

Department of Canadian Heritage

Study of the Market for Canadian Visual Art

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A report from

TCI Management Consultants Limited

Department of Canadian Heritage

Study of the Market for Canadian Visual Art

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Executive Summary

Background and Objectives

The Department of Canadian Heritage has a mandate to develop strategies and policies to facilitate the growth and development of the arts sector in Canada. In order to meet this mandate the Department commissioned TCI Convergence, Management Consultants, to obtain quantitative and qualitative data on the size of the visual arts market in Canada. For the purposes of the study, the Department has determined that this market consists of *original* works of visual arts – defined to include paintings, sculpture, limited edition prints and drawings. It excludes items such as antiques, crafts, ceramic art, maps, and photographic arts. The primary objective therefore was to focus on the size and structure of the visual arts market in Canada, and in particular upon the role of commercial art galleries and auction houses in this market and the amount of visual art sold through these channels.

The specific study objectives were to:

- 1) describe the structure of the visual art market in Canada., (types of organizations, including auction houses, commercial galleries, museums, etc.);
- 2) profile the existing Canadian art market, i.e., number of auction houses, museums and commercial galleries as well as the number of sales and their values, their annual acquisitions budget and their expenditures on contemporary art in the most recent three years; and,
- 3) determine the value of Canadian works of art and foreign works of art sold within the Canadian art market in the most recent three years.

The term, ‘Canadian artist’ means artists who are Canadian citizens.

We were also asked to consult with organizations representing artists and artists' collectives as part of this project.

The work conducted in this project was primarily **descriptive** rather than **prescriptive** in nature. Accordingly, we do not present recommendations for future arts policy, but simply describe the size and structure of the existing market.

Methodology

Because the visual arts market is highly fragmented in Canada, we relied on data from a large number of sources, including Statistics Canada, and other published sources. We also conducted interviews with several organizations representing artists and arts organizations to incorporate any information they may have. To obtain the input of commercial art galleries and dealers a mail survey was used, together with phone follow-ups with the larger art galleries in the sector. We also conducted a mail and fax survey of a small sample of fine arts auction houses in Canada. Other research included interviews with several municipal and provincial governments, known to be involved in various public arts programs involving the encouragement of investment in the arts associated with capital development projects. We also interviewed a small number of public art galleries with art rental and sales programs to estimate the sales of visual art associated with this channel.

Findings

Because the art market is highly fragmented, it has been necessary to use a wide variety of information sources to assess the size of the market. We adopted an approach that built up the market size estimate from assessing final market demand figures and comparing these with the supply side – the distribution channels for Canadian visual art.

The exhibit below presents a summary of the results from the demand side analysis. These figures reflect our best estimate of final demand, that is, from the perspective of the end users or consumers such as individuals, corporate collectors, museums, etc.

Exhibit 1 – Summary Final Demand for Visual Art

Source of Demand	Estimated Purchases of Visual Art for 1998 (\$ millions)	Estimated Purchases of Visual Art by Canadian Artists (\$ millions)	Source of Data	Quality of Estimate
Canadian households	\$407	\$350	Based upon Statistics Canada Family Expenditure estimates	Reasonably good
Canadian corporations	\$31	\$28	Based on survey data and interviews	Moderate
Public Art Galleries and Museums	\$20	\$17	Based on Council for Business and the Arts in Canada survey	Reasonably good
Government Sponsored	\$20	\$19	Updated estimate from Statistics Canada, plus results of municipal survey	Moderate - good
Total Canadian Final Demand	\$478	\$414	Sum of the components	Moderate - good
Foreign Demand (Exports)	\$71	\$62	Statistics Canada Export data	Reasonably good
TOTAL	\$549	\$477		

- The total final demand for visual art within Canada was \$478 million and \$549 million including exports. The final demand for original work by Canadian visual artists (living and deceased) was \$414 million including within Canada and \$477 million including exports.

The exhibit below shows an analysis of the supply side that is based on an analysis of the main distribution channels for Canadian art. In other words, this shows the value of art sold through the various distribution channels.

Exhibit 2 – Summary of Sales of Visual Art through Distribution Channels, 1998

Distribution Channel	Estimated Sales for 1998 (\$ millions)	Estimated Final Demand (\$ millions) (excludes sales to intermediaries)	Estimated Final Demand in Canada (\$ millions) (excludes exports and sales to intermediaries)	Source of Data	Quality of Estimate
Canadian Commercial Art Galleries	\$233	\$213	\$153	Based upon survey of commercial art galleries	Reasonably good
Auction Houses	\$21	\$17	\$16	Estimated based on the value of Canadian art sold from Canadian Art Sales Index	Moderate
Public art galleries art rental and sales	\$1	\$1	\$1	Estimate based upon limited survey data	Moderate
Other domestic channels	\$258	\$258	\$245	Calculated as a residual value	Moderately good
Imports	\$70	\$41	\$41	Based on Statistics Canada	Good
Government Sponsored	\$20	\$20	\$20	Updated estimate from Statistics Canada and results of municipal survey	Moderate - good
TOTAL	\$603	\$549	\$478		

- The total sales from all channels for visual art in 1998 were approximately \$603 million. Of this amount, \$549 million were to final end users which excludes channel intermediaries. The final demand within Canada (excluding exports) was \$478 million.

- Of the total sales of \$603 million, the total sales of visual art by Canadian visual artists (living and deceased) were approximately \$477 million. First sales in the primary market were approximately \$523 million and resales in the secondary market were approximately \$80 million. (These data are not exhibited in the exhibit above).

1. Introduction

1.1 Background and Objectives

The Department of Canadian Heritage has a mandate to develop strategies and policies to facilitate the growth and development of the arts sector in Canada. In order to develop effective arts policies, the Department wishes to develop more comprehensive economic and market data on the visual arts market in Canada. The market is highly fragmented and Statistics Canada does not adequately capture information on the sector using existing SIC codes.

The Department therefore commissioned this study to obtain quantitative and qualitative data on the visual arts market in Canada. The Department has defined this market to be *original* works of visual arts – defined to include paintings, sculpture, limited edition prints and drawings. It excludes items such as antiques, crafts, ceramic art, maps, and photographic arts.

The Department is particularly interested in obtaining more information on the importance and role of auction houses, commercial galleries and dealers in the market for Canadian visual art.

The specific study objectives were to:

- 1) describe the structure of the visual art market in Canada, (types of organizations, including auction houses, commercial galleries, museums, etc.);
- 2) profile the existing Canadian art market, i.e., number of auction houses, museums and commercial galleries as well as the number of sales and their values, their annual acquisitions budget and their expenditures on contemporary art in the most recent three years; and,
- 3) determine the value of Canadian works of art and foreign works of art sold within the Canadian art market in the most recent three years.

The term, ‘Canadian artists’ means artists who are Canadian citizens.

It is important to note that this study is *descriptive* rather than *prescriptive* in nature. That is, it attempts to describe and quantify the nature of the market, rather than to develop recommendations to improve the marketing or profitability of the industry overall.

This Report is structured into three parts: an introductory section, which explains the background to the project and the workplan followed; a second section which presents the structure of the visual arts industry and outlines our estimates of industry size and growth; and a third issues section, which discusses various issues and concerns of key stakeholders in the sector.

1.2 Workplan

Because the visual arts market is quite fragmented, we used a variety of research techniques to capture data on the sector. These included:

- consultations with key associations representing artists including Regroupement des artistes en arts visuels (RAAV), Canadian Artists Representation (CARFAC), Society for Reproduction Rights of Authors, Composers and Publishers of Canada (SODRAC), and Le Conseil des métiers d'art du Québec (CMAQ).
- consultations with key stakeholders including the Professional Art Dealers Association of Canada (PADAC) which represents commercial galleries and dealers, and the Canada Council. There is no association representing auction houses in Canada which auction visual art, although some are members of PADAC.
- review of Statistics Canada reports and statistics relevant to the sector. We also contacted many Statistics Canada officials who work with visual arts data.
- mail questionnaire survey of approximately 600 commercial galleries and dealers across Canada. We received back a total of 107 surveys giving a response rate of approximately 18%¹. This gives a reasonable level of reliability for the data, with an error rate of plus or minus 10% nineteen times out of twenty. The survey instrument was pre-tested with three members of PADAC.
- fax surveys to approximately 27 auction houses in Canada which were known to auction visual arts. We received 5 responses from these auction houses, giving a response rate of 18%. The responding auction houses are believed to represent about 40% of the auction house market by value. We also conducted a survey of

¹ The original sample was based on a mailing to 900 respondents in the Canadian Business Index. A detailed review of 125 organizations from the original mailing from which we had names indicated that 33% of the names were technically not commercial art galleries. The list included public galleries, artists' organizations, arts councils and cooperatives, and organizations primarily engaged in framing as their primary business activity.

a sample of 55 other auction houses in Canada using the yellow pages to determine the proportion, which auctioned any art. The survey instrument was pre-tested and discussed with a representative of one of Canada's largest fine arts auction houses. It should be noted that the survey timing in May and June was conducted in an extremely busy period for both commercial art galleries and auction houses.

- interviews with approximately three public galleries in Canada to establish the relative importance of the art rental program at generating sales and rental income.
- interviews with approximately six municipal and provincial government officials in cities across Canada who are known to be engaged in programs which allocate a percentage of either public or private capital expenditures to either purchase or commissioning of works of art.
- interviews with several galleries and auction houses over the course of the study.
- a spreadsheet model was constructed using inputs from the study to determine the final demand and distribution channel (supply side) revenues.

