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Chair

Mr. Gordon Brown

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• (1100)

[English]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good morning everyone.

We're going to call the 21st meeting of the Standing Committee on Canadian Heritage to order.

Right now we are conducting a review of the Canadian music industry. For the first hour we have three organizations represented. First of all, from the Canadian Independent Recording Artists' Association, we have Zachary Leighton and Gregg Terrence; from the National Music Centre, we have Andrew Mosker and Mary Kapusta; and from Lula Lounge, we have Tracy Jenkins.

Some of you may recall that last week Tracy was fogged in in Toronto, so thank you for being able to join us today.

Each of our organizations will have eight minutes, and then we'll have rounds of questions.

We'll start with our folks from the Canadian Independent Recording Artists' Association. You have the floor for eight minutes.

Mr. Gregg Terrence (President, Canadian Independent Recording Artists' Association): Thank you.

Good morning. My name is Gregg Terrence. I'm the president of the Canadian Independent Recording Artists' Association, also known as CIRAA. I'm also the owner of Indie Pool, a Canadian independent music aggregator with over 100,000 Canadian songs on iTunes, which works with over 15,000 Canadian independent recording artists.

I'm joined by Zachary Leighton, CIRAA's executive director.

Mr. Zachary Leighton (Executive Director, Canadian Independent Recording Artists' Association): We'd like to thank you for the opportunity to appear in front of you today.

The digital frontier of Canada's music industry has empowered independent artist entrepreneurs by means of a fully integrated business ecosystem. It is now viable for musical acts to establish an intimate and dedicated following through a grassroots approach without record companies. As a result of this digital progress, and due to the contracting of the traditional music industry, the last 25 years has seen the rise of the artist entrepreneur.

CIRAA provides support to these artist entrepreneurs through unique programming, such as an online music business educational series, monthly mentorships with established artists, and a monthly micro grant to reward and encourage live performances.

Our current membership exceeds 9,200 artists across the country; however, CIRAA's statistics confirm that there are approximately 19,000 active, independent recording acts in Canada. Seventy-eight per cent consider themselves professional musicians, with a staggering collective reach of 5.2 million fans, collectively performing 750,000 shows annually, or 2,000 performances every single day.

Each spend, on average, \$3,400 annually on their music careers, amounting to tens of millions of dollars and triggering hundreds of millions in economic activity.

Mr. Gregg Terrence: These artists exist in a precarious and important stage of Canada's talent development system, a system that CIRAA often compares to an apple orchard. The end goal of having an orchard is to pick beautiful, new apples, shine them, and distribute them domestically, and preferably internationally. But before putting apples or bands to market, some very careful and measured steps must take place to assure a healthy crop.

First, one must prepare the land and sow the seeds by ensuring instruments are in our schools and our children are taught the value of music to our culture. We must all support budding musicians in this childhood incubation period prior to their introduction to the Canadian music industry.

Then, we must water and tend to the saplings, or in this case, Canada's artist entrepreneurs, by providing ongoing funding for the creation of demos and master recordings, video content, websites, marketing, touring and showcasing, and so on.

Finally, we must care for mature trees, pick the apples and take them to market, by supporting nearly established artists, music businesses, innovative start-up businesses, and industry events.

All of these stages must be adequately addressed to ensure the long-term sustainability of the Canadian music industry. We are here to testify that the CMF is starving our seeds and saplings, and they are dying off.

Mr. Zachary Leighton: Over the past seven years, FACTOR has contributed just over \$105 million in total offerings. Of that \$105 million, \$97 million, or 93%, has gone to signed artists and music businesses, with a paltry 6.8% going to all of Canada's artist entrepreneurs. Another way to put it is that 93% of the money has gone to 1.5% of Canada's active artists.

Then you add the fact that this 1.5% of Canadian bands are often also eligible to receive funding from the Radio Starmaker Fund and are often supported by both organizations in the same fiscal year.

Then, you also add the fact that many of the record labels and management companies representing the majority of this 1.5% are also receiving CMF support from the music entrepreneur component of the Canada Music Fund. All told, between MEC funding, Starmaker, and FACTOR, a handful of artists and companies received more support than all of Canada's artist entrepreneurs combined.

CIRAA is not here to judge the needs of this 1.5%. We are here to report on the neglect of the 98.5% and its effects on our industry.

In 2006, there were 28,000 active artist entrepreneurs in Canada. That number is down nearly 50%, slowly choking off the supply of talented artists, and potentially depriving Canadians of the next Glenn Gould, or Bryan Adams, or Arcade Fire.

Another telling fact is that, of Canada's 19,000 recording artists, only 3,400 have even bothered to register with FACTOR, due to widespread apathy. Canada's remaining artists feel abandoned, frustrated, angry, and are increasingly vocal.

• (1105)

Mr. Gregg Terrence: CIRAA and others have attempted to modernize FACTOR. However, the bylaws dictating the institutional makeup of the FACTOR board of directors, created before the rise of the artist entrepreneur, assures us that nothing there is likely to change. Roughly half the seats are assigned to traditional commercial music businesses and the other half to radio.

To ensure a sustainable Canadian talent development strategy, CIRAA respectfully offers the following recommendations:

One, the Canada Music Fund should be divided equally across the development supply chain. We recommend that one-third of CMF funding goes to independent artist entrepreneurs, another third to established artists through FACTOR, and the final third to music businesses through the music entrepreneur component and the collective initiatives program.

Two, we recommend that a new funding organization be founded collectively by specialists in the independent artist entrepreneur field; including, but not limited to, CIRAA. This new funding organization would invest its third in artist development and artist entrepreneurs. We believe that no association should ask for this task alone, and that there are many across the country that can provide valuable leadership.

We strongly believe that a new organization allocating funds towards artist development for early career musicians and artist entrepreneurs will see a number of improvements, which this committee is seeking.

One, more funding will flow to communities nationwide, with less concentration in Toronto, where Canada's music companies primarily exist. This also means greater support for homegrown, local culture across Canada.

Two, there will be greater public recognition and appreciation for the Government of Canada's support to music in all communities, due to fewer intermediaries.

Three, there will be more artistic and business innovation by fuelling entrepreneurs using modern technologies and cutting-edge methods beyond simply recording music.

Four, there will be a levelling of the playing field between artists supported by personal investment of family and those without financial support.

Five, music business literacy will be expanded through education and mentorship.

Finally, Canada's music companies will benefit from having more developed and educated artists ready to expand their audiences; in essence, a stronger and more vibrant supply line.

We are asking for a nod, an invitation, or better yet, a clear mandate from this committee to begin the work of assembling associations nationwide to create a new funding body tasked with solving this fundamental imbalance that, without repair, will make all other recommendations heard here akin to rearranging the chairs on the *Titanic*. We need a strong, educated, literate, and confident artist entrepreneur base that sparks artistry and innovation in communities coast to coast to coast.

We thank you for your time today and for your continued support of Canadian music. We look forward to your questions and comments.

The Chair: Thank you very much.

We'll now move to the National Music Centre.

Andrew Mosker and Mary Kapusta, you have the floor for eight minutes.

Mr. Andrew Mosker (President and Chief Executive Officer, National Music Centre): Good morning, bonjour, and thank you for inviting us to speak to the standing committee today. And thank you for all of the support that the government of Canada has made over the years in fostering, developing, and sharing Canadian music.

I applaud you for wanting to learn more, and for asking the question regarding whether or not the current strategies and investments are working as well as they can, and if they're not, what can be done to adjust, alter, or reinvent them. Regardless, the government of Canada's role at the table is fundamental, as music is a vehicle by which we communicate our values, our identity, and our nationhood.

The facts speak for themselves. Today, we are already an arts nation, a country where ordinary Canadians spend more than twice as much each year attending the arts—of which music is a major component—than all sports in Canada put together. In short, Canada cares about music.

It's no secret that the changes in technology over the past 10 to 15 years have impacted all of us, between the launch of Napster in 2000 and the iPhone in 2007. It is also no secret that these technologies, as well as others, have profoundly affected the music industry, both positively and negatively. Although the impact of these new technologies on the development of music and the music industry is nothing new—it's been happening for centuries, often in transformative ways—its net impact over this period has fundamentally altered the commercial system of the music industry that has been in place for well over 100 years, and much more quickly and adversely than originally anticipated.

I'll describe some of these changes. While digital revenues for music have increased, they have not replaced what has been lost due to the disappearance of physical sales. Revenues paid to creators for the intellectual property created has decreased significantly, forcing musicians to find other ways to earn a livelihood. The public has devalued the economic value of an artistic work. The traditional role of a major record label has been redirected from marketer and incubator mainly to distributor. The presentation of live music is becoming more important for artists to generate revenue than ever in the past.

Despite these changes, we have not seen an erosion of music, but rather quite the contrary, in fact. Music is more ubiquitous and varied than ever, offering more choice for the listener and, I would argue, more opportunities for the musician and the creator to draw upon to expand the creative process. There is an opportunity that we must recognize and celebrate with these changes in technology.

As the seventh largest music market in the world, Canadians have demonstrated their support for music, and we need to continue to build on those successes, but be more innovative in how we continue to nurture our uniquely Canadian voice for the future. It is in this context that I will be making the following recommendations to this committee.

Number one, invest in awareness that celebrates and educates. We believe there needs to be more focus on recognizing and celebrating the contributions that Canadians have made in music, and celebrate it not only nationally within Canada but globally as well. In short,

invest a portion of the existing allocation to a national awareness program that educates and celebrates the stories of performers, songwriters, producers, and composers of our country through a myriad of media platforms. The stories of these individuals are often inspirational tales of unique talent, drive, hard work, and competitiveness.

The contribution that Canada has made to music is staggering when you consider our relatively small population and the size of our economy, the 14th largest in the world. For example, since the 1950s we have given the world such artists as Glenn Gould, Oscar Peterson, The Band, Neil Young, Joni Mitchell, Leonard Cohen, The Guess Who, Offenbach, Harmonium, Céline Dion, Arcade Fire, and untold others. These stories are untapped treasures, and my own experience at the National Music Centre has elevated my own awareness that many people don't realize that these artists are, in fact, Canadian.

Number two, brand Canada as a music country, and launch this national awareness strategy to further communicate the impact that the creative industries, and music in particular, have on strengthening Canada's economic position in the world as a place that attracts the brightest and most creative talent to live here and work here. It's taking the success of music tourism and expanding it further as an economic pillar. In the process, this is one way we can continue to develop and celebrate our uniquely Canadian diversity and voice.

