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Canadian Independent Music Association

January 25, 2016

The Hon. Charles Sousa  
Ministry of Finance  
c/o Budget Secretariat  
Frost Building North, 3<sup>rd</sup> Floor  
95 Grosvenor Street  
Toronto ON M7A 1Z1

Dear Minister:

Thank you for the opportunity to submit a pre-budget submission on behalf of the Canadian Independent Music Association's (CIMA) Ontario-based membership, as well as its provincial division, MusicOntario. This submission will express CIMA and MusicOntario's views on the existing business support structure designed to grow Ontario's music industry. On behalf of CIMA, MusicOntario and our membership, we commend the Government of Ontario for making the Ontario Music Fund (OMF) a permanent investment into Ontario's artists and music industry. This commitment to helping artists, create jobs and create Canadian success stories at home and abroad is a testament to your government's leadership.

#### **ABOUT CIMA AND MUSICONTARIO**

By way of background, CIMA is the not-for-profit national trade association representing the English-language, Canadian-owned sector of the music industry. Having celebrated its 40<sup>th</sup> year in 2015, CIMA represents a diverse membership consisting of Canadian-owned companies, all of which are involved in every aspect of the music, sound recording and music-related industries. These are exclusively small businesses which include: record producers, record labels, recording studios, managers, agents, licensors, music video producers and directors, creative content owners, artists and others professionally involved in the sound recording industry. CIMA's mandate is to develop and advocate policies and services that serve to support a strong and economically stable Canadian independent music and sound recording industry, ensuring the long-term development of the sector and to raise the profile of Canadian independent music both in Canada and around the world.



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CIMA represents more than 250 Canadian-owned companies and professionals located in every province and the Yukon Territory. Collectively, CIMA's members employ almost 2,400 people and represent approximately 6,200 artists. Geographically, Ontario-based companies represent 63% of CIMA's membership.

CIMA launched MusicOntario in 2012 as a non-profit, membership-based division whose mission is to provide professional development, education, information and support to the provincial music industry. Through support from the OMF, MusicOntario has been able to deliver progress, services, events and initiatives that focus on nurturing, developing, promoting and sustaining growth across the provincial music sector. Over its existence, MusicOntario has engaged in professional development workshops, artist showcases, community networking events, one-on-one consultations with artists and businesses and much more to support Ontario's emerging artists and music companies at the grassroots level. Furthermore, MusicOntario is committed to advocacy and outreach initiatives that stretch beyond the Greater Toronto Area and across the province.

MusicOntario represents more than 600 artists and industry professionals in Ontario, including emerging artists, industry professionals and companies, promoters, publishers, record labels, venues, music supervisors, booking agents and agencies, designers, engineers, lawyers and more.

Both CIMA's Ontario-based membership and MusicOntario's membership have benefited from your government's business support programs created to support Ontario's music industry. Through the OMF and the now-defunct Ontario Sound Recording Tax Credit (OSRTC), Ontario's music companies and artists have been able to grow their businesses, create jobs and export Ontario's musical talent to the world.

### **THE MUSIC INDUSTRY IN ONTARIO**

By any measure, Ontario's music industry is a success story. Ontario is currently well positioned as the unofficial capital of Canada's music industry, and recent data shows that 78% of Canada's national music industry-related revenues are generated here in Ontario<sup>1</sup>. Ontario's contribution to the national culture GDP is valued at \$21.9 billion

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<sup>1</sup> Statistics Canada. Sound Recording and Music Publishing, 2013. Published August 12, 2015. <http://www.statcan.gc.ca/daily-quotidien/150812/dq150812a-eng.pdf>



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(2010), accounting for 46% of the national culture GDP.<sup>2</sup> Drilling down deeper, this same data from the *Provincial and Territorial Culture Satellite Account* shows that more than 4% of jobs in the province were classified as ‘culture jobs’, while jobs in the cultural industries (301,000 jobs) were valued at \$23.8 billion.<sup>3</sup>

Given the size and strength of the music industry in this province, it comes as no surprise that Ontario’s music industry produces a great number of *success stories*, punching far above its weight nationally and internationally. Spanning the musical gamut from Rush to The Weeknd to Feist, Ontario’s music industry has been at the forefront of creating and exporting rich, diverse and high-quality Canadian talent to the world.