The Department expects to survey visual artists directly in a subsequent study; thus they were not a primary focus of the current study.

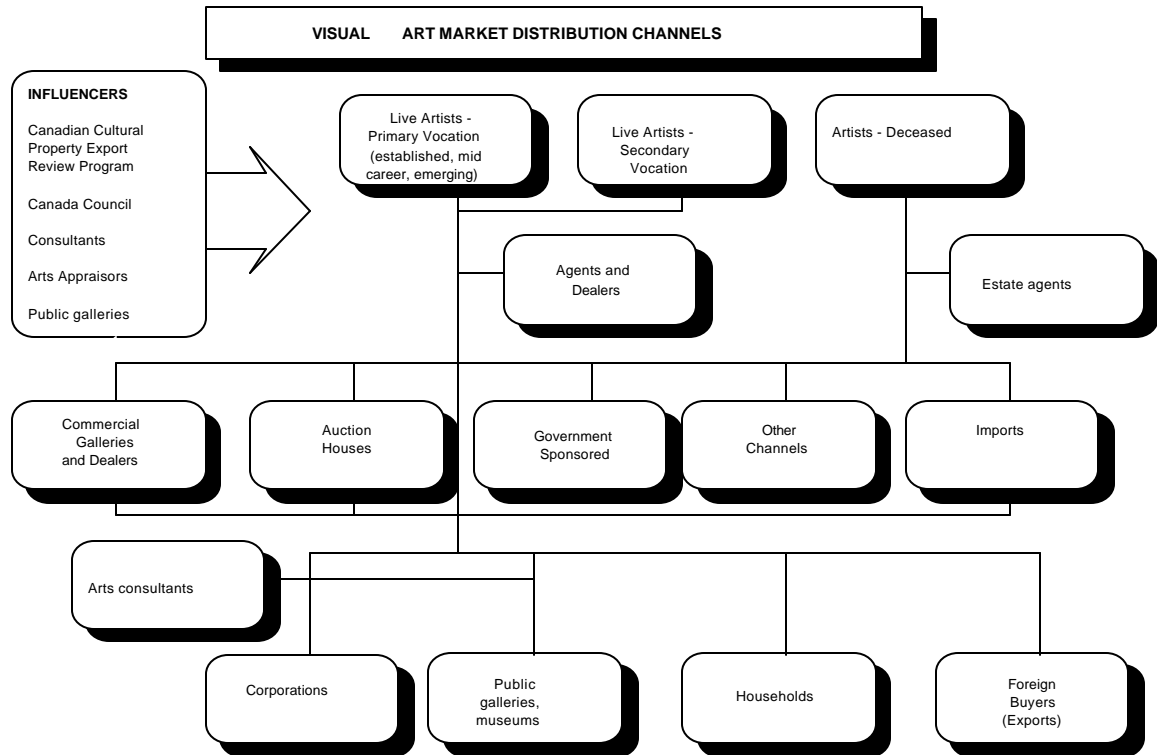
2. Profile of the Industry

2.1. Structure of the Industry

In this section of the Report, we discuss the overall structure of the visual arts market in Canada and present estimates of market size.

The structure of the market for Canadian-produced visual arts is quite complex. Canadian artists produce works of art that meet demand from a number of sources, the most significant of which are: individual collectors, corporations, public art galleries and museums, and governments. In addition, a significant amount of visual art is exported to foreign buyers. The demand for art is supplied from a number of distribution channels, which can include commercial art galleries, auction houses, other domestic channels (e.g., direct from artists, other retail outlets, etc.), government sponsored art, and imports to Canadian buyers.

The exhibit below attempts to show the diversity of structure of the market for Canadian art. As the diagram illustrates, there are many distribution channels and routes through which a given work of visual art may travel. This section of the report focuses on the main sources of demand, and the main distribution channels (supply).



2.2. Size of the Market

In this section we estimate the size of the market in 1998. First we discuss the demand for Canadian visual art, based upon the data available through Statistics Canada, as well as information collected through our survey of commercial art galleries and other sources. Next, we present a more extensive discussion of the supply of Canadian visual art, focusing upon each of the distribution channels outlined earlier.

2.2.1. Demand for Canadian Visual Art

On the demand side of this assessment, we consider the primary drivers for demand, that is, the sources from which demand originates. (This is as opposed to the supply side, which examines the various channels through which demand is satisfied, which is section 2.2.2. of this Report). There are several sources of demand that need to be considered, which are:

- demand from Canadian households;
- Canadian corporate demand;

- government demand;
- demand from museums and art galleries; and
- demand from non-Canadian sources.

Some data is available relating to Canadian household demand, as well as demand from museums and art galleries. There is very little information available on the demand for Canadian visual art at the corporate level, so estimates developed are very soft indeed.

We have not included in our analysis of demand, the value of donated works of art, or the value of tax receipts issued in relation to donated works of art.

2.2.1.1. Demand from Canadian Households

One estimate of demand from this source can be developed using Statistics Canada's Survey of Household Expenditures, and weighting this estimate upwards to be representative of the general population. The Survey of Household Expenditures provides a measure of purchases of original works of art, defined to include original drawings, paintings and sculpture.

The most recent statistics in this regard (1996) indicate the following:

- 8% of Canadian households purchased an original work of art in the last year
- the average expenditure per purchasing household was \$446
- accordingly, the average expenditure for all households was \$35.68

Coupling these data with the current estimate of 11.4 million households in Canada for 1996 yields an estimate for the total purchase of original works of art of \$407 million. The calculation for 1992 and 1996 is presented below is shown below:

Exhibit 3 – Household Purchases of Original Works of Art

Category	1992	1996
Households reporting purchase of original work of art	8.5%	8.0%
Ave. expenditure per reporting household	\$447	\$446
Ave. expenditure, all households	\$38	\$35.68
Total households (census)	10,690,000	11,412,000
Total market original works of art	\$406 million	\$407 million

Source: Statistics Canada Family Expenditure Survey

Over the period, there has therefore been a virtually no change in the Canadian household market for original works of art between 1992 and 1996. However, fewer households are buying original works of art in 1996 compared with 1992 and the purchasing households are spending the same amount of money to purchase original works of art. What prevents a decline in the overall market is the growth in the number of households in Canada. Our interviews suggest that there has been market growth in the demand for relatively inexpensive reproductions and prints at the expense of original works of visual art.

We have assumed that the total Canadian household market for original works of art has not grown materially since 1996. However, it must be recognized that this estimate relates to all forms of art, Canadian and otherwise. The Statistics Canada survey provides examples to the respondent of what it means by 'original work of art' defined to include "e.g., original drawings, paintings, sculptures, original works". The survey also allows the respondent to fill in expenditures on "art goods and decorative ware" which are beyond the scope of our definition. There may also be other forms of art contained within this estimate that are not strictly part of the definition of visual art that is being used in the present study. Assuming that the entire amount includes original works of visual art, and assuming that the share of these expenditures on work by Canadian artists is 86% which is from our surveys, then the Canadian household market for works of visual art by Canadian artists is \$350 million in 1998.

2.2.1.2. Demand from Canadian Corporations

No data exists from Statistics Canada that would enable a reasonable estimate of the size of the Canadian corporate market for Canadian visual arts to be developed. However, information from our survey of Canadian commercial art galleries and auction houses may provide some relevant information that will enable such an estimate to be developed.

The surveys of commercial galleries and auction houses suggested that approximately \$22 million on commercial gallery and auction house sales were to Canadian corporations, either directly or through consultant buyers. An interview with an individual knowledgeable of the corporate sector indicates that there would be approximately an additional 30% purchased through other channels, including corporations which work with consultants who purchase directly from artists. This would indicate that the total demand from Canadian

corporations is in the order of \$31 million. Approximately 90%, or \$28 million, of this amount is Canadian art. We estimate that 95% of total purchases, or \$29 million, are first-time, as opposed to resales.

2.2.1.3. Demand for Visual Art from Public Art Galleries and Museums

In 1995-96, Statistics Canada reported expenditures by public art museums on works of visual art to be \$9.5 million. The total acquisitions budget for all museums was \$21.5 million. However, the acquisitions budget for museums is assumed to be primarily for the purchase of artifacts which are not original works of art as defined in our study.

The Council for Business and the Arts in Canada Survey¹ (1997-98) shows acquisitions of \$13.9 million for 60 public art galleries in Canada. There is an additional \$150,000 approximately from university affiliated galleries. If the CBAC survey is grossed up by 45% to allow for non-responding institutions to its survey as well as some purchases of visual art from museums, then the value of acquisitions of visual art would be in the order of \$20.4 million from public art galleries. This amount is a considerable increase from \$14.2 million from 1996-97.

The same sources showed the value of donated art to be \$105.9 million in 1996-97, up considerably because of donations at one of Canada's largest galleries from \$26.2 million in 1995-96. Because of the size of one or two of these large donations this year, we believe that the data should not be grossed up by non-responding institutions.

Using the results of our survey, about \$7 million of the total acquisitions by public galleries and museums is being distributed by commercial galleries and auction houses, with the remainder being supplied by other channels including some imports. We estimate the value of visual art acquisitions by Canadian artists from public art galleries and museums to be 85% of the total acquisitions, or approximately \$17 million.