● (1110)

Number three, expand hall of fame celebrations in Canada beyond a segment of an annual awards show to an outreach opportunity that tells a broader narrative relating to the inductees' success and what impact they are having on younger artists emerging today. Think of it as successful artists giving back to their community. Celebrating recognition will amplify existing support for production, marketing, and touring opportunities to completely new levels.

Number four, celebrate diversity and broaden support to include the unique multicultural tapestry of Canadian identity. By this, I mean be inclusive. In addition to our aboriginal peoples and our founding peoples from Europe, consider the broader ethnic voices that are a significant part of Canada's population.

Number five, as part of the National Music Centre's offering, our intention is to represent our geographical regions by amplifying their unique stories, not only through the assembling of collections but also by supporting and incubating the unique voices that come from each of these regions.

In the area of incubation and professional development, we offer the following recommendations: Canada's musicians need a hub that is available 365 days a year. Musicians today need to have a holistic understanding of the environment they're working in, from the creative process to the marketing process, and everything in-between.

We need to ask where our professional knowledge is and if we are creating an environment that fosters meaningful collaboration and mentorship. The National Music Centre can potentially help with this. It would not surprise me if many of you had never heard of the National Music Centre prior to this presentation, what our purpose is and why we matter to Canadians, regardless of where they live in Canada.

We're headquartered in Calgary, Alberta. We're a non-profit charitable organization. Our vision is to harness the power of music and use it as a way to catalyze innovation, discovery, and renewal of things that matter to Canadians.

Our mission is to build a home for music in Canada that champions our stories, as a country, through a wide range of programs, including exhibitions that celebrate our history in music, our contributions, our voice, and our identity; education programs for elementary schools that extend beyond traditional music education, that connects core curriculum subjects, including math, science, language arts, social studies, to examples from music. This very successful practice is particularly important for those who might never be exposed to traditional music education; supporting performances of touring Canadian artists across the musical spectrum through live shows that foster, at various stages of an artist's development, their own professional abilities. Finally, inviting an artist...in resident incubation programs that nurture the development of new Canadian music for recording artists, composers, as well as performers.

In essence, the National Music Centre is a hybrid organization and has derived its influence from a variety of influences—music, technology, and museums. On an annual basis, today we serve about 75,000 people, mostly in Calgary, and we're now in the process of building a new National Music Centre building, that is currently under construction in Calgary, for which we have already raised \$103 million. We're scheduled to open in the first quarter of 2016.

As a nationally focused organization, we have several partnerships, with the Canadian Music Hall of Fame, Junos, CARAS, the Canadian Country Music Association, CKUA radio network, Library and Archives Canada, as well as several others.

I've worked and volunteered in many aspects of the music industry over the past 25 years—as a musician, an academic, a promoter, and a broadcaster. I was the first employee at the National Music Centre 16 years ago. I've been fortunate enough to be in a position to shape an entirely new organization for Canada that supports and celebrates our country's national music story through

education, as well as serving as a hub for creating, supporting, and celebrating Canadian music.

I think we've been fortunate enough to be in a position to fill a void in Canada at a time when the music industry, as well as museums in general, have undergone a radical shift as a result of the rapidly changing technologies—

• (1115)

The Chair: Mr. Mosker, I'm going to have to cut you off there. You're well past the allotted time.

Mr. Andrew Mosker: Thank you.

The Chair: You'll have an opportunity to expand during questions.

We'll now move to Tracy Jenkins, from Lula Lounge, for eight minutes.

Ms. Tracy Jenkins (Executive and Co-Artistic Director, Lula Music and Arts Centre, Lula Lounge): Thank you for the opportunity to appear in front of the committee today.

I represent Lula Lounge, a mid-size venue in Toronto that specializes in presenting world music, often through partnerships with other presenting and community organizations. In tandem with the venue we run a not-for-profit organization, Lula Music and Arts Centre, which receives some support from arts councils for its multicultural presenting and educational activities. This private-public partnership model was inspired by organizations such as Harbourfront Centre in Toronto and the Public Theater in New York City, both of which derive some income from a separate for-profit corporation.

While best known for our weekend salsa nights featuring 10-piece to 12-piece live salsa ensembles, we also present many other forms of Latin music as well as jazz, opera, classical, flamenco, Brazilian, African, Eastern European, and South Asian music.

I'm sure you're all aware that Canada is home to some of the world's very best musicians working in these genres. Many of these receive support directly or indirectly from Heritage Canada programs.

With a capacity of 250, Lula tends to host emerging rather than established artists. While more mainstream musicians such as Feist, Metric, and Norah Jones have performed at Lula, most of our programming focuses on artists from diverse cultural backgrounds whose work lies outside of the commercial mainstream. Although we serve audiences with quite particular musical interests, our presenting activity has significant economic, artistic, and social impact. More than 30 people are employed year-round by the venue and each year hundreds of musicians, mostly Canadian, derive income from playing at the club. Performing at Lula, they build their fan bases, sell CDs, and develop artistically.

Our venue and other places like it are spots where projects funded by municipal and provincial arts councils, FACTOR, and Canada Council come before an audience, creating connections between communities and art. Lula and other world music presenters provide opportunities for immigrant communities to engage with their musical traditions and for audience members to learn about and enjoy a diversity of artistic cultures.

We hope that the results of this study will recognize the importance of small, mid-size, and non-traditional presenters and venues. Small presenters in bars, churches, and libraries in and outside of major city centres make tours across Canada possible. It is through such tours that artists can build an audience and launch their careers. Collectively the social, artistic, and economic impact of these small presenters is very important and needs to be taken into account.

To support such presenters we suggest Heritage Canada continue to foster the presenting infrastructure by encouraging networks across the country. The Canadian world music presenting community has formed such a network. We hope that our efforts will be supported as we have seen firsthand how such a network can increase touring opportunities for artists and allow presenters to do more with the resources that they have at their disposal.

We urge Heritage Canada to work with Immigration Canada to eradicate the new LMO application fees for foreign artists. A healthy music industry cannot be insular. Canadian audiences clearly have an appetite for hearing great music from around the world and are interested in emerging artists from elsewhere.

While our foremost goal is to support Canadian artists, we've seen that working with international musicians can benefit those from Canada. For many years at Lula we've programmed concerts that bring together local and international artists. We do this with an eye to creating unique experiences for audiences, as well as professional and artistic opportunities for Canadian musicians. Often the invited guests are further along in their career path and a mentoring relationship develops. These international collaborations have been very successful in terms of the calibre of art created, economic impact, and the career development of the artists involved.

The new LMO application fees make such international collaboration significantly more expensive and difficult. While we've been able to obtain exemptions for some of our activities, each exemption is done on a case-by-case basis and is not guaranteed. The process to apply for an exemption is cumbersome and acts as a barrier to taking on such projects. We know that colleagues who present some of their jazz and world music festivals and series in bars face similar uncertainty.

We hope that the Canadian government will see that, unlike other industries, our goal in bringing in foreign workers is not to save money or to cut out Canadians, but to enrich the artistic lives of creators and music fans.

On the flip side, Canadian artists need to tour in the U.S. as well as Canada. Given the importance of access to U.S. markets to Canadian artists, we wonder if an agreement of sorts between Canada and the U.S. for touring musicians might be possible.

● (1120)

We'll also briefly mention that the unwieldy process for applying for tax waivers for foreign artists puts additional stress on many festivals and serious presenters funded by Heritage Canada programs. Perhaps this is another issue on which branches of government could work together to strengthen our industry.

Many presenters to this committee have stressed the importance of music education. We would like to reinforce this point and add that we need to simultaneously foster a culture of professional music journalism. With changes to the publishing industry and cutbacks to the CBC, many of the writers and broadcasters who used to celebrate and critique Canadian musical arts are no longer active. Perhaps this could be achieved by working with university journalism programs or perhaps through the Canada Media Fund.

Finally, going back to the importance of supporting a diversity of musical cultures, we would like to point out that CBC Radio has been crucial in helping us to develop audiences for our programming and the artists we present. We have really felt the impact of the loss of the initiative to do live recording for a future broadcast as this was an effective vehicle for reaching new listeners across the country and affirming the importance of artistic contributions being made by culturally diverse Canadian artists.

Thank you.

The Chair: All right, thank you very much.

We'll now move to the questions, and we'll start with Mr. Hillyer for seven minutes.

Mr. Jim Hillyer (Lethbridge, CPC): Thank you very much.

I want to talk more about your thoughts about changing how the Canada Music Fund is divided. It's divided into four components: the new musical works component, collective initiatives component, music entrepreneur component, and Canadian music memories component.

FACTOR and Musicaction are responsible for administering the new musical works component and the collective initiatives component.

Because they are closely involved with industry, do you believe that artists and artists' organizations would be better served if they administered the entire fund and not just those parts?

•(1125)

Mr. Gregg Terrence: Not entirely. We believe that FACTOR does a wonderful job at funding established artists, at picking fruit from the tree, shining them, bringing them to market. They know how to do that very well. The board is radio people looking for hits and the board is large music companies, and we believe in what they do and that it is a fundamentally important element of what they do.

However, the artist entrepreneur, which is something that is new since the creation of FACTOR, with the tools that are at his or her disposal, is severely neglected because there's not really a long-term strategy. As to how those four components are divided, we see collective initiatives and the music entrepreneur program as the final third. That's basically taking care of the entire orchard. It's about making sure that the ecosystem is there for export and so on.

We believe that one-third of it should be FACTOR. So I guess you would say new musical works would be divided into the other two bodies equally, for young arts entrepreneurs and for established artists and companies. Perhaps we don't see it as the same division of four. We believe a new structure would divide new musical works.

Am I right, Zack?

Mr. Jim Hillyer: You talked about having more funding for music businesses. Can you give me some examples of what kinds of businesses those would be?

Mr. Zachary Leighton: The way we look at it is that there are music businesses as we currently see them. These are record labels, publishers, distributors, organizations, and award shows. Then there are artist entrepreneurs who have created businesses and in many cases are operating small businesses as the artist, so they are playing hundreds of dates a year. They're selling thousands of units of product a year. They are actual businesses. So there are really two ways of defining that, but there are entrepreneurs and music businesses.

Mr. Gregg Terrence: So it's a small business or a large business. Currently the large businesses and large artists are very well funded. However, there is no small business strategy. Zack is a former arts entrepreneur. I'm a former arts entrepreneur. We end up becoming entrepreneurs in the music business, and these artists are managing fan clubs and securing grants and booking shows.

These are businesses in every way possible. They're spending a lot of money. They're active in their communities, and they are in small communities coast to coast. They're in Moose Jaw, in Lethbridge, and in London. They're everywhere, yet they are at this point growing weary of the funding process to a point where we mentioned that over 80% have not even bothered to try anymore with FACTOR, and they haven't registered with FACTOR. Only 3,400 have registered with FACTOR, out of 19,000.

