



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Canadian Heritage

CHPC



NUMBER 013



2nd SESSION



41st PARLIAMENT

EVIDENCE

Tuesday, March 4, 2014



Chair

Mr. Gordon Brown

Standing Committee on Canadian Heritage

Tuesday, March 4, 2014

• (1145)

[English]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good morning, everyone. I call meeting number 13 of the Standing Committee on Canadian Heritage to order.

We are about to commence our study of the Canadian music industry.

Because of today's votes we are going to be able to get only one of 10 panels in. We're going to go for about 55 minutes with that.

From the Department of Canadian Heritage, we have Jean-François Bernier, director general of cultural industries, and Sophie Couture, director of music policy and programs.

To our witnesses, thank you for coming today. We will give you 10 minutes each to make your presentations. Or was it 11 minutes?

The Clerk of the Committee (Mrs. Emma-Leigh Boucher): I think we went with eight minutes, but....

Mr. Jean-François Bernier (Director General, Cultural Industries, Department of Canadian Heritage): I'll be making the presentation, and if it's okay with the committee, it's about 12 minutes, 30 seconds.

The Chair: If you are just going to do that, then we'll give you that amount of time and then we will commence with a round of questioning.

You can start. Thank you very much.

[Translation]

Mr. Jean-François Bernier: Thank you, Mr. Chair.

Good morning, everyone.

[English]

I take it that you've all received a copy of the deck that we have prepared.

[Translation]

The document is written in both French and English.

[English]

The Department of Canadian Heritage is thankful for this opportunity to appear before the committee in the context of its study of the Canadian music industry.

[Translation]

My name is Jean-François Bernier and I am responsible for the cultural industries policies and programs at the Department of Canadian Heritage. I am accompanied by Sophie Couture, who is in charge of one of the cultural industries, specifically music.

[English]

Our objective today is to present committee members with an overview of the music industry and the federal policy framework for Canadian music, more specifically the support provided by the Canada music fund. We will be pleased to answer any questions you may have following this presentation.

I'll go right to page 3.

[Translation]

I would like to start by presenting a brief overview of the ecosystem in which the main players you will meet during your study operate.

[English]

From the time a musical work is created, a multitude of industry professionals and activities are needed to help this piece find an audience through ever-growing and diversified means of consumption. While there may have been times when interactions between industry players were fairly linear, today's reality is quite different.

[Translation]

In fact, the roles and activities of the players are now much more fluid and diversified.

[English]

Over the years, successive governments have supported Canadian music in recognition of its important cultural and economic contribution. Altogether, the music sector adds nearly \$3 billion each year to Canada's economy. With over 10,000 Canadians employed in the sound recording and concert sectors alone, and 30,000 professional songwriters, music feeds into other important economic sectors, including tourism, entertainment, and advertising.

The music industry in Canada comprises three major entertainment multinationals, Universal, Sony, and Warner, and hundreds of small to modest-size Canadian-owned entrepreneurs.

Multinationals operating in Canada are an important part of the domestic music scene and have contributed to the careers of many Canadian artists. However, Canadian-owned companies play a critical role in developing and nurturing Canadian talent. Overall, Canadian companies release 87% of the new Canadian artists' recordings and account for 79% of Canadian artists' recording sales.

Music is a high-risk business where each project is a prototype. Canadian market conditions present additional challenges.

First, our domestic market is relatively small, which means that reaching the international market is key. Second, Canada is split in two linguistic markets that feature distinct characteristics that impact differently on the Canadian industry's competitiveness.

• (1150)

[*Translation*]

I am on page 6.

Canada has developed a series of response mechanisms to ensure the creation of and access to a wide range of Canadian musical choices. The Canadian music policy framework is made up of legislative, regulatory, financial and institutional measures that work together to achieve this objective of creation and access. In fact, Canada is world renowned for its forward thinking in the public policies for its music industry.

In terms of legislation, the Copyright Act protects the creators' rights while balancing consumer needs. The Investment Canada Act ensures that foreign investments in the Canadian music sector are of net benefit to Canada. The Broadcasting Act establishes a Canadian broadcasting system that must contribute to the creation and presentation of Canadian content, while recognizing the different needs of English-language and French-language markets. It gives regulatory powers to the CRTC in particular.

Actually, the CRTC requires that commercial radio stations broadcast every week a minimum threshold of Canadian and French-language content and that they make financial contributions in support of Canadian content development. In 2011-2012, those contributions amounted to \$55 million. Almost half of that amount goes to funding bodies, including FACTOR, MUSICACTION, the Fonds RadioStar and Radio Starmaker Fund. The rest is for discretionary initiatives, mainly local and regional initiatives.

FACTOR and MUSICACTION are foundations that were created in the early 1980s to collectively manage the financial contributions of broadcasters. For over 25 years, they have also administered the public funds that support Canadian music.

