



Canadian Independent Music Association

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Standing Committee on Finance
131 Queen Street
House of Commons
Ottawa, ON
K1A 0A6

EXECUTIVE SUMMARY

CIMA commends the government for its ongoing investment in Canadian artists and the hardworking Canadian companies who stand behind them. The continuation of the Canada Music Fund (CMF) and increased funding for the Canada Council for the Arts (CCA) and CBC in the 2016 budget are much appreciated. In addition, the music industry is keen to participate in the pending reviews of the broader legislation and support mechanisms that affect the cultural industries, which traditionally provide robust economic and cultural benefits for our country.

Last year's funding increase for the CCA was long overdue and welcomed by the music industry at large. Additional dollars are required, though, to assist the commercial music industry, the market-driven sector of the cultural economy that drives the discovery, development and promotion of emerging Canadian artists from coast to coast.

We recommend building on the government's commitment to supporting culture in two principle ways:

- 1) Increasing the Canada Music Fund to \$30 million, with annualized staged increases over the next five years.
- 2) Creating a dedicated \$10 million Music Export Fund for Canadian-owned music companies and their artists.

CIMA BACKGROUND

CIMA is the not-for-profit national trade association representing the English-language, Canadian-owned segment of the domestic music industry. Having celebrated its 40th year in 2015, CIMA represents a diverse membership of small businesses that include record producers, labels, recording studios, managers, agents, licensors, music video producers and directors, creative content owners, artist-entrepreneurs and other professionals from across the sound recording industry. CIMA's mandate is to develop professional services and advocate for policies that will foster a more viable independent music industry and raise the profile of Canadian music, domestically and abroad. CIMA represents over 260 Canadian-owned companies and professionals in every province and the Yukon Territory. Our membership employs more than 2,400 people and represents more than 6,200 Canadian artists. The outstanding artists supported by



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CIMA members include A Tribe Called Red, Carly Rae Jepsen, Tanya Tagaq, The Sheepdogs, Terra Lightfoot, Serena Ryder, Tegan and Sara, METRIC and many more.

CIMA commissioned a major industry study in 2015, *Over the Border and Into the Clubs*, which we shared with the government last April, reporting on border-crossing issues that Canadian musicians face when touring the United States.¹ This fall, we will release a similar study on the costs and strategies involved in exporting Canadian music around the world. Further research is also planned for Latin American markets.

For over a decade, CIMA – as a music export office – has directly facilitated Canadian music companies' global exporting activities. It has done so with valuable assistance from the federal government, the Ontario government, Canada's private broadcasters and other private sector partners. Through its Music Export Canada and Canadian Blast brands, CIMA has led trade missions to major music markets including the US, UK, Europe, Australia, Singapore and Japan. Collectively, these missions have resulted in finalized and/or initiated business deals worth more than \$120 million between 2007-2015.

CANADIAN INDEPENDENT MUSIC

The music industry in Canada punches above its weight, making a powerful contribution to securing and expanding the Canadian economy as a whole. Independent music has consistently delivered benefits for the economy that are greater than would be expected, given the industry's modest size, compared to cultural powerhouses like the United States.

Studies have indicated that “audio-visual and interactive media” recently made up 50% of the growth in Canadian culture-related GDP, with Canadian sound recordings showing the largest increase (7.9%).² The music industry generated approximately \$430 million for the Canadian economy in 2015, up 8.3% from its 2014 performance.³ Independent music companies made up 21% of this total.⁴ Only 7.6% of sales from multinational record labels operating in Canada, meanwhile, were generated by Canadian artists.⁵ Canada's economy truly relies on a prosperous Canadian-owned music sector to discover, develop, support and promote local talent in commercial markets at home and abroad.

¹ Canadian Independent Music Association. 2016. *Over the Border and into the Clubs: Canada's Music Industry and the US Market*. <http://cimamusic.ca/wp-content/uploads/2016/05/Over-the-Border-and-into-the-Clubs-Canadas-Music-Industry-and-the-US-Market-2016-CIMA.pdf>

² Statistics Canada. 2016. *Provincial and Territorial Culture Indicators, 2014*. <http://www.statcan.gc.ca/daily-quotidien/160511/dq160511a-eng.htm>

³ International Federation of the Phonographic Industry. 2016. *Global Music Report*.

