



HOUSE OF COMMONS  
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CANADA

# **REVIEW OF THE CANADIAN MUSIC INDUSTRY**

## **Report of the Standing Committee on Canadian Heritage**

**Gordon Brown  
Chair**

**JUNE 2014**

**41st PARLIAMENT, SECOND SESSION**

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# **THE STANDING COMMITTEE ON CANADIAN HERITAGE**

has the honour to present its

## **FIFTH REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Canadian music industry and has agreed to report the following:





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# REVIEW OF THE CANADIAN MUSIC INDUSTRY

## CHAPTER 1: INTRODUCTION

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### 1.1 The challenges faced by the Canadian music industry

Like other cultural content industries, the Canadian music industry has been profoundly affected by the digital revolution. While music is more accessible than ever before, sales of compact discs (CDs) have dropped sharply. The revenues generated from digital downloads or online streaming services have not made up for the decline in revenues from CD sales.

The many players in the music industry – composers, performers, producers, distributors, publishers, record companies, live music venues and festival and concert promoters – face diverse challenges in adapting to the new digital environment.

To better understand these challenges and to provide the government with recommendations for strengthening its support for the Canadian music industry, the House of Commons Standing Committee on Canadian Heritage (“the Committee”) decided to undertake this review.

### 1.2 The Committee’s mandate

On 5 December 2013, the Committee adopted the following motion:

That pursuant to S.O. 108(2), the Committee undertake a review of the Canadian music industry, over the course of no more than 7 meetings, in order to: a) inform Committee members of the details and impacts of the government support on Canadian music, as well as on the creators and entrepreneurs who create and distribute music in Canada; b) determine how funding is allocated; c) to establish whether the government support is meeting the objectives laid out for it, and to make recommendations to the government on how it might strengthen support for Canadian music, and report its findings to the House.<sup>1</sup>

On 27 March 2014, the Committee agreed to hold seven additional meetings on the review.<sup>2</sup> In total, the Committee held 14 meetings on the study during which it heard from 82 witnesses and received 15 briefs.

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1 House of Commons, Standing Committee on Canadian Heritage, [Minutes of Proceedings](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 5 December 2013.

2 House of Commons, Standing Committee on Canadian Heritage, [Minutes of Proceedings](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014.

### **1.3 The Committee's report**

The Committee decided that its report would focus on the following five themes:

- Digital distribution and streaming
- Music education
- Music tourism
- Current funding – future investment
- FACTOR/Musicaction

Chapter 2 of this report gives an overview of the current situation of the Canadian music industry and summarizes the testimony given by witnesses on the five themes. Chapter 3 looks at the outcomes proposed by witnesses on each theme. Chapter 4 presents the Committee's recommendations.

# CHAPTER 2: THE CANADIAN MUSIC INDUSTRY: SITUATION AND CHALLENGES

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## 2.1 The Canadian music industry

According to testimony by Jean-François Bernier, Director General of Cultural Industries at the Department of Canadian Heritage, the Canadian music sector contributes nearly \$3 billion annually to the Canadian economy. Over 10,000 people are employed in the sound recording and concert sectors, and there are 30,000 professional songwriters. In addition, music contributes to other economic sectors, such as tourism and advertising.<sup>3</sup>

In terms of its corporate structure, the Canadian music recording industry is made up of three major entertainment multinationals – Universal Music Canada, Sony Music Entertainment Canada and Warner Music Canada – and hundreds of small- to medium-sized Canadian-owned entrepreneurs – the so-called independents.<sup>4</sup>

Mr. Bernier described the successes of Canadian artists. Between 2001 and 2012, their share of total domestic album sales increased from 16% to 26%.<sup>5</sup> In a brief submitted to the Committee, the Department also noted that royalties paid by the Society of Composers, Authors and Music Publishers of Canada (SOCAN) for the public performance of Canadian music abroad had increased by 43% between 2001 and 2012, from \$33.1 million to \$47.3 million.<sup>6</sup>

Despite the many successes of the music industry, the digital revolution has changed the way music is produced, distributed and consumed. The revenue streams in the industry have been fundamentally altered.