The federal government also provides financial support to the Canadian music sector, primarily through the Canada music fund.

[*English*]

With an annual envelope of close to \$25 million, the fund supports a wide-ranging diversity of Canadian music through support to new, emerging, and established Canadian music artists and entrepreneurs. The fund's sunset resources of close to \$9 million were renewed on a permanent basis in recent budget 2014. This will take effect in 2015-16.

Music programs of the Canada Council mainly support Canadian orchestras, opera, or artists in non-mainstream music genres, and are complementary to the Canada music fund. The road map for Canada's official languages supports the showcasing of artists from official language minority communities.

Other PCH programs indirectly support Canadian music, for example, through festivals or endowment grants for orchestras.

More specifically—I'm on page 10 of the presentation—the Canada music fund provides the Canadian music sector with some upfront support needed to take risks, innovate, and remain competitive at home and abroad. Over the years it has adapted to industry challenges and opportunities. For example, in its 2009 renewal, the Canada music fund increased its support for digital and international market development initiatives.

[*Translation*]

The total funding supports Canadian sound recording production and marketing, national and international touring for artists, music editing, commercial and professional development, collective marketing activities such as music showcases, award shows, digital applications and marketing.

• (1155)

[*English*]

Currently, over half of CMF resources are administered by FACTOR, for the English-language market, and Musicaction, for the French-language market. This joint administration of both public and private broadcaster funds is a key strength of Canada's music policy tool kit.

[*Translation*]

In addition to the funding administered by FACTOR and MUSICACTION, Canadian Heritage administers \$9.5 million, and \$360,000 goes to Library and Archives Canada for the preservation of Canadian sound recordings.

Those funding streams support complementary activities and clients. For instance, the two most significant components of the Canada music fund, the New Musical Works and Music Entrepreneurs, both support the production and promotion of Canadian music artists, but they do so separately.

With Music Entrepreneurs, the support is provided through an annual envelope intended for the activities of established entrepreneurs. The funding is calculated based on their success in reaching audiences. So it depends on success.

The New Musical Works supports production and promotion projects through funding provided to artists and small and medium-sized entrepreneurs. For instance, an artist with no contract with a label can request assistance for a demo or even the production of an album.

[English]

What is funded over an average year with the Canada music fund? I'm on page 12.

The CMF has allowed many Canadian artists to have prolific careers in Canada with some also reaching significant success abroad. Overall, the Canada music fund helps fund the production of more than 400 albums by Canadian artists in an average year and supports the marketing, touring, and showcasing projects of over 1,100 artists. That's without mentioning the support provided for collective initiatives that work to expand the reach of Canadian music.

The Government of Canada's music policy framework has contributed to making Canada the third largest exporter of musical talent. As Canadian artists succeed on the world stage, they continue to carve out a bigger piece of the Canadian market as well. Between 2001 and 2012, Canadian artists' share of domestic album sales increased from 16% to 26%, peaking at 28% in 2011.

[Translation]

Today, more Canadian creators receive royalties for the public use of their works. Royalties from foreign markets are on the rise, which is proof that Canadian music has an increased presence.

The showcasing offered to Canadian artists with televised events such as the ADISQ Gala and the Juno Awards, continue to be popular with the public.

[English]

These have a tremendous impact on enhancing the awareness of audiences towards Canadian music and artists.

[Translation]

The rapidly changing technologies and consumer habits will continue to be catalysts in the music sector for years to come, and our programs must consider this reality.

[English]

The CMF's continued support towards the creation of and access to Canadian musical content is key. At the same time, the fund must remain highly responsive to rapidly changing market conditions. The program's ability to adapt will ensure Canadian music continues to thrive at home and abroad.

We look forward to the committee's report and are available to answer any questions you may have.

[Translation]

I have also included three annexes to my presentation. Although I may have referred to them, I do not intend to talk about them.

Annex 1 shows the breakdown of Canadian content development contributions by commercial radio. In 2009, digital and international market development initiatives were taken. Annex 2 and Annex 3

include examples of some of the projects that were funded to meet those priorities.

Mr. Chair, I am ready to answer any questions the members of the committee may have.

• (1200)

[English]

The Chair: *Merci, Monsieur Bernier.*

We'll now go to a seven-minute round of questioning, and we will start with Mr. Weston.

[Translation]

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you, Mr. Chair.

I would also like to thank our guests for being here today.

I am very interested in this topic because I am not very familiar with it. If we compare musicians to athletes, we can say that many athletes thank Canadians and our country for their support. In my riding of West Vancouver—Sunshine Coast, there are a lot of famous musicians, including Joni Mitchell, Sarah McLachlan, Randy Bachman, Shari Ulrich and Diana Krall. I am not sure whether I have heard them thank the government for its support.

Is that because musicians don't think about it? I am not an expert in the area, nor am I Sarah McLachlan's long-time friend.