⁴ Worldwide Independent Network. 2016. *WINTEL 2015*.

⁵ Statistics Canada. 2015. *The Daily – Sound Recording and Music Publishing, 2013*. http://www.statcan.gc.ca/daily-quotidien/150812/dq150812a-eng.htm?WT.mc_id=tw



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EMPOWERING INDIVIDUALS AND DIVERSE COMMUNITIES

As an industry, independent music is uniquely positioned to help artists from diverse backgrounds establish careers in the creative sector and tell original Canadian stories. The grassroots nature of the industry, moreover, makes it a natural catalyst for promoting cooperation, creativity and identity-building across a range of local and national communities. It is in the independent music sector that creators are most likely to follow bold, unconventional paths – in terms of business decisions, as well as the styles of music they create.

At the same time, a music company's 'product' is largely intangible intellectual property. As a result, the traditional banking system has been reluctant to provide capital to music companies the same way as it does other domestic industries. Cash flow and access to capital are two of the biggest obstacles facing the independent music sector today. The average cost of breaking an artist into a major market ranges between \$200,000 and \$500,000 (USD)⁶. This cost is highly burdensome, especially as some 46% of the music industry in English Canada is comprised of sole proprietorships.⁷

Through their considerable expenditures on artist development, recording, touring, marketing and promotion, independent music companies (and record labels, in particular) shoulder most of the risk necessary to foster new, innovative Canadian music. In light of the considerable economic, cultural and social benefits that result from musical innovation at the independent level, it is reasonable that significant and sustainable funding should be allocated to protect and support the independent music creators who are primarily responsible for undertaking such risks in the Canadian economy.

CANADA MUSIC FUND

Support from the Government of Canada is integral to the ongoing success of the Canadian music industry. Indeed, such support is leveraged by the music sector to channel much-needed capital into the professional and artistic development of emerging Canadian artists.

The Canada Music Fund helps to preserve a burgeoning Canadian music sphere, where artists and entrepreneurs can access the resources they require to undertake sound recordings, music videos, touring and showcasing, marketing and promotional initiatives an increasingly global, digital marketplace.⁸ It also helps to address the needs of Canadian consumers, who seek access to a full range of high-quality music choices.⁹

⁶ International Federation of the Phonographic Industry. 2014. *Investing In Music*.

⁷ Canadian Independent Music Association. 2013. *Sound Analysis*. http://66.209.187.167/wp-content/uploads/2013/07/Sound_Analysis.CIMA_FINAL_2013.pdf

⁸ Government of Canada. "Canadian Heritage: Canada Music Fund". Updated September 30, 2015. <http://www.pch.gc.ca/eng/1267201611990>

⁹ Summative Evaluation of the Canada Music Fund, Evaluation Services Directorate, Corporate Review Branch. October 2007. Department of Canadian Heritage.



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The CMF has made possible a wide variety of Canadian success stories that include the prominent careers of Feist, METRIC, Rush and The Weeknd. By helping them overcome access to capital and cash flow challenges, the CMF offers crucial stability, resources and encouragement to Canada's independent music sector.¹⁰

Independent music companies have consequently been able to generate over \$300 million in annual GDP for the Canadian economy.¹¹ Despite their small size, these businesses also generate a disproportionately large amount of tax revenue. For every dollar received in government support, they return approximately \$1.42 in federal and provincial tax contributions.¹²

This year's federal budget continued the annual CMF investment at \$25.957 million, a figure that had experienced reductions under the former government. To address the real costs and inflationary pressures facing the Canadian music industry, CIMA recommends increasing the CMF to \$30 million, with staged increases over the next five years.

Total FACTOR radio benefits are expected to decrease approximately 100% by 2020.¹³ While Canadian music creators depend on granting bodies like FACTOR, Musicaction and the Radio Starmaker Fund – which are also supported by private radio broadcasters – such funding can no longer be counted on in the long-term. Today, more than ever, Canadian federal policies must be fair to *creators*, and keep pace with the changing media technologies and digital markets in which cultural products are increasingly exchanged.