As explained by composer Jim Vallance, the business model for the music industry remained unchanged for 100 years, but in 1999, there was a perfect storm with the confluence of the Internet and MP3 technology. This allowed for the development of Napster and other online services that facilitated the free distribution of music online.<sup>7</sup>

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3 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 4 March 2014, 1145 (Mr. Jean-François Bernier, Director General, Cultural Industries, Department of Canadian Heritage).

4 Ibid.

5 Ibid., 1155.

6 Department of Canadian Heritage, “Government of Canada Policy Framework for Canadian Music,” brief submitted to the Committee, March 2014.

7 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1105 (Mr. Jim Vallance, as an individual).

As a result of this revolution, the total value of music sales has declined over the past decade. Alain Lauzon, the General Manager of the Society for Reproduction Rights of Authors, Composers and Publishers in Canada (SODRAC), gave the Committee an overview of the situation:

According to Music Canada statistics, for the period 2001 to 2012 ... revenue for physical recorded music went from \$765 million in 2001 to \$217 million in 2012. That decrease represents a cumulative lost revenue of over \$3.147 billion.

The digital industry only truly started generating revenue in 2004, and reached \$196 million in 2012, with cumulative revenue of \$787 million. The Canadian recorded music market therefore suffered a net loss of \$2.380 billion from 2001 to 2012. The decrease was similar for the francophone market in Quebec, proportionally speaking, although the decrease in sales began a few years later.<sup>8</sup>

The federal government supports the Canadian music industry through a series of direct and indirect measures. Canadian Heritage plays a key role through the Canada Music Fund (CMF). The CMF supports the work of Canadian music creators, artists and entrepreneurs to enhance access to a wide range of Canadian music choices. The CMF consists of four separate components: New Musical Works, Music Entrepreneur, Collective Initiatives, and Canadian Music Memories. The New Musical Works and the Collective Initiatives components are administered by third-party agencies: Fondation Musicaction and the Foundation Assisting Canadian Talent on Recording (FACTOR). Library and Archives Canada receives funding to administer the Canadian Music Memories component. In 2012–2013, the CMF's budget was \$24.6 million.

The Canadian Radio-television and Telecommunications Commission (CRTC) has introduced policies and regulations to ensure that Canadian works are played on Canadian radio stations.<sup>9</sup> Licensed stations must devote a percentage of their weekly music broadcasting to Canadian content. It is worth noting, however, that the CRTC does not regulate online music streaming services.

The *Copyright Act* is an important legislative tool that recognizes and protects the rights of Canadian creators in the sound recording industry. The Copyright Board of Canada is a regulatory body empowered to establish “the royalties to be paid for the use of copyrighted works, when the administration of such copyright is entrusted to a collective-administration society.”<sup>10</sup>

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8 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1100 (Mr. Alain Lauzon, General Manager, Society for Reproduction Rights of Authors, Composers and Publishers in Canada).

9 The requirements of the Canadian Radio-television and Telecommunications Commission are available online: [Canadian content requirements for music on Canadian radio](#).

10 Copyright Board of Canada, [Our Mandate](#).

## 2.2 Digital distribution and streaming

Many witnesses told the Committee about the impact that new distribution methods are having on the music industry. The Committee also heard from distribution services about the challenges they are facing.

Increasingly, music is being sold on a song-by-song basis through music download services such as iTunes or through streaming services. This has had a significant impact on the music industry's business model. As pointed out by Jodie Ferneyhough, President of the Canadian Music Publishers Association (CMPA), each song may sell for 99¢<sup>11</sup> or, in the case of music streaming services, “each play is worth micro-pennies, 0.005¢. It's hard to make a living on micro-pennies.”<sup>12</sup> Stuart Johnston, President of the Canadian Independent Music Association (CIMA) put it this way: “The old cliché is that it used to be a dollars business. Now it's a pennies business, and you have to find those pennies from a multitude of sources.”<sup>13</sup>

Musician Paul Hoffert said the music content business is thriving, but noted that Internet companies and Internet service providers (ISPs) are monetizing music, as opposed to the old music business – record companies, publishers, artists and composers.<sup>14</sup> Graham Henderson, the President of Music Canada, which represents the three major record companies, made the same point, saying: “There has been an enormous shift in wealth away from creators into technologically driven intermediaries who are amassing fortunes on a scale that at times beggars the imagination.”<sup>15</sup> A number of witnesses, including Stéphanie Moffatt, President of Mo'fat Management, called for these intermediaries to share some of the money they are making.<sup>16</sup>

