The Movie Channel in the U.S. has created the "VCR Theatre," which runs every morning at 3 a.m., offering new movies daily that may be recorded while people sleep (Gen-del, 1986). In Canada, however, similar offerings may be for nought; A.C. Nielsen reports that 97% of VCR owners do not subscribe to any pay TV or specialty channel.

Other cable companies in the U.S. are providing their own competition by opening video stores that rent pre-recorded movies, offering rates that favour cable and pay TV subscribers (Advokat, 27 January 1986/Easton, 1985:3).

In Canada, the pay TV industry is encountering similar problems. It is experiencing less-than-expected subscriber-ship, resulting in financial hardship. And, as discussed previously, the pay TV industry has sought and received reduced Canadian content quotas in order to sustair operations.

Ironically, the specialty channels that found it the hardest going initially while movie channels prospered are the least likely to be affected by the VCR. The content of these channels is generally not available for rental on cassette, thus there is no direct competition (Easton, 1985:5).

4.2 The Video Cassette Rental Industry

The movie rental market is the area associated with the video cassette recorder that is causing the most concern. It is changing the way major films are made, the way they
are released, and the traditional markets for their exposure. It is eroding the theatre-going audience, broadcast audience, and is further marrying feature films with television. It is pushing copyright laws to their limits, resulting in proposed changes in the laws dealing explicitly with home video.

When video cassette recorders were first made available for home use in 1976, they were promoted as a device enabling owners to "free" themselves from the confines of network program scheduling; VCRs were made and sold to time-shift. However, the VCR also provided an outlet for specific types of programming previously not readily available in the home: pornographic movies on video tape (Edmunds, 1981:161/Broadcasting, 1984:43). These tapes enabled people to screen materials, generally regarded in public as immoral, in the privacy of the home. They also created a new industry: the pre-recorded video cassette.

Entrepreneur Andre Blay believed the American public, or at least those owning a video cassette recorder, would be willing to purchase cassettes of major motion pictures. He approached Twentieth Century Fox, where the executives listened intently, possibly fearing they would once again miss the video 'bandwagon' as they had done with television and cable. Fox eventually sold Blay the rights to fifty movies at $5,000 (U.S.) each (Rush, 1985:61).
However, Blay's business strategy was ill-conceived. The video cassette recorder owner was interested in movies but not in purchasing them; they preferred to tape them off the airwaves. Most felt the price of pre-recorded cassettes was too high. Electronic stores also believed the price of cassettes to be too high for purchasing. As a marketing promotion to stimulate the sales of VCRs and to help recoup the monies spent on movie inventories, these stores would rent movies-on-cassette for a nominal fee, often equivalent to that of going to a movie at a theatre. Thus, the movie rental business was somewhat inadvertently created. By the end of 1981, each of the major Hollywood studios had developed a home video division or was involved in a partnership with one (Rush, 1985:62). By the end of 1984, there were over 14,000 different titles available on pre-recorded videocassettes, a majority of which were movies (Zoglin, 1984:43).

With more movies being released on pre-recorded cassettes, there emerged a growing need for stores that could handle the larger volume of tapes. Video stores were created to meet that need. These stores became the 1980s version of the local corner store, serving the local community and operated by one or two individuals. Unlike electronic stores which rely on audio and video hardware sales for business, the video store concentrates on renting videoftware, or pre-recorded tapes.
As the number of video cassette recorders has increased, so too has the number of video stores. In the United States, 1985 estimates put the number of such stores at slightly over 25,000 (Advokat, 3 November 1995). In Canada, there are approximately 6,000 (Shaw, 1986). If the laws of supply and demand are appropriate, the ratio of machines to stores indicates Canadians have a greater "want" for pre-recorded video. In Canada, there is one store for every 450 machines nationwide; in the United States, there is one store for every 1,000 machines.

These types of stores are abundant in most Canadian and American cities today. In Windsor, Ontario, a city of almost 200,000 people, there are thirty retail establishments which rely primarily on video rentals for business, or one store for every 6,666 people. In Medicine Hat, Alberta, there are twenty stores and a population of 40,000, or one store for every 2,000 people (Faston, 1985:5). These figures are for the entire population and not only for those who own a video cassette recorder.

However, as the demand for pre-recorded movies continues to grow, so too does the list of places in which one may rent a cassette. Convenience stores such as 7-11 and Mac's Milk, the latter only in Ontario, now carry the popular titles for rent in their stores. Major department stores have video sections, while people doing grocery shopping may rent videos at the checkouts. U-Haul, traditionally a ren-
ter of trucks and trailers, has set aside floor space for video rentals in some areas (Taylor, 1984). The video cassette rental network is pervasive; it has permeated, in less than ten years, most areas of our society, making for simple, convenient, and relatively inexpensive rental of pre-recorded movies.

The main source of these pre-recorded movies is the American feature film industry, accounting for approximately seventy per cent of all pre-recorded cassettes produced (See Table 6). It is a situation both feared and revered by Hollywood. Movies-on-tape are feared because of their erosion of box office receipts. They are revered because videocassette movies generate large revenues.

18 Hollywood is used throughout not so much geographically as it is in the form of an entity representing the American theatrical film industry.
Table 6: Breakdown of Pre-recorded Videocassettes by Content


<table>
<thead>
<tr>
<th>PROGRAMMING TYPE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theatrical Features</td>
<td>67%</td>
</tr>
<tr>
<td>Adult Films</td>
<td>14%</td>
</tr>
<tr>
<td>Instructional and Informational</td>
<td>7%</td>
</tr>
<tr>
<td>Children's</td>
<td>7%</td>
</tr>
<tr>
<td>Music</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

4.2.1 Movies on Video Cassettes—Their Effects on Theatrical Films

As the popularity of the VCR has increased in recent years, there has been an appreciable decline in both theatrical movie attendance and box office revenue. In 1984, Hollywood made approximately $4.0125 billion (U.S.) through theatrical exhibition of films. By 1985, that number had dropped 7% to $3.75 billion, and ticket sales were down 11% (Corliss, 1986:46). Although other factors, such as poor product, partially account for the current drop, the influence of the video cassette recorder is noticeable.

19 The American box office market includes Canada.
In 1980, movies-on-tape generated only 15% of the box office revenue.\textsuperscript{20} By 1984, videocassettes were responsible for 33%, and in 1985, revenue from cassettes equalled the revenue from the box office (Corliss, 1996:47). In Canada, theatrical film revenues in 1984 were about $150 million, and video cassette income was approximately $100 million (Mallet, 1985:5). Such a trend at the box office is present in other countries in which the videocassette recorder has had a larger penetration for a longer period of time. Britain and Australia, countries with a high number of VCRs, have also reported significant reductions in theatre attendance (Zoglin, 1984:49). In North America, outdoor exhibitions of feature films are now virtually non-existent; people are watching popular drive-in fare, such as horror and sex films, on their VCRs instead (Laycock, 1986).

Movies on videocassette have effects beyond just that of the box office. The most significant of these is on the availability of theatrical films for other media. Broadcast television first provided an outlet for "used" Hollywood films; television executives used movies to fill programming schedules, in turn increasing Hollywood's revenues. The film distribution process was simple: movies were shown first in a theatre, then purchased by network television for a couple of broadcasts, and finally syndicated to private stations for repeated airings.

\textsuperscript{20} Included in box office revenue is the amount of money made from cassette sales as well as from theatrical ticket sales.
With the introduction of cable television and pay TV channels, each element in the process was bumped, except for the theatrical first stage. Hollywood could increase its post-theatrical take per film by releasing them first to the pay TV stations, then to the others. Now with videocassettes, the process is stretched even further. Home video takes priority after a theatrical exhibition, followed by pay-cable, then network television, a possible repeat on pay-cable, and finally syndication (Waterman, 1985:229).

The reasons behind home video's ascent to the top of the distribution hierarchy are economic:

1. There is greater revenue per viewer when a film is distributed on video cassette before pay TV;

2. Video cassettes take direct advantage of initial theatrical promotion to which pay TV makes no contribution; and,

3. The product is cut before the pirates can exploit the market. (Edmunds, 1981:21)

Consequently, broadcast television becomes lower in the distribution hierarchy. The movies it may show, because of previous exposures, have a potentially smaller audience. Smaller audiences again mean smaller revenues for broadcasters.

Because of the potential revenue from home video and pay TV, films are receiving shorter theatrical runs (Waterman, 1985:230). Producers and distributors are hoping to maxim-

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21 Videodiscs may be considered an equivalent to video cassette recorders in this regard; however, the number of discs is almost negligible compared to cassettes.
ize the value of their films in these other markets while awareness of their product is still high. Expensive advertising campaigns designed for promotion of theatrical exhibitions, as well as word-of-mouth, may help to promote sales. Occasionally, such tactics are very successful economically. The revenues generated by sales of some video cassettes have exceeded those revenues made at the theatrical box office. The films *Power*, *Eleni*, and *Black Moon Rising* failed in theatres yet prospered on cassette: *Power* made $5.5 million (U.S.) in theatrical showings and $7.2 million through home video; *Black Moon Rising* made $7 million and $7.2 million respectively; and *Eleni*, which grossed $1 million at the box office, gained an additional $6 million through cassettes (Detroit Free Press, 19 June 1986).