Mr. Zachary Leighton: That 3,400 includes everyone in FACTOR?

Mr. Gregg Terrence: It's everyone including the signed artists and so on and so forth.

Mr. Jim Hillyer: Andrew, when you talked about your organization, you said something about us needing to do more than using one or two award shows a year. As far as music education and music recognition go, would you say there's the same disproportional

emphasis on the handful of famous, established people getting all the attention just as they are getting 90% of the funding, and that we need to shift not just the funding but the education and the recognition of that tier of people who haven't quite become that famous yet?

•(1130)

Mr. Andrew Mosker: I would in part. I think there's a certain element of attraction to celebrity that our society is drawn to, which gets people in the door. Once they're in the door, you can start telling them about second-, third-, and fourth-tier artists and the kind of work that is evolving with them and the creative processes they are going through.

I think independent music is a really good example of how there was at one time in the late 1990s—or in the early 1990s—a bit of a rejection of celebrity in favour of second- and third-tier innovative music, which came from the independent field.

So I think it's a combination. I think it's a balance. You definitely need some celebrity on the educational side. It's no different from a Wayne Gretzky in hockey. It's what gets people's attention, and then as they delve deeper into it, they find other success stories further down the line.

Mr. Jim Hillyer: I liked your metaphor or your allegory about the orchard. When it comes to the heritage department of government, should their emphasis be on making sure artists make a living, or should we be making sure the average Canadian feels connected to Canadian arts? Maybe to do that, you need to help artists make a living, but should the emphasis be on the average Canadian being connected to the arts by the saplings getting the education? Should that be the emphasis, or should it be making sure that the trees are getting the average Canadian supporting them?

Mr. Gregg Terrence: If we run a good orchard, it's all of these pieces. You cannot ignore the fact that we need to polish apples and prepare them for the international marketplace, but there's no doubt there are many seeds created by educators and by schools and young people, and these seeds need to be watered, and these saplings need to be taken care of.

So I do not believe that Heritage needs to have a focus on any one part. We truly believe in the entirety of the ecosystem and the supply line, and we know this supply line is being choked off. It's being choked off by the needs that are being created by the changes in the marketplace. It's been a tough decade. Therefore there are needs there. However, Heritage needs to be aware of the neglect of this marketplace.

This marketplace will take care of connecting with Canadians. They're on Twitter. We're talking about how many millions of Twitter followers? There are multi-millions of Twitter followers of these Canadian artists. The average is 860 per each one of these enterprises, multiplied by 19,000. They will take care of reaching the communities. They will take care of singing the right songs, of going to the right shows, of connecting with Canadians. Heritage doesn't really necessarily have to focus on how we should connect. They will connect. They will find their way on YouTube. They will find their way.

The Chair: Thank you very much.

We're going to have to move over to Mr. Nantel and Ms. Mathysen

[Translation]

for seven minutes.

[English]

Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP): I want to thank you all very much for coming here today to help us better understand the issues.

[Translation]

I would also like to stress how much I would like you to exchange business cards. Andrew Mosker is doing exceptional work. His museum and his collection of instruments is extraordinary. I think that one of the most promising aspects is

[English]

the residence program that you've got for artists. I hope it's going to develop into something where people are able to see artists in residence working in your environment. I think it's truly promising and I wish you all the best in collecting the funds that still have to be collected.

I want to thank Mr. Jenkins and Mrs. Kapusta particularly. I know that your coming here was complicated last week, so thank you for hanging on and bringing in this very important mosaic aspect of music and various issues you are facing.

You did touch base on the CBC issue, and I would like to give notice of motion that we are asking:

That the Committee invite the Honourable Shelly Glover, Minister of Canadian Heritage and Official Languages and the President and Chief Executive Officer of the Canadian Broadcasting Corporation, Hubert T. Lacroix, for a two (2) hour televised meeting on the Canadian Broadcasting Corporation (CBC) and that this meeting take place no later than Thursday, June 12, 2014.

I think you were referring to this as an important crisis, a meltdown of the capacity of our public broadcaster, and I think it plays a key role in all these little artists that you guys are talking about. On this I will leave the *parole* to Mrs. Mathysen, my colleague.

Thank you very much.

•(1135)

[Translation]

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

[English]

Thank you very much for your expertise. I have so many questions, and I'm not sure if I can articulate all the things I'd like to ask.

I will start with "The Next Big Bang". I've been looking through it, and it's an incredible tome. I'm wondering to what degree you would agree with the recommendations in this particular document. You seem to have referenced them: music education, digital innovation, tourism, export expansion, and interconnected tax credits.

Should we as a committee use as this report as a map, a guiding principle? What recommendations would you have in terms of the government looking at this and following it?

Mr. Andrew Mosker: I would agree that the National Music Centre certainly supports that report, particularly two key elements of the recommendations, music education being the first. Everything we do is about music education, but it's very broad. It's not in the traditional sense. We're not a music school but we provide baseline music education for everybody else who doesn't necessarily go to music school. In other words we infuse the provincial curriculum, at least in Alberta and ultimately across Canada over time, with musical anecdotes in every core curriculum subject so that music becomes part of the base language. That's how we have approached it.

That's not to say we don't support traditional music education; we amplify it. In other words, if someone goes to Mount Royal University or the Glenn Gould School or U of T or McGill—pick another school—and they are touring or if they are an independent artist who's on the road touring, we have a venue that presents them. That's across the musical spectrum: hip hop, classical, country; we present all music.

So we definitely support the music education component of that report.

The second key element would be music tourism. We think that's an important incubator for any jurisdiction in Canada to develop clusters, for tourism purposes, around music. There's no question that the consumption of music is not depleting, it's increasing. There's great evidence in that report that suggests that greater clusters of music activity can enhance tourism in any given jurisdiction.

One that's on the fringes and is kind of recommended in that report but is not is one that I focused on a lot, which is celebration. Again, it's an adjunct to education but telling the stories of the great artists who have come from this country and why they are great is part of the inspirational element of the educational framework.

Ms. Irene Mathysen: I appreciate that because I was wondering about the vehicle that you would use in this education. What you have described in Alberta, infusing in the broader curricula, I think is very interesting.

Ms. Jenkins, you referenced the CBC and the cuts. We know that the cuts go back to 1996, \$400 million, and these cuts have continued and this illusion that somehow we can tell our story—

Mr. Rick Dykstra (St. Catharines, CPC): On a point of order, the allegations about cuts are not founded, and I don't think they play a role. If we want to get into a debate of whether there have been increases to this portion of Heritage in terms of the allocations of funding on a yearly basis we can, but I think it makes sense to stick to the topic at hand.

Ms. Irene Mathysen: Well, thank you.

I believe I have the floor, Mr. Chair, and I would like to ask my question.

The Chair: I will not deduct that from your time. You're back on.

Thank you.

Thank you, Mr. Dykstra.

Ms. Irene Mathysen: Thank you.

At any rate, I'd like to continue. We've seen an undermining of the CBC in terms of layoffs and inability to provide the kind of structures that we would like. I was very interested in what you had to say because I am absolutely certain that the CBC plays a significant role, but there are those who would say there are public broadcasters. Why the CBC, as opposed to the public broadcasters, why do we need to make sure that this entity is there?

•(1140)

Ms. Tracy Jenkins: Speaking specifically from our experience trying to promote and support world music artists from diverse cultures, we've received tremendous support from our local CBC, CBC Toronto, but as changes in the CBC have meant the cutback of some programs, we felt that effect. When *Canada Live* would frequently come to the club and record emerging musicians from India, Cuba, wherever, and then broadcast them nationally, that was a very important way of reaching new audiences, and we miss that.

Ms. Irene Mathysen: I understand what you're saying because in London, Ontario, we have Sunfest, and it's magnificent and the CBC records it and broadcast it. The funding that is provided is used locally to sponsor seminars and support local artists. So I do understand absolutely what you're saying.

And if I have time, Mr. Chair, I did want to ask, I think it was Mr. Terrence.

You were talking about hubs. Perhaps it was Mr. Mosker. I wonder, could you describe the hub? Is it something akin to what they have in Austin, Texas?

The Chair: Just a quick answer, please.

Mr. Andrew Mosker: Yes.

Voices: Oh, oh!

Mr. Andrew Mosker: I got cut off once, so I have to be careful.

Ms. Irene Mathysen: Okay, that was very quick. Well, you don't want to get in trouble with this bunch. They push back. I can understand.

Thank you very much.

The Chair: All right. Thank you very much.

Mr. Dion, *vous avez sept minutes*.

[*Translation*]

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

My thanks to each of the witnesses for joining us.

[*English*]

This committee received a lot of advice about the Canada Music Fund, the CMF, and some of your predecessors said don't touch it. So we would like to hear your views because, Mr. Terrence, you say that we need to make big changes to it, and in addition to it, we need to have an additional fund.

Mr. Gregg Terrence: We are not necessarily saying additional money.

Hon. Stéphane Dion: Not additional money.

Mr. Gregg Terrence: We are not saying additional money, and we are not saying that—

Hon. Stéphane Dion: So two funds with the same money?

Mr. Gregg Terrence: Instead of assigning all of the money to FACTOR, with their specialty being in shining apples, we believe that some of those funds should be assigned to a new organization that specializes in and has an understanding regionally and so on about independent artists and entrepreneurs, yes.

Hon. Stéphane Dion: A new funding organization but from the same fund.

Mr. Gregg Terrence: From the same CMF, yes. Correct.

It would be nice if there was more money, of course. We think that it would certainly create fewer waves if there was more money; however, there needs to be a transition there. There needs to be a proper division of funds in order to fund the ecosystem. If we're starving the seeds or the saplings or the trees at any point along the process, it hurts our long-term export interests.

Hon. Stéphane Dion: Thank you.

Mr. Mosker, what do you propose for the CMF?

Mr. Andrew Mosker: I think it's a redistribution or a reallocation of part of it to some of the recommendations of the things the three of us have spoken to: broader investment in diversity, away from certain hubs, not necessarily just in central Canada, but in other parts of Canada. I think that's an important element of the CMF. I think it only builds our nation if there are investments in other regions, and I think that that's an important part. The allocation of the CMF could be considered. I, like Mr. Terrence, don't necessarily agree that we're looking for more money. We're thinking of how to invest, reinvest, or re-strategize the current investment that's already on the table.

Hon. Stéphane Dion: Madam Jenkins, do you want to intervene on this aspect too?