It is a matter of developing a program to support our musicians.

[English]

who have 28%, you said, of world sales in 2011, and \$3 billion—

Mr. Jean-François Bernier: It's domestic market share.

Mr. John Weston: The domestic market? Okay. But it's a booming business. It's doing well in many ways, but I'm asking the question, what is the connection between what we do and the success of these great musicians who make us all proud, just as the athletes do?

Mr. Jean-François Bernier: Thanks for your question.

I can't speak for artists and I can't speak for their labels or their companies in terms of thanking public support for production. We do certainly hear, and we read clippings every day, and we're at the Junos.... We watch interviews of artists. Not all of them are thanking the Canada music fund or the government. Some of them do not know, because it's their label that does the business part of production financing. They're just told that they're touring to Maniwaki and Mont-Laurier, and they don't ask where the money is coming from to pay for their room.

That's certainly something that is important to continue working on, the recognition of what all Canadian taxpayers are doing for the emergence and the careers of Canadian artists.

Mr. John Weston: Ms. Couture.

Ms. Sophie Couture (Director, Music Policy and Programs, Department of Canadian Heritage): We also have in our contribution agreements, either with the entrepreneurs or with the artists directly, a clause for recognition. For each album that is funded by the Canada music fund, you will see the logo of Canada and also an acknowledgement, a sentence that thanks the Government of Canada for the funds.

Also, if you go to the main events around the world or to the domestic events, you will see a banner when you get in. The Canada logo is there, so that people know that it's somewhat funded.

You started by saying that you're not super familiar with this industry. In that industry, people know that they couldn't do too much if they didn't have the support. They know it's from somewhere, from the Canada music fund. Sometimes we hear "CMF" or another acronym, but they know it comes from the support.

[Translation]

Mr. John Weston: We will have an opportunity to meet with a few musicians as part of our committee work.

Would you like to ask any questions on behalf of the musicians?

• (1205)

Mr. Jean-François Bernier: Mr. Chair, I am reluctant to suggest questions that the committee should be asking the witnesses.

[English]

Mr. John Weston: Dare to. Dare—

A voice: Don't tell us what we should ask.

Mr. John Weston: No, just.... I think we're involved in very interesting work, and all of us, I think, are excited about it, and we want to make sure that we're doing the best with this fund. It's apparently doing very well. If the people who are being supported were on the line.... How often do we get this chance as a country to ask them, "How can we support you?"

What would you say? What would you ask them?

Mr. Jean-François Bernier: Well, since you're asking, I certainly have an opinion.

We have a holistic approach to music policy in this country that is envied around the world. If I had an opportunity from your perspective to question Canadian artists, I would ask them, when they tour abroad and they meet other artists from other countries, what are the other countries doing for their artists? Is it on par with what we're doing here in Canada? I think that would be one question.

To go to your first point, maybe you could ask an artist, "Do you know that the Canadian taxpayer is contributing to your career? We're very proud of you, but do you know that?" I would say the fund is known out there, but if I had to range, in terms of priorities, what artists would know, it is certainly the Canadian content on radio that the CRTC asks from the commercial radio stations. They do know about this. The Juno Awards have been established in recognition of Pierre Juneau, who, under his chairmanship at the CRTC, came up with those Canadian content rules.

Mr. John Weston: Okay, so we have two or three.

The Chair: Mr. Weston, we're going to have to move over to *Monsieur Lapointe pour sept minutes*.

[Translation]

Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP): Thank you, Mr. Chair.

Mr. Bernier and Ms. Couture, thank you for being here this morning and for waiting while we went to vote. We do not control this aspect of the House activities.

Could you help me understand something about the funding for 2014? The amount of \$8.8 million is confirmed, but was it part of the annual budget of \$24 million? Has this amount of \$8.8 million been cut or has it been added to the \$24 million?

Mr. Jean-François Bernier: My answer is very simple.

Let's say that the fund has an envelope of approximately \$25 million. A portion of the core funding will expire in two, three, four or five years. This amount was injected in the early 2000s and it was not permanent funding, in the sense that it had to be renewed each year or every three years. Last time, the government announced this funding for a five-year period and the time came to renew it.

There is permanent core funding, but there are also sunseting funds, which are required to disappear. Those funds became permanent in budget 2014.

Mr. François Lapointe: Basically, the industry is maintaining its funding. There is no increase, but it is maintained.

Mr. Jean-François Bernier: The funding is holding steady.

Mr. François Lapointe: This industry has changed a great deal over the past seven or eight years. It has hit an amazing cruising speed.

Does Canadian Heritage consult with the industry to see whether or not the industry appreciates the funding it receives? Should adjustments be made to ensure the funding is more effective? Does your department keep a close watch on the rapid changes that have taken place over the past seven or eight years in the industry?

• (1210)

Ms. Sophie Couture: There are a number of ways to be aware of the changes and to see if the industry is generally satisfied with the support it receives and the way the funding is allocated.