In some instances, the distribution hierarchy is being changed at the upper levels. Films are being made with videocassette distribution having priority over theatrical exhibition. In March of 1986, *Killing 'em Softly*, a Canadian-made film starring George Segal and Irene Cara, was released on cassette six months before a planned theatrical release. It was an attempt to see how first-run programming works in a traditionally second-run market (Advokat, 15 February 1986).22 Similarly, in October of 1986, CBS/Fox Home

22 Reviews of the movie have been less than favorable. Although the film is available for rental on tape, it has not been met with even mild success. It is believed by some that *Killing 'em Softly* would succeed neither at the box office nor in the home market after nationwide theatrical exposure. The video release was an attempt to recoup monies before word-of-mouth could have a negative

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Video released *Running Out of Luck*, starring Mick Jagger, expressly for the home market with no planned theatrical run (Advokat, 18 September 1986). Thus, as market penetration of home video hardware increases, the economic base able to support original programming will also increase (Waterman, 1985:237).

While producing films directly for videocassette distribution could be a boon for production companies unable to exhibit their product through conventional theatrical channels, it also stirs philosophical issues regarding film making. The art of making a movie has changed:

If a cinematographer is shooting for the television screen, there is a certain blandness and visually homogeneous quality that sets in. None of the important actions will take place in the corners of the screen. There are lots of close-ups, very few extremes. If it isn't going to look right on TV, the photographer won't shoot it, and many cinematographers are upset with that.

Try and remember the last film you saw that was so striking you remarked what an extraordinary visual experience it was. It used to be that if you went to a movie that was full of closeups and was exceptionally bland you would say, 'This looks like they shot it for television but decided to let it go theatrical.' Now it's the standard. (Advokat, 22 December 1985)

The fear is that home video is "trivializing movie making as a craft" and that most movies will be pre-sold with the videocassette market in mind (Advokat, 22 December 1985).
Sales Versus Rentals of Pre-recorded Cassette

The question of whether to rent or sell movies or video-cassettes has created concern among those parties involved. The video store owners are complacent to continue generating revenues by renting out video tapes. Rental rates usually range from about one dollar on weeknights to three or four dollars on weekends, depending on the popularity of the movie (Pickthall, 1986). After the initial purchase price of the cassette, the renter has no additional expenses associated with that movie. It is because of this "free ride" that Hollywood movie distributors are trying to encourage sales of videocassettes.

The pre-recorded videocassette distribution process is not extremely complicated. Distributors acquire the product, in most cases feature films, from producers. Video retailers then purchase these tapes either directly from the distributor or from an intermediary wholesaler. The only other step in the process is the duplicator, who works with the distributor in making copies of the videocassettes (Waterman, 1985:225).

The breakdown of monies associated in this process when a tape is sold is indicated in Table 7.

However, when a tape is rented, several aspects of this arrangement change. First, the retailer does not, initially, receive any money because the tape is not sold. And second, another party, the renter, may be included in the
process. Unlike when a tape is sold and the transaction regarding any one pre-recorded cassette is completed at the time of sale, the rental process is ongoing for any one tape.

Therefore, using the videocassette that retailed for fifty dollars in the model used in Table 7, the wholesale cost is $35.00. After the video software dealer recovers this $35 cost of the cassette, he or she is making a profit from this cassette as long as it is being rented. When it is no longer rented a sufficient number of times to be of any value, such cassettes are usually sold at greatly reduced prices.

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23 Such an argument is somewhat artificial. Employee wages, store maintenance, inventory depreciation, etc., must be considered before a true profit may be determined.

24 It should be noted that the used cassette market has all but disappeared. With very few new video stores opening, there is less of a need for used video cassettes. In addition, the distributors themselves have succeeded in limiting this market by offering new copies of their

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<table>
<thead>
<tr>
<th>PARTY</th>
<th>%</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer/Copyright Holder</td>
<td>12</td>
<td>5.80</td>
</tr>
<tr>
<td>Distributor</td>
<td>28</td>
<td>14.20</td>
</tr>
<tr>
<td>Duplicator</td>
<td>18</td>
<td>9.00</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>12</td>
<td>6.00</td>
</tr>
<tr>
<td>Retailer</td>
<td>30</td>
<td>15.00</td>
</tr>
</tbody>
</table>

Table 7: Distribution of Revenues in Pre-recorded Software Sales

It is the rental side of the industry that has the creators of most of the product, Hollywood producers, arguing that their rights as copyright holders are being violated. Of the 700 million pre-recorded videocassettes sold in North America in 1985, 90% were feature films. The dollar equivalent of all sales is 660 million, with 594 million being generated by theatrical features. However, rentals of videocassettes generated $2 billion in 1985 (Kaplan, 1986), with very little of these dollars being returned to the producers of these materials. Hollywood believes it should be justly compensated for the use of its materials in the rental market.

To remedy this imbalance between rentals and sales, the distributors of product have had to artificially build royalties into the cost of the pre-recorded videocassette. The prices of most major films, upon initial release, have increased significantly in the past two years (Shaw, 1986); movies on videocassette often cost one hundred dollars or more. Video retailers feel these recent increases prohibit sales and are endangering the retailing-rental business.

In Canada, the price of a movie on videocassette has risen, on the average, 33% from September of 1985 to July of 1986. The federal tax was also raised from 10%, applied at

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recently released movies at greatly reduced prices. For example, Witness, which originally would have been sold for $105 (Cdn) [at a cost of $96.39 to the video cutlet], was made available less than five months later for a manufacturer's suggested retail price of only $29.95 (at a cost of $26.43). (Eickthall, 1986)
the distributor level based on the cost of duplicating, to 12% at the wholesale level.\textsuperscript{25} This 45% increase is then passed on to the consumer if the tape is sold \cite{Pickthall, 1986}. An example of pre-recorded movie prices may be seen in Table 8. At these rates, it becomes more difficult for money to be made even on rentals, as it takes longer to recoup the expense of acquiring the initial videocassette.

### Table 8: Wholesale & Retail Prices of Movies on Cassette in Canada

The following movies were selected to be indicative of the costs involved in purchasing feature films on videocassette in Canada. The price is usually not determined by the quality or theatrical success of the film, but by the company distributing the cassette. All prices are in Canadian dollars. For the retail price, a ten dollar mark-up has been added, although such a mark-up is entirely at the discretion of the retailer. Source: Wholesale prices from Video One Preview, August 18, 1986, and from Pickthall, 1986.

<table>
<thead>
<tr>
<th>FILM TITLE</th>
<th>WHOLESALE</th>
<th>FED. TAX</th>
<th>RETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of Africa</td>
<td>$88.18</td>
<td>$10.58</td>
<td>$108.76</td>
</tr>
<tr>
<td>Young Sherlock Holmes</td>
<td>$96.90</td>
<td>$11.63</td>
<td>$108.53</td>
</tr>
<tr>
<td>Youngblood</td>
<td>$101.90</td>
<td>$12.23</td>
<td>$124.13</td>
</tr>
<tr>
<td>White Knights</td>
<td>$103.00</td>
<td>$12.36</td>
<td>$125.36</td>
</tr>
<tr>
<td>Clue</td>
<td>$104.50</td>
<td>$12.54</td>
<td>$127.04</td>
</tr>
</tbody>
</table>

Producers of home video programming would like to see the sales of their product to individual consumers increased. They say more sales would lead to lower prices. The consumer-

\textsuperscript{25} The cost of duplicating for a company such as Paramount Home Video is approximately $4-7. \cite{Pickthall, 1986}
ers say they will not buy pre-recorded cassettes because the price is too high. Hollywood has responded by lowering the price on some movies to under $30.00, even though it makes more money selling fewer copies at higher prices. This tactic has worked well in some isolated instances, such as Raiders of the Lost Ark which has sold over 1.4 million copies at prices as low as $24.95 (U.S.) (Advokat, 24 November 1985). However, this bargain pricing scheme has only been successful, in terms of mass quantities of sales, for films that have had exceptionally successful theatrical exhibitions.

One reason larger quantities of movies are not sold on cassette may be that most pre-recorded videocassettes do not come down in price until after their initial release, at which time most people who had wanted to see the film had, either first in a theatre or second by renting the cassette. A second factor involved is related to the cost of rental: people may rent a film a repeated number of times at low rental rates for the same amount of money required to purchase the cassette. For example, some of the inexpensive cassettes for sale are of older movies, such as The Scarlet Pimpernal and Santa Fe Trail, are of poor quality, and cost $19.95 (Cdn.) to purchase (Shaw, 1986). At a rental rate of

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26 Paramount Home Video released Beverly Hills Cop at $29.95 (U.S.), while RCA/Columbia released Ghostbusters at $79.95 (U.S.). In order for Paramount to make the same profit as RCA/Columbia, it will have to sell three Beverly Hills Cop for each Ghostbusters sold. Both movies were received equally well at the theatrical box office (Advokat, 24 November 1985).
one dollar per night, someone could rent the same film twenty times for the purchase price of one cassette.

Proponents of pre-recorded videocassette sales liken the industry to album sales in the music industry. However, the nature of recorded music lends itself to repeated listening with opportunities for interrupted play, as well as collection-building. Movies-on-tape do not have these same qualities.

Those pre-recorded videocassettes that do sell well are those that lend themselves to repeated viewing. In the spring of 1986, the best selling pre-recorded videocassette in both Canada and the United States was Jane Fonda's New Workout. Fonda's first tape, Jane Fonda's Workout, was released in the spring of 1982 and has been on Billboard's top videocassette sales chart for over 200 weeks, selling over one million copies (Detroit Free Press, 22 February 1986). Therefore, the market for sales of videocassettes does exist; however, it is a specialized one.