In particular, the Canadian-owned, independent music companies which call Ontario home have been leading the charge for the province’s music industry; ensuring that Ontario retains and further develops its role as one of North America’s leading music industry clusters for production and performance. From **Canada’s Music Incubator** at **Coalition Music** to award winning Toronto-based indie label/management company/publisher **Six Shooter Records** to the internationally-minded **Dine Alone Records**, Canadian-owned companies can be counted on to develop, invest and support Ontario’s artists throughout their careers.

The following is just a small sampling of the highlights and successes experienced by CIMA and MusicOntario members this past year:

- The 2015 Polaris Music Prize, a prestigious award given annually to the best Canadian album, was awarded to **Buffy Sainte-Marie** for *Power In The Blood*, released by Ontario-based CIMA member **True North Records** and distributed by CIMA member **eOne Music Canada**. This marks the second year in a row where the winning album was released by a CIMA member label, with the 2014 Polaris Music Prize awarded to **Tanya Tagaq’s** *Animism*, released by Ontario-based CIMA member **Six Shooter Records**.
- The 2015 JUNO Awards, held in Hamilton last March, featured Ontario-based artists and music companies at the forefront. In total, 12 CIMA members picked

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<sup>2</sup> Statistics Canada. Culture and sport activities in the provinces and territories, 2010. Published on June 9, 2015. <http://www.statcan.gc.ca/daily-quotidien/150609/dq150609b-eng.pdf>

<sup>3</sup> Culture and sport activities in the provinces and territories, 2010



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up JUNO Awards in 2015, with 10 of these winners calling Ontario home. This includes leading Ontario music companies like **Arts & Crafts, Anthem Entertainment, Dine Alone Records, Six Shooter Records, Sonic Unyon, Last Gang Entertainment, MapleMusic Recordings, Fontana North, Outside Music and Coalition Music.**

### INVESTING IN THE MUSIC INDUSTRY

There is no doubt that the support provided through the Government of Ontario is a catalyst for the provincial music industry's success. The support programs that have been made available to Ontario's artists and music companies are unparalleled and position Ontario as a leader in supporting and growing its domestic music industry. While Ontario has historically had robust business support tools for its Canadian-owned music companies (the former OSRTC), the centerpiece of the current funding environment is the OMF.

Ontario's music industry is extremely grateful to the Government of Ontario for its decision to extend the OMF on a permanent basis. Originally conceived as a three-year, \$15 million investment in 2013, the fund provides support to Ontario-based music businesses that "produce, distribute and promote Ontario-based music and artists", with the end goal of creating a "business environment where Ontario's talented artists from diverse musical genres and backgrounds can grow and thrive while helping the industry become even more competitive internationally."<sup>4</sup> To date, the OMF has provided support for 231 projects, while the data made available suggests that the first year of OMF investments helped to create and retain 2,000 jobs, and produced an additional \$24 million in revenues for music businesses.<sup>5</sup>

The support provided by grants like the OMF help address two core challenges facing the Canadian-owned small businesses that comprise the independent music industry: access to capital and cash flow. Within this environment, Ontario's music companies can leverage OMF funds to grow and expand their businesses, create jobs and opportunities

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<sup>4</sup> Government of Ontario. "Ontario Music Fund Grants Go To 123 Recipients." Published on March 25, 2015. <http://news.ontario.ca/opo/en/2015/03/ontario-music-fund-grants-go-to-123-recipients.html>

<sup>5</sup> "Ontario Music Fund Grants Go To 123 Recipients"



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both here at home as well as outside Ontario. While CIMA and MusicOntario were disappointed with the loss of the OSRTC as an effective tool reserved for Canadian-owned companies, we strongly believe that the OMF is a key element in making Ontario's music industry a continued success story.

Furthermore, in a climate where funds are limited, it is important for governments to invest in industries where there's a real, tangible return on their investments. Beyond job creation and revenue generation, CIMA's *Sound Analysis* report demonstrated that for every \$1 of support invested by government into the music industry, \$1.42 was returned to provincial governments.<sup>6</sup> Furthermore, the findings of *Sound Analysis* also suggested that the music industry paid out more in taxes than they received by way of funding support from both levels of government combined.<sup>7</sup>

Moreover, the recorded music industry is a global leader in terms of research and development investment, called A&R in the music industry. According to the 2014 annual report by the International Federation of the Phonographic Industry (IFPI), the record music sector invested a higher percentage of its revenues (15.6%) into research and development than pharmaceuticals and biology (14.4%), software and computer services (9.9%), technology hardware and equipment (7.9%), aerospace and defence (4.5%) and healthcare equipment and services (4.1%).