We do not conduct official consultations, but part of our work is to gather information. We constantly communicate with the various industry partners who work in music publishing or directly with the artists.

Two third-party administrators work in the two Canadian markets, the English-speaking market and the French-speaking market. As a result, these administrators talk a great deal with the recipients. The information is brought back to the centre, which enables us to talk about it and determine where the demand is and what we should do differently. Each year, we talk with our third-party administrators to see if the various components still meet the needs and whether we can fix some things or—

Mr. François Lapointe: Change.

Ms. Sophie Couture: Or change, exactly. With their respective boards of directors, each third-party administrator presents their recommendations internally.

Mr. François Lapointe: Can you give me some examples of relevant changes that have been made over the past two or three years?

Ms. Sophie Couture: FACTOR and MUSICACTION constantly refine their programs by reorganizing the touring or showcasing programs, for instance. The criteria must be reviewed to ensure that they meet the needs of all the recipients eligible for those programs.

You asked whether we had an overhaul. We did not because we were allowed to use the components as they existed for five years. Over the past five years, we have focused a great deal on the international and digital aspects. The goal was to promote more digital projects and, if I may say so, to ensure that a 101 project became a 201 project. It is not so much about quantity as it is about improving the quality.

Mr. François Lapointe: In terms of the digital world, on page 13, it says that proportion of Canadian artists has gone up to 26%. Does that percentage exclusively refer to sales of traditional albums that we can buy in stores like Archambault, for example?

Ms. Sophie Couture: No. It refers to both traditional and digital albums.

Mr. François Lapointe: Does that also include downloaded albums?

Ms. Sophie Couture: Yes, even those that are in continuous flux. We calculate the sales of albums by Canadian artists in Canada. We noticed that the market shares were at around 16% when the funding was launched in 2001, and now they are at 26%.

Basically, in a world where we see global sales going down, we see that the market share for Canadian artists in Canada has stayed at 26%.

Mr. François Lapointe: Is the proportion pretty much the same as for artists funded by the Canada music fund?

Ms. Sophie Couture: Yes, you are correct. Between 2001 and 2012, the percentage of artists who were funded by the fund once in their careers went from 9% to 15%. So that means that it is holding steady.

Mr. François Lapointe: There is a figure that I have seen before, but never ceases to amaze me. The percentage of total industry revenues for Canadian-controlled firms is 29% whereas the percentage is a low 13% for new releases by foreign-controlled firms, although those firms have 75% of the market. My understanding is that the percentage was lower than 29% five years ago.

That must be the case, given that we now have up to 26% of the market.

Ms. Sophie Couture: Those are two different things. The percentage that has gone up from 16% to 26% represents the market shares, the sales generated in Canada.

The other percentage is connected to that, but it is not necessarily measured in the same way. For Canadian-controlled firms, sales of what are commonly referred to as indies in the music world come from Canadian artists in 79% of cases. Those are the people who help Canadian artists develop, but unfortunately they only collect 29% of the revenue in total.

Mr. François Lapointe: Do I have 30 seconds?

• (1215)

The Chair: Your time is up.

[English]

Mr. François Lapointe: Thank you, Mr. Chair.

[Translation]

The Chair: Mr. Dion, you have the floor for seven minutes.

Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.): Thank you very much, Mr. Chair.

My thanks to all the witnesses for being here with us and for providing us with very specific information. I am going to ask you for further clarification.

In the House, the parliamentary secretary to Minister Glover answered my question about the \$8 million. I had also asked a question about the Canada book fund in particular. He said that there was additional funding, meaning that the Canada book fund went from \$28 million to \$37 million. That is an increase of \$9 million.

He also indicated that an additional amount of \$9 million was earmarked for the Canada music fund, which is now at \$34 million.

That is what the parliamentary secretary to the minister told us. I am assuming he gave us the facts.

Mr. Jean-François Bernier: Mr. Dion, all I can tell you is that the funding amounts to \$24.61 million.

Hon. Stéphane Dion: And it is staying like that? There was a danger of losing \$9 million, but that will not happen. Is that it?

Mr. Jean-François Bernier: That is correct.

Hon. Stéphane Dion: That is not what we were told. In any event, thank you very much. I think we will go with your numbers rather than those provided by our colleagues. However, we are going to check this issue with the music community. They will be very disappointed. That is not what they were told in the House.

I would like to have a better understanding of the following good news. There was an increase in Canadian music content and Canadian artists from 16% to 26%. How is that calculated? First, I just want to make sure that we are in fact comparing apples to apples, meaning that the formula used in 2001 was the same as the one used in 2012. For instance, a band or a group must be Canadian or the music must be created by a Canadian artist, even if it is played by foreign artists. I would like to know what the situation is.