Other products created especially for the VCR are those designed to be interactive. They resemble games and involve viewing pre-recorded videocassettes and answering questions. Although not initially well-received because of design problems, they are indicative of a specialized form of home video entertainment utilizing the VCR.27

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27 One such VCR game overcomes the problem of advertisers losing viewers to video cassettes. The game, called Commercial Crazies, involves players watching "classic" commercials and then answering questions concerning those commercials, thereby increasing attentiveness to the
4.3 The Video Cassette Recorder and Canadian Media

How then will the VCR affect Canada and its cultural media? Actual effects cannot be stated until sometime in the future, after they occur. However, some possible effects may be drawn from the previously discussed data.

The video cassette recorder could have its greatest impact on over-the-air broadcasting. It offers an alternative medium for the viewer, which in itself presents two problems for the broadcaster. First, use of the video cassette recorder, be it time-shifting or movie watching, competes for the same time as traditional broadcasts. A person's time available for leisure activities is relatively finite; extra time is not increasing at the same rate as media alternatives are being introduced. Therefore, the time that had previously been devoted to watching over-the-air broadcasts is now being divided between those broadcasts, the video cassette recorder, and other sources such as cable and pay TV.

The substitution of video cassette programming for a national broadcasting system is evident in other countries. When the ratio of the number of VCRs to the number of televisions is compared to the availability of programming, a trend develops:

For the United States, the [VCRs to television] figure is 5.4 percent. The figures for France, West Germany, and Britain are 8 percent, 13.6 percent, and 30 percent, respectively. For Australia it is 18 percent. These countries have per capita product's promotion.
incomes in the same range as the United States, but they have fewer television alternatives, and much broadcasting is on a non-commercial basis. It appears that VCRs are being used by viewers in those countries to substitute for over-the-air broadcasting. Italy, with an unusually free, heavily commercial broadcasting system, has only a 1.3 per cent ratio (although this may be explained in part by relatively low income). At the other extreme, the ratios for Israel and the United Arab Emirates are 44 percent and 411 [sic] percent, respectively. The substitution effect is relevant in both cases, while high per capita income probably is important in the latter case. The case of Japan, with a 29.4 percent ratio, shows that the pattern is not uniform, since Japan has a relatively diverse menu of broadcast fare available (but Japan is the center of world VCR production and innovation). (Levy & Pitsch, 1985:81)

Canada would also seem to be susceptible to these same influences. It has a VCR population, per capita income, and broadcasting structure similar to those nations in which home video material is being substituted for over-the-air broadcasting.

Another area of concern created by the video cassette recorder for over-the-air broadcasting in Canada is content, or what is watched on the VCR. With time-shifting, the potential for the amount of Canadian programming watched remains the same as with traditional broadcasting. That is, if a person wishes to tape a Canadian show and view it later, there is no reason why it cannot be done. However, this has not been the case. A Canadian Broadcasting Corporation (CBC) research paper reached the following conclusions: One, people with video cassette recorders are watching less television; and two, they are selectively spending more time...
viewing foreign programming from U.S. sources and less time viewing Canadian programming, particularly news and public affairs (Marketing, 7 January 1985). This conclusion is supported by BBM's 1985 study that listed the top ten recorded television shows during the survey. In the top ten were four prime time American series (Dallas, Dynasty, The Cosby Show, and Miami Vice), two American daytime dramas (Another World and Days of Our Lives), an American mini-series (Deceptions), and two made-for-television movies, titles and origin unknown. The only Canadian "content" listed in the top ten were hockey play-off games (Furdy, 1985).

The video cassette recorder increases the availability of American programming to the Canadian viewer. When the factor of time of playback is entered into the situation, the influence of American programming is enhanced. As discussed, most playbacks tend to be during prime time hours. Simply put, if people are watching American programs on their VCRs during prime time, they are not watching, or even recording, Canadian programming during these hours.

The only variable that reduces the incidence of the above occurring is the degree to which time-shifting is performed. Since VCR penetration levels at the time of the studies cited were not deemed significant, and not all VCR owners time shift, the effect on Canadian broadcasting would currently be almost negligible. However, as more machines come into use, the effects should become more pronounced.
In a related area of content, the mass acceptance of the video cassette recorder as a home movie theatre is important to the Canadian media. The ability to play pre-recorded tapes makes the VCR another means by which foreign programming may enter Canada. A check of video stores indicates that an extremely small percentage of all movies available is Canadian. The most notable Canadian films are those that receive international praise, such as The Grey Fox, and those that were made in Canada primarily for the American market, such as Forky's.

Canadians seem to like and want American films. The top ten movies-on-tape rented in Canada during a week in the summer of 1986 are listed in Table 9. All of them are successful American theatrical films. The top selling video-cassettes for the same time period, although not all movies, are American as well (Table 10).
**Table 9: Top Ten Rented Movies on Videocassette in Canada**

These are the ten most rented pre-recorded videocassettes in Canada for a week in July, 1986. Source: *TV Guide in Video One Preview*, August 18, 1986:9.

<table>
<thead>
<tr>
<th>RANKING</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Back to the Future</td>
</tr>
<tr>
<td>2.</td>
<td>Rocky IV</td>
</tr>
<tr>
<td>3.</td>
<td>Witness</td>
</tr>
<tr>
<td>4.</td>
<td>Jagged Edge</td>
</tr>
<tr>
<td>5.</td>
<td>Cocoon</td>
</tr>
<tr>
<td>6.</td>
<td>Death Wish 3</td>
</tr>
<tr>
<td>7.</td>
<td>To Live and Die in L.A.</td>
</tr>
<tr>
<td>8.</td>
<td>Remo Williams</td>
</tr>
<tr>
<td>9.</td>
<td>Commando</td>
</tr>
<tr>
<td>10.</td>
<td>Jewel of the Nile</td>
</tr>
</tbody>
</table>

**Table 10: Most Popular Pre-recorded Videocassettes Sold in Canada**


<table>
<thead>
<tr>
<th>RANKING</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Jane Fonda's New Workout</td>
</tr>
<tr>
<td>2.</td>
<td>Back to the Future</td>
</tr>
<tr>
<td>3.</td>
<td>Sound of Music</td>
</tr>
<tr>
<td>4.</td>
<td>Casablanca</td>
</tr>
<tr>
<td>5.</td>
<td>Playboy Centerfold 2</td>
</tr>
</tbody>
</table>
4.4 Summary

The video cassette recorder's current effects may be grouped into the same two differentiations that have been made previously: recording broadcast content and playing pre-recorded content.

With respect to recording programs from other sources, the following observations may be made:

1. the video cassette recorder makes broadcast programming permanent;

2. VCRs, when used in this manner, generally complement existing over-the-air broadcasts by increasing audience size;

3. use of VCRs could lead to an erosion of revenues from advertising; and,

4. the VCR is a substitute for cable television because of duplication of attractive services.

This duplication of attractive services basically involves feature films. As a result, the VCR is responsible for the creation of a new industry, namely pre-recorded cassette sales and rentals. In this area of pre-recorded videocassettes, the following may be noted:

1. the majority of pre-recorded cassettes are feature films, primarily American in origin;

2. attendance at movie theatres has decreased, while revenues from cassettes have equalled, if not surpassed, that of the North American box office.
consequently, movies have lessened value in the release window for other delivery systems;

4. stylistically, movies are adapting television standards in anticipation of the home video market; and,

5. there are far more rentals of pre-recorded cassettes than purchases of same.

What does this mean then to Canada's cultural industries? In the area of broadcasting, which includes cable and pay TV, the consequences of the video cassette recorder once again re-introduce the difficulties initially brought to Canada by radio in the 1920s.

The VCR introduces another alternative for content, thereby providing a substitute for national broadcasting systems such as the CBC. In other words, if people are using their VCRs, they cannot be watching programming on Canada's national networks. In addition, Canadians end up watching more American programming because of increased access to it.

With pre-recorded home video, these problems are only exacerbated. Canadians rent American feature films on tape because they are popular and because there is little Canadian product available for home video; currently only two to four per cent of all titles available on video cassette are deemed Canadian (Raymond, 1985:8). The consequences of such a situation are detrimental to existing policies in the cultural industries.
Currently, when one rents or purchases an American-made movie on cassette, the only monies generated are federal taxes on sales of pre-recorded cassettes, and provincial sales tax on both rentals and sales. Other monies are going to the distributor, either Canadian or American, and the American creators. The flow of monies is away from Canada; no money is directly returned to the Canadian production industry.

Not only is this counter to the policies that return monies to Canadian productions, it places those individuals or organizations that do 'contribute' to Canadian productions at a disadvantage. Pay TV, as previously indicated, must devote a certain percentage of its daily programming to Canadian content; similarly, it must also invest a percentage of its revenues in Canadian productions. However, pay TV also telecasts American feature films and it relies on these films to attract subscribers and generate these revenues that can be returned to Canadian production. Video cassettes offer the same films earlier, at lower rates, and at viewer convenience. The net result is duplication of content, with pay TV losing viewers to the video cassette recorder. Also losing are the production funds because pay TV can not afford to contribute while VCRs and cassettes do not have to contribute.

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28 Even this is not entirely true, as will be discussed in the next chapter. Often the creators of programming receive little in the way of "copyright royalties."
Just as pay TV movie channels rely on feature films to attract subscribers, cable companies are relying on the programming of pay TV to entice people to purchase cable. Now that cable has been introduced in those areas which could not receive signals over-the-air, its last major growth market is in areas well-served by traditional broadcasting. Specialty channels are the drawing card needed to attract new customers. If video cassette recorders lessen the attraction of the movie specialty channels, cable could experience financial difficulties as well.