Ms. Tracy Jenkins: I certainly agree with what the other presenters are saying and that it's very important to look at how to get the funding to a diversity of artists. Several of the artists that we work with frequently, who are doing very well within their world, have come to us and asked if we would consider starting a label to try to bring their music to market, to help them because they're having troubles negotiating the funding landscape as it is now. They're having troubles finding access to resources and they're looking to us to help them find their way through that. We're looking at whether we have the resources to take that on.

• (1145)

Hon. Stéphane Dion: So, we have identified one common message by the three organizations here this morning. What would be the second agreement?

Mr. Terrence, what would be your second priority, should Mr. Mosker and Madam Jenkins agree with this second priority as well?

Mr. Gregg Terrence: With regards to the early education elements, we believe strongly that....

We aren't sure what can be done, either through the CMF or federally. We're unaware, politically, of what the opportunities are. It seems very often to be a provincial issue like the work done in Alberta. There seem to be a lot of small battles. Even with local school board trustees, it seems like there are a lot of skirmishes—to try to make sure there are instruments in schools and that kids appreciate music and so on and learn that language. I'm not sure if it's within the context of CMF, or whether it's even in the context of the music industry, but we all agree—

Hon. Stéphane Dion: —or of the federal government.

Mr. Gregg Terrence: —or of the federal government or the music industry generally. However, it is an important priority to make sure there are lots of seeds.

Mr. Andrew Mosker: I would agree that the communication of the message through education of the importance of music is what's.... You're referring to this as the seeds and we refer to this as the inspirational stories of people from this country who have created great works of art known as music that has inspired the world. But that is not possible unless somebody is exposed to music at some point in their life and is given the opportunity to engage with it. So for us at a very fundamental level at the National Music Centre, and we're starting in Alberta because that's where we're headquartered, we have a vision to be national in every province and territory—

[*Translation*]

in French and in English—

[*English*]

and it's important that the message starts at an early age about the importance of music in cognitive and skill development, confidence-building, and at the same time in developing a set of values about what defines our country. Then once you take that message and you're confident that you can become a creator and you can earn a living from playing music because you have the set of tools at your disposal to tour, to record, to disseminate....

Hon. Stéphane Dion: That's very closely linked to education. Maybe the provinces are in a better position than us to be very effective.

Mr. Andrew Mosker: I agree with that. I know it's provincial jurisdiction, but I think there has to be a message nationally about the importance of music to this country. I think that is fundamental to.... I think it's a federal government responsibility because it's about Canada. It's not about Alberta or Ontario or Quebec. It's no different than representing our athletes at the Olympics. That's a national message.

Hon. Stéphane Dion: Madam Jenkins, how may the federal government boost interest in music?

Ms. Tracy Jenkins: I think there are opportunities within the work that Canadian Heritage is already doing in its support of festivals and presenters. A lot of festivals, like Sunfest mentioned earlier and the jazz festivals, have an educational component to them. They do try to do outreach and if those initiatives could be further supported, I think that would have a benefit. I agree that it's really important that kids understand that being a musician is a viable career choice. That wasn't part of my education growing up. I'm always shocked to see all these fantastic musicians making a living around me.

Hon. Stéphane Dion: Thank you very much.

Mr. Gregg Terrence: If I may, may I add a small comment?

It's important to know that it is possible to make a living making music. However, part of our education programs should include dissuading many from doing so, as well, because not everyone can be a musician. Not everyone is talented enough. Not everyone can be a star and it's important to educate them on the landscape, on the business elements, on the competition levels, which are extreme. Not everyone can be an Olympian. Everyone can play soccer. That's great, but not everyone will go to the World Cup. Part of the process is actually saying yes, that there are possibilities; and yes, that there are systems in place; and yes, that the government cares and that if you are entrepreneurial and are talented, there are opportunities for you. However, it's also equally important, in our view, to educate people about the realities that are facing them, to make sure that we don't have too many artists who shouldn't be pursuing these careers and who should instead be moving onto other things in their lives so they can be more productive. It's important not to fool anyone or have any fantasies that everyone can make it.

• (1150)

The Chair: Thank you very much.

Mr. Falk, you have the floor for seven minutes.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): I have a point of order before we go on.

The Chair: Mr. Weston, go ahead.

Mr. John Weston: Well, as the parliamentary secretary, he seems to be a little rusty in his salsa dancing. I think he and the Lula Lounge should just hook up, but—

The Chair: All right.

Mr. Falk, you have the floor.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chairman, and thank you, witnesses, for coming here this morning. I've appreciated your comments.

As my colleague mentioned earlier, the Canada Music Fund is divided up into four different components.

Mr. Terrence, you were giving us a lot of facts and figures initially, but one of the things I managed to write down, in your presentation, was that 93% of FACTOR funding goes to 1% of the artists. You're suggesting a redistribution of some of the money that FACTOR receives—both FACTOR and Musicaction combined receive about \$14 million.

What would you suggest?

Mr. Gregg Terrence: We suggest that one third be divided among artist-entrepreneurs, independent artists; that one third be set to FACTOR labels, managers, publishers for picking and shining fruit; and that one third be there for MEC, the Music Entrepreneur Component and collective initiatives, in order to make sure that the foundations of the industry and the businesses of the industry are strong as well.

Mr. Zachary Leighton: And to stimulate innovation in start-ups, I would add. That's a strong role in collective initiatives currently, through FACTOR. You get new business opportunities coming through that.

Mr. Gregg Terrence: Digital.

Mr. Ted Falk: Like my colleague Mr. Dion, I'm going to try to get agreement from Mr. Mosker and also Ms. Jenkins.

Is that what you would also—

Mr. Andrew Mosker: Yes, I would agree.

I think investment certainly in innovation and digital platforms, and marketing, sort of what happens down the line after the music is made. I think ensuring that there is a distribution network that focuses on Canadian content somewhere, somehow, to get awareness for these artists out there. But I think it really rests in digital innovation, primarily.

Ms. Tracy Jenkins: Yes, I think that would help the artists working in different genres outside the commercial mainstream.

Mr. Gregg Terrence: Not only in the different genres, other than pop commercial hits, but also in communities coast to coast.

Mr. Ted Falk: You've also indicated that not everyone is going to be a Wayne Gretzky and that is the reality of it. Yet it doesn't mean that we don't appreciate watching *Hockey Night in Canada* or any other sporting venue that may suit our fancy.

When we do have Wayne Gretzkys, such as recently we had intervention here from Brett Kissel, a recent Juno award winner, what do you see as their role? The CMF has made an investment in their careers; according to his testimony, it added the impetus, at the right time, for him to be successful. Could you expand a little bit on what a return on that investment should look like?

Mr. Zachary Leighton: Absolutely. His success is a clear accolade to what FACTOR and similar organizations are doing. We strongly believe that sort of intervention needs to continue. We need to see artists having the opportunities all along that supply line, from when they enter into the music industry to the point where Brett is now playing internationally, releasing albums, and winning Junos. That is the role of FACTOR, that is the role of similar organizations, such as Radio Starmaker and other star makers.

What Brett Kissel explained while he was here presenting is that he was fortunate to have the support of family—grandparents I think he mentioned. He mentioned a new guitar. For others, that might be \$1,500 for that first music video, or \$1,000 to go towards a demo, or \$5,000 to go towards a new website. There are a lot of musicians and I would argue that the majority of musicians in Canada, pre-Brett Kissel's current stage, don't have that same support from grandparents or family. This new component, this new third as we've been explaining, could be that support system.

Mr. Ted Falk: I understand that.

Maybe I'll ask my question a little differently. How should artists like Brett Kissel be giving back to the industry?

• (1155)

Mr. Zachary Leighton: One of the programs we have at CIRAA, which is probably our most coveted program, is our mentorship program. What we do is that we work closely with established, successful, Canadian artists. This month, for instance, we have Wayne Petti of Cuff the Duke, who's an award winner who has travelled the world, played with some of Canada's most notable bands. We have Jordan Hastings of Alexisonfire, which is also an incredibly notable act straight out of Canada. We will accept applications until the 15th, and once we get new mentees, these artist-entrepreneurs, as you were referring to, we'll pair them up to work one-on-one for three months. That's something that CIRAA does. The mentee doesn't have to pay; the mentor doesn't pay. We actually pay this mentor to work one-on-one to offer career advice and opportunities. With the mentorships we've seen, and we're now in our fifteenth round, these relationships continue to last. We're seeing songwriting credits. We're seeing shows, live performances at notable venues, notable events. We're seeing breakthrough opportunities coming from this program, and that's something that someone like Brett Kissel, at this point in his career, could offer to someone else.

Mr. Ted Falk: Good.

Mr. Andrew Mosker: I can add something to that, if there's time.

Brett Kissel is an extraordinary individual. He goes over and beyond most artists in his ability to reach out to people and to engage. I think other artists who don't have his personal abilities as a communicator can do other things to give back. I think they can, in our case, record an oral history of what made them successful, what inspired them to be successful. That's something that the National Music Centre could broadcast and make available. They can donate instruments, part of their ephemera, their manuscripts, the things that inspired them, their creative works that they can leave as legacies, which can be tools for education and inspiration. I see this every day. When somebody sees a piano that was played by a certain Canadian artist or a guitar or a set of original lyrics that penned a particular song, it's inspiring to kids. I've seen kids' lives transformed by seeing these things. So they can give back those kinds of things as well, if they don't have Brett's personality. Brett's pretty special in that regard, but I think there are other ways that they can give back as well.

The Chair: Thank you very much. We're almost out of time, but we have just a minute or so for Mr. Stewart to get one question in.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thanks.

This is a three-part question.

Voices: Oh, oh!

Mr. Kennedy Stewart: Thanks for coming.

I'm struggling with this notion of established versus emerging artists, and I'm just hoping that you can help me with that. What in your mind is an established artist, and what's an emerging artist?

Do all emerging artists want to become established artists? I think of the 19,000 people you consider independent artists. Do they all want to become established artists, or perhaps it is only the 3,500 people who apply for FACTOR grants who want to be established artists?

Mr. Gregg Terrence: We recently conducted a nationwide survey. We got 900 responses, and 79.7% considered themselves professional musicians and aspired to make a living making music. So about 20% consider themselves hobbyists.

Mr. Kennedy Stewart: Okay. So why aren't they applying for FACTOR grants?

Mr. Gregg Terrence: It's the cost-benefit analysis for one. There's the time to apply, to be registered, to have a marketing plan, so that maybe you get \$1,000 that you're likely not going to get, on a program that really only encourages the recording of demos and nothing innovative, and so on. The programs are stale and are not connected with the current needs of this community. So they are not applying basically because of the cost-benefit analysis of doing so.