Brad Keenan, Director of the Alliance of Canadian Cinema, Television and Radio Artists' Recording Artists' Collecting Society (ACTRA RACS), said that recording artists rely on a number of different copyright royalty streams, some of which have decreased as a result of digital distribution. One of these is the private copying levy, which applies to blank cassettes and CDs. Mr. Keenan said that because the levy does not apply to digital audio recorders, the amount available for distribution to rights holders has dropped from

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11 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014, 1105 (Mr. Jodie Ferneyhough, President, Canadian Music Publishers Association).

12 Ibid., 1145.

13 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1250 (Mr. Stuart Johnston, President, Canadian Independent Music Association).

14 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1115 (Mr. Paul Hoffert, as an individual)

15 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1210 (Mr. Graham Henderson, President, Music Canada).

16 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1235, (Ms. Stéphanie Moffatt, President, Mo'fat Management).

\$35.6 million 10 years ago to less than \$10 million per year.<sup>17</sup> Indeed, a number of witnesses raised this concern.

Gilles Daigle, General Counsel and Head of Legal Services for SOCAN, said that even if good royalty rates applied to revenues generated through free online music services, “if those rates applied to almost nothing, the amount we would receive would also be almost nothing.”<sup>18</sup>

On the other hand, some witnesses said that it is possible to make a living in the new environment. Simon Mortimer-Lamb, President and Chief Operating Officer of Nettwerk Music Group, said when consumers buy a CD, it is a one-time sale. With digital streaming, he said there is a pay-for-performance model, under which the artist is paid every time the consumer interacts with the content.<sup>19</sup> Steven Kane, President of Warner Music Canada, acknowledged that songs sell for pennies, but he said the marketplace is increasingly a global one and “those pennies can add up.”<sup>20</sup>

Christian Breton, Vice-President of the Music sector with Groupe Archambault of Quebecor Media Inc., said it is necessary for artists to have a digital presence in order to promote their work.<sup>21</sup> Similarly, Mr. Mortimer-Lamb of Nettwerk Music Group pointed out that in today’s marketplace, “you have to be everywhere, on every platform, monetizing every behaviour of your artists’ fan base.”<sup>22</sup> He said that “we need to get on with building Canada’s retail marketplace” of which streaming should be a big component.<sup>23</sup>

Jason Kee, Public Policy and Government Relations Counsel for Google Canada, made a similar point and noted that the establishment of more legitimate digital services

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- 17 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1115 (Mr. Brad Keenan, Director, Recording Artists’ Collecting Society, Alliance of Canadian Cinema, Television and Radio Artists).
- 18 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014, 1135 (Mr. Gilles Daigle, General Counsel and Head of Legal Services, Society of Composers, Authors and Music Publishers of Canada).
- 19 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1230 (Mr. Simon Mortimer-Lamb, President and Chief Operating Officer, Nettwerk Music Group).
- 20 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1235 (Steven Kane, President, Warner Music Canada).
- 21 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1125 (Mr. Christian Breton, Vice-President, Music sector, Groupe Archambault, Quebecor Media Inc.).
- 22 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1155 (Mr. Simon Mortimer-Lamb, President and Chief Operating Officer, Nettwerk Music Group).
- 23 Ibid.



would help address the issue of illegal music downloads, because people would not need “to go to the hassle of using illegitimate ones.”<sup>24</sup>

Vanessa Thomas, Managing Director for Canada for Songza, one of the unregulated online streaming services, said that the growth of streaming music content in Canada lags behind that of the United States. Last year, streaming revenues were 7% of the Canadian market, whereas in the U.S., they were 21% of the market.<sup>25</sup> She said that one of the reasons for this is that the “regulatory framework in Canada doesn’t foster innovation. The rate-setting process through the Copyright Board of Canada takes far too long,”<sup>26</sup> sometimes up to four to five years, for an industry where business models are changing rapidly.<sup>27</sup> Indeed, a dozen witnesses said that the reason why the Copyright Board of Canada takes so long to issue decisions is because it does not have sufficient resources.