As Canadian content development contributions from terrestrial broadcasters steadily decrease – and 'online broadcasters' are not yet required to make cultural development contributions of their own – CIMA strongly recommends increasing the CMF to preserve the growth, diversity and productivity of the Canadian music industry.¹⁴ Increasing CMF funding by \$5 million with staged, predictable adjustments over the next five years will enable our industry to continue providing a dynamic, substantial return on investment for the Canadian economy.

Recommendation: Increase the Canada Music Fund to \$30 million, with annualized staged increases over the next five years.

¹⁰ FACTOR. 2015. *Annual Report 2014-2015*. http://factor.ca/wp-content/uploads/2015/06/FACTOR_Annual_Report_2014_2015-1.pdf

¹¹ CIMA. 2013.

¹² Ibid.

¹³ FACTOR. 2016.

¹⁴ Canadian Centre for Policy Alternatives. 2016. *An Over-the-Top Exemption: It's Time to Fairly Tax and Regulate the New Internet Media Services*.



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STANDING BEHIND CANADIAN SUCCESS

Programs like the CMF and the previous incarnation of Trade Routes offered support to artists primarily during the earliest phases of their careers. What is also required is a funding program designed to assist musicians and music companies at more advanced stages in their professional development.

Feedback from CIMA members (as well as the music industry at large) suggests that government support should also promote the growth of more established artists and music companies – even *after* they achieve initial industry success. A more diverse funding program would capitalize on positive momentum within the industry, and establish a stronger commercial environment in which all music professionals (*including* new artists) can advance their careers.

When a healthy ecosystem of recording artists, labels, studios and performance venues exists in Canada, it uplifts music sector productivity across the board. Providing an adequate funding envelope for established music creators is necessary for such a creative ecosystem to thrive. As a result, artists who have already attained a significant degree of music industry success will be empowered to fully ‘break through’ and become Canada’s next international music icons, following in the footsteps of Arcade Fire, Sarah McLachlan and Drake.

This objective can be achieved by tailoring the new **Trade Routes** program to also address the export goals of established artists on the verge of major global success.

The significance of finding and commercially exploiting new, global markets cannot be overstated. Canada’s music industry must engage markets across the world to compete and maximize our returns on investment. Unfortunately, Canadian funding programs (and limits) do not yet provide the necessary investment that Canada’s music industry urgently requires. Existing support programs are currently over-subscribed and underfunded. Immediately raising the CMF to \$30 million will help address some of these funding pressures. However, such an initiative must occur in tandem with the creation of a dedicated Music Export Fund – one specifically designed to provide a range of assistance to both emerging artists and those already on the verge of being able to fully exploit international markets.

Canadian music companies, artists and industry associations such as CIMA are all actively engaged in global exporting. Industry research confirms that exporting outside of Canada is now essential for independent artists and companies to survive and flourish.¹⁵ Canada’s music industry enjoys a particularly long history of achieving success in foreign markets, as the examples of Joni Mitchell, Bryan Adams, Céline Dion and The Weeknd demonstrate. This history can be leveraged even further through including a dedicated funding stream in the new version of Trade Routes that will be designed to promote a more robust Canadian music export economy.

¹⁵ International Federation of the Phonographic Industry. 2014; Worldwide Independent Network. 2016.



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The growing popularity of media platforms like digital streaming greatly reduces the ability of Canadian music creators to derive royalties or revenue from the products they create. At the same time, it has intensified their need to reach consumers in foreign markets such as the United States and Europe, while continuing to serve Canadian audiences. The world of music no longer has borders, and neither do the commercial opportunities that await our member companies and their exceptionally talented artists.

CIMA recommends taking further steps to ensure that an updated version of Trade Routes (i.e. the Showcasing Canada's Cultural Industries to the World initiative) contains \$10 million of dedicated annual funding for Canadian music exports, with the flexibility to address the export needs of both emerging artists, as well as those more advanced in their careers.

Recommendation: Create a dedicated, annual Music Export Fund of \$10 million for Canadian-owned music sector export initiatives.

Yours sincerely,

Stuart Johnston
President

Cc: Rt. Hon. Justin Trudeau, Prime Minister of Canada
Hon. William Morneau, Minister of Finance
Hon. Mélanie Joly, Minister of Canadian Heritage
Sophie Couture, Director, Music Policy and Programs, Department of Canadian Heritage

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