In terms of theatrical film production, the Canadian industry has always been hindered by the foreign domination of distribution and exhibition channels in Canada. As a result, Canadian films have difficulties being seen on Canadian screens. The same situation has developed with video cassettes: American films are dominating shelves in video stores, with very little opportunity for Canadian producers to exhibit their product on home video.

Therefore, it is evident that the video cassette recorder is not playing a supportive or beneficial role in the development of Canada's culture or the cultural industries. It is playing the same game as broadcasting in that it delivers similar content through Canadian television sets, yet plays by different rules -- its own.

In Chapter II, the importance of technology in the cultural industries was discussed. The first point enunciated
was that of rapid change and adjustment, qualities now evident with the video cassette recorder. In less than ten years time, the VCR has captured a place in the market and is changing the thought processes of cable and pay TV executives, as well as broadcasters and advertisers.

The second point involved the shaping of content, form and consumption of the media. The VCR has changed the consumption of some content from the movie theatre to the home. It has shaped the form of movies by making them more adaptable to the smaller screen of television. And, currently content is being developed specifically for the video cassette recorder.

The VCR has converged content, creating increasing competition for existing products. It has segmented, and thus fragmented, the market into smaller units. And finally, it has created more globalization of the cultural industries, whereby American product has gained the advantage not only in the Canadian market but in markets around the globe.

The major concern emerging from that section was that a domestic industry must be established when a new technology is introduced in order to protect against foreign domination of content. Canada has not been able to do this with the video cassette recorder primarily because the market place has developed in a manner that has not allowed it to do so. As this has been true of other technologies in the past, there has been a need to administer policy and regulation to ensure a cultural balance is maintained.
Chapter V

THE VIDEO CASSETTE RECORDER AND CANADIAN CULTURAL POLICY

The video cassette recorder maintains a unique position within the cultural industries in Canada because of the content it can provide and the manner in which it is provided. The VCR utilizes broadcasting for some of its content, it draws from theatrical films for additional 'programming', and it benefits from original materials created specifically for it.

Yet each method of content acquisition is solely dependent on the individual user of the video cassette recorder. The VCR owner picks the programming he or she wishes to record, selects the movies from video stores that he or she wishes to watch, and buys those materials in which he or she wishes to participate.

Such exclusive individual control over content enhances the problems of achieving cultural objectives through the media. Now not only does there exist an additional outlet for foreign, read American, programming, but it is an outlet that appears to lie outside the borders of current regulatory policies designed to protect the Canadian identity.
5.1 The Video Cassette Recorder and the Broadcasting Act

The 1968 Broadcasting Act is the current legislation governing broadcasting and related activities in Canada. It is a document that appeared eight years before the video cassette recorder, and although eight years is not a lengthy period of time, the Act did not envision the consequences of this type of technology.

On an overall level, the VCR, technically, has nothing to do with the Broadcasting Act by the very definition of the term 'broadcasting.' The Act defines broadcasting as, "any radiocommunication in which the transmissions are intended for direct reception by the general public." With the video cassette recorder, there is no transmission of signals by way of radiocommunication to the general public. The transmission is a closed, private one, involving the sending of a signal from the VCR to the television set by means of a physical link, usually coaxial cable.

However, on a theoretical level, it is not unrealistic to say that the videocassette recorder is a part of broadcasting. The user of a VCR utilizes basically the same content and requires a television receiver as does broadcasting, cablecasting, and pay TV. It competes directly with these other technologies for audience and product. Yet these technologies are regulated and the VCR is not, simply because it does not involve radiocommunication.
Section 3 of the Broadcasting Act established the broadcasting policy for Canada and may be used to explain why radio, television, cable and pay TV are regulated. Several points of Section 3 are equally relevant to the case of the video cassette recorder.

First, Section 3(b) states:

The Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada.

The logic behind this provision is self-explanatory. However, the structure of the video cassette recorder network, as it is today, directly counters this logic. Although ownership and control of the machines themselves is by Canadians, true ownership of the system is held by those corporations selling the machines and the video cassettes. They have created, and thus control, the video cassette recorder market for their own economic gain (Lyman, 1983:18). As of now, the machines are not made in Canada, and very little of the pre-recorded content is produced in Canada. Consequently, a majority of the monies generated by the video cassette recorder industry are leaving the country and are not being invested in the production of Canadian programming. Without content produced in Canada, there is little hope for the enrichment and the strengthening of anything Canadian by means of the video cassette recorder.

The next relevant point is made in Section 3(d):

The programming provided by the Canadian broadcasting system should be varied and comprehensive.
and should provide reasonable, balanced opportunity for the expression of differing views on matters of public concern, and the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources.

This provision introduces two concepts: (1) the nature of the programming, and (2) the origin and quality of the programming. With respect to point one, the nature of the programming in broadcasting may be divided into two categories, simplified for the purpose of discussion: entertainment and informational/news. As indicated in Chapters III and IV, the dominant nature of programming associated with the video cassette recorder is entertainment: of time-shifted shows, most are dramas or situation comedies, of pre-recorded cassettes, most are feature films. Therefore, the video cassette recorder may be considered primarily a channel of entertainment that lacks varied and comprehensive programming that does not present differing views on matters of public concern. Also, the VCR draws viewers away from channels that do present this form of programming.

Chapters III and IV also showed that most programming used with the video cassette recorder is American. Therefore, the origin of programming is also counter to the demands of the Broadcasting Act.

If the video cassette recorder were the sole technology, it would contribute little to both Sections 3(b) and 3(d). However, as a component of the entire broadcasting system, it has the potential to cause damage to the intent of the
Broadcasting Act. As use of the VCR increases and it further fragments the audiences of regulated content delivery systems, the effectiveness of the broadcasting system to fulfill the mandates of the Broadcasting Act is lessened. If fewer people are utilizing those systems that do contribute to the nation's enrichment and development, then there will be less strengthening of the cultural, political, social and economic fabrics of Canada.

Section 3(h) outlines the priorities established within the broadcasting system:

Where any conflict arises between the objectives of the national broadcasting service and the interests of the private element of the Canadian broadcasting system, it shall be resolved in the public interest but paramount consideration shall be given to the objectives of the national broadcasting service.

The "national broadcasting service" refers to the Canadian Broadcasting Corporation, and the intent of this provision is to indicate in whose interests decisions should be made. According to the Act, those interests are neither the CFC's nor the private broadcasters'; decisions should be made to benefit the Canadian public. A liberal interpretation would be that the Act is providing control over broadcast-related industries to protect the public. However, inherent in such a decision-making process is the issue of what is in the public's interest. In light of Sections 3(b) and 3(d), it would appear that the cultural development and growth of Canadians is the public's interest.
Therefore, the video cassette recorder is not aiding this cultural growth. And, based on the historical precedents of regulating radio, television, cable and pay TV, it would seem appropriate to expect some similar contribution from the VCR-related industries. Section 3(j), notwithstanding the definition of 'broadcasting', provides the means by which this could be accomplished:

The regulation and supervision of the Canadian broadcasting system should be flexible and adaptable to scientific and technical advances.

Again, a literal interpretation of this provision would exclude video cassette recorder technology from any of the Broadcasting Act's jurisdiction.

5.1.1 The Video Cassette Recorder and the CRTC

The Broadcasting Act of 1968 created the Canadian Radio-Television and Telecommunications Commission (CRTC) to regulate and supervise the Canadian broadcasting system. Its objective, as outlined in Section 15 of the Act, is to "regulate and supervise all aspects of the Canadian broadcasting system with a view to implementing the broadcasting policy enunciated in section 3."

The Act enumerated the powers of the Commission providing it with the authority to regulate all persons holding broadcasting licenses in Canada. As discussed previously, this provision alone would prohibit the CRTC from regulating vid-

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29 Actually, the Act created the Canadian Radio and Television Commission, which was later modified to include telecommunications.
eo cassette recorders.

The CRTC's most potent form of legislation for other content delivery systems has been the implementation of Canadian content quotas. For over-the-air television broadcasting, current quotas vary. The private broadcasters must maintain 60% content averaged throughout the entire day, and 50% during prime time. The CBC, on the other hand, must maintain 60% during the day and 60% during prime time, and has in actuality met a self-imposed goal of 75% during the period from 7 p.m. to 11 p.m.

Pay TV must also meet Canadian content quotas. National pay TV licensees were originally supposed to telecast 30% Canadian content averaged throughout the day, with 30% maintained during prime time. This percentage was to rise to fifty during the last fifteen months of the license. In terms of monies invested in Canadian productions, the pay TV licensees were to have spent at least 45% of their total revenues and 60% of their programming budgets on Canadian programming (Caplan, 1986:478). As indicated previously, these quotas were unrealistic and not obtainable in the current pay TV market and were reduced to 20% throughout the day and 30% during prime time. However, these changes have only been made recently, and the content quotas will once again be scrutinized when the current licenses expire in April of 1987.

30 The CRTC defines prime time as 6 p.m. to 12 midnight, as opposed to 7 p.m. to 11 p.m. as traditionally defined.
Radio broadcasters must program a certain amount of Canadian programming daily. The specific quotas vary depending on type of service, type of format, AM or FM, and location, as in the case of Windsor stations.

Even though they are not governed by specific content quotas, cable companies are obligated to carry Canadian signals first. They must also replace commercials on duplicate American channels with Canadian ones to protect the Canadian industry.

Overall, these quotas are designed to help promote Sections 3(b) and 3(d) of the Broadcasting Act. They are also responsible for putting monies into Canadian productions, thus employing Canadians in the cultural industries.