Ms. Sophie Couture: The music must be Canadian content. There is a way to determine whether the content is Canadian, but I will not get into the details since I don't have the information with me. Once the content is labelled as Canadian, we search the Nielsen SoundScan data. Actually, we always use the same databases. We extract the information and we identify all the sales by Canadian artists from all the sales in Canada. We are then able to calculate and see what the number was previously and what it is now.

Hon. Stéphane Dion: If a group is mostly American, but one artist is Canadian, will the group be counted in the 26%?

Ms. Sophie Couture: No, it must meet—

Mr. Jean-François Bernier: The CRTC has a definition for Canadian content. It has set up a system of four—

Hon. Stéphane Dion: I have seven minutes only.

You seem to be saying that the same thing was done for 2012 and 2001.

Mr. Jean-François Bernier: Yes.

Hon. Stéphane Dion: Canada is the third largest exporter of musical talent. The United States is the largest and the second largest is—

Mr. Jean-François Bernier: —Great Britain.

Hon. Stéphane Dion: Have we been third for a long time or is it more recent?

Mr. Jean-François Bernier: We have been either second or third for a decade now.

Hon. Stéphane Dion: That is because our songs are in English and therefore they are being played. Our position is stable; we are third, but it is not an improvement.

Mr. Jean-François Bernier: It is not an improvement, but it is not a loss either.

Hon. Stéphane Dion: I agree.

I would like to talk about the information we have received from the Library of Parliament analyst.

The document says that the market value of Canadian music sales totalled \$353 million in 2012, a decrease of 19.7% over 2008. That is almost one-fifth. There was a drop in CD sales of 46%. Even though the sales of digital recordings doubled, the fact remains that there is still a shortfall of one-fifth. That is not in your document.

• (1220)

Ms. Sophie Couture: You are talking about revenue. Over the past decade—

Hon. Stéphane Dion: I am talking about the market value of sales.

Ms. Sophie Couture: —the market shares we use to see the results for the Canada music fund are the value of all the sales in Canada. As a result, according to our data, there is a constant 26%. There was a peak of 28%, but the value has held steady at 26%.

Hon. Stéphane Dion: Yes, but if it is 26%, and the 100% is decreasing by a fifth... That is not good news.

The fact that it is holding steady at 26% is good news, but the fact that it has gone down by a fifth in four years is troubling.

Mr. Jean-François Bernier: In terms of revenue from album sales, the pie was quite big in the 1980s, but it has got smaller since.

The figures are probably good. We do not invent figures like that.

Hon. Stéphane Dion: Is that because of the technology or the difficulty in having copyright respected?

Ms. Sophie Couture: The music world is being turned on its head. We are paying a lot of attention to the level of consumption and to the way in which music is being consumed. There are a lot of platforms. They provide new opportunities and new challenges at the same time.

Twenty years ago, we sold music products linearly. Consumption was overwhelmingly on physical media. People bought discs and income was earned. Today, to get the equivalent of that income in a live-streaming world, we need a number of—

Hon. Stéphane Dion: If it has dropped by a fifth in four years, you have to be alert to that fact. But I cannot find anything about it in your presentation. What has to be done?

The committee is trying to find out how to adjust government assistance in a world where sales have dropped by a fifth in four years.

Mr. Jean-François Bernier: Mr. Dion, the shrinking pie phenomenon is not unique to Quebec or to Canada. No one has found the magic recipe yet, not even the multinationals. A few years ago, there were seven of them. Now there are three. So there have been mergers, acquisitions, and so on.

Music entrepreneurs are trying to find a new business model centred on an artist. Their artists are their currency, in a way. More and more, music revenue comes from tours and merchandising, the T-shirts, the caps and things like that. People are trying to find other sources of revenue because the pie is getting smaller in terms of album sales or even singles.

Yes, it is a concern, but some artists make it work incredibly well.

Hon. Stéphane Dion: Thank you very much.

[English]

The Chair: Mr. Boughen, you have seven minutes.

Mr. Ray Boughen (Palliser, CPC): Mr. Chair, let me add my voice of welcome to the panel for being understanding of our responsibility to vote on various issues. Thank you to the witnesses for staying with us.

In looking at the information we have had circulated, we see the current distribution model of the Canada music fund, and we believe the fund is achieving its objectives. How are the objectives evaluated? Is there some measure we use to determine whether we're on target or not? What would that be?

Ms. Sophie Couture: The key result for us is to look at the market share, and in Canada the domestic market share. Again, this is to look at the overall sales within Canada. As we've just pointed out, we see that despite all the challenges that are occurring in the music industry, this is right now at 26%. We also look at different results from the projects on a constant basis every year so that we can report to Parliament. We're looking at the number of albums in diverse genres that are produced, recorded, and marketed. If you produce a certain level of albums for the market and you have sales in Canada and internationally, it goes back to the market share, and then you know that what you do in terms of projects is working.