An interview was conducted with the Canada Council and one representative of an artist-run centre to determine if there are any sales of visual art which are made as a result of exhibitions in artist-

¹ The Council for Business and the Arts in Canada, *CBAC Annual Survey of Public Museums & Art Galleries*, 1997-1998.

run spaces. The respondents indicated that the sales of art are not encouraged from an artist-run centre, and that if a prospective purchaser wishes to purchase art at an artist-run centre, then the consumer is given the name of the artist to contact directly. Much of the art exhibited at an artist-run centre also does not lend itself easily to sale, nor is that often the primary interest of the artist who is paid to have his or her work exhibited at the centre.

2.2.1.4. Government Sponsored Art

2.2.1.4.1. Direct Acquisitions and Arts Council Sponsored Projects

The most recent data available relating to federal and provincial expenditures on the visual arts dates from 1996-97, and is from Statistics Canada. Government expenditures on culture amounted to approximately \$5.7 billion and exclude intergovernmental transfers. Of this, \$53.7 million (less than 1%) was in the 'Visual arts and crafts' category. Municipal expenditures on the visual arts in these categories were insignificant, or were included as part of intergovernmental transfers and are therefore not recorded.

The figures for 1996-97 represent a decline of 2% annually since 1992-93.

Exhibit 4 – Government Expenditures on Visual Arts and Crafts

Category	1996-97 Total Government Expenditure on Visual Arts and Crafts (\$ millions)	Estimated Allocation to Purchase or Fund Visual Arts Production, 1998 (\$ millions)
Federal Government	\$12.759	\$5.7
Provincial Governments	\$40.963	\$6.1
TOTAL	\$53.722	\$11.8

Source: Statistics Canada and TCI estimates.

The above "visual arts and crafts" include painting, sculpture, plastic arts, photography, fine and decorative arts, and craft works. It includes activities related to production of works of art, as well as financial support given to organizations and institutions for activities related to visual arts and crafts, such as grants to art galleries and provincial arts councils.

A representative of the Canada Council has indicated that the Art Bank is no longer involved in the acquisition of visual art. The Canada

Council has a budget of approximately \$15 million, of which \$5 million is allocated to artists for assistance with research and production of work. Further, \$700,000 is allocated directly for acquisitions. These allocations cover a broader definition of visual arts than that used in our study. While government funding for research and production of work does not represent an acquisition or purchase of art in the traditional sense, it does represent another distribution channel, since visual art is created as a result of the funds which are allocated to it and which presumably would not be created without these funds. We have therefore assumed that approximately \$5.7 million is allocated to the funding or acquisition of visual arts from federal sources.

In order to determine the provincial funding allocated to purchase and funding of visual art, a review of the Alberta Foundation for the Arts program revealed that in 1998-99, there were 191 artworks purchased at a cost of \$268,000. In addition to this amount, Alberta Foundation for the Arts has various grants programs amounting to \$175,000 to fund the creation of works of art and public art commissions, giving a total of \$443,000. Statistics Canada data for 1996-97 indicates that there were \$6.8 million in Provincial Government expenditures on visual works of art in Alberta. Assuming minimal change to provincial government expenditures, the amount allocated to purchase or funding of visual arts in Alberta is therefore 6.5% of the total shown in Statistics Canada data.

Discussions with the Ontario Arts Council indicate that the Council has a grants budget of \$20.7 million (1998-99) of which grants to the visual arts and crafts sector represented \$2.7 million. Of this amount, approximately \$900,000 was allocated primarily to individuals in response to applications to have projects funded. According to the Council, the bulk of these funds go to the funding of works of visual art. In addition, it is possible that some funds are allocated to acquisition of visual art from the grants to institutions (primarily public galleries) which are \$1.8 million. Based on discussions with the Council, we have therefore assumed that the total allocated to acquisition or creation of visual art was approximately \$1 million.

According to Statistics Canada, the provincial expenditures made by the Government of Ontario for visual arts were \$5.1 million in 1996-97. If we assume that this amount has not changed substantially since then, then in Ontario's case, approximately 19.7% of the Statistics Canada figure of \$5.1 million is associated with the funding of visual arts projects.

It is likely that Ontario's may allocate somewhat more to the funding of visual art than other provinces. Applying a somewhat more conservative ratio of 10% to the remaining provincial government expenditures shown by Statistics Canada gives estimated expenditures on visual arts of \$2.9 million for these provinces and total expenditures (including Alberta and Ontario) on visual arts of \$10 million.

To this we add an estimate of \$10 million for publicly sponsored arts program expenditures (detailed in the following section) for total government expenditures estimate of approximately \$20 million. We estimate 95% of this total (\$19 million) will be Canadian and will be first as opposed to resales of Canadian art.

2.2.1.4.2. Public Art Programs Associated with Major Development Projects

Another significant distribution channel is public art, which in most cases is produced as part of large-scale public development projects, in return for various concessions, which enable the development to be larger and/or more profitable. In order to determine total expenditures for public art programs in Canada, we spoke with representatives of 15 governments ranging from the municipal to federal level as well as the National Capital Commission. Because there is no national association representing these government programs, there is no simple way to determine total program expenditures, the extent to which these programs are active and the actual (as opposed to recommended) expenditures spent on visual art.

The discovery of which governments had programs essentially became an iterative process of asking those who had a program and seeing if they were aware of any other governments with similar programs. Telephone surveys were administered to those with programs in effect and a few sent us extensive information packages. Our research determined that while there are a few publicly sponsored art programs which are quite effective, they are generally not very well publicized and often have minimal staff support, aside from those in charge of the program who are aware of these programs' existence. The following section provides additional detail of how some of these programs work, as programs such as these are potentially a mechanism for stimulating further investment in the visual arts in Canada.

Public art spending programs are very common in the United States and most Canadian programs have used these American programs as models. Basically, a government department; be it Urban Planning and

Development, Ministry of Culture and Communication, or Parks and Recreation, creates a program whereby a designated portion of construction costs must be used to incorporate a form of visual art within the publicly-accessible area on the building site. In this case the term visual arts is interpreted in a much broader context than our official definition “painting, sculpture, limited edition prints and drawings.” Visual arts for the purpose of public art programs include traditional art forms such as murals and sculpture, as well as more contemporary forms ranging from video murals and photography. A green space, such as a parkette can also be considered a work of art, provided that not only an architect, but also an artist, has designed it. However, information collected from our interviews suggests that programs most often utilize traditional art forms. Large freestanding sculptures are particularly common.

There are at least seven programs at the municipal, city or provincial level in Canada. Among those we spoke with were the Regional Municipality of Ottawa-Carleton, the Cities of Toronto, Ottawa, Vancouver, Edmonton, Calgary and the Province of Quebec. Despite this fact, there is no “Canadian Public Art Association”, nor is there, as far as we could tell, a comparable program at the Federal level. Ten governments were said to have public art programs in place. Only seven were familiar with their policies, and only three actually had been consistently implementing the policy, if at all. These three programs were the City of Toronto, the City of Vancouver and the Province of Quebec.

The breakdown of these programs can be seen in Exhibit 5 on the following page. The remaining four programs represented the Cities of Ottawa, Edmonton and Calgary, as well as the Regional Municipality of Ottawa Carleton. However, the absence of new public art in these jurisdictions, despite there being a program in place, can also be attributed to stagnant development within its geographic boundaries.

Exhibit 5 – Public Art Expenditure

PUBLIC ART SPENDING ASSOCIATED WITH MAJOR DEVELOPMENT PROJECTS				
	CITY OF TORONTO	CITY OF VANCOUVER	PROVINCE OF QUEBEC	
Name of Program	Private Developer Percent for Public Art	Public Art for Civic and Private Development	L'Integration des Arts à l'Architecture et à l'Environnement	
Type of development	Public & Private	Public & Private	Public only	
Method of determining budget	1% of gross construction cost	95¢/'buildable' square foot (e.g., excludes underground parking)	Total Construction Cost (\$)	% allocated to public art
			150,000 - 400,000	1.75
			400,000-2,000,000	1.50
			2,000,000-5,000,000	\$30,000 for first 2 million, 1.25% for remainder
			< 5,000,000	\$67,500 for first 5 million, 5% for remainder
1998 total expenditure on program (\$)	2,400,000	1,250,000	4,297,592	
Percent within DCH visual art definition *	80% minimum	80% minimum	90% minimum	
Percent of Canadian artists	90% minimum	96% Canadian 4% American	95 - 100% Canadian	

* **Note:** 83% of projects fit DCH's definition of visual arts, not 83% of total expenditures. While some works may be significantly smaller, due to their complex technological nature, (thus suggesting higher materials budget and larger maintenance allotment), may actually be much more costly than a very large mural or sculpture.

Each program has a distinct method of allocating the money to public art and some apply to only public development, while others enforce the program for both public and private development. The City of Toronto, for instance, allocates 1% of the gross construction costs to public art. This applies to both public (civic) and private development. The typical breakdown of the 1% art allocation is as follows: 10% is used for administration costs; another 10% is set aside for competitor entry and the panel of judges. Generally, the artist divides the remaining allocated money, 80% of the original 1%, as he or she sees fit. The artist must consider all costs for the 80% portion, including personal salary, construction and material costs, as well as long-term up-keep. The Toronto Public Art Program is also entitled to 1% of the city's tax revenue, however this is merely theoretical and is not enforced. The example of Quebec is unique, as it is the only provincial program in Canada. Not surprisingly, as it represents a much greater area, it has the highest expenditure figure of all Canadian programs. Vancouver has the lowest expenditure, however this does not necessarily reflect the least development of the three. Their program determines the budget based on a percentage of buildable square footage, which is limiting, as it does not include total construction costs.