The issue of royalties was also raised by Justin Erdman, Managing Director for Canada with Deezer, a subscription-based music streaming service.<sup>28</sup> Deezer has a self-imposed mandate to deliver a minimum of 33% Canadian content. Mr. Erdman expects subscription rates to rise over the next 10 to 15 years,<sup>29</sup> but said it is difficult to build a business with current royalty rates.<sup>30</sup>

Eric Albert, Executive Vice-President with Stingray Digital, said that a sustainable pipeline of high-quality musical content is crucial for the success of services like Galaxie, Stingray Digital’s continuous music service that is included with most digital cable and satellite television services.<sup>31</sup> Saying that it is difficult to establish a sustainable business model while paying 50% to 70% in royalties, he felt that increased royalties might not be a long-term solution for the industry.<sup>32</sup>

J. Serge Sasseville, Vice-President of Corporate and Institutional Affairs with Quebecor Media Inc., noted that international players such as Apple are more powerful than ever and said that there is price discrimination because its iTunes service does not

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24 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1255 (Mr. Jason Kee, Counsel, Public Policy and Government Relations, Google Canada).

25 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1220 (Ms. Vanessa Thomas, Managing Director, Canada, Songza).

26 Ibid.

27 Ibid.

28 Deezer, [About us](#).

29 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1220 (Mr. Justin Erdman, Managing Director, Canada, Deezer).

30 Ibid., 1250.

31 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1205 (Mr. Eric Albert, Executive Vice-President, Stingray Digital).

32 Ibid., 1210.

charge the sales tax.<sup>33</sup> He also noted that it is difficult to obtain promotional space on digital platforms.<sup>34</sup>

Andréanne Sasseville, Director for Canadian Content Development and Industry Relations with SiriusXM Canada, a satellite radio company that is regulated by the CRTC, said that a level playing field is important to supporting Canadian artists. She pointed out that unregulated music streaming services do not have “any requirements to feature Canadian content or any other means that would aid the discovery of new music.”<sup>35</sup>

## 2.3 Music education

The positive effects of music education came up repeatedly during the Committee’s study. Several witnesses stated that music education should be supported, as it fosters critical thinking, imagination, self-esteem and self-discipline. These assets are useful in an economy based on information technology and communications.

Allan Reid, Director of MusiCounts at the Canadian Academy of Recording Arts and Sciences (CARAS), emphasized the need to “create musical talent in Canada to support the music industry.”<sup>36</sup> The MusiCounts program promotes this goal by awarding nation-wide grants and scholarships to support music education in schools and communities. Officials from SiriusXM Canada<sup>37</sup> and the Polaris Music Prize<sup>38</sup> stated that they work regularly with MusiCounts.

Mark Tetreault, Director of Symphonic Services with the Canadian Federation of Musicians, remarked that many orchestras across the country are active in the schools and gave the example of El Sistema, an orchestral youth training initiative that offers “coaching and rehearsing ... leading to exciting performances.”<sup>39</sup>

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33 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1105 (Mr. J. Serge Sasseville, Vice-President of Corporate and Institutional Affairs for Quebecor Media Inc.).

34 Ibid., 1110.

35 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1215 (Ms. Andréanne Sasseville, Director, Canadian Content Development and Industry Relations, SiriusXM Canada).

36 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1100 (Mr. Allan Reid, Director, MusiCounts, Canadian Academy of Recording Arts and Sciences).

37 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1215 (Ms. Andréanne Sasseville, Director, SiriusXM Canada).

38 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1120 (Mr. Steve Jordan, Executive Director, Polaris Music Prize).

39 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1115 (Mr. Mark Tetreault, Director of Symphonic Services, Canadian Federation of Musicians).