We also look at the showcases, as we pointed out in the deck. We can see that doing the showcasing domestically and in other countries gives a chance to the artist to be signed, to be seen by buyers, so that they have tours, so that they have more dates and they can do more touring. We also see a net increase in the royalties that are collected by SOCAN. We can see that internationally there are more royalties than ever, which is another sign that it's working domestically and abroad.

•(1225)

Mr. Jean-François Bernier: If I may add to that, we do, as part of the public policy development process, evaluate those programs from time to time. Normally it's every five years. There's an ongoing evaluation on the objectives of the program and whether they are met, and we get recommendations on ways to improve.

The last one was in 2007. We have one...if you had started your review in three months, you would have had the results. We're just about to finish it. It's done independently from my policy shop. We have mechanisms to evaluate if objectives are met or not.

Mr. Ray Boughen: With all the artists that are out there, who selects the artists for performances like those at the Juno awards? How are those artists selected? Can you share that with us?

Ms. Sophie Couture: They have juries. This is not a decision that is made by the government. Those are juried.

[*Translation*]

Mr. Jean-François Bernier: He mentioned the Junos.

Ms. Sophie Couture: There are the Junos too.

[*English*]

There are selections done by committees that are looking at diverse criteria, such as your sales, your work, and from where you go to where. Based on their selection, they have nominees, and then they make the selection for the winners.

Mr. Ray Boughen: There's a committee that selects the performers.

Mr. Jean-François Bernier: Yes. For the Junos or the Gala de l'ADISQ, which is the French equivalent of the Juno Awards, there's a producer and a committee. They bring in the popular stars of the year. This is how they're selected. The government has nothing to do with picking artists. This is as true for the performances at the Juno Awards as it is for picking projects and which artists we should invest in or not. It's really not.... We're not doing that.

Ms. Sophie Couture: In certain categories, it's like when you go to restaurants; it's the choice of the public. They're the ones.... There

are surveys that go out and depending on which categories they select....

Mr. Ray Boughen: Thanks, Chair.

The Chair: You have more than two minutes left, if you want to use it.

Mr. Ray Boughen: I'll pass it over to John, because he was having a fit here at being cut off a while ago.

The Chair: Go ahead, Mr. Weston.

[*Translation*]

Mr. John Weston: Thank you, Mr. Chair.

Ms. Couture, I will pick up where I left off and ask you my questions.

Do you have an idea of the questions we could ask the musicians? I think we have to focus on the people who benefit from this program.

Ms. Sophie Couture: Given all the changes that the artists and the entrepreneurs in the music industry in general are going through, I think that it is always good to get a sense of the real challenges they face every day. Understanding their challenges is the best way to adjust public policy.

So you should ask them whether the current funding mechanisms meet their needs or whether their priorities are more international and digital now. So you have to confirm the priorities again. Those would be the questions to ask them, I feel.

People in the industry generally make themselves heard. It is not very hard for them to give their opinion on various things. A good open question could provide you with a lot of information.

Mr. John Weston: If you think of any other questions that we could ask, we will gladly take them.

Thank you, Mr. Chair.

•(1230)

[*English*]

The Chair: Thank you.

We'll now go to our five-minute round of questioning.

[*Translation*]

Mr. Nantel, you have the floor for five minutes.

Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP): Thank you, Mr. Chair.

As my colleague said, my thanks to the witnesses for their patience.

The idea of conducting a study on the world of music is more than appropriate, of course. But I would like to get one thing clear. As I see it, record production, support for artists, our cultural richness, are really going well both nationally and internationally. The figures you have shown us are conclusive in terms of the process of music production, creation and support for the creators. Basically, in general terms, that is going well.

But there was a part of your presentation that did not reflect daily reality, I feel. Mr. Dion tried to raise a point about sales. As you very rightly said, the number of majors in business in Canada has dropped spectacularly. I was with Sony at a time when there were 17 majors in Montreal. Now I believe that there are only 12 left, including BMG. Some have merged.

That drop is troubling. That said, it is an international situation that is potentially linked to things like pirating, but also to other forms of consumption. That is precisely the topic that I would like you to tell us more about.

I brought my daughter's computer. I am struck by how great a challenge it still is to improve the visibility of Canadian productions on platforms that the audience goes to. If you go to deezer.ca, you get redirected to deezer.com. That is one example. Deezer is no worse than any other. I registered as a 50-year-old Canadian francophone. I got a "top 100" list and only about three of the 100 artists were Canadian. I could register with a profile of "Songs in French", but you have to look for it. This is a problem.

At the moment, I feel that the entire recording industry needs support for its Internet presence. I went on the iTunes Canada site and it is the same thing. The iTunes site certainly provides a site in French. There are local selections. But it is still all new. Up until now, we have managed to impose quotas. Mr. Juneau made that proposal a while ago and it made all the difference. You spoke highly of it too.