Mr. Kennedy Stewart: And is this something you found in your survey, or is this something that you're extrapolating from that?

Mr. Gregg Terrence: I spent my entire adult life in this field, and I own a company called Indie Pool with 15,000 of these people. I am in direct communication with them. We, the association, survey them. We speak to them. They call us.

Mr. Zachary Leighton: Just to briefly step in as well, in the same survey, I don't have the statistics, but—

The Chair: I'm sorry, we are out of time. We do appreciate your input today, and if you have any other contributions to make to our study, you can send them to us in writing. We're still be taking input for this study over the next couple of weeks.

I'd like to thank our panellists for being with us today, and we will briefly suspend.

• (1200)

_____ (Pause) _____

• (1205)

The Chair: We will call the 21st meeting of the Standing Committee on Canadian Heritage back to order for the second hour.

We have with us three organizations. First from Stingray Digital, we have Eric Albert and Mathieu Pélouin; from Google Canada, we have Jason Kee; and from Deezer, we have Justin Erdman.

Each organization will have eight minutes, starting with Stingray Digital. You have the floor for eight minutes.

Mr. Mathieu Pélouin (Senior Vice-President, Marketing and Communications, Stingray Digital): Good afternoon. Thank you for inviting us to present to the committee.

I am Mathieu Péloquin, Senior Vice-president, Marketing and Communication. With me today is Eric Albert, Executive Vice-president.

Stingray Digital is the leading multi-platform music service provider in the world, with more than 100 million subscribers in 113 countries. Geared toward individuals and businesses alike, the company's commercial entities include leading digital music and video services, Galaxie, Music Choice International, Concert TV, and The KARAOKE Channel. The company also offers music solutions to more than 70,000 businesses via its Stingray360 division and music licensing service through Stingray Music.

Stingray Digital is headquartered in Montreal and has over 200 employees and offices across Canada, as well Los Angeles, Miami, London, and Tel Aviv.

In Canada, up to 60% of Canadians with access to pay television will listen to a Galaxie channel in a given month, as reported by our quarterly listenership tracking survey from Vision Critical.

Stingray is firmly rooted in Canadian culture, and with its extensive international presence our services provide an unparalleled window for the promotion of Canadian artists abroad. We greatly appreciate the opportunity to share with you our thoughts and ideas, with the objective of further strengthening the Canadian music industry.

To address the committee's question on the impact of government support on the Canadian music industry, we'll focus our comments primarily on three specific areas of the music creative and distribution flow. They are creation and production, distribution, and global scope.

[*Translation*]

I will now turn the floor over to my colleague, Eric Albert.

[*English*]

Mr. Eric Albert (Executive Vice-President, Stingray Digital): First, on the creation and the production side of the equation.

Other participants in these proceedings have provided excellent comments and ideas regarding the production aspects of the Canadian music industry value chain. We would like to echo and re-emphasize that a sustainable pipeline of high-quality musical content is crucial for the success of Canadian services like Galaxie. Being a service regulated by the CRTC that is 100% based on music, having access to a large amount of high-quality content is a must to meet our Cancon requirements while ensuring that we deliver a credible service that Canadians will want to listen to.

Canadian music listeners, like consumers around the world, want to listen to good music regardless of whether it is classified as Canadian content or not. As such, it is imperative that a sustainable music creation echo-system flourishes to ensure a constant availability of content that Canadian consumers will want to listen to.

Canadian content quota rules imposed on regulated broadcasters have greatly helped in providing a window to showcase Canadian artists. Canada is a relative small market in the global music industry, yet Canadians constantly produce content that receives international

recognition, thanks in part to programs like the Canadian-content development funding provided by regulated broadcasters.

Stingray, for example, through its Galaxie Rising Stars CCD program initiatives, supports dozens of events each year directed toward emerging talent. With the increased popularity of unregulated streaming services that do not have CCD contribution obligations, the Canadian music industry could be at risk of losing a significant funding source directed toward the development of local content. Though it would technically be possible to impose CCD funding requirements, or Cancon quotas, on unregulated entities, an alternative may be to offer fiscal incentives to companies to provide assistance for the creation of Canadian content, with further incentives provided for broadcasting increased levels of Canadian content.

[*Translation*]

Let us now turn to distribution.

As mentioned earlier, the ability to produce high-quality Canadian content is of fundamental importance to a healthy music industry. But an efficient distribution chain for that content is equally important. Today, we have two main processes that are peculiar to music consumption. One is discovery, the other is validation.

The discovery process exposes the average consumer to new songs or new artists that would not generally be heard on conventional commercial radio. The validation process complements the discovery process. It happens when an artist is broadcast on commercial radio, and generally means that the artist has reached a certain level of fame and success.

As Annie Laflamme and Scott Hutton, from the CRTC, said when they appeared before this committee, commercial radio in Canada is doing relatively well and continues to play a very important role in ensuring our industry's success, specifically in terms of the validation process.

The sustainability of the Canadian music industry has to depend on the emergence of new artists of quality. Hence the importance of continued investment in our creation and production capabilities. We also believe that more effort and more resources could be invested in order to make sure that those emerging artists have access to the highest possible number of platforms on which to showcase their talent.

In that context, increased support and direction could be beneficial for Canadian entrepreneurs wishing to start distribution companies focusing on discovering new artists.

•(1210)

[English]

The complex and uncertain rights and royalties regime that exists in Canada today creates a barrier to entry to a lot of entrepreneurs who could otherwise become great promoters of both emerging and established Canadian artists. As suggested by other witnesses, the committee should propose increased support to the Copyright Board of Canada to accelerate rate-setting proceedings that would provide increased certainty around costs of launching and operating music services in this country.

Secondly, the committee could recommend the creation of an industry task force that would focus on simplifying and streamlining the management of rights and royalties in this country. This task force should include representatives from all components of the value chain including creators, producers, broadcasters, distributors, and collection societies. Topics addressed by this task force could include, for example, a standardization of content metadata, which would ensure that content used is accounted for and that the proper stakeholders receive compensation for the use of such content.

We'd like to comment briefly on the economics of the music industry value chain, specifically in an era of digitization and decreasing overall revenue for the industry. You have heard several witnesses comment on the chasm that exists between the significant number of plays of certain songs on streaming services, while royalties received by stakeholders as a result of these plays are quite low. Some have suggested that music services should pay higher royalties for the use of music so that the creators get fair compensation.

We agree completely and support all initiatives that would result in proper compensation received by the artistic community. We would suggest, however, that increasing royalty rates paid by music services may not be a long-term solution to the imbalance of royalties paid by services and royalties received by rights holders.

Certain well-known services available internationally today pay between 50% and 70% of their revenues in rights and royalties, and identifying a sustainable business model for these entities has proven to be a challenge. Subscription models are starting to show very positive trends, but it will take time to modify the habits of consumers so that subscription-based services reach critical mass. Education of the marketplace on the value of music is one solution to this dilemma. One thing is clear, though: for an industry to succeed in the long term, all components of the industry value chain need to be profitable to survive. This applies to the Canadian music industry as well, and higher royalty rates may not be the only solution.

Lastly, I have a word on globalization. The music industry is increasingly global and to succeed, scale is becoming a key requirement. As mentioned previously, Stingray now operates in 113 different countries, providing unparalleled opportunities for Canadian artists to be heard internationally. Canada needs to continue its efforts in the fostering of an environment where companies like Stingray can succeed in Canada and use this success as a foundation for international growth and expansion.

Globalization also means that the definition of a Canadian citizen now includes ethnicities and languages beyond English and French.

This country's growing population of ethnic groups should not be overlooked in this process, and the definition of Canadian content has to be inclusive of these multicultural groups.

The Chair: I'm sorry, I'm going to have to cut you off there. You're well past, but you will have a chance to expand on it in the questions.

Thank you very much.

We'll move on to Mr. Kee from Google Canada. You have the floor.

Mr. Jason Kee (Counsel, Public Policy and Government Relations, Google Canada): Thank you very much, Mr. Chair.

My name is Jason Kee, and I am the public policy and government relations counsel at Google Canada. Some of you may not recognize me because I'm actually wearing a suit. I promise I'll establish my technological bona fides by reading my comments off a tablet.

Some hon. members: Oh, oh!

Mr. Jason Kee: I know, it's sexy.

It's not an exaggeration to say that digital technologies are fundamentally changing both the business and cultural landscape of Canada, both nationally and, in a very real way, at the most local level. Indeed, this is true not just in Canada but around the world.

Canadian consumers are massively connected to the Internet. Seventy-five percent of Canadian households have fixed broadband Internet access, as compared to only sixty-nine percent in the U.S. In 2010 the Internet accounted for \$49 billion, or 3%, of all Canadian economic activity. It's a little staggering when you think about it, but it shows how readily Canadians are taking to working and living in an online world. Clearly, this has had an impact across all industries and throughout our culture.

The media landscape has evolved significantly over the past decade. Traditional entertainment industries have begun to harness the power of the Internet to develop new audiences in Canada and internationally and to drive revenue to creators. Digital platforms have quickly become the dominant form of distribution for music, movies, books, and all forms of creative media. The music industry is a great example of this.

According to IFPI, the industry's digital revenues grew to \$5.9 billion U.S. in 2013, with explosive 51% growth in revenues from streaming and subscription services. Globally, digital now makes up 39% of all industry revenues, and in many markets it accounts for the majority of revenues.

At the same time, more music, video, text, software, and all other kinds of media are being created by more people than ever before. Every kind of creative endeavour, both amateur and professional, is being transformed by new opportunities, lower production costs, and lower barriers to entry, all made possible by digital tools and online distribution.

Online platforms are making it possible for new artists to connect directly with global markets and entirely new audiences. Google and YouTube are now major contributors to this developing ecosystem.

According to IFPI, Google Play Music All Access was the fastest growing music subscription service in 2013, and we are thrilled to have launched the service in Canada only yesterday. All Access gives subscribers unlimited ad-free access to 25 million songs from all major record labels and a number of top local and independent labels in Canada for only \$9.99 a month.

But wait, there's more.

It's a cross-platform service, so subscribers can listen on their smart phone, tablet, or the web and discover new music through interactive radio stations, or generate instant playlists of music based on their existing libraries.

Google Play Music also includes the ability for users to purchase songs and albums à la carte, and to store up to 20,000 songs from their own collection in the cloud and stream them to their devices.