With respect to video cassette recorders, Canadian content quotas would have similar beneficial results if they could be realistically and fairly implemented. With the other methods of content delivery, the CRTC can impose these regulations because of a technological sword of Damocles. The CRTC controls the spectrum of broadcasting frequencies in Canada and if broadcasters fail to meet their promises of performance, licences can be revoked.

However, no such sword exists with the providers of pre-recorded content in home video. As far as video store owners are concerned, their product is not so much culture as it is commodity. They supply those pre-recorded tapes that the public wishes to buy or rent, and those cassettes cur-
rently happen to be American in origin. In the dollar and cents world of business, culture is not a priority.

It would be difficult, if not impossible, to impose Canadian content quotas at this time. The home video network has become too large and too intricate for quota regulation to be effective. It would be unrealistic to force a video store owner to have at least 40% Canadian content on his or her shelves;31 not only could it not be done because of lack of Canadian content,32 it would create a financial disaster for the thousands of individuals who earn incomes from the home video business. Additionally, with the choice left to the consumer, there would be nothing to dictate that he or she must rent a Canadian cassette; having Canadian movies on the shelf does not guarantee they will be watched.

In the area of the home recording of programming, regulation concerning the video cassette recorder would be inappropriate in that the source of such programming is already subject to regulation. In other words, the effectiveness of regulatory policies in controlling the existing broadcasting system will produce similar results in the area of home recording.

However, these policies have been ineffective and the video cassette recorder only enhances these inefficiencies. The primary reason VCR users can record the amount of Ameri-

31 Or any other percentage; the number is totally arbitrary.

32 Some stores have over 5,000 movie titles. 20% Canadian content would require 1,000 Canadian movies on cassette.
can programming that they do is because it is available to them on both Canadian and American stations. As stated in the Caplan Report, Canadians watch Canadian programming in direct proportion to its availability (Caplan, 1986:128). In this respect, American programming itself is not to be blamed for creating our cultural difficulties.

The fault lies in the discouragement of Canadian programming because of the economic advantages maintained by American programming. The CTV Network is a good example of how the system has developed to favour programs from the United States. Because those in charge of the network have gained financial success by using American shows, there has been no reason, other than content quotas, to present Canadian programming. However, this situation has recently changed because of CRTC pressure to produce more Canadian dramatic shows; CTV has promised to have three hours of prime-time domestic dramatic programming per week by the 1988-1989 season (Greenspon, 1985).

Content quotas will only have a chance at success if the intent behind these regulations is a fundamental precept by which broadcasters, mainly private, operate. The broadcasters must support this intent not only in principle but in practice. Unfortunately for the purposes of Canadian culture and identity, this has not been the case: the cultural precept has been usurped by an economic one.
Therefore, the time-shifting function of the video cassette recorder exists as an extension of the traditional broadcasting system. Any cultural objectives achieved by the system should be enhanced by the VCR's recording capabilities, as will any detrimental attributes of the system.

5.2 The Video Cassette Recorder and Copyright

As indicated, the video cassette recorder and situations related to its use do not fall under the direct jurisdiction of legislation such as the Broadcasting Act. It is also questionable if the CRTC, should it be able to obtain regulatory control of the VCR, would be effective in regulating the use of these machines. This sense of confusion over the video cassette recorder's place in the Canadian broadcasting structure arises from the technological definitions and constraints by which current Canadian legislation functions.

Technology aside, the video cassette recorder must rely on external sources of content not only for basic operation but for success in the media market. If the content itself could be controlled, then a form of video cassette recorder regulation could exist. One of the primary methods of controlling the content itself is through copyright legislation.
5.2.1 Copyright and Culture

Copyright is a complex and lengthy area of legislation. However, the basic philosophy behind copyright is that protection is afforded to the creator of works from non-sanctioned duplication of those works. Copyright protection serves to encourage creators to create by providing financial guarantees to the rights associated with their creations.

If one remembers Pierre Juneau's words about the "ability to describe, articulate, structure and modulate with thoughts, words," etc., and combines them with the principles of protection designed to foster creative development, one can see the importance of copyright to Canadian culture. Francis Fox, Minister of Communications in 1984, stated that:

By ensuring that the rights of creators are effectively safeguarded, copyright law will be a positive factor in fostering a lively, creative and flourishing national culture. ...[W]ithout effective copyright law there can be no foundation for cultural life. ...Thus, a new copyright law is an essential element of a broader policy whose thrust is to ensure that Canadian cultural expression, in all its diversity, richness and vigour, will flourish in a transformed, and transforming, technological era. As one of the Government of Canada's policy responses to the economic, social and cultural challenges of today, copyright legislation occupies a crucial place. (Fox, 1984:9)

The 1985 Sub-Committee on the Revision of Copyright placed copyright in a similar framework, yet it narrowed the objectives of proposed copyright law while praising Canada's cultural industries:
Canadian writers, composers, musicians, filmmakers, artists, performers and creative workers of all description exist in numbers and in a quality such that the creation of a Canadian culture need no longer be a focus for policy: the issues are not to give it adequate recognition, but to maintain its vitality and to expand its appreciation both in this country and abroad. (Fontaire, 1985:3).

However, both of these comments were made in respect to the need to revise copyright laws. Canada's current Copyright Act dates back to 1926 and, in light of new technologies, requires updating to replenish the powers of protection copyright is supposed to afford.

The video cassette recorder strains the authority of existing copyright laws because these laws did not foresee the development of technologies associated with home video. The two major functions of the VCR, time-shifting or home recording and the playing of prerecorded cassettes, each have a different role with respect to copyright. Home recording involves the unauthorized, and therefore illegal, duplication of copyrighted material, whereas prerecorded cassette rentals provide a more legal method of content distribution that does not directly return rental fees to the copyright holder.

5.2.2 Home Recording and Copyright

The area of time-shifting or home recording and copyright has received the most discussion and examination because of what has become known as the Betamax case in the United States, the only major legal test to date concerning the recording of video in the home (VanDyck, 1984:506).
The case, formally known as *Universal City Studios Inc. v. Sony Corporation of America*, involved the question of copyright infringement by means of home taping. Universal, in conjunction with Disney Studios, accused Sony of contributing to copyright infringement by manufacturing a machine with the primary function, at the time, of recording television broadcasts. The studios argued that such recording of programming reduced the value of their programming and directly broke copyright laws.

Sony, on the other hand, stated that recording of television broadcasts was not the only function of their video cassette recorder. It would also be used to make home videos when used with a camera and it could be used to play pre-recorded content. The company also stated that it was illogical for it to be considered responsible for the actions of individuals in the privacy of their own homes (Liebowitz, 1984:2).

The first court ruling was in favour of the Sony Corporation. It determined that home recording was "fair use" in that, (1) the VCR did not adversely affect the market for programming, (2) the use was non-commercial and private, (3) the copyrighted material was voluntarily disseminated by the copyright owners over the airwaves, and (4) although the programs were usually recorded in their entirety, there was no ascertainable economic loss to the copyright holders.

"Fair use" is the test by which the rights of the copyright owner are weighed against the rights of the public.
because of total duplication (VanDyck, 1984:508). Additionally, the court found it difficult to place liability on Sony for copyright infringement when the company was independent of the actual infringers.

Dissatisfied with this ruling, Universal appealed. The United States Court of Appeals then reversed the lower court's ruling. It also relied on the definition of "fair use" and ruled that home recording did violate copyright. The Court of Appeals, in direct contrast to the lower court, determined that (1) the market value of the copyrighted work was reduced because of additional copies, (2) home recording was a commercial undertaking, especially from Sony's point-of-view, (3) the works being recorded were not in the public interest because they were entertainment and not educational, and (4) the recording of a program in its entirety automatically precludes fair use (VanDyck, 1984:511).

Dissatisfied with this ruling, Sony appealed to the U.S. Supreme Court, which overturned the Court of Appeals decision. In a narrow 5-4 vote, the Supreme Court agreed with the lower court, stating that home recording created little harm to copyright owners and that any harm would be speculative. It also ruled that the technology could perform many functions, and therefore the manufacturer could not be held accountable even if home recording was a violation of copyright laws (Liebowitz, 1984:2).
Home video recording is prima facie a copyright infringement in both Canada and the United States; it is obviously an unauthorized duplication of copyrighted material. The interpretation of copyright laws comes into effect with the fair use doctrine in the United States, as discussed in the Betamax case, and with the similar fair dealing doctrine in Canada. Such doctrines are to provide for a just dissemination of materials in the public's interest; that is, in instances in which copyright could inhibit discussion, research, criticism, etc., because materials were protected by copyright law, fair use and fair dealing allow access.

Unlike the American fair use provision which is open to legal interpretation, the Canadian fair dealing provision is explicitly stated in Canada's Copyright Act:

The following acts do not constitute an infringement of copyright: (a) any fair dealing with any work for the purposes of private study, research, criticism, review, or newspaper summary. (Section 17(2) of Canada's Copyright Act in VanDyck, 1984:516)

The narrowly defined wording of Section 17(2) leaves little room for interpretation. Without a ruling by Canada's courts and no provision exempting personal use, it would appear then that "most home video recording would not constitute fair dealing and would be regarded, therefore, as infringement" (VanDyck, 1984:518).

However, the current Copyright Act is insufficiently structured to deal with home recording. Labelling this practice as an infringement is simple; enforcing the law and
prosecuting those who do it is not. Consequently, our existing Copyright Act is ineffective, necessitating the implementation of new copyright legislation in Canada.

There have been many proposals and recommendations brought forth in the area of home video in anticipation of a revised copyright act for Canada. Having determined that existing laws are ineffective, the proposals for new copyright provisions should be evaluated as well. Most recommendations involve the introduction of either taxes or levies on blank video cassettes or on the video cassette recorders themselves.