### **SUPPORTING ONTARIO'S MUSIC INDUSTRY: RECOMMENDATIONS**

CIMA and MusicOntario strongly believe that investing in Ontario's music industry will help build Ontario, given the strong economic and sociocultural benefits of investing in the Canadian-owned small businesses that comprise Ontario's independent music industry. In turn, this investment will help drive exports and help Ontario ultimately continue to transition into a successful innovation-driven, knowledge-based economy.<sup>8</sup>

We applaud the Government of Ontario's efforts to craft its first-ever cultural strategy, as this process offers an unprecedented opportunity to examine and develop a vision

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<sup>6</sup> Canadian Independent Music Association. 2013. *Sound Analysis*.  
<http://www.nordicity.com/media/201336fjtnrdeunp.pdf>

<sup>7</sup> *Sound Analysis*, 2013

<sup>8</sup> The Honourable Charles Sousa, Minister of Finance. *Building Ontario Up: Progress for Prosperity*. Ontario Economic Outlook and Fiscal Review. 2015.  
[http://www.fin.gov.on.ca/en/budget/fallstatement/2015/paper\\_all.pdf](http://www.fin.gov.on.ca/en/budget/fallstatement/2015/paper_all.pdf)



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for the future of music, and the music industry, in the province. While we await the draft strategy in 2016, we believe there are measures and opportunities for action that the Government of Ontario can implement within the next budget.

***Strengthening the Ontario Music Fund***

As mentioned earlier in this submission, the OMF is clearly a critical component of Ontario's success as a music industry cluster. CIMA, MusicOntario and our respective memberships are thankful for the significant commitment and investment made by the Government of Ontario through the OMF. Currently, the OMF distributes \$15 million annually to the industry through four program streams: Music Industry Development, Music Company Development, Music Futures and Live Music.<sup>9</sup> The OMF is a strong and effective fund, and its investments in production, marketing, consortia and non-profits, as well as the live sector, are appropriate and well-leveraged.

According to the data on funding recipients that is publically available<sup>10</sup>, there were 41 recipients of Music Company Development – Category A (Domestic Music Companies) in 2014-2015. The largest amount received by a company in this stream was \$650,000 (Arts & Crafts), while the average across the 41 companies was just over \$144,000. In Music Company Development – Category B (Multinational Record Labels), the average across all three recipients was just over \$800,000, with the largest disbursement of funds throughout the entire stream (including Category A companies) was received by Universal Music Canada, Inc. with \$1,200,000.

While we would certainly be very pleased to receive an increase in overall funding to the OMF as a whole, we appreciate the challenges that are facing Ontario in the current fiscal climate. To that end, we wish to offer the Government of Ontario a no-cost solution that will allow for more funding to be distributed across recipients without increasing the overall \$15 million in funding allotted to the program. **Our recommendation is simple: the funding limit of the OMF Company Development Stream should be reduced to a maximum of \$750,000 per company in both Category A and B, from its current limit of \$1.5 million per company.** Given that the OMF is a

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<sup>9</sup> Ontario Media Development Corporation. "The Ontario Music Fund".

[http://www.omdc.on.ca/music/the\\_ontario\\_music\\_fund.htm](http://www.omdc.on.ca/music/the_ontario_music_fund.htm)

<sup>10</sup> Ontario Media Development Corporation. 2014-2015 Ontario Music Fund Recipients.

<http://www.omdc.on.ca/Assets/Industry+Initiatives/English/OMF/2014-15+OMDC+Ontario+Music+Fund+Successful+Recipients.pdf>



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highly competitive process, we strongly believe that this will allow more money to be circulated in the system for high-quality projects and activities, and depending on the number of qualified applicants in a given year, allow for additional projects to receive funding as well.

Clearly, a lowered ceiling cap would result in potentially more funding per company, while providing the OMF with the opportunity to potentially approve new, high-quality projects and initiatives.