The result is that, today, our music industry is also solid. The same thing goes for television and cinema. The quotas encouraged the development of our own cultural products. It created a vibrant culture on a daily basis. That is a great. We are not talking about a pair of snowshoes hanging in a museum. We are talking about people listening to homegrown contemporary music. They see that as a good thing and they are proud of it. It makes for a good show on national holidays. It generates record sales and creates jobs.

How are you communicating with the recording industry in order to try and improve our presence on these new platforms?

Mr. Jean-François Bernier: That is an excellent question.

Let me go back to 2009, when the fund was overhauled. It was not a huge overhaul, but the decision was still made to support two priorities that came from the music industry. They often tell us that Canadian artists and Canadian content are not sufficiently featured on digital platforms, or on other kinds. I will not tell you that all the problems have been solved, but the decision has still been made to invest more in order to develop the digital market.

Annex 2 gives several examples of market development initiatives in this area. There is a lot of trial and error as we move forward with it.

Mr. Pierre Nantel: Yes.

Mr. Jean-François Bernier: You worked in the industry. If there was a miracle recipe, Sony would still be one of 17 in Montreal.

Mr. Pierre Nantel: What you say is valid and what we did in 2009 was good. However, there is a kind of inertia, not only with you but here too, all over Parliament. Things are moving much too quickly for us to be able to digest it. That is the problem.

Since I opened a Deezer account, that is the music that plays in my office. I have constant access to new music. I can adjust my profile so that the music playing matches the styles that interest me. I can rewind a song, stop it, start it again, replay it in a loop, and so on. In other words, I am not going to be buying the new disc because I am on Deezer. This all highlights the question of what a decent payment might be to get the music offered by that kind of station.

You mentioned 2009. That is already five years ago now, and you know as well as I do, that is a long time.

• (1235)

[English]

The Chair: Monsieur Nantel, *merci*.

Mr. Pierre Nantel: I'm done, unfortunately. I'll be back.

The Chair: Mr. Dykstra for five minutes.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you very much for the update and for being here this morning.

I have gone through the presentation. On page 8 you talk about the quotas for broadcasting of Canadian and French-language popular music content. I wondered if you could comment on how those originated in terms of 35% of the playlist being devoted to Canadian content and 65% of the playlist devoted to French-language content. How was that arrived at, and have you ever reconsidered?

There are many in the music industry who I've heard talk about this as being more of a burden to Canadian content, to Canadian music and the development of such, than it is a benefit. I wonder if you could comment on whether there's a thought within the ministry, whether there's a thought within the industry, to taking another look at this and seeing whether or not we actually need content levels or if we should adjust them to perhaps a more appropriate level in this day and age.

Mr. Jean-François Bernier: Thank you for the question.

The Canadian content regulations are not a policy of the department. Those regulations are established by the CRTC. I understand you're going to have them on one of the panels. I would recommend that you ask them how they come up with those numbers.

However, it is true that there is a debate out there against and in favour of those types of quotas. If that's okay with you, I would defer that question to the CRTC.

Mr. Rick Dykstra: It's actually not okay. I'd really like to get an answer from you as to what you think.

Mr. Jean-François Bernier: I think—

Mr. Rick Dykstra: At the end of this study, we'd like to be able to make some recommendations. As a committee, we'd like to be able to work through this process. I know it's not always easy. I don't mean to put you on the spot from a professional perspective, but I do think your understanding and knowledge of this file is probably one of the top in the country for both of you, and perhaps allow a little bit of latitude just to give an indication as to whether or not you think these should remain steadfast in place or whether we should be looking at changing the levels they are at right now.

Ms. Sophie Couture: When we look overall in the music industry, the holistic approach has proven to be a success. What I mean by this is the CRTC CCD content is for us, the CMF, something that works because the money is blended and this is blended with the public money. For each dollar that is invested right now, with the money that we have, we can double the investments. We can do more with that money. The money is blended so it's toward the government objectives. The shift to international and digital is something that is good because with this blended money, we can devote all those resources.

Mr. Rick Dykstra: Can you link for me what you mean by the money being blended and the Canadian content?

Ms. Sophie Couture: The Canadian content quotas are stemming from different transactions. When the CRTC, by regulation, they send it to....

Sorry, I'm talking about the CCD contribution.

They are allocated to FACTOR and Musicaction, Radio Star and Starmaker. When they are allocated to FACTOR and Musicaction, those two organizations are third party administrators for the Canada music fund. They're receiving the money and they blend it with the government money that they receive under the CMF.

• (1240)

Mr. Rick Dykstra: I'm struggling here a little bit. Maybe it's just me. I'm not sure how the blended funds, the allocation of funds, relates to Canadian content rules and regulations that the CRTC puts in.

Mr. Jean-François Bernier: The CRTC has the power to make regulations in the communications industry, broadcasting, telecom.