The Cities of Edmonton, Calgary and Ottawa and the Regional Municipality of Ottawa/Carleton were also contacted and each had programs somewhat similar to Toronto's. Calgary has a somewhat different approach to stimulating public investment in the arts. The City of Calgary has a bylaw that it perceives acts as more of an incentive than a requirement, as compared with the other cities. The program, the B12 Sculpture Bonus, is operated by the Visual Arts Co-ordinator, Calgary Parks and Recreation. The Bylaw, set up in 1984 enables the developer to gain 1 additional F.A.R. (floor area ratio) by providing a sculpture on the development site, or elsewhere in the downtown core. An equivalent contribution to the Public Art Fund is also acceptable. The proposed rate is for 1 square meter of added floor space for every \$110 spent on sculpture. As this Bylaw was passed in 1984, it is converted to current dollars each year by means of a report to the Board of Commissioners. From the B12 cash contributions, as well as other sources, the Public Art Fund has emerged. It is relatively new and will be used to purchase existing sculptures or to commission new works at various sites around the downtown core. The Calgary Allied Arts Foundation is responsible for making recommendations to City Council on the use of the Fund for the purchase of these artworks. These funds cover the costs associated directly with the development and implementation of the structure, including the costs of sculpture reproduction and

acquisition, installation, honoraria for artists who have made proposals and professional appraisals. Any artwork financed by the Fund will be the property of the City and is to be located on City-owned land, so that the maintenance and insurance costs are to be borne by the City through normal Civic maintenance and insurance provisions. Currently, efforts are being made to extend the program outside of the present downtown core boundaries.

Unfortunately, as in the case of all programs mentioned above, due to lack of recent development in the core, no money has been spent within the last year. Stagnant development is also correlated to abandoned programs, such as Halifax, where a program was once exercised, but due to lack of development has somehow fallen between the cracks and been forgotten. Even though the Regional Municipality of Ottawa-Carleton is not currently utilizing its program, it has made efforts to consistently include public art in its budget. Each year, through the Direct Purchase Program, \$50,000 is used to buy pieces of art directly from the artists. The pieces typically range between \$500 and \$5,000 and all of these pieces fall into the study's definition of visual arts. All of the work is done by Canadian artists. In fact, the artist must live within a 150 kilometer radius of the municipality.

It is common for cities to recommend that developers allocate a certain portion of construction costs to the arts, however, as it is merely a recommendation and not enforced, it is very difficult to know how many developers, and how many cities actually do so. Total expenditures for the City of Toronto, the City of Vancouver and the Province of Quebec programs; as well as for the Direct Purchase Program for the municipality of Ottawa-Carleton, is \$8 million. As it is impossible to determine how many developers in Canada pursued the recommendations made by their governments, approximately \$10 million dollars is our estimate of total public art expenditures in Canada.

2.2.1.5. Demand from Foreign Sources

As well as the demand for visual art from Canadian sources, there is also some demand from non-Canadian or foreign households and sources.

Statistics Canada shows a total of \$70.9 million in exports of Canadian visual art for 1998. This art is distributed to householders, commercial art galleries, and auction houses as well as foreign corporations. For the purposes of our analysis and modeling we have

grouped these together as 'foreign demand', despite the fact that not all of this amount will be distributed directly to end users.

Using data from commercial galleries and auction houses, we estimate that 88% or \$62 million of exported visual art is work by Canadian artists.

Exhibit 6 – Exports of Visual Art

Visual Arts Product	Exports, 1998 (\$ millions)
Collages and similar decorative plaques	\$2.940
Paintings, drawings and pastels executed by hand	\$35.149
Original sculptures and statuary in any material	\$19.511
Original engravings, prints and lithographs	\$13.282
TOTAL	\$70.882

Source: Statistics Canada

2.2.1.6. Summary of Demand for Canadian Visual Art

A summary of all demand for Canadian visual art based on the previous discussion in this section in 1998 is presented below. Associated with each source of demand, we summarize where our data originated from, as well as provide a judgmental estimate of the quality of the estimate discussed.

Exhibit 7 – Summary Final Demand for Visual Art

Source of Demand	Estimated Purchases of Visual Art for 1998 (\$ millions)	Estimated Purchases of Visual Art by Canadian Artists (\$ millions)	Source of Data	Quality of Estimate
Canadian households	\$407	\$350	Based upon Statistics Canada Family Expenditure estimates	Reasonably good
Canadian corporations	\$31	\$28	Based on survey data and interviews	Moderate
Public Art Galleries and Museums	\$20	\$17	Based on Council for Business and the Arts in Canada survey	Reasonably good
Government Sponsored	\$20	\$19	Updated estimate from Statistics Canada, plus results of municipal survey	Moderate - good
Total Canadian Final Demand	\$478	\$414	Sum of the components	Moderate - good
Foreign Demand (Exports)	\$71	\$62	Statistics Canada Export data	Reasonably good
TOTAL	\$549	\$477		

- The total final demand for visual art within Canada was \$549 million and \$549 million including exports. The final demand for original work by Canadian visual artists (living and deceased) was \$414 million including within Canada and \$477 million including exports.

2.2.2. Distribution Channels for Visual Art (Supply)

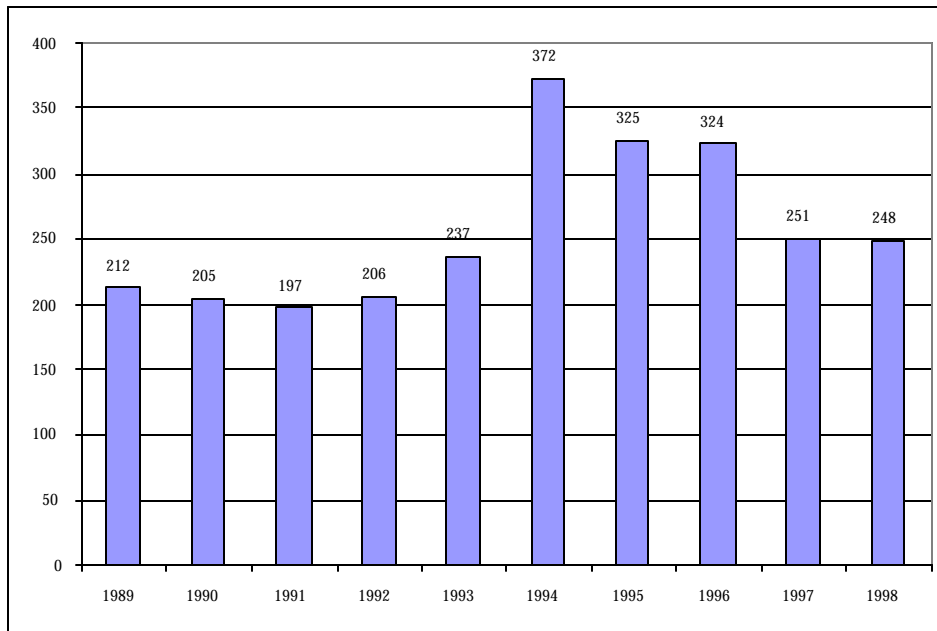
Here we discuss the various supply channels for Canadian visual arts in turn. The main distribution channels that we have analyzed include:

- commercial art galleries and dealers
- auction houses
- sales from public art gallery art rental shops
- other domestic channels
- imports
- government sponsored art

2.2.2.1. Commercial Art Galleries

Commercial art galleries are clearly a major distribution channel for Canadian visual art. Exhibit 8 below shows the sales of SIC 6593, retail art galleries and artists' supplies stores. Clearly, sales of this segment have been quite variable over the last ten years.

Exhibit 8 – Sales of Art Galleries and Artists' Supply Stores, (\$ millions)



Source: Statistics Canada, Monthly Retail Trade Survey

Note: SIC 6593 includes Retail Art Dealers, Retail Art Galleries, Retail Art Goods and Supplies, Artists' Supplies, Oil Paintings, Original and Prints, Paintings, Pictures and Art Objects.

According to Statistics Canada, there were a total of 891 retail locations in Canada in 1996 in the above SIC category which includes Retail Art Dealers, Retail Art Galleries, Retail Art Goods and Supplies, Artists' Supplies, Oil Paintings, Original and Prints, Paintings, Pictures and Art Objects. A portion of their revenues may also include revenues from activities such as picture framing. Statistics Canada bases its number of locations on the business registry.

For the purposes of our study, we have taken a three-year average and assumed that 85% of the retail sales¹ as reported by Statistics Canada apply to commercial art galleries' sale of original works of visual art. This gives sales of \$233 million for retail art galleries. This percentage may appear to be a large share given the existence of

¹ The 85% share is a TCI estimate.

artists' supply stores in the SIC category and other sales made by commercial galleries. However, there are two reasons why sales of commercial galleries may be higher than what is reported by Statistics Canada.

- **There may be more commercial galleries than what are reported by Statistics Canada** – While Statistics Canada reports there are 891 locations in 1996 in SIC 6593, the number of 'art galleries' listed by the Canadian Business Index (CBI) was in the order of 2,800. The CBI builds up its database based on telephone listings. A detailed review of a sample of the art galleries in the CBI data indicated that approximately 13% of their sample were public art galleries. An additional 23% were either artist-run centres, artists organizations, organizations primarily engaged in framing, etc. Discounting by 36% still yields in the order of 1,700 art galleries which is considerably higher than the Statistics Canada figure of 891. Most (86% or approximately 1,535 of the 1,700) of the art galleries listed in the Canadian Business Index have fewer than \$500,000 in sales. It is conceivable that many of these are very small galleries, possibly not registered businesses, and possibly with low levels of sales. This would bring the CBI figures more in line with the ones reported by Statistics Canada.
- **Underground economy** – It is possible that not all commercial gallery sales are being reported to Statistics Canada. We have not investigated this in detail; however, one gallery respondent interviewed estimated that as much as 30% of commercial gallery sales (and potentially other distribution channels) could be part of the underground economy, through use of cash sales, transferring money between corporations outside the gallery sector, arranging to distribute art in ways which avoid taxes, etc.