The rationale behind taxing the blank video cassette is that, without such, taping would be impossible. Further, purchasing a blank tape is almost incriminatory, indicating impending infringement of copyright, with the exception being a tape purchased for use with a video camera. This tax would be placed at the manufacturer or importer level, because there are fewer manufacturers and importers than purchasers of tape. Ultimately though, the consumer will bear the responsibility of paying for the tax.

Proponents of this system then suggest that the monies be divided among the copyright holders whose rights have been infringed:

Copyright owners should benefit in two ways from the establishment of a blank tape tax. They will reap the revenues resulting from the levy itself directly. In addition, to the extent that the levy increases the saleability of pre-recorded tapes and discs (from which copyright royalties are paid), the owners will benefit from increased
royalties from this source as well. (Kecn, 1992:74)

A tax or levy would operate in the same manner as a royalty. With a royalty, monies are paid for the use of copyrighted materials and placed in a general fund, as in the case of music broadcast over radio stations. Copyright owners whose works are used then receive a portion of that fund. The tax on blank cassettes would contribute to a similar fund.

However, royalties are appropriate in radio because records are kept of those songs that are used. In home video recording, there is no method to determine that which is being copied and thus no means to justly distribute the "royalties" to the proper copyright holders. Although this taxation is well-intended, it would actually lessen the legal value of copyright by not giving the specific copyright owner that which is justly his or hers.

Similarly, such a tax could produce negative results for the Canadian cultural industries because of Canada's acknowledgement of international copyright treaties. If somehow monies could be distributed to the proper copyright owner, perhaps by a metering system, American creators not Canadian would benefit because, as indicated previously, the majority of programming currently taped is American. Thus, monies would again flow away from the Canadian cultural industries.
The second alternative is to place a tax on the actual video cassette recorder. This tax would function the same as the tax on blank tapes with monies being placed into a general copyright fund. However, such a tax would be unfair in that the machines can do more than record copyrighted material: they can play pre-recorded content and they can record original images with video cameras. A tax on the machines could inhibit these functions and, in the case of pre-recorded content, actually decrease the monies going to copyright holders by suppressing the sale of such content (Keon, 1982:71).

This tax on the technology would ultimately be ineffective in returning monies to the copyright fund. Eventually, sales of video cassette recorders will level off and even decline when most of the households in the country have acquired one. This sales decline would result in a corresponding tax revenue decline. This is not without historical precedent: excise taxes were placed on television receivers in Canada in 1953 when the technology was growing. However, after sales slowed down, the policy was ineffective in achieving its goal and therefore discontinued (Ellis, 1979:36).

Some proposals for copyright legislation in this area have suggested a specific exemption exclude all home taping from the category of infringing activities (Keon, 1982). Advocates of copyright and copyright owners view this as a
poorly-thought through proposal. On the surface, such an
evaluation would seem correct: home recording violates copy-
right doctrines because it is unauthorized duplication of
protected material. However, the proposal is made keeping
the effects of home recording and the complications of roya-
alty distribution in mind. As indicated, time-shifting, the
equivalent of home recording, as a single function of the
video cassette recorder increases broadcast audience size.
With a larger audience, broadcasters and copyright owners
should receive greater financial renumeration. When the
time arrives that technology has been developed to monitor
VCR audience size in order that copyright royalties may be
justly distributed, the same technology may be used to jus-
tify increases in the cost of purchasing programming, which
would benefit the creator. The broadcaster would also ben-
efit because he or she could charge larger advertising rates
because of a larger audience share. Therefore, although
home recording may be a violation of the literal interpreta-
tion of the law, it does not present significant harm to the
copyright owner.

Economist S.J. Liebowitz places the argument in a differ-
ent perspective. He feels that taxing VCRs and using copy-
right legislation is the wrong method to use when dealing
with the video cassette recorder:

VTR manufacturers earn revenues selling a product
which would, for practical purposes, have no value
if not for the existence of copyrighted intellec-
tual products. Notice, however, that an identical
argument can be made for the producers of televi-
mission sets, t.v. guides, antennas, Nielson ratings, t.v. stands, etc. All these products are strong complements with television programming and are "exploiting" the television market to earn revenues. Should they all pay a portion of their revenues to copyright owners? ... The ramifications are astounding! First, turn the argument around: what would be the worth of television programs without the physical means of reproducing them over-the-air, or a guide to allow viewers to learn when particular shows were being broadcast? Perhaps copyright owners should pay part of their revenues to the manufacturers of these complementary products. Then generalize the argument: there are many complementary products in the world (gasoline production/distribution and automobiles, electricity and appliances, floor cleaners and floors, etc.) and if one believes that the producers of other complementary goods should pay producers of other complementary goods for the right to "exploit" the market for the joint product, there is no limit to the potential scope of taxes and subsidies. There is, of course, no economic justification for such massive government intrusion into the economy. Producers of complementary goods each share in the net value produced by their joint products. (Liebowitz, 1984:21)

Liebowitz does recognize that there are inequities created by the VCR's home recording capabilities. However, these inequities occur not during the recording of broadcast materials, but during the playback of them. If programs were played back in their entirety in the form they were broadcast, there can logically be no economic harm done to broadcasters or copyright owners. Because the VCR extends the viewing audience and because the goal of broadcasting is to reach the largest audience possible, home recording would be beneficial to broadcasters when used in this manner.

However, harm to the broadcaster is created when the economic livelihood of most broadcasting is removed. When com-
mercials are technologically avoided, then the VCR is legitimately playing with the rights of broadcasters and creators. Liebowitz's solution focuses on the cause of the problem: he proposes a tax on remote control devices that make this an efficient function for the viewer (Liebowitz, 1984:33).

Although not definitive, any new copyright legislation in Canada is most apt to follow the recommendations of the Subcommittee on the Revision of Copyright. Its main proposals are:

Home copying should be permitted under the revised law subject to the payment of compensation in the form of a royalty on the material support and on the machine used to reproduce the work.

Payment should be made by the manufacturers or importers directly to the collectives. (Fontaine, 1985:76)

These proposals are designed to encompass all current technologies as well as those developed in the future.

Although the practicality and appropriateness of these recommendations has been discussed previously, some of the logic behind the Subcommittee's reasoning for these proposals is questionable. The following excerpts preceded the recommendations:

Who should be the beneficiaries of these royalties? The Subcommittee thinks that all those copyright owners whose works are copied should be

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Technological avoidance occurs when one skips or zips through commercials. People have traditionally avoided commercials by going to the washroom, by getting something to eat, etc.; it is inconceivable that any court would rule these methods of avoidance an infringement of copyright.
entitled to participate in the regime. This would include composers, lyricists, performers and record producers with respect to audio works and a similar grouping with respect to audio-visual works. ...

The Sub-Committee does not recommend the extension of the right to participate in the compensation system to the owners of copyright either in computer programs or in broadcasts. With respect to broadcasts, it is extremely unlikely that anyone would copy in the home an entire broadcast day. That would be necessary before the reproduction right of the broadcaster would be infringed. The Sub-Committee does not think that such an unlikely event justifies the inclusion of broadcasters in the compensation system. (Fontaire, 1985:75)

The wording of this section of recommendations is ambiguous and may lead to confusion over the legalities of recording programming off-the-air in the home. The Sub-Committee indicates that all copying of works is an infringement of copyright. However, the section excluding broadcasting from "all copying" removes liability from the individual recording over-the-air broadcasting in the home. Therefore, one may conclude that recording broadcasts at home is permissible. Such an exclusion maybe to acknowledge the fact that home recording of material off-the-air is commonplace and hard to legislate; the revision simply does not grant the practice direct legality. That which is an infringement of copyright is the copying of materials that are not broadcast, such as duplicating a pre-recorded cassette.

The difficulties in the Sub-Committee's recommendations are that, although the piracy or duplication of pre-recorded cassettes is a problem, it is a small one in relation to the
whole video cassette recorder industry. By taxing or placing royalties on the whole system, all legal uses of the video cassette recorder take a secondary role to the smaller, illegal use of pre-recorded cassette copying in the home.

5.2.3 **Pre-recorded Content and Copyright**

The second area associated with both the video cassette recorder and copyright legislation is that of pre-recorded content.

The initial concern of pre-recorded content and copyright involves piracy, or the illegal and unauthorized duplication of work. The video cassette recorder's ability to record off-the-air also enables it to record when physically linked to another VCR. When this procedure is performed, a duplicate copy of a tape may be made. A blackmarket industry has developed because people can easily make copies of popular movies and sell them at a lower rate than legitimate versions. The problem in the United Kingdom is paramount where 5.2 million of the 6.2 million pre-recorded cassettes in existence in 1982 were illegal copies. Combined losses to both British and American movie companies were estimated to be $978 million in 1984, with Canada contributing over $20 million (Wright, 1984).

The concern over video piracy is great because, unlike when one records from broadcast television, the intent of piracy is both commercial and public. In this respect, cop-
Right legislation is necessary; however, enforcement of this legislation in the manner proposed is questionable. The honest individual should not be further taxed to compensate for a criminal activity. The solution to this problem lies outside copyright protection.

The major concern regarding pre-recorded video is not in piracy but in the rental arrangements by which most VCR users acquire their feature film content. In the United States, rental agreements are possible because of the first sale doctrine, a provision in the U.S. Copyright Act. The doctrine operates on the principle that the owner of a specific item may do with that item whatever he or she pleases; it may be loaned, sold, rented, or given away. Thus, once a video cassette is purchased, the owner of that particular cassette may sell it or rent it. However, the ownership of copyright does not pass between individuals, thus prohibiting the copying of pre-recorded tapes.