In the area specific to music, two regulations address the music sector more specifically.

There are quotas for commercial radio broadcasters. Those quotas are at 35% Canadian content over a week. For French-language radio stations, they have to comply with the 35% and they also have a 65% quota for French-language music, and not necessarily Canadian French-language music; it can be French music from France, Belgium, Africa, wherever. That's one level of regulation.

The other level of regulation is that commercial radio stations have to contribute money to the development of Canadian content. This is on page 8 of our presentation. When Sophie was referring to blended funds, broadcasters have created foundations, organizations to administer collectively all their contributions. For example, CHEZ 106, a radio station here in Ottawa, has to contribute to the development of Canadian talent. They take the amount that they have to give towards Canadian content and they hand it over to FACTOR for administration. All individual radio stations do that.

Private sector money goes to FACTOR for the English-language sector, and Musicaction, which is the equivalent for French.

What we did 25 years ago, the government said, "Oh, there are two administrators out there that seem to know about music." They had a board of people who knew music. The board was composed of broadcasters, the music industry, and some artists. The government said, "We're going to give them some public money to administer." Of course this is all under contribution agreements. They don't buy yellow buses with that money. They're audited.

This is what Sophie was referring to, the blending of money. It's kind of a public-private partnership.

Mr. Rick Dykstra: Thank you.

The Chair: Thank you very much.

We're going to go for about three or four minutes and we're going to go to Ms. Mathysen.

I think you're going to share your time with Monsieur Nantel.

[Translation]

Ms. Irene Mathysen (London—Fanshawe, NDP): Thank you very much, Mr. Chair.

[English]

Witnesses, thank you very much for being here.

I have to tell you how impressive the work that you do is. I can remember the old days when we didn't realize the incredible talent we had here until suddenly there was an Anne Murray and a Gordon Lightfoot. The preservation and encouragement of that talent is so important.

You talked about Library and Archives Canada and how they preserve the performance of those incredible artists over time. LAC received \$360,000 for the music memories segment of the music fund. How is that money spent?

Ms. Sophie Couture: This is mainly spent on activities to retrieve the recorded music within Canada. It's to make the labels know they exist and that it's mandatory for them to send the masters to the library. Also, in the last few years they have been transferring from the physical masters to digital support.

• (1245)

Mr. Jean-François Bernier: One of the panels will include Library and Archives Canada, and they will be in a very good position to tell you, in detail, what they do with that money. It essentially complements an amount that they have in-house, a part of their annual parliamentary budget. It's the only cultural industry that we help with a special fund like this for Canadian music, recognizing all the back recordings that have to be recovered.

Preservation is something I'm really interested in. I don't want to use too much of the committee's time, but when you meet artists who have grey hair, they will say, "Oh my God, my masters are in my basement. What do I do with them?" Well, this is where Library and Archives can give a hand.

[Translation]

Ms. Irene Mathysen: Thank you.

Over to you, Mr. Nantel.

Mr. Pierre Nantel: Thank you very much.

I am going to use the time I have left to ask you this.

Before the elections in May 2011, the Standing Committee on Canadian Heritage conducted a study on Canada in the digital age and submitted a report. I do not remember the exact title of that report. But recommendation 15 of the report read as follows:

The Committee recommends that the Government of Canada strengthen the digital media components of its programs for arts and culture.

Was that recommendation passed on to you? If so, have you been able to act on it?

Mr. Jean-François Bernier: As I understand it, the report contained a recommendation that asked for a government response. However, because of the elections, the report died on the order paper.

Mr. Pierre Nantel: There is a form of government inertia and paralysis in the face of an evolving market. Our children are ahead of us; they tell us that this is not the way people listen to music and that we are behind the times. Actually, in terms of the report, we are four years behind. I hope that each one of you will take the trouble to go and check it, if only for its recommendations.

We have to get our act together and do something quickly if we want to change things for our homegrown culture.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Nantel

[*English*]

I'd like to thank our witnesses for coming today. This is going to conclude the panel.

I apologize to our other panel, but because of the votes, today's schedule changed. We'd like to ask the CRTC and Library and Archives Canada, if they can come back, that they join us this coming Thursday, in the second hour, commencing at 11:55 a.m.

Mr. Dykstra, we're going to spend 10 minutes or so on committee business.

Mr. Rick Dykstra: Okay.

The Chair: It will be in camera.

Mr. Rick Dykstra: I'd like to respond to a point made by Mr. Dion, when you say it's all right.

The Chair: We'll do that at the next meeting.

Mr. Rick Dykstra: I would like to do it now.

The Chair: You'd like to do it now. Okay.

Mr. Rick Dykstra: Are you saying we're going in camera?

The Chair: We are. When we conclude this, we're going in camera.

Mr. Rick Dykstra: I can do it then.

The Chair: Okay.

Thank you very much.

[*Proceedings continue in camera*]

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>