For the purposes of our report, if in fact the Statistics Canada figure for commercial gallery sales is somewhat low, then the additional sales will largely be accounted for in the 'other domestic channels' category in our model.

Using the figure of \$233 million for commercial gallery sales, of this amount, our survey of galleries indicated that 81% (by value) is sales of Canadian art, or \$188 million.

A total of 83% of sales are first sales with the balance being resales in the secondary market. First sales are therefore \$194 million of the total or \$157 million worth of Canadian art. Resales would be \$39 million in the total market, and \$31 million worth of Canadian art.

Other characteristics of Canadian commercial art galleries revealed by the survey that are of interest are:

- the average size of commercial art galleries was 4,455 sq. feet, of which 3,280 (74%) was display space
- the average number of full-time employees was 2.6; part-time employees 2.2
- many galleries report that their sales of Canadian art have grown over the past 3 years:
 - 11% report sales as growing by more than 20% per year
 - 14% report sales as growing between 10% and 20% per year
 - 19% report sales as growing by 10% or less per year
 - 28% report stable sales
- on average, galleries sold 303 works of Canadian art in the last year
- the distribution of Canadian works of art sold was as follows:
 - 57% were paintings
 - 20% were prints and drawings
 - 14% were sculpture
 - 9% were 'other'
- galleries reported that 86% of their total sales by value last year of visual art were of the works of living Canadian artists
- the clientele for Canadian works of art sold, in terms of the percentage of overall sales, was as follows:
 - 69.0% were sales to collectors from the general public
 - 5.0% were sales to art buyers for corporate or institutional collectors
 - 4.0% were sales to consultant buyers for individuals
 - 4.7% were sales to consultant buyers for corporations
 - 1.8% were sales to public art galleries or museums
 - 11.4% were sales to other commercial galleries or intermediaries
 - 3.9% were 'other' sales (personal use, etc.)

Also, a separate analysis was undertaken of (Professional Art Dealers Association of Canada) PADAC members, as they tend to represent

the largest and most organized segment of this market. This analysis reveals the following:

Exhibit 9 – Sales of Art, PADAC and Non-PADAC Members

	PADAC Members	Non-PADAC Members
Average Sales per establishment (all fine arts)	\$873,000	\$276,000
Average percentage of sales that are Canadian art	83%	88%
Total Implied Canadian sales	\$725,000	\$243,000
Average number of works sold of Canadian art per gallery	383	288
Average implied value per Canadian work of art	\$1,893	\$843

As the exhibit indicates, PADAC members have higher levels of sales of Canadian art, on average, than non-PADAC members, as well as a greater turnover of works of art generally. Assuming that these averages were representative of all 66 PADAC members, this would imply that approximately \$58 million of the aforementioned \$233 million of total sales from this sector (approximately 25%) was attributable to PADAC members.

2.2.2.2. Auction Houses

According to the most recent Canadian yellow pages listed on the Internet, there are at least 27 fine art auction houses in Canada. All of these were contacted and received a copy of our survey. We received 5 responses, reflecting an 18.5% response rate¹. However, our interviews with representatives of the auction houses indicated that the responding auction houses represented approximately 48% of the visual arts sector by value.

In order to estimate market size for this sector, we have used data from the *Canadian Art Sales Index*² (CASI), which records sales (hammer prices) on Canadian visual art sales of seventeen major fine art auctioneers in Canada. Sales for 1997/98 from the Canadian Art Sales Index were \$12.4 million.

¹ The survey was conducted at a very busy time of the year for auction houses with most holding one of their major fine arts auctions in the months of May or June.

²Anthony R. Westbridge, *Canadian Art Sales Index*, Westbridge Publications Limited, Vancouver. This publication is published annually.

In order to estimate the sales from auction houses, the CASI sales have been grossed up by 25% to account for auction houses not included in the CASI data. We have then adjusted to account for an estimated additional 10% of sales which are general estate sales¹ (and not included in the CASI data), plus an adjustment for non-Canadian sales, 10% of the total, plus an additional 10% which was the average buyer's premium. (It should be noted that a few of Canada's larger auction houses have recently introduced a 15% buyer's premium). The total sales of visual art from the auction house sector are therefore approximately \$21 million, of which \$19 million is Canadian art. The majority of sales (96.7%) are resales, which are \$20 million for all visual art and \$19 million for Canadian art.

It is interesting to note that the *Canadian Art Sales Index* recorded a sales increase of 13.9% annually between 1995-96 to 1997-98. However, if the period 1994-95 to 1997-98 is examined, the growth rate is only 3.3% annually since there was a large drop in sales after 1994-95 which was only surpassed in 1997-98. In this respect, the market for auctioned fine art has been growing in Canada, however, it can be quite unstable from one year to the next.

Findings from our survey of fine arts auction houses are as follows:

- The average auction house had 6 full time employees, ranging from a minimum of 3 to a maximum of 18. Part-time employment ranged from none to 10, with an average of 3. Total employment ranged from 2 to 18, averaging at 9. Note that more employees do not necessarily reflect a larger or more successful company.
- The value of all sales of works of art ranged between \$100,000 to between \$4 and \$5 million in the organizations that responded. The weighted average of our sample was just under \$10 million.
- On average, the proportion of Canadian works of visual art to foreign works was 90% to 10% respectively. For these Canadian works, the average annual buyer's premium is 10%, while the average seller's premium was 15.2%. All claimed to have other sources of revenue, representing an average of 5.2% of their overall gross revenues. The buyer's premium internationally tends to be 15% and some larger Canadian auction houses have recently introduced a 15% buyer's premium.
- One of the three large auctioneers indicated the market has essentially been stable over the last three years, a second large

¹ Based on an interview with a major fine arts auction house.

auction house indicate the market had grown less than 10% a year, whereas the third large auctioneer indicated the market had been unstable.

- 20% of the auctioneers claimed to sell between 100 and 249 works of visual art. 40% claimed they sold between 500 and 999, while the remaining 40% claimed to have sold over 2000 works of art. The average for the six larger auction houses was 1,175 works of art in a year. Using sales data, the average price per painting from the responding auctioneers was approximately \$8,200.
- The price per painting is somewhat higher than the typical industry average. For example, data from the 1998 edition of the Canadian Art Sales Index indicated that the average hammer price per Canadian painting was \$2,402. Further, more than 95 of Canadian paintings sell for less than \$10,000 and 79% are sold for under \$2,000.
- From our survey, only 60% were aware if work had been withdrawn prior to auction. One optimist noted that he never considered a withdrawn work as a definite 'no sale', but merely an indication that the seller was not quite ready to sell. The numbers of work withdrawn represented on average 3.4% of all work offered. From the work offered however, 79% of Canadian art sold, as opposed to 21% of Canadian work that did not sell. It should be noted that works withdrawn from one auctioneer may be shopped to other auction houses in the hopes of receiving a higher estimated price, or they may be withdrawn from the market completely, since the estimated sell price does not meet with the seller's expectations, or perhaps because the owner is only wishing to obtain a market estimate for his own valuation purposes. The cost of reselling art purchased at auction is relatively high when the buyer's premium, seller's premium, provincial and federal taxes are factored in. For example, if an Ontario consumer buyer bought a work of art at \$1,000 hammer price with a 10% buyer's premium, plus taxes, the price paid would be \$1,265. If the buyer then resold the painting for \$1,000 hammer price, with a 15% seller's premium, the price received would be \$850. The total transaction would be a loss of \$415 or 41.5%. In this respect, art sold at auction must be held for a considerable period of time in the hopes of producing a profit. Further, art clearly has considerable transaction costs relative to other more liquid investments.
- 60% indicated the hammer price is less than the asking price, by an average of 11%, 85% of the time. 20% indicated the hammer price was typically 10% higher than the average estimated price,

10% of the time. 40% claimed the price stayed approximately the same price. 20% said there was no typical situation. An interview with an auctioneer indicated that some auction houses have different strategies with regard to estimated prices they set. Some will provide lower estimates in the hopes of stimulating increased buyer interest prior to the sale. Some will provide higher estimates in the hopes of attracting more sellers of works.

- The majority of works sold at auction were paintings, an average of 86% by value. 12% by value of the works auctioned were prints and drawings and 2% was sculpture. Half a percent were “other”, which was not specified. The majority of work sold, 61% of the number of items, but accounted for 89% of the value of the work auctioned. Live artists represented 31% of the number items sold, but only 11% of the value of works sold.
- 65% of buyers by value are individuals while 35% are from 'the trade'. Specifically 59% are the general public, 6% are art buyers from corporations or institutions (not consultants), 2% are consultant buyers for the individual, 6% are consultant buyers for corporations, 4% are public galleries and 22% to other commercial galleries or other intermediaries.
- 97% of works sold by value are resales, while only 3% are first sales.
- The majority of those who sell to auction houses (by value) are individuals. In fact, 72% are individuals, compared with 28% of sellers from the trade. When asked about specific categories of buyers, auction houses indicated that 63% are collectors from the general public, 5% are art buyers for corporations or institutions, 2% are consultants for individuals, 0.4% are consultants for corporations, 0.2% are public galleries, and 26% are other commercial galleries. Finally, 2% were designated as 'other', specifically, estates and trust companies.