### ***Investing In Music Education***

As mentioned in CIMA's and MusicOntario's joint cultural strategy submission, **we strongly believe that the Government of Ontario should invest in music education – namely, ensuring that Ontarians across the province have access to high-quality music education.**

There are many benefits to music education. Research has shown that music education is a powerful catalyst for unlocking the intellectual, social and creative potential in children.<sup>11</sup> Furthermore, research conducted by Music Canada suggests that music education contributes to “the development of the innovative and skilled workforce required in the digital economy”, assisting with the development of the math, logic, and cognitive processing skills that are integral to the information and communications technology sectors (and subsequently, the knowledge economy).<sup>12</sup> Furthermore, there is strong reason to believe that educating the general public about music, and about the cost of music, is an innovative way to guide the public towards legitimate sources of music consumption, and away from piracy.<sup>13</sup> And last but not least, investing in music education is an important way to develop the next great cohort of Ontario artists, songwriters and music industry professionals.

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<sup>11</sup> Royal Conservatory of Music. The Benefits of Music Education.

[http://www.rcmusic.ca/sites/default/files/files/RCM\\_MusicEducationBenefits.pdf](http://www.rcmusic.ca/sites/default/files/files/RCM_MusicEducationBenefits.pdf)

<sup>12</sup> Music Canada. The Next Big Bang: A New Direction for Music in Canada.

<http://www.musiccanada.com/wp-content/uploads/2014/06/TheNextBigBang.pdf>

<sup>13</sup> Standing Committee on Canadian Heritage. “Review of the Music Industry.” Published on June 10, 2014.

<http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6661036&Language=E&Mode=1&Parl=41&Ses=2&File=57-11>





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### ***Music and Business Tourism***

Ontario, as the single largest travel destination in Canada, accounts for 55% of Canada's tourism by overseas visitors, and generates close to \$28 billion in tourism revenues annually.<sup>14</sup> According to the Ontario Arts Council, arts & culture tourism plays a big role in attracting foreign visitors to Ontario's cultural attractions: in 2010, there were 9.5 million arts & culture overnight tourists whose \$4.1 billion in spending generated \$3.7 billion in GDP, and employed 67,700 Ontarians.<sup>15</sup>

With this economic success story in mind, CIMA and MusicOntario believe that there is a unique opportunity to link business tourism with local music clusters. In particular, we believe that an important avenue for this relationship is through convention centres like the Metro Toronto Convention Centre (MTCC) and the Shaw Convention Centre in Ottawa, both of which are Crown Corporation of the Government of Ontario.

**Specifically, our recommendation is that these convention centres be leveraged to provide visiting business tourists with information about local entertainment options, including local venues, performance spaces, festivals, etc.** Conceptually, it's useful to visualize these convention centres operating as a sort of 'turnkey operation' where they are provided the necessary information and resources to link together these conference operators with local entertainment options, even perhaps securing entertainment for the conference. In the case of a Crown Corporation, this should be relatively easy to implement, and would allow additional visitors to visit and patronize Ontario's small businesses, and become exposed to Ontario's homegrown talent. The government is encouraged to broaden this strategy to include private sector tourism and conference centre clusters.

### **CONCLUSION**

In addition to our three recommendations above, CIMA and MusicOntario would like to re-iterate some of the ideas presented via its cultural strategy submission. Specifically, CIMA and MusicOntario believe that the Government of Ontario should continue to invest and create opportunities for cross-collaboration across sectors, encourage the

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<sup>14</sup> Invest Ontario. "Tourism Investment." <http://www.investontario.com/tourism>

<sup>15</sup> Ontario Arts Council. Ontario Arts and Culture Tourism Profile". Published in 2012. <http://www.arts.on.ca/AssetFactory.aspx?did=8780>





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development of culture at a local level and ensure that cultural priorities remain harmonized with international agreements and federal cultural priorities.

On behalf of CIMA and MusicOntario's respective membership, we once again would like to commend the Government of Ontario on the leadership it has demonstrated by extending the support provided by the OMF on a permanent basis. We believe that the three recommendations offered above will serve to support the ongoing development and continued growth of Ontario's music industry.

Thank you very much for the opportunity to provide our input into the pre-budget process. Please contact CIMA's Research and Communications Coordinator, Lisa Fiorilli, at 416-485-3152, extension 223 or at [lisa@cimamusic.ca](mailto:lisa@cimamusic.ca) if you have any questions about this submission.

Yours sincerely,

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