The Canadian system has developed in a manner similar to that of the United States, primarily because the first sale doctrine opened the market to the rental of pre-recorded cassettes. However, the Sub-Committee on the Revision of Copyright believes this system of content distribution to be unfair for the copyright owner:

The renting of a work protected by copyright deprives the owner of the copyright royalties in two ways. First, the copyright owner receives no royalties from the renting of the work. Second, a rental can displace a sale which would, if the sale had taken place, have entitled the copyright owner to a royalty. Once a rental establishment
has purchased an audio-visual cassette, the copyright owner receives no further royalties from the viewing of that work no matter how many times it is subsequently rented. Copyright owners claim that the other participants in this system—the owner of the rental establishment and the consumer—benefit from the system. They ask that they be provided with the rights necessary so that they may also benefit from this new method of distributing their works. (Fontaine, 1985:72)

Thus, the Sub-Committee recommended that, "A new renting right attaching to all categories of protected subject matter should be provided in the revised law" (Fontaine, 1985:73).

Similar remarks and recommendations have been made in the United States in regard to the renting right of video cassettes. However, these arguments for the implementation of some form of renting right ignore, or do not acknowledge, the realities of the video cassette rental industry.

That copyright owners currently receive no royalties from the renting of a work is the first issue to address. Although this statement is literally correct, it is guilty of 'straw man' logic. The copyright owner does not directly receive royalties from the renting of the work, but does receive them through sales of the work. Referring to Table 8, the wholesale cost of a video cassette is the amount that is returned to the distributor of the cassette. A percentage of this cost is the producer or creator's 'cut', the amount pre-determined by the producer and distributor for the rights to duplicate and distribute the content. This amount is, in a form, the same as a royalty to use the copyrighted work.
The rental establishment only makes money after the initial cost for the cassette plus operating costs are recouped. In the case of a one hundred dollar movie at the rate of two dollars or less a rental, such a return on investment is a while coming.

On the other hand, Hollywood, the creator of the majority of pre-recorded content, receives its money more immediately. Ten years ago, it was money the industry could not have known existed. Today, it is the money that equals box-office receipts, and turns box-office failures into respectable money-makers in the home market. Therefore, the copyright owner does receive financial renumeration for the use of his or her material. An additional concern is that Hollywood, if granted control of rental rights, would control too much of the industry by both producing content and controlling the manner in which it is distributed. This would extend their market and competitive control while strengthening their limited monopoly (Iewson, 1982:23).

The Sub-Committee drew a parallel between the publishing industry and the video cassette industry to support the need for a rental right. In publishing, there is a twc-tiered pricing system whereby libraries are charged more for a book or journal because they are more apt to photocopy it and distribute it to their patrons. A lower-priced journal is made available to those individuals who decide to make a private purchase (Fontaine, 1985:72). The Sub-Committee suggested a similar system could be adapted for home video.
The same has happened in video cassettes with one exception: the system is not two-tiered. If such a thing can exist, it is only one-tiered. Prices of video cassettes are high because of this built-in royalty which reimburses copyright owners for the use of their work.

Arguments have been made that a reduction in the price of video cassettes may increase the sales of cassettes. Similarly, the Sub-Committee stated that rentals displace sales and consequently eliminate a copyright royalty. The reasoning behind both these premises is faulty. People only purchase a few, if any, pre-recorded cassettes; thus a tendency to purchase cassettes on a large scale basis has not been demonstrated.

Copyright owners undoubtedly have a right to compensation for the use of their work, and that right can currently be employed in two ways. The first, although seldom used, would be for the copyright owner to refuse to release their product on video cassette (Lewson, 1982:23). The second, the method most often employed, is to build royalties into the initial purchase price of the video cassette. The alternatives of copyright royalties put more economic pressure on both the rental establishment and the video consumer.

With respect to Canadian cultural and copyright, the implications of imposing rental rights are not totally positive. Although such restrictions would protect Canadian
cultural development, they ignore the fact that most of the product in video stores, and therefore most of the product rented, is American. If copyright legislation was imposed on the rental of feature films on video cassettes, the major beneficiaries would currently be American feature film producers.

5.3 Video Cassette Recorders and Censorship

Canadian culture and identity is also protected to a certain extent by censorship laws. As much as morals are a component of our identity, then the control of content may be seen as having a regulatory objective. By censoring the content of feature films on video cassettes, the government is dictating morality.

The Ontario Theatres Act provides guidelines for unacceptable scenes in film, such as graphic violence and explicit sexual activity. Although these guides were originally developed for those films shown in theatres, recent legislation applies them to the small video screen as well. In home video, this Ontario legislation essentially regulates what the majority of the country will see since 80% of all video cassettes distributed in Canada are manufactured in Toronto and duplication of films for each province is cost prohibitive (Mallet, 1985:4).

In May of 1984, the Ontario government declared that all pre-recorded cassettes in the province would be labelled...
with a rating to slow the, "disturbing and ever-increasing flow of material across the border" (Cuickshank, 1984). Saskatchewan and Manitoba later followed with similar legislation. On April 1, 1985, the legislation was to be in effect, and by March 1, 1986, all movies were to be released by the distributors with the proper labelling on the cassette and related packaging.

However, on March 5, 1986, Paramount Pictures suspended distribution of its films on video cassette in Canada, protesting the costly and complicated regulations that varied from province to province (Windsor Star, 6 March 1986). On March 7, 1986, the Ministry of Consumer and Commercial Relations issued a press release stating that the provincial classification system for video cassettes was postponed, "Due to a number of production and technical problems with the stickers, as well as application difficulties encountered by the industry." As of this writing, the legislation is still inactive.

The concern arising from this event is one of control. The government introduced legislation with the best of intention for the citizens of Ontario. However, the legislation was quickly (less than one day) rendered impotent by an economically-based manoeuvre of an American corporation. In this instance, the power of profits was greater than the power of the government.
5.4 The Video Cassette Recorder and Film Policy

Film policy is the final area of cultural industry regulation that is affected by the video cassette recorder. Although not as directly related as broadcasting and copyright, parallels do exist between film and home video in distribution and exhibition.

The 1985 Task Force on the Canadian Film Industry recommended that, "distribution of films and videos in all medias [sic] in Canada be by companies owned and controlled by Canadians" (Raymond, 1985:8). The intent of such a recommendation is to ensure a Canadian voice in the distribution of Canadian cultural products, namely films. To speculate on the results of such a proposal is difficult; there is no evidence to support that an increase in the availability of Canadian content will increase the consumption of that content.

An additional recommendation suggested the development of more support mechanisms, such as tax breaks, Telefilm and the Canadian Feature Film Fund, that would encourage quality Canadian production. It is probably in this area that the most could be attained to benefit the Canadian culture and the cultural industries with the video cassette recorder. The only manner by which Canadian productions will become successful is if they are attractive to Canadians because they are films, not lessons in the maintenance of our society. Such films should also prosper internationally.
Creating popular films does not necessarily mean producers would turn their backs on Canadian culture. The Australian film industry has met with worldwide success with its films, yet each retains aspects of the Australian culture and identity. The same can be done in Canada. However, as in Australia, strong state support is required in order to reap the benefits of a strong film industry.

Only when Canadian films are watched because they are 'good' films will any benefits of the video cassette recorder materialize. The renting of Canadian films on video cassettes would keep money in Canada and would not only foster and strengthen the production industry but our national consciousness and unity as well.

5.5 Summary

The following points locate the video cassette recorder within the framework of current cultural protection methods:

1. the VCR is technically not a form of broadcasting; however, its end function is similar to broadcasting;
2. the VCR does not safeguard, enrich, or strengthen the cultural, political, social and economic fabric of Canada;
3. the VCR does not present varied programming that presents differing views on matters of public concern;
4. consequently, the VCR does not aid in cultural development or in the growth of the cultural industries;
5. the VCR does not currently fall within the jurisdiction of the CRTC as defined by the 1968 Broadcasting Act;
6. the VCR renders content quotas impotent;
7. the time-shifting function of the VCR infringes copyright *prima facie,* but general concensus states that such infringement is insignificant because it is a private, non-commercial function;
8. copyright legislation seems to be both an ineffective and inappropriate manner to control home video content;
9. the regulation of video cassette content by use of legislation such as the Ontario Theatres Act is minimal and can be defeated by economic forces; and,
10. the video cassette distribution system can be compared to that of the film industry in Canada, with both being dominated by American concerns.

These conclusions would indicate that the video cassette recorder has effectively by-passed government regulations regarding the cultural industries in Canada, and that it currently renders the Broadcasting Act an ineffective document.
Chapter VI

THE IMPLICATIONS OF THE VCR ON CULTURAL POLICY

6.1 Regulating the VCR

The Broadcasting Act was established to ensure that the electronic media in Canada remained Canadian in ownership and in voice, and that it provided the citizens of this nation with a distinct service different from the Americans. Through the regulatory arm of the CRTC, the Act contains the authority to guide and direct Canadian broadcasters. However, recent developments in technology are located just outside this regulatory arm's reach, even though the intent of the technology remains the same as traditional broadcasting.

The technology focused upon in this research has been the video cassette recorder. Because of its stand alone ability enabling it to operate independently of other VCRs and the lack of a simultaneous universal distribution system, i.e. a form of radiocommunication, the VCR lies outside the jurisdiction of the CRTC. It also mocks the very intent of the Broadcasting Act in that its primary use does little to create or contribute to a distinct Canadian service.