Following the surveying of major Fine Art Auction Houses in Canada, the most recent Canadian yellow pages were used to randomly select every 20th auction house of any kind from each province and territories book. In total, 55 auction houses were selected. All were telephoned and asked whether they ever dealt with fine art. Eight, (or 14.5%) said they did in fact deal with fine art and three took the time to answer the same questions found in the written survey over the telephone. This indicates a 38% response rate for this component of the auction house market.

The findings from this investigation were as follows:

- These auctioneers do not market themselves as fine art auction houses; however, some auction a relatively small amount of fine art in the course of their business. Of the three responding auction houses, we estimate that they would sell in total, approximately \$30,000 worth of fine art in a year.
- There was an average of 2 full time employees and an average of 5 part time employees, with an average of 7 employees in total. The average however does not reflect the true number, as the range was from 1 to 18.
- All three auction houses earned less than \$100,000 in sales directly linked to visual arts. 75% of the works sold are Canadian, while 25% are foreign, predominantly American.
- One auction house had no buyer or seller's premium; one had a 15% buyer's and a 15% seller's premium, and one did not know.
- Two feel the market has grown by 20% in the last three years, while one feels the market has been essentially stable.
- Each sold different numbers of works of art. One sold between 50 and 99, one between 100 and 249 and one between 250 and 499. This last auction house claimed that 500 had been withdrawn based on his estimated price and hence, it represented 20% of the market.
- 71% of the Canadian work offered for sale was in fact sold, while 29% did not. All claimed that, on average, 68% of the time, the hammer price was approximately 29% lower than the original asking price. Conversely, one felt the other 50% of the time; the hammer price was high by 75%. This in essence reflects that there is no typical situation.
- 43% of works auctioned were paintings, 45% were prints and drawings and 12% were sculpture. Usually, as these auction houses specialize in estate sales, the works are resale, however, the actual history of the works are not very thoroughly researched. If a work appears that is obviously very good, such as a Group of Seven painting, it is usually sold to a fine art auction specialist to make sure the best value is being received.
- 83% of buyers are individuals, while 17% are believed to be from the trade. Specifically, 72% are collectors from the general public, 2% are art buyers, 13% are consultant buyers for

individuals, 10% are consultants for corporations, and 3% are from the other category, which is not specified.

- 100% of those selling to two of the auction houses are individuals, as they only work in estate sales. The other auction house has a seller profile of 30% individuals and 70% the trade. The breakdown of this was not included.

2.2.2.3. Public Art Galleries: Art Rental and Sales

Another relatively small distribution channel for Canadian visual art is Art Rental and Sales Galleries, which operate out of a select number of public or private art galleries in Canada. The Art Gallery of Ontario in Toronto, the Musée des Beaux Arts in Montreal and the Vancouver Art Gallery were interviewed regarding their establishments. All galleries generally followed similar guidelines.

An artist or a commercial gallery or a dealer brings work to a jury from the Rental and Sales Department. Should a commercial gallery or dealer be representing an artist, he or she usually receives 20% of whatever the artist receives. Once the jury decides whether or not the work is worth carrying, the artist can leave a certain number of works with the gallery for a limited period of time. The Art Gallery of Ontario for example, only carries an artist's work for a maximum of eighteen months. The gallery and the artist split the rental income evenly. The rental fee is determined by taking a percentage of the intended sale price, usually around 15%. The artist or representative for the artist determines the sale price. Once sold, the gallery receives approximately 25% of the sale price and the artist receives the remaining 75%. Should a rented piece be purchased, up to three months rental fee can be deducted from the original price. The main types of art sold are contemporary, specifically oil or acrylic on canvas, mixed media or Inuit work. All of the artists represented are alive. Depending on the gallery, approximately 8% to 20% of the rentals become sales.

The findings from our survey of these art galleries established the following:

- Approximately 8 to 20% of rentals become sales
- An average of 120 works are sold each year.
- The Rental Gallery normally receives a margin of 25%
- The consignor, be it artist or dealer receives 75%

- Rental income is split 50/50 between the gallery and the consignor
- If a work of art is sold, up to 3 months of the rental fee can be deducted
- Most work is contemporary, specifically oil / acrylic on canvas, mixed media or Inuit work
- All the work is original
- At least 95% are Canadian artists.

It is a challenge to determine which art galleries have programs comparable to those already mentioned. However, the three major rental galleries, the Art Gallery of Ontario, the Musée des Beaux Arts and the Art Gallery of Vancouver have been interviewed and they have listed other well known programs in Canada. It can be concluded that approximately 10 other rental galleries exist in Canada, the majority in British Columbia, Ontario and Quebec, with a few others scattered in other provinces. Given the three major galleries gross sales is \$450,000, and therefore averaging at \$150 000 each, it can be estimated that the total in Canada is roughly \$1,000,000. This is done by estimating that the three major galleries are, on average, earning 75% more than the less successful rental galleries.

2.2.2.4. Other Domestic Distribution Channels

Using our spreadsheet model, it was possible to estimate the amount of visual art being sold to households, corporations, and public galleries from other distribution channels. There are potentially many of these including framing shops, antique dealers, direct from the artist, gift stores, other retailers, art shows, etc. This is essentially a residual category which examines distribution of art which is not accounted for by the other main channels. We estimate that approximately \$258 million in visual art was distributed to other channels, which includes approximately \$229 million directly to Canadian households.

2.2.2.5. Imports of Visual Arts Products

Another important distribution channel in the Canadian market is the importing of visual arts products in Canada. Exports of art were discussed in section 2.2.1.6. in which sales of art to foreign buyers were examined. This section shows the export data together with import data in order to provide an analysis of the trade balance in visual art.

Data from Statistics Canada relating to exports and imports for various arts products for 1998 is shown in the following exhibit:

Exhibit 10 – Exports and Imports of Canadian Visual Art, 1998

Visual Arts Product	Exports, 1998 (\$ millions)	Imports, 1998 (\$ millions)	Trade Balance, 1998 (\$ millions)
Collages and similar decorative plaques	\$2.940	\$2.018	\$0.922
Paintings, drawings and pastels executed by hand	\$35.149	\$43.163	(\$8.014)
Original sculptures and statuary in any material	\$19.511	\$14.855	\$4.656
Original engravings, prints and lithographs	\$13.282	\$9.877	\$3.405
TOTAL	\$70.882	\$69.913	\$0.969

The total level of imports to Canada was \$70 million in 1998 and forms part of the apparent domestic market. In our model of the visual arts marketplace, we have assumed that approximately half of the total level of imports was directly to the public.

As Exhibit 10 shows, Canada appears to have a net positive trade balance of about \$1 million in the visual arts generally. This is comprised of surpluses in the ‘Collages and similar decorative plaques’, ‘Original sculptures and statuary in any material’ and ‘Original engravings, prints and lithographs’ categories, and a deficit in the ‘Paintings, drawings and pastels executed by hand’ category.

The statistics kept by Statistics Canada do not differentiate between visual art produced by Canadians and that produced by non-Canadians. It is reasonable to suppose that the majority of the exported works of art are Canadian in origin while most of the imported artworks are not. Further, there has been considerable change in the trade statistics in this sector in over the past five years, as shown by the following exhibit:

Exhibit 11 – Growth in Exports and Imports of Visual Art, 1994 - 1998

Visual Arts Product	% Change in Exports, 1994 – 1998	% Change in Imports, 1994 – 1998	Change in Trade Balance, 1994-1998 (\$ millions)
Collages and similar decorative plaques	+ 84.3%	- 36.3%	\$2.497
Paintings, drawings and pastels executed by hand	+ 52.0%	+ 21.9%	\$4.271
Original sculptures and statuary in any material	+ 61.8%	+ 65.1%	\$1.593
Original engravings, prints and lithographs	+ 203.9%	- 10.6%	\$10.076
TOTAL	+ 72.3%	+ 19.3%	\$18.437

In all categories, exports have increased, and the total increase is 72% for exports overall. Imports have increased also in two of the sub-categories: ‘Paintings, drawings and pastels executed by hand’ and ‘original sculptures and statuary in any material’. Imports decreased in the other two categories. Overall the trade balance in the sector has improved by nearly \$18.5 million over the period.

2.2.2.6. Government Sponsored Art

Art which is sponsored by government is a unique distribution channel, which is rather unlike the other categories where art is produced to meet 'demand'. With government sponsored art, art is often created by a grant, or in response to a research project, or in order to commission public art. There is relatively little demand in the traditional sense of purchasing works of art to hang on public walls or place in public institutions. Work acquired by public galleries and museums is addressed in section 2.2.1. It is included in the model since it also appears in the demand side. The level of government sponsored art is approximately \$20 million. Approximately 95% of this work, or \$19 million, is Canadian works of art. Similarly, 95% would be first sale.

2.2.2.7. Summary of Distribution Channels for Visual Art

The exhibit below summarizes our estimates for the sales of Canadian visual art through each of the main distribution channels (the supply side), as well as final demand, which excludes sales to intermediaries, and Canadian final demand which excludes the export channel.