Moving on to YouTube, with over a billion views each month, YouTube is also a major platform for artists and fans alike. From breaking in massive superstars like Stratford's Justin Bieber and B. C.'s Carly Rae Jepsen to helping indie bands like Burlington's Walk Off The Earth cultivate strong followings to propelling new young talent like Winnipeg's Maria Aragon to public attention, YouTube now plays a significant role in music discovery, especially amongst teens. This is why Nielsen and Billboard now factor in the popularity of music on YouTube when determining the rankings of songs on the music charts.

Moreover, YouTube is increasingly driving revenue to the creator community, both emerging and established. There are over a million partners making money from YouTube, and partner revenue increased by 60% in 2013. In fact, over the past few years YouTube has generated over a \$1 billion to the music industry alone.

We also recently launched YouTube Live, a new feature that lets channels live stream large events and interact with their fans in a way that simply is not possible through regular YouTube videos. Along with Google+, Hangouts On Air, and other social services, Google provides artists with powerful tools they can use to drive audience engagement.

It's clear we've made tremendous progress, and we'll continue to partner with the entertainment industry and with creators of all kinds to bring Canadian entertainment and culture to the world.

Online piracy has been an ongoing challenge for creative industries, and Google takes that challenge very seriously. We develop and deploy anti-piracy solutions with the support of hundreds of Google employees, and we invest tens of millions of dollars in new tools and systems to improve and expand our anti-piracy efforts.

Google has made extensive efforts to make it easy to submit takedown notices, whether you are a large multinational entertainment company or an independent artist. We maintain a public web forum to which anyone may submit takedown notices 24 hours a day. As the volume of removal notices continues to rise, detecting inaccurate or abusive notices continues to pose a challenge, but we continue to invest in solutions to address this challenge as well.

We've also invested in measures that go above and beyond traditional approaches in order to provide real, effective protection to copyrighted works in the online environment. For example, Google created Content ID for YouTube. With this system, rights holders are able to identify user-updated videos that contain their content, and choose, in advance, what they want to happen to that content.

• (1215)

This is how it works. Rights holders deliver reference files—audio or video—of content they own to YouTube, including metadata describing that content. They also tell YouTube what they want done when a match is found and then track it, monetize it, or block it. YouTube then compares videos uploaded to the site against those reference files and automatically applies the right holder's preferred policy to all matching content.

Content ID scans over 400 years of video every day against the more than 25 million reference files that we have in our database, making it one of the most comprehensive copyright protection systems in the world.

Thanks to the options that Content ID provides copyright owners, it's not just an anti-piracy solution, but it also offers new business models for rights holders. The vast majority of the more than 5,000 partners that make use of Content ID choose to monetize their claims rather than block content. Consequently, Content ID has generated hundreds of millions of dollars for partners. In fact, recently the *Toronto Star* reported that mashups and fan-made videos are actually generating more money for record labels than their own music videos they have put out.

Google has also made a number of other innovations that allow us to better protect creator content, such as prioritization for legitimate content sources, as well as ongoing collaboration with stakeholders to make sure our efforts are working hand-in-hand.

As I noted at the beginning of my remarks, it's clear that Canadians are adopting digital technologies at a rapid pace, and they are eagerly consuming and creating online content.

The evolution of Canada's media landscape will continue to bring about significant change in the years ahead, and Canada's entertainment industries are keen to grow and adapt.

We're eager to help, and we are devoting significant resources to ensure that Canada's cultural industries will have every advantage they can get to thrive in this new digital economy.

Thank you, and I look forward to your questions.

• (1220)

The Chair: Thank you very much.

We'll now move to Mr. Erdman from Deezer. You have the floor.

Mr. Justin Erdman (Managing Director, Canada, Deezer):

Mr. Chair, and members of the committee, thank you for inviting me to speak here today. My name is Justin Erdman. I'm a drummer, a huge music fan—heavy metal, in particular—a 12-year veteran of the Canadian music business, and the Canadian managing director for Deezer, the most widely available subscription streaming music service on earth. We are currently operating in 182 countries, with over 30 million songs streaming on the web, smart phones, tablets, and dozens of other devices.

My teammates and I are proud to have launched Deezer in Canada with a real reverence for and commitment to this country. Our nation's unique listening habits are a function of our multiculturalism and multilingualism, so we have ensured right from the start that we have representatives in both Toronto and Montreal and that we have catalogues from not just from the major labels, but also from as many Canadian independents as possible in both official languages, and many languages beyond. Just recently, for example, we added a huge amount of the franco-Québec repertoire from our friends at Distribution Select. We are proud to have their catalogue available on Deezer.

Mr. Vice-Chair, I saw from a previous meeting's transcript that you're currently a Deezer user. I thank you sincerely for that, and hopefully our new additions to the catalogue will improve the experience for you.

Speaking of which, we are equally proud of a self-imposed mandate. We deliver a minimum of 33% Canadian content in our recommendations and promotions, with a goal of promoting Canada's incredible musical pedigree as well as amazing young Canadian artists whom we aim to develop into global stars.

Deezer's reach and unique human-based editorial approach helps Canadian stars break out beyond our borders. In our first year we've helped to promote internationally artists like Wildlife, Misteur Valaire, July Talk, and Brett Kissel, whom we've spoken of before, and we go even beyond that. In less than a year, starting with our official launch in June 2013, we've now directly invested several hundred thousand dollars into promoting Canadian artists, their albums, and the tours and festivals they perform in.

Even in its relative infancy, streaming is a highly competitive business with small start-ups and giant conglomerates alike jumping into the fray. Each company has different goals, but I believe my teammates and I are in it for the right reasons: introducing Canadian artists and music fans to an exciting future in which more artists become successful, more music is listened to, and the Canadian music business grows rapidly because of technology, not in spite of it. I have a few ideas for specifically how we can help that process along.

I've read with great interest the transcripts of previous hearings on the topic. You've covered a lot of ground and you've had a lot of champions of the industry here before you. We're a varied bunch and yet we all share a common thread. We are the beneficiaries of years of robust government support of Canada's cultural industries, and in music, through Canada Music Fund, FACTOR, Musicaction, and other structures, as you've heard. The support is more important than ever but perhaps the time is right to begin an evolution of these structures.

We're entering the third generation of the music business, the post-piracy years. The first generation was physical objects being sold, records, cassettes, CDs; the second was digital files, MP3s; and the third was streaming, a service-based model as opposed to selling a thing that fans then own. This phenomenon has been called the rentership society. You may have heard this term. Young people see no need to buy things as they once did. With homes, cars, cable TV, and of course, music, you can rent them all with no commitment.

But where does that leave our precarious music business model that is predicated almost exclusively, until recently, on selling things? Well, that's where music streaming answers. A recent speech at the global music industry gathering Midem, by Marc Geiger of William Morris Endeavor, the global talent agency, suggested that subscription rates will actually rise over the next 10 to 15 years, and the commonly-accepted view of the music industry's glory days being long past is simply a misunderstanding of current trends. The fact is fans will spend more money each year on music through subscriptions than they did in the previous two music business generations. As an example, at Deezer's regular retail price of \$9.99 for our best service tier, that equates to approximately \$120 per year per user. In previous generations, the average was between \$40 to \$55 per user per year, depending on which source you use. More money in the system means that labels can afford to invest in more artists, and because the services are available on so many devices and are so easy to use, fans listen more. In the case of Deezer, it's around 60 hours a month, on average.

So streaming is quite simply the future. And now the challenge before all of us is to arrange that path as neatly as possible. This is not just self-interest as a business person; this is much more self-interest as a music fan.

Here are four suggestions on how to do this. I should point out they are not the official position of my employer. They are more based on my individual experience. Previous to Deezer, I was at Universal Music Canada, and before that at MuchMusic.

First, encouraging foreign investment in music technology is vital. Music technology is an incredibly hot sector. Streaming services, apps that supplement the listening experience, and Internet-connected audio hardware have all seen a huge amount of activity of late. Deezer is arguably the best example of how a foreign-owned music technology business can inject new direct funds into the Canadian music industry, and we should seek new ways to encourage others to do the same. The most immediate way would be to streamline the set-up of international branch operations such as the one I set up for Deezer, and to provide guidance and assistance when it comes to following the various administrative and taxation policies currently in place.

• (1225)

I spent a lot of time just learning what the right questions were, and I'm still figuring out the answers.

Second, we should incentivize telcos to include music as a standard part of each cell phone plan. Mobile is the future. According to the CWTA, there were 27.6 million subscribers in Canada in 2013, and more than half of that number have smart phones that are primed to use music services like Deezer. Two-thirds of our user base currently use Deezer on their mobile devices. So if telcos and their devices are the access point for the music business of the future, we need to ensure that the telcos see their role here as fundamental to the sector's renaissance and growth, and that they are given good reason to participate.

Third, I would like international streaming services to be able to access grants or matching funds to promote Canadian artists internationally. Currently we can't do this. We have to have the labels or artists do this themselves, which just adds an extra step. Instead I propose giving services like Deezer access to at least matching funds specifically for international promotions. This will benefit artists, music fans, and of course services like ours that are providing jobs and direct investment in the country.

The final point is education, something many of my colleagues have brought up in previous meetings, but I come at it from a different angle. Having pirated music myself in the past, I know how easy it is. I know how impossible it is to legislate it away. Students are the biggest consumers of music, and many build their identities around the music they love. So let's focus on getting students using legal music options earlier and thus educating them on the value chain that makes their favourite music possible. Let's include streaming options as part of their education. They will then access legal music that compensates creators. As they get older, they will hopefully continue to be subscribers benefiting the next generation of developing artists.

Thank you for your time, and I look forward to questions.

The Chair: Thank you very much.

We will now move to the questions. First off we have Mr. Dykstra for seven minutes.

Mr. Rick Dykstra: Thank you.

I appreciate all of you being here.

We've spoken a lot about the elephant in the room, in always referencing the fact that the industry has changed so much. So it's good to meet both Justin and Jason whom I'll refer to today as the elephants in the room in reflecting the changing industry.

Jason, to start with something totally off topic, when you started speaking, I was thinking, "This guy's from Google, but he actually has a voice for radio", so I was quite interested in seeing that you had shifted over.

I really would like to get into the discussion about exactly what you deliver, because it is fundamentally one of the major reasons why we're doing this music study. That is based, Justin, on your company's efforts to ensure that people can have as much access to music as they possibly can, and likewise, Jason, the recent announcement on your company's foray into this from a Canadian perspective.

We have heard a lot. I don't know whether you have had a chance to read some of the testimony here, but one of the biggest issues facing musicians in Canada today is that they are making little to no money on the art they are producing and the music they are playing, because the vehicle for actually accessing financing or rewarding their creative efforts is subject to .005¢ or .004¢ each time their song is played. We have had accounts of a band's songs being played hundreds of thousands of times and their receiving a cheque for \$47.50 for that effort during a year.