Yet the video cassette recorder plays the same broadcasting game as over-the-air television, cable and pay TV. It
competes for the same viewers, it competes for the same pro-
gramming, and thus it competes for the same dollars. The
only difference is that these other systems of content
delivery, bound by their own technology, operate under CRTC
regulation; the VCR does not.

The solution to this imbalance would be to regulate the
video cassette recorder industry. However, would such a
solution be workable? There does not appear to be a true
system to regulate, with any one link or universal connec-
tions between creators, distributors, or viewers. In radio,
television, cable and pay TV universal links exist that can
be regulated: radio frequencies can be allotted, coaxial
cable can be restricted, satellite channels can be assigned.
In each of these instances, the regulation results from a
limitation in the capabilities of the technology, in turn
creating limited monopolies in each broadcasting-
cablecasting area.

No such limitations are present in the video cassette
recorder network: monopolies need not be created because the
foundation of the VCR industry has from the very beginning
been economic, which invites competition.

Additionally, in the traditional content delivery sys-
tems, there are individuals or organizations upon which reg-
ulations can be imposed. Radio and television station
licensees, network licensees, cable companies, and pay TV
licensees can all be held accountable for their respective
media's broadcasts or telecasts.
In the VCR industry, control is not concentrated and takes many forms. At the smallest level, control rests with the manufacturers of the machines who seek to increase their audience by selling as many VCRs as possible. At the next level, the distributors of pre-recorded content, including rental establishment owners, control the dissemination of content. And finally, the group that wields the greatest control is the individual; he or she alone decides what to record and what to play back.

At what level would regulation be both appropriate and effective? The manufacturers cannot logically be held liable as they are simply selling a product; regulation at the base technological level would mean that television receivers and theatrical projection systems should also be regulated.

It would not be practical to enact legislation at the other two levels because of individual choice. The consumer is the one who decides the program content to be used, and unless regulation of choice can be implemented then no control can be realized in this group. Similarly, if sufficient quantities were available, it would be easy to impose Canadian content quotas on the suppliers of the programming in video stores. However, if the consumer does not wish to buy or rent these cassettes then such legislation would be ineffective in developing the Canadian industries.
With the role of cultural protection essentially removed from the CRTC's jurisdiction, the laws of copyright could be utilized. Copyright does foster a cultural development by protecting the right to creation. However, it is an ancillary right in that it is only activated after the creation of a work. In the case of content delivery systems, there is very little in the way of Canadian content to protect. Similarly, the payment of copyright royalties is designed such that, because there is little Canadian content, any monies would go to foreign sources.

The number of workable options to Canada in dealing with technologies like the videocassette recorder is limited. Researchers of related technologies have concluded that the best way to handle additional technologies is to develop a strategy that makes Canadian productions "more better" rather than "more Canadian." The grammatical fault is intentional—the is no evidence that Canadian productions are inferior to any other nation's. However, they must become better in terms of both national and international appeal. In this manner, the Canadian production industries will succeed. As Edmunds stated in a study concerning video discs:

A Canadian strategy...will need to pool strengths, i.e., from among the combined resources of the performing arts, the independent producers, the broadcasting system including cable, the private and educational broadcasters, to make substantial quantities of programming which is Canadian in character and world exportable in quality. [Edmunds, 1981:284]

Lyman proposed the same approach:

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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 up-grade the Canadian content, particularly the concept and its execution. (Lyman, 1983:32)

This increase in the quality of Canadian productions is held in opposition to the increase of Canadian qualities in Canadian productions. An underlying tenet of any government intervention in content creation is the precept that what is done is done because it is good for the citizens of the country. This can be said of Canadian regulations of content. However, a recent federal government-commissioned survey indicated that most Canadians are not that concerned about the U.S. domination of the cultural industries. The report suggested that:

Many Canadians feel comfortable enough about their own identities to believe exposure to American culture will not undermine their own sense of Canadian identity. (Calamai, 1986)

It is extremely difficult to weigh the feelings of a nation's people against the concept of their own cultural identity and end with a balanced system.

The content delivery system that has developed with the video cassette recorder is capable of assisting to achieve the goal of producing better Canadian productions. As indicated in the preceeding chapter, a creative and successful production industry in nations with a small population requires state support. Australia, Sweden, and Japan are prime examples of successful state-supported film indus-
tries. Government support in Canada has been slower coming, although recent proposals do recommend an increase in funding. The VCR network can contribute to these funds.

As discussed, the proponents of changes in the copyright law have suggested a royalty be placed on VCRs and blank cassettes. However, the difficulty with such proposals is that they would do little to develop the Canadian production industries since most monies would go to foreign sources. Additionally, such royalties would reduce the impact of copyright law as they would seldom be returned to the proper copyright owners. A similar alternative has been proposed by the Task Force on Broadcasting:

While there is now a federal tax on cable television subscriptions, there is no comparable tax on audio or video cassette sales and rentals, on the sale and rental of VCRs, or on the sale of satellite receiving dishes. At a five percent rate, such taxes would have generated over $110 million in 1984. (Caplan, 1986:683)

The proposals contained within the above present reasonable means by which these technologies could contribute to the creation of Canadian programming. However, the federal tax on the rental of video cassettes is the only justifiable recommendation.35 As indicated previously, a tax on the hardware, i.e. the video cassette recorder, is inappropriate in that the function of the machine is varied and increased taxation could decrease use of it in other manners. Additionally, such a tax would be less effective in generating

35 This discussion only concentrates on video recorders and video cassettes. Satellite receiving dishes would be a topic of different discussion.
revenues as fewer machines are sold.

A tax on the sale of cassettes is also inappropriate. Currently there are two markets for pre-recorded video cassette sales: the individual and the rental establishment. The market for the individual is small because the need to purchase is not great and the prices of cassettes are too high. An additional tax would increase prices even further, thereby discouraging already limited sales. The major market for the sales of pre-recorded cassettes is the rental establishments. There currently exists a federal tax of 12%, applied at the distributor level, on each pre-recorded cassette. Additional taxes would seem excessive. Double taxation would occur if a rental tax was implemented: the tax on the purchase price to the rental establishment plus the tax on each rental.

However, a tax on the rentals of pre-recorded video cassettes seems the most appropriate and effective means of generating revenues. The tax would be applied on the rental rate at a universal level: that is, all rentals of cassettes everywhere would be taxed. In this manner, the payment of the tax is spread over the widest possible base - all persons renting video cassettes. The tax would not be subject to a gradual decrease over time, as would be the case with taxing the hardware. And it is unlikely the tax, if placed at an appropriate rate, would turn people away from renting, as would be the case with taxing sales. In addition, rent-
als seem to be the area that most revenues are currently being generated.

Placing a tax of this nature on the rental of video cassettes also avoids the complications associated with a similar copyright royalty. With a federal tax, all monies would stay in Canada. With a federal tax, there would be no inequities in the distribution of royalties to copyright owners. However, it is paramount that all monies generated by such a tax be placed in a specific fund, such as the Broadcast Fund or the Canadian Feature Film Fund, and not into the general government coffers. Such an arrangement would be the same as having pay TV licensees invest 45% of their revenues in Canadian productions; the video cassette rental tax should contribute to a fund associated with those industries that VCRs and video cassettes directly affect.

The primary objective of this research was to determine if technology could be appropriately handled to meet Canadian cultural goals. Next to the outright banning of specific technologies, it is difficult, if not impossible, to regulate every content delivery system.

The CRTC has had problems dealing with previous delivery systems. The example of CTV indicates a major problem with attempting to control broadcasting: CTV followed the regulations concerning Canadian content to the letter by producing inexpensive Canadian programming while avoiding higher priced dramatic shows. Although it was not doing anything
illegal, CTV's actions were not indicative of good cultural development through broadcasting. Only after the CRTC strongly suggested that CTV increase its Canadian drama content was a commitment made to do so. The bullying of broadcasters, or anyone else, by the CRTC is not a foundation upon which cultural policy should have to be based.

As the control of content shifts from broadcasters and cablecasters to the individual, the control of the regulatory agencies will decrease: without a content delivery system having qualities that can be regulated, national control is improbable.

Therefore, when one considers the difficulties associated with regulating the previous electronic media to obtain cultural goals, it would appear that such goals are not realistically obtainable with new content delivery systems like the video cassette recorder. However, these technologies need not avoid contributing to the development of the cultural industries. The benefits of their successes can and should be shared by all Canadians through support of Canada's cultural industries.
Appendix A

SOURCES FOR VCR PENETRATION STATISTICS

The following is a listing of sources and the data found therein. This data was used to determine penetration levels of the video cassette recorder in Canada and the United States as indicated in Figures 1 and 2.

The number in parenthesis at the beginning of each entry refers to the bibliography. A '*' denotes a projected level.
### Table 11: Sources for Canadian Statistics

Row A represents total number of units in Canada in millions, while Row B is the percentage of all Canadian households (approximately 8.3 million).

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VITA_AUCTORIS

Jeffrey James Hewitt was born in Windsor, Ontario in May of 1962.

While working part-time on television programming at CBC Windsor, Jeff attended the University of Windsor, graduating in 1984 with an Honours Bachelor of Arts Degree in Communication Studies. During these undergraduate years, he was a teaching assistant for film production courses.

In the fall of 1984, Jeff entered the graduate program at the University of Windsor. In addition to his GA duties during this time, he served as graduate representative on the Department of Communication Studies' council.

In January of 1986 and 1987, Jeff was a sessional instructor in the department, teaching film studies courses.

Jeff hopes to pursue a career in the communications field.