Exhibit 12 – Summary of Sales of Visual Art through Distribution Channels, 1998

Distribution Channel	Estimated Sales for 1998 (\$ millions)	Estimated Final Demand (\$ millions) (excludes sales to intermediaries)	Estimated Final Demand in Canada (\$ millions) (excludes exports and sales to intermediaries)	Source of Data	Quality of Estimate
Canadian Commercial Art Galleries	\$233	\$213	\$153	Based upon survey of commercial art galleries	Reasonably good
Auction Houses	\$21	\$17	\$16	Estimated based on the value of Canadian art sold from Canadian Art Sales Index	Moderate
Public art galleries art rental and sales	\$1	\$1	\$1	Estimate based upon limited survey data	Moderate
Other domestic channels	\$258	\$258	\$245	Calculated as a residual value	Moderately good
Imports	\$70	\$41	\$41	Based on Statistics Canada	Good
Government Sponsored	\$20	\$20	\$20	Updated estimate from Statistics Canada and results of municipal survey	Moderate - good
TOTAL	\$603	\$549	\$478		

- The total sales from all channels for visual art were \$603 million. Of this amount, \$549 million were to final end users which excludes channel intermediaries. The final demand within Canada (excluding exports) was \$478 million.

The exhibit following shows the estimated sales of Canadian art, the estimated first sales and resales for each of the main distribution channels. The sources of data and the quality of the estimates are similar to the previous table.

Exhibit 13 – Sales of Visual Art by Canadian Artists, First Sales and Resales, by Distribution Channel, 1998

Distribution Channel	Estimated Sales for 1998 (\$ millions)	Estimated Sales of Visual Art by Canadian Artists (\$ millions)	Estimated First Sales of All Visual Art (\$ millions)	Estimated Resales of All Visual Art (\$ millions)	Source of Data	Quality of Estimate
Canadian Commercial Art Galleries	\$233	\$188	\$194	\$39	Based upon survey of commercial art galleries	Reasonably good
Auction Houses	\$21	\$19	\$0.7	\$20	Estimated based on the value of Canadian art sold from Canadian Art Sales Index	Moderate
Public art galleries art rental and sales	\$1	\$1	\$1	0	Estimate based upon limited survey data	Moderate
Other domestic channels	\$258	\$250	\$245	\$13	Calculated as a residual value	Moderate
Imports	\$70	\$0	\$63	\$7	TCI estimate based on interviews	Moderate
Government Sponsored	\$20	\$19	\$19	\$1	Based on interviews	Moderate - good
TOTAL	\$603	\$477	\$523	\$80		

- Total sales of visual art by all channels were approximately \$603 million. Of this amount, the total sales of visual art by Canadian visual artists are estimated to be \$477 million. First sales in the primary market are estimated at \$523 million. Resales are estimated to be \$80 million.

2.2.3. Demand / Supply Match

The demand side data from Exhibit 7 matches the supply side (distribution channel) data shown in Exhibit 12, for both final demand and Canadian final demand. The figures for the sales of Canadian art shown in Exhibit 7 also match the sales shown in Exhibit 13.

3. Industry Issues: Perspectives of Key Industry Stakeholders

3.1. Consultation with Arts Organizations

Several key arts organizations were interviewed as part of this project. The following artists' organizations were interviewed as part of the project:

- Canadian Artists Representation (CARFAC) is the professional association representing artists, and the CARfac©Collective is the rights organization associated with CARFAC.
- Regroupement des artistes en arts visuels du Québec (RAAV). (Société de droits d'auteur en arts visuels (SODART) is the copyright collective associated with RAAV.)
- Society for Reproduction Rights of Authors, Composers and Publishers of Canada (SODRAC) is the rights organization which has a reciprocal agreement with ADAGP in France to collect rights internationally.
- Le Conseil des métiers d'art du Québec (CMAQ).

In addition, we met with key representatives of the Professional Art Dealers Association of Canada. There is no organization representing fine art auction houses in Canada. We also interviewed a non-profit artist-run centre and the Canada Council for the Arts which provides funding to artist-run centres to clarify their role in selling any visual art. In short, the artist-run centres do not have a mandate to sell art. If a consumer expresses an interest in purchasing art featured at an artist-run centre, they would be given the name of the artist in order that the consumer can contact the artist directly.

The following is a summary of some of the issues that were identified by various stakeholders.

As the objective of the study was to obtain quantitative information on the size of the arts market in Canada, some of the discussions with arts organizations were more descriptive rather than prescriptive in nature. The following is a summary of the perspectives of those interviewed.

- According to one respondent, there are four copyright collectives representing artists. These include:
 - Vis-Art Copyright which was founded in 1985 in Toronto. The head office moved to Montreal in 1992 and is still located there.
 - CARFAC Copyright Collective whose head office is in Saskatchewan, (CANCOPY has been sublicensed by CARFAC to collect the visual artists' reprography fees which the Collective distributes).
 - SODART, a Quebec organization that was created by RAAV, which is the professional association of visual artists recognized by the Quebec government under the *Loi sur le statut professionnel des artistes des arts visuels, des métiers d'art et de la littérature et sur leurs contrats avec les diffuseurs*.
 - SODRAC, which was founded in 1985 on the initiative of songwriters and composers to manage the reproduction rights of authors, composers and publishers of musical works,- and that created in 1997 a department dedicated to the management of visual artists rights. SODRAC's visual arts department manages an international repertoire of over 10,000 artists. They have signed reciprocal representation agreements with the following foreign collectives: ADAGP (France), ARS (United-States), VG Bild-Kunst (Germany), LATGA (Lithuania), SABAM (Belgium), SIAE (Italy), SOMAAP (Mexico) VEGAP (Spain), VI\$COPY (Australia and New Zealand) as well as with the Picasso Estate. Agreements have also been signed by a number of Canadian artists and artists' estates, constituting the basis of SODRAC's international visual arts repertoire.
 - The other organizations above have had difficulty contacting Vis-Art which may be dormant.
- Given the large number of organizations and collectives representing artists, one respondent indicated there should be just one organization representing visual artists in Canada. It is not clear this view is shared by the other organizations in the sector. Membership criteria for the different copyright collectives are variable with some organizations applying stricter criteria than others.
- A number of respondents took some issue with the definition of visual arts which was used for this project believing it to be somewhat narrow. There are definitions of visual art which are incorporated into the Copyright Act and other pieces of legislation

in Canada which are broader than the one used for this project. Le Conseil des métiers d'art du Québec (CMAQ), made a case that advocated the inclusion of high end crafts arts in the definition. The Professional Art Dealers Association of Canada advocated that high end photographic arts should also be included in the definition of visual arts.

- These organizations have relatively little information related directly to the size of the visual arts market in Canada.
- Several of the organizations are focusing on issues such as trying to build up their membership, educating artists on the value of joining a copyright collective and advocating that artists not waive exhibition rights and reproduction rights to which they are legitimately entitled. There are many cases of artists being entitled to royalty payments and not being paid. Some, such as CARFAC, operate on a small budget and obtaining financing is always a concern.
- While artists are entitled to exhibition fees from public galleries, approximately equal numbers waive the fees as collect them. Artists may be 'put over a barrel' by the galleries since if an artist insists on exhibition fees, it is possible the gallery will not buy the work for its permanent collection or the artist may not get the temporary exhibition. The CARFAC fee is not large for the permanent collection, approximately \$120 for ten years.
- Exhibition copyright fees for a solo exhibition are \$1,200 for a three-month show. This often just helps offset the cost of mounting the exhibition. Corporations would be required to pay copyright fees if the exhibition is public. But, as with any owner of Work shown in a private space, when Corporations have Work in the private offices, they are not subject to exhibition copyright fees. Dealers do not pay exhibition fees. All are subject to reproduction fees.
- The rights payment distributions are not large. While artists are entitled to exhibition fees from public galleries, approximately equal numbers waive the fees as collect them. CARfac©Collective 1999 statistics are still showing that artists waive 50% of their exhibition and reproduction copyright fees. In 1998, copyright fees collected and distributed by the CARfac©Collective were just over \$45,000 with an equal amount waived. The amount paid to all CARFAC members would be much higher, but there are no figures available. The amount paid out by the Collective in reprography fees in 1998 is \$120,000. The rights paid to SODART members in its first year of activity are under \$10,000.

- Generally, these organizations are in favour of 'droit de suite' should it be introduced as they would likely support any public initiatives designed to support artists' professional development and incomes.
- In contrast to the above, art dealers believe the market is potentially an international one and believe Canada is more highly taxed than the US. It is not uncommon for high end galleries to sell art outside Canada to Canadian buyers to avoid some of the Canadian taxes on art. Commercial galleries and dealers would therefore not likely support concepts that put Canada at a competitive disadvantage to the US and believe the market would shrink domestically if the tax rates are increased or additional fees were introduced.
- One of the organizations believed that the government can play a useful role by supporting the marketing of Canadian visual arts at high profile international exhibitions. This includes finding ways to support artists' participation at these events. (This view was shared by PADAC). The government could assist by bringing together the artists, sharing the costs of travel, catalogues, etc.
- When government supports funding and commercial activities, one respondent indicated the government should not get itself trapped into regulations which do not apply or are counterproductive. Artists and their works should be present in many niches. It is perceived to be important to develop all the niches in the art market (including crafts) not just one dimension. The government should support the development of ceramics, glass, textiles, jewelry, etc. in addition to visual arts.

3.2. Comments from the Survey of Commercial Art Galleries and Dealers

Gallery owners and managers from the survey of commercial art galleries had various observations relating to challenges, threats and opportunities within the Canadian Art Market. The following section presents a content analysis of these observations. Most relate to challenges confronting the commercial art galleries and dealers.