I'm wondering how you respond to that, because we are going through a fundamental shift, and all four of you have acknowledged the shift we are going through with respect to the industry. But you guys are the elephants in the room, and I wonder how you respond to the future of Canadian artists, the future of their opportunity, not only to produce and be creative but also to make a living.

• (1230)

Mr. Jason Kee: I'll start more generally and then move to some of the specific discussion on streaming.

I think the representatives from CIRAA in the previous panel summed it up with a beautiful phrase, which is "the artist entrepreneur".

One thing you will find general consensus about is that the paradigm is shifting, the ecosystem has changed fairly dramatically. There are many reasons for that, but basically all of them are online related.

We're also finding ourselves in a situation where the skill set that is required to be successful has also evolved. The cases that I always see, the stories of the artists who seem to do extremely well in the ecosystem, are the artist entrepreneurs. Anyone who wants to engage in a business online has to not only be producing an amazing product that people love and then they can distribute to global audiences, which all of the online platforms are there to help with, but also have to be skilled at how to engage with their audience, understand who their audience or community is, and have the skills to build those communities. These are marketing skills.

The most successful stories that you hear time and time again are about the ones who have a natural gift for it, or, if they don't, are able to link with those people who do, whether they're working in-house at services, or whether this is label 2.0 where it's essentially the people who know how to leverage social media platforms to drive audience engagement.

Also, it's an understanding that the entire mix of income that's going to be flowing to artists is evolving as a consequence. The amount of income in the pie that you're going to see from purely recorded music, I think will not be as significant as it used to be for the majority of artists, not the least of which is because there are a lot more artists, amateur and professional, creating a lot more content than there used to be on a global basis. This has a natural inflationary impact.

The line between the professional and the amateur, the established and the emerging, is extremely blurry. Essentially it's just a matter of whether or not you're trying to do it professionally or not, and whether or not you can hack that. Certainly there are plenty of artists historically who would—

Mr. Rick Dykstra: Just remember I have seven minutes.

Mr. Jason Kee: Oh, I'm sorry.

Essentially that line has always been blurry and has been thrown into stark relief.

Mr. Justin Erdman: Two of my favourite metaphors apply here. One is the complete breakfast approach. Music as a primary revenue source for artists may change in terms of importance, but I think the clever artists and the passionate artists will find ways to build that complete breakfast with their music streaming and music downloads and merch and touring to create that complete breakfast of revenue streams.

In the long run, as long as they're shrewd and savvy about it, they'll probably be fine.

When it comes to the black box of how artists get paid once the royalties are paid to the people who own the rights to their masters or publishing, that's territory that I'm really not qualified to comment on. In my previous role at Universal perhaps a bit more, but the business models that were in place for the sale of music, in terms of the deals that artists have with their labels or publishers, will probably have to evolve somewhat.

Mr. Rick Dykstra: This one is for all four of you, and it relates to the next piece of our puzzle and that is how we as a federal government fund the music industry. We fund about \$25 million into the industry on a yearly basis.

The companies of all four of you, whether it's digital or streaming, are engaged in a whole different sphere of what this fund was originally set up for or responding to.

First, I'd like to get your comments on how we could change the structure at FACTOR to address the direction that all four of your companies have moved in and continue to move in, so that taxpayers' investment in musicians will be relative to the industry they're going to grow into, based on the fact that you are basically the carrier and seller of their product.

I know there is not a lot of time, but I'm hoping to get a response from each of you.

Second, I wonder how your companies have felt about making an investment back into the industry so that we can structure FACTOR in a way that it isn't only government funded but also funded by companies like yours that could help alleviate some of the need that we've heard from those who would like to seek or achieve some of that funding. It would seem to me that it would not be a bad opportunity for your companies to do that.

•(1235)

The Chair: We'll have to have some quick answers, please.

Mr. Eric Albert: It will be very quick. To answer your question, if you take Galaxie, which is our core service, it is a regulated broadcast service in Canada. Therefore, we do have Canadian content requirements and we also have Canadian content development requirements.

A percentage of our revenues generated by Galaxie actually goes back into the system, to FACTOR, to Musicaction, and a percentage of those funds also goes to what we call the Galaxie rising stars program, which is money directed to music festivals, for example, to foster the creation and the emergence of new talent. So we're already doing that today.

One of the recommendations in our submission is that part of that money that's going into FACTOR and coming from the CMF, as I think was mentioned previously, be directed to the creation of broadcasting platforms. When I say broadcasting, it can be streaming. It would be originating from Canada, and there's absolutely nothing wrong with companies coming from outside and promoting Canadian content, but we should as an industry have homegrown Canadian companies as well that achieve the same objective.

For example, one area where we could generate a little bit more money is to foster the creation of more technological companies that would focus on the creation and the fusion, if you will, of Canadian content.

The Chair: Okay. We're going to have to move to Mr. Nantel, but I know there can be some responses back.

[Translation]

Mr. Pierre Nantel: Absolutely, Mr. Chair.

I am actually going to ask Mr. Kee and Mr. Erdman to continue answering Mr. Dykstra's very helpful question.

[English]

Could you give Mr. Dykstra an answer in short form, if possible. It's a good question.

Mr. Justin Erdman: So far, we have preferred the approach of taking some of the subscription revenue that we have received from Canadians and directly investing that back into promotions towards our own platform. It's not entirely self-interest; it definitely has to be a mix of both.

I can't speak to what the appetite would be for putting some of that money into the CMF. That's probably a larger question I would have to take back to Paris.

[Translation]

Mr. Pierre Nantel: Mr. Kee?

[English]

Mr. Jason Kee: Looking at ways that we can contribute, even if it's not necessarily providing a mandatory monetary contribution to a fund versus other things that can actually be done, certainly we as a company would be more inclined to look at what can we do creatively to actually promote Canadian content.

For the launch of Google Play music, we made sure that we had a number of playlists basically promoting Canadian artists and so on and so forth, because we knew how extremely important it was. And so, looking at those elements of contribution....

I know that some other witnesses have mentioned the extension of conventional radio regulations to online platforms... It's something that we would, frankly, be concerned about for a number of reasons.

First, to the extent that the overriding policy objective of the broadcast regulation is to promote the creation and distribution of Canadian content, we have to look at the market and see whether or not that is already being accomplished, and thus whether or not it necessitates regulatory intervention.

Second, I would be very concerned about the impact that would have on the introduction of new services in this country. As has already been alluded to, it's a very complex place to do business in the music space. Licensing is extremely complicated. Adding additional regulations on top of that with respect to mandatory contributions or a mandatory percentage of Cancon would be a significant disincentive for a lot of online services and would not be beneficial to consumers, because it would mean that you have less competition.

It also is not beneficial to artists, because it means that you will have less competition. When there's a plethora of online services operating, each artist has a better position to negotiate with us, because they can say, "Well, if you don't give me the rate that I want, then I'll just go to your competitor because people want my music."

• (1240)

[Translation]

Mr. Pierre Nantel: In the previous meeting of this committee, we were told that the situation in Sweden is just marvellous because creators there all get a share and receive incredible royalties. My conclusion is that we will have to recommend that the government take a look at the industry there. I get the impression that it will be

difficult to stick with broad principles and to avoid getting into micromanagement.

I know the subject reasonably well. When Jean-Richard Lefebvre talked to me about Galaxie almost 20 years ago, I told him that I hoped that, when he played one of our songs, he would give us 10 times what a commercial radio station gave. I added that, if someone subscribed to his service, that person would clearly never buy discs again. Remember, that was 20 years ago.

In this kind of situation, we must not get into micromanagement; we should be looking for great unifying principles instead. I do not know whether everyone would have said the same thing, but, when Alexandre Taillefer told me that he had bought the Karaoke Channel and then Galaxie, I quietly said to myself: "He is buying Galaxie, but who listens to that?"

You mentioned metadata in your presentation. I want to ask you what you would tell your mother, clearly and simply, if she asked you what you do for a living.

Mr. Eric Albert: That is a very good question.

In the last few years, we have assembled a number of companies, including Galaxie, the Karaoke Channel, Max Trax, a competitor of Galaxie in western Canada, and Concert TV. Our objective is to become the biggest supplier of music services to telecommunications companies in the world. All our acquisitions and all our development focus on that objective. Our company was born in Montreal, it operates in Montreal and it employs close to 200 Canadians. Our contribution to the Canadian music industry is quite significant.

Mr. Pierre Nantel: I understand that very well. I remember great programmers like Henry Van Den Hoogen, who works with you. A lot of well-known people in the music world are there.

Could you tell me how it works? I assume cable companies, and television and telecommunications distribution companies use your service. For example, people listen to 541, a jazz radio station. Do you receive royalties for the package or for each of the stations?

Mr. Eric Albert: We get royalties for the package. There are different models, depending on the product, such as with Galaxie or Concert TV, but, in some cases, depending on the value of each transaction. However, as one of my colleagues mentioned, for Galaxie, the bundling of services is the model we have used with cell phone companies. The service is included in the monthly subscription the cable companies pay and it is free for the users.

The model works well, in our view. We also support the idea of bundling services with telephone companies. The model is used around the world, by the way. It is not unique to Canada.

Mr. Pierre Nantel: I looked at all your sites yesterday. You are right, Mr. Erdman, I am a big fan of Deezer. I imagine that, if I had accounts with other service providers, I would feel like I was at an all-you-can-eat buffet. It is great for consumers, but there is the whole question of how complex our market is. You are not selling lawnmowers. A lawnmower for a francophone and a lawnmower for an anglophone is still a lawnmower. But it is very tricky when we get into music and culture. That is why it was important for you all to answer Mr. Dykstra's question. It is a very tricky issue.

Other people have told us that it is important to have a policy for defining, facilitating and establishing the major foundations for accessing our culture through these new platforms. In your case, I saw that Galaxie's services go from TVs to cell phones. So your intention really is to get into telephones.

I tried to subscribe to Google Play myself, but I was not successful. It is probably because of the generation gap, it is too complicated. I have the app for Deezer, but all the models are different.

As a smartphone user, I have a monthly subscription to Deezer. If a Canadian goes to Google Play...

I saw that you have an agreement with SOCAN; it was announced at your launch yesterday. Is that agreement for streaming or per purchase? I saw that you were asking \$1.49 for a song by Coeur de pirate or Brett Kissel. Is there a royalty, Mr. Kee? Is the agreement for streaming or for each sale? If it is for streaming, are those your rates?

•(1245)

[English]

Mr. Jason Kee: It's actually all of the above. The service was designed deliberately to be fairly comprehensive. It's one of the reasons why negotiations with all of the relevant collectives took some time. The subscription element is basically a streaming service, but it also allows you to "pin" the copies of the songs you want so that you can actually have them stored locally on your phone.

Also, if you are listening to songs frequently, it will automatically store locally on your phone so it won't eat up your data plan. It's actually a feature that just stays within the closed system. You can actually mix those songs with your pre-existing, pre-owned collection. The system knows which are the all-access songs versus which are your songs, so they only stay active and usable while you actually have an active subscription.

We also offer a storefront, where we will basically sell songs between 99¢ to \$1.49. Again, albums are offered at a standard \$9.99 rate, mostly because we see that different markets have different needs. Not everyone wants an all-you-can-eat subscription. Again, it's a fantastic value actually. Justin took my talking point with respect to it. It represents more than 100% of the average spend, if you actually stay with a subscription service every year. Not everyone wants to do that. If you want to buy à la carte, you can do that. We don't see those as mutually exclusive services. We didn't want to launch a service where they competed, so we actually have all of them.

Similarly, there's again a cloud function where you can upload your own songs to the cloud and stream them back. Again, we have the clearances from the collectives on that as well.

[Translation]

The Chair: Thank you.

Mr. Dion, you have seven minutes.

Hon. Stéphane Dion: Thank you very much, Mr. Chair.

Thank you all for being here.

[English]

Back to the elephant. I think maybe it's one of the main reasons why this committee focused on the music industry. What triggered it? One of the reasons is the pressure we received from artists that they were having difficulty making a living. We have statistics showing that their earnings have been affected, but at the same time Canadians, for good reason, love the new technologies that you are able to provide them. So we need to adjust these two, and that means an adjustment of federal policies.

First, do you agree that there is a problem, or would you say it's only a lobby by those who don't want to adapt? That question is for each of you.

Mr. Jason Kee: I'll start. Define "problem". It's definitely an issue for some. I think we have all heard their concerns flagged, both in the context of this committee and elsewhere.

It's important to note that on the concerns that have been flagged, there's no consensus even amongst the artistic community about the impacts of streaming and what they actually think about it or what they don't think about it. Every single time I hear a newspaper article about the reduction in royalty rates they're getting from streaming, I'll see another artist who basically says, "well, actually my royalty rates are pretty good", and/or "to me it's a really powerful discovery service, I'm actually making more money from X, Y, and Z".

As a consequence, the challenge is not the royalty rate per se. The challenge is that the skills that are required to succeed have radically changed. Some are doing a better job at adapting than others because it's just a completely different environment they're operating in. That's the biggest challenge. Again, if all you do is write songs and your entire living is based purely on royalty-collecting songs, then it's going to be challenging because that royalty is going to diminish over time because now there's more that needs to be done. The question is, okay, then how can you adapt? How can you actually embrace that or pivot into it?

The other thing that actually goes to another recommendation where actually I think you'd find a broad consensus is the issue with respect to streamlining, or at the very least making faster and more efficient, the process at the copyright board. It has been a significant impediment to the development of new services, and it doesn't do anyone any good because it's slow and it's uncertain, which is bad for the collectives, the artists, and the services. We have to look at ways that we can actually improve that process to make it faster and more efficient—frankly, actually more transparent and accessible—and to speed that along. That will probably be resources given to the board because right now it is radically understaffed, especially as the landscape becomes more complex. It's also what you can do to actually improve the process.

[Translation]

Hon. Stéphane Dion: Mr. Albert? Mr. Péroquin?

Mr. Eric Albert: I think I can answer your question, Mr. Dion.

We talked about that in our presentation. I think there is an imbalance today between what the services pay and what the artists receive.

I mentioned that some services pay between 50% and 70% of their revenues in rights and royalties. But, as we mentioned earlier, artists and creators get \$100 royalty cheques for those same services. First, we need a full investigation to see exactly where the money goes from the time a royalty is paid to the time it is received.

We also need to raise awareness about the value of the music industry, or of the music in Canada. Mr. Nantel mentioned that in Nordic countries, like Sweden, Finland and Norway, subscription services are very successful. Monthly rates are higher than anywhere else in the world and everyone makes money.

In Canada today, not everyone would necessarily agree to pay even \$10 per month for access to a service like Deezer or Google Play or the like. The percentage of customers interested in that is much lower in Canada than anywhere else in the world. We have to raise awareness so that the marketplace comes to understand that music has a value, that it is not free and that everyone has to pay for the music they consume. With time, consumption habits will change and that is the way to go.

• (1250)

Hon. Stéphane Dion: With time or with policies?

Mr. Eric Albert: With both. Policies can influence the result.

Hon. Stéphane Dion: Which policies would you like to see implemented?

Mr. Mathieu Péroquin: Let me answer that question. It depends on the playing field we have. There are more services and more music on offer, and more music is being broadcast. But the pie is still the same size; the amount of money is the same. If we allow those distribution services to proliferate without establishing very precise parameters, how will we be able to contribute to Canadian culture, to support artists?

The market is becoming more competitive; these days, it is true, an artist must absolutely be an entrepreneur. The reality is that, each time we invite an emerging Canadian artist to our Stingray offices in

Montreal, the artist thanks Galaxie for having broadcast his music in Canada and having been the first radio station to do so.

In the west, on Telus, there are 100 channels broadcasting music. For us, that is a huge amount of money for Canadian content and other programs. For Google, it could represent a contribution of more than \$5 per year per subscription for various Canadian programs.

Today, some players make no such contributions. Everyone sees it as a virtue and everyone wants to contribute to various Canadian programs. I believe that we have to establish parameters that would allow them to do so.

Hon. Stéphane Dion: Mr. Erdman.

[English]

Mr. Justin Erdman: You asked, is there a problem? I believe that a problem exists in both directions. The first direction, as Mr. Albert mentioned, is that we pay a significant percentage of our revenues, the majority I would say, to take care of the rights on royalties. I believe strongly that artists should be compensated; it's simply difficult to build a business under that burden.

The flip side is that the more artists see that there is an opportunity to get out there and be known, there's an expectation that they should all become known. I don't think artists necessarily have a right to become famous and earn a living from their music—not all of them. I think that applies in every industry. There are always going to be some people who rise above, and there are some people who are going to be journeymen.

The vast majority of artists are simply not going to be able to access that next level. That's the way it's always been in the music business. There's a good reason for that: it's a business, and you need to create a marketable product. I think that the vocal minority who are talking about not being able to earn a living haven't necessarily done the legwork to discover whether this is a viable option for them. They haven't necessarily made the contracts that are required. They haven't necessarily built other aspects of that complete breakfast that I was talking about: their merchandise, their touring, their social media presence, and all the other things that go into a successful music career today.

I don't know that I would look to significant governmental change. I would say that right now the burden is on us to find a viable model for streaming, and it's difficult to do that under the current burdens imposed by the royalty rights.

• (1255)

The Chair: Thank you.

We'll go to Mr. Weston. We have about five minutes left.

[Translation]

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

Mr. Kee, there are at least two lawyers at this table, Mr. Dion and myself. After having seen—

[English]

Hon. Stéphane Dion: A point of order—

Voices: Oh, oh!

Hon. Stéphane Dion: —I'm not a lawyer.

Mr. John Weston: You're not a lawyer.

Hon. Stéphane Dion: I'm a political scientist.

[Translation]

Mr. John Weston: So, just one lawyer, then.

After having seen the film *The Internship* and read the book *The Circle*, I am very pleased to see that Google has a

[English]

real lawyer, not just a virtual lawyer, so please relay that to them.

[Translation]

You used the word “chasm”. You said that we can jump over the “chasm” and deliver Canadian music products to other countries because we have streaming.

Is it possible for streaming companies in other countries to steal our musicians' products and stream them here in Canada with no consequences?

That is my second question.

[English]

We talked about silos and different aspects, the ingredients of breakfast, and things like that. Are we missing some collaboration and coherence in how we're doing this?

The first question is maybe for you, Monsieur Albert.

Mr. Eric Albert: I think, to answer your question, the chasm that I referenced is the amount of money being paid by the services and the amount of money being received by the artists. You referenced the possibility of foreign services established elsewhere and if there's a possibility for them to steal the content and to broadcast it back into Canada. Technically, that is possible. But those companies, like those anywhere else, could potentially face copyright infringement.

There are a lot of services available in Canada today that broadcast from the U.S. and don't pay royalties in Canada. It still exists.

Mr. John Weston: Is that a real problem for our musicians, our authors, our artists? Are they losing significantly because somebody in another country is just doing what you do, but in reverse?

Mr. Eric Albert: It is possible. I don't know what that number is. I think the industry probably needs a little more research if that number doesn't exist. But that is a consideration. Piracy, as a whole,

is an issue facing this industry. It faces Canadian musicians, like anybody else. It is definitely an issue with foreign services coming into the country, let alone services that actually do pay royalties but are not, you know—I hate to use the word—“regulated”, but don't face the same contributions and obligations that regulated services based in Canada face.

Mr. John Weston: Do you have any comments, Mr. Kee or Mr. Erdman, on reverse streaming?

Mr. Jason Kee: I don't doubt that it basically does happen. It's not legal, or at least it's not authorized. There are people who are distributing into the country. That's clearly illegal because they have no authorization.

I think the more challenging issue you get into is that people then actually work around the territorial block. The system identifies you as a Canadian. Therefore, if we are not in your territory, you can't get access to it, so they'll go around that. That's a lot more challenging.

I don't know what the numbers are, whether or not it's a significant number with a significant market impact. I think that is an open question. I think as we get more mature as a marketplace, as the copyright board process increases and streamlines, as we have more legitimate services that actually have negotiated deals in place entering this country, that will go away as an issue because we'll have so many legitimate options there will be no need to go to the hassle of using illegitimate ones.

Mr. Justin Erdman: I would add that I personally believe that piracy is simply the cost of doing business now. I think it should have been dismissed long ago, frankly. I don't think anyone is going to legislate it away, or impose criminal penalties that are going to be a significant impediment to it. There are always ways around it.

From what Jason was just saying, it's the simplest thing to press a button and get around geographic blocks. I don't know that I would spend too much time thinking about it. I'd rather spend time figuring out ways to create more viable streaming businesses that do operate legitimately.

The Chair: Thank you very much.

That's going to be the last word.

Thank you to our panellists for being with us today. Thank you for your contribution. If you have any more input, please get it to us in writing. Thank you very much.

The meeting is adjourned.

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