Challenges Educating the Canadian Public

Among commercial art gallery respondents, 27% felt lack of education of the public about the value and importance of visual art was the most prominent threat, challenge or opportunity facing the Canadian visual arts market today. Lack of education was never interpreted as an opportunity, only as a challenge or a threat. It is believed to be the result of weak, if any, art education in public schools, little media attention and general public ignorance. This appears to be strongly correlated to the second highest concern, lack of public awareness / appreciation / interest in visual art which received a 19% response rate. Providing context to these issues was the idea that Canadians lacked a sense of cultural heritage or of community. Some art galleries also alluded to the public misconception that art was only for the upper class. A few respondents indicated that several Canadian artists left the country due to the lack of national support. Many artists go to the United States or Europe, where art (according to respondents), is generally more respected and plays a more vital role in their respective societies and cultures.

Challenges because of High Taxation

18% of the respondents wanted less tax. 11% wanted more government support, while 3% wanted less intervention. Those wanting less tax were most often small businesses and felt that the demands from both provincial and federal governments were too great for their size. Both large and small galleries suggested the idea of charitable art donations and tax deductions. It was felt that GST should not apply to secondary sales and several people indicated that this was often avoided by crossing the border. 14% believed that poor sales levels could be attributed to a poor economy in Canada.

Growth of the Reproductions Market

Lack of sales was also attributed to the fact that the market is currently flooded with reproductions. If the public is looking to purchase art as a form of investment and chooses to purchase a reproduction, this further supports the claim of many art galleries that the general public is ignorant about art. However, if the intent is simply to decorate, the general public is understandably reluctant to buy an original work of art when print reproductions provide an alternative so readily available.

Lack of Sufficient High Quality Product

Another reason the public may be reluctant to invest in art may be, as 11% of galleries claim, that there is a lack of good work for purchase at a reasonable price. Furthermore, in their opinion, the quality of the

work is not as good as it once was. This is especially relevant to Inuit artwork, which one gallery owner even went so far as to say was a “dying art form”.

Regional Issues

There are many regional concerns in Canada’s art market, either between the regions or within one. There is some feeling that various regions, specifically Quebec and First Nations, receive preferential treatment from the government. Conversely, one respondent believed that the other Canadian art dealers exploit First Nation’s artists. Within regions, a few galleries found it difficult to promote and sell local artwork to locals as well as to tourists.

Challenges within the Galleries

Taxes were not the only cause of financial worry for galleries in Canada. Problems regarding high overhead were frequent for small businesses. This is particularly difficult to manage year round as they are often tourist- and seasonal-based shops. Other threats to small galleries included auction houses and large galleries. While large galleries also claimed to have difficulty with the cost of running their large open spaces, often located in expensive downtown areas, there was a general feeling among smaller galleries that they did not receive enough support from the larger competitors. The small galleries also felt the larger galleries fail to support Canadian art. However, an explanation to this might be what a few respondents pointed out; namely, there is an excess of art and very little demand. A small number of the respondents felt there was an excess supply of dealers in a limited market.

While there may be an abundance of dealers in the market, it is difficult to find an appropriate assistant. There were numerous comments about the difficulty finding well-educated volunteers or workers for the gallery or dealer. Respondents felt both the elitist attitudes frequently present in the art community, as well as the unfriendly atmosphere in galleries need to be changed to attract more people.

The Need to Develop Business Skills of Artists

12.1% of respondents felt the most challenging part of being an artist is self-promotion to the public, the galleries and the government. The same amount believed it was very difficult to get appropriate exposure. 6% of respondents said many artists’ lack business skills. This is very

serious, especially since, as a few of the respondents pointed out, corporations are perceived to be going directly to the artist now more than before. This route is advantageous as it avoids gallery mark-up. One gallery head now operates business seminars for artists, with the hopes of preventing misunderstanding and mistakes.

International Obstacles and Opportunities

Most threatening to the Canadian art market is the lack of support within Canada. The US and European art markets are much more appealing because the public is more appreciative of art and buys more; as 12% of respondents have mentioned. However, 4% feel that it is difficult to compete in the international market, especially due to the fact that Canadian art; according to 8% of respondents, is relatively undervalued in the international market. Conversely, with the current weak Canadian dollar, some indicated their sales, especially to the US have increased and 5% have noticed the increase of American purchasers and the decline of Canadian purchasers.

Feelings regarding the Internet are mixed, although more, 8 %, feel it will expand their market, as opposed to 5% who feel the Internet threatens their business.

Summary

In general, the commercial art gallery responses indicate that commercial art galleries and dealers believe the Canadian art market is much below its potential. Respondents believe that education of the public, high tax and overhead costs are critical issues that the sector now faces. They perceive that if more education is provided, interest in the visual arts will be stimulated. Education would be most useful in primary schools as well as more media coverage of exhibits and events. Clearly, commercial galleries also have a role to play in educating consumers about the value of various types of visual arts, including the value of original works of art and true limited edition prints as opposed to reproductions which appear to be growing at the expense of some commercial galleries.

If interest is raised through a variety of means, this is perceived to have the potential to increase both domestic and ultimately international interest in Canadian visual arts. It is not clear to what extent governments have flexibility to alter the tax environment. Some international art fairs are now conducted in a tax-free environment. Tax deductions for consumers of original art are worth considering. Further, galleries are likely to be resistant to any policies which add to their overhead.

3.3. Comments from the Auction Houses

Very few respondents took the time to fill out the comments section of the questionnaire, however those who did seemed to share similar opinions as those provided by the commercial art galleries. Only five auction houses provided qualitative responses to the issues of opportunities and threats confronting the sector.

Three of the five respondents felt the Internet was greatly influencing the auction house market. It is interesting to note that smaller auction houses thought it had the potential to broaden their market whereas one large auction house believed the Internet to be more of a threat. This respondent believed potential threats could potentially be the auction house or to the client. First, there was concern that the respondent's auction house would lose business as result of the Internet. Second, the auction house believed that buyers were in danger as they were not guaranteed they were receiving correct and accurate information.

The issue of educating people on art and its true value was also raised. One auction house felt that this job generally falls to the auction house, when the respondent that consumers should have more general knowledge of Canadian visual arts.

Two respondents believed that Canadian art was currently undervalued and one felt it was very difficult to continually have to find fresh goods for the secondary market. The same respondent believed it was necessary to expose Canadian art at a more international level.

One respondent felt the government should provide auction houses more support in general. The belief was that the government allowed American auction houses to move into Canada too freely and gain a significant share of the auction business away from Canadian auction houses. One other respondent mentioned that there was a growing level of competition among Canadian auction houses and that this was making it difficult to maintain stable revenues.

Appendix A – Organizations Consulted

Statistics Canada

Pina La Novara, Cultural Statistics Program
Fidel Ifedi
Janice McMechan, Services Division
Mary Beth Garneau, Services Division
Michael Scrim, Retail Trade Section
Louise Genereux, Retail Trade Section
Paul Gratton, Retail Trade Section
Norman Verma, Culture Section
Colleen Williams, Family Expenditure Patterns
Toronto Office Research Group

Rights Organizations

Barbara Terfloth, Canadian Artists Representation (CARFAC) and
CARfac©Collective
Jean-Michel Sivry, Regroupement des artistes en arts visuels du
Québec (RAAV) and Société de droits d'auteur en arts visuels
(SODART)
Dianne Lamarre, Visual Arts Department, Society for Reproduction
Rights of Authors, Composers and Publishers of Canada
(SODRAC)
Louise Chapados, Director of Services and Export, Le Conseil des
métiers d'art du Québec (CMAQ)

Stakeholders

Tanya Babalow, Professional Art Dealers Association of Canada
Jane Corkin, Chair, Professional Art Dealers Association of Canada
Jean-Philippe Tabet, Director, Cultural Human Resources Council
François Lachappelle, Visual Arts, Canada Council for the Arts
Anthony Westbridge, Publisher of Canadian Art Sales Index
Linda Rodeck, Vice President, Joyner Fine Art Inc., Auctioneers
Gabrielle Peacock, Ritchie's Auctioneers
Luara Margita, Coordinator, SAW Gallery
Laurie Squires, Chairman, Art Rental Program, Art Gallery of Ontario
Nigel Harrison, Owner, Catriana Jeffries Gallery
Mae Lum, Ontario Arts Council
Katherine Townsend, Ontario Arts Council
Anne Marie Beneteau, Visual Arts, Ontario Arts Council
Diana Thompson, Head of Professional Development and Standards,
Canadian Museums Association
Nicholas Longstaff, Council for Business and the Arts in Canada

Vera Mannerow, Finance Dept., Alberta Foundation for the Arts
Karthryn Minard, Contemporary Fine Arts Inc.

Public Art Programs

Jane Perdue, Public Art Coordinator, Urban Planning & Development
Services, City of Toronto

Andrée Côté, Intégration des arts à l'architecture, Gouvernement du
Québec, Ministère de la Culture et des Communications, Direction
des interventions réseau

Brian Newson, Office of Cultural Affairs in Social Planning
Department, Public Art for Civic and Private Development, City of
Vancouver

Phil Ardent, Urban Planning, City of Edmonton

Kevin Barrett, City of Halifax

Analee Adair, Public Art Consultant, City of Ottawa

Georgette Houle, Manager of the Art Program, Municipality of
Ottawa-Carleton

Debbie Kancsal, Visual Arts Coordinator, Calgary Parks and
Recreation

Public Art Gallery Rental and Sales Departments

Michelle Cardey, Manager of Art Rentals and Sales, Vancouver Art
Gallery

Laurie Squires, Head of Sales and Rentals, Art Gallery of Ontario

Louise Lusty, Rentals and Sales Gallery, Musée des Beaux Arts