Witnesses also highlighted the negative impacts that illegal downloading has on music creators and artists. Most young people do not realize the damage done by illegal downloads. According to Pierre-Daniel Rheault from the Société professionnelle des auteurs et des compositeurs du Québec (SPACQ), illegal downloading is impersonal and “hides the violation of rights.”<sup>40</sup>

Among the negative impacts of illegal downloading, Greg Johnston, Vice-President of the Songwriters Association of Canada, noted the impact on artists’ revenues, saying, “every album downloaded off the Internet for nothing is just some pennies that I don’t get anymore.”<sup>41</sup> Mr. Henderson of Music Canada said: “Ad-supported piracy continues to plague creators. The digital landscape is littered with illegal services that do not pay artists or copyright owners.”<sup>42</sup> In a brief submitted to the Committee, musician and independent record-label owner Loreena McKennitt wrote about the impact on the music industry as a whole: “Where once there was a predictable and viable business model, now there is none.”<sup>43</sup>

## 2.4 Music tourism

Canada’s music festivals, events and performances play an important role in supporting the Canadian music industry. Canadians flock to these shows to be entertained and to have fun. For Canadian artists, music tourism offers a means of showcasing their talents and promoting their work.

Mike Tanner, Director of Operations for North by Northeast (NXNE), an annual music festival held in Toronto, explained how the concert industry “can generate tremendous growth in tourism across the country.”<sup>44</sup> Riley O’Connor, Chairman of Live Nation Canada, an international concert promoter, called live music “an economic success story in Canada.”<sup>45</sup> According to Patti-Anne Tarlton of Ticketmaster Canada, the public’s appetite for concerts means that the “government strategy with the live music sector needs

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40 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1130 (Mr. Pierre-Daniel Rheault, Chief Executive Officer, Société professionnelle des auteurs et des compositeurs du Québec).

41 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1135 (Mr. Greg Johnston, Vice-President of the Songwriters Association of Canada).

42 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1210 (Mr. Graham Henderson, President, Music Canada).

43 Loreena McKennitt, “Submission to Heritage Committee,” brief submitted to the Committee, 5 May 2014.

44 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1200 (Mr. Mike Tanner, Director of Operations, North by Northeast, NXNE).

45 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1115 (Mr. Riley O’Connor, Chairman, Live Nation Canada).

to shift to be current with our 21st century reality.”<sup>46</sup> She also noted that foreign tourists and artists sometimes have difficulty obtaining permits to enter Canada.<sup>47</sup>

Greg Klassen, President and Chief Executive Officer of the Canadian Tourism Commission (CTC), explained how his organization incorporates music, festivals and cultural events into its tourism marketing strategy. The CTC “focuses on the opportunity of leveraging existing Canadian festivals and events”<sup>48</sup> to encourage youth to travel within Canada. Internationally, the CTC works closely with Festivals and Major Events Canada to encourage foreign tourists to discover Canada’s music festivals. David Goldstein, President and Chief Executive Officer of the Tourism Industry Association of Canada (TIAC), remarked that music and culture are “leading drivers for American visitation.”<sup>49</sup>

## 2.5 Current funding – future investment

Witnesses were generally pleased that the government had announced in its 11 February 2014 Economic Action Plan that beginning in 2015–16, the CMF would receive ongoing funding. A number of witnesses thanked the government for this measure, including l’Association québécoise de l’industrie du disque, du spectacle et de la vidéo (ADISQ), CIMA, Québecor, Nettwerk Music Group, Mo’fat Management, Music NB and Manitoba Music.

Brett Kissel, winner of the 2014 JUNO Award for Breakthrough Artist of the Year, testified that FACTOR had funded his album and his first national tour<sup>50</sup> and said “If I didn’t have the funding from the Government of Canada, the answer is that I would not likely be here.”<sup>51</sup>

Other witnesses also said that the funding was crucial for the success of Canadian artists, particularly in the face of competition from the United States. For instance, Mr. Kissel’s manager, Louis O’Reilly, said that to compete with American entertainment giants, government funding is needed.<sup>52</sup> Mr. Mortimer-Lamb of Nettwerk Music Group said

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46 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1215 (Ms. Patti-Anne Tarlton, Chief Operating Officer, Ticketmaster Canada).

47 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1245 (Ms. Patti-Anne Tarlton, Chief Operating Officer, Ticketmaster Canada).

48 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1210 (Mr. Greg Klassen, President and Chief Executive Officer of the Canadian Tourism Commission).

49 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1215 (Mr. David Goldstein, President and Chief Executive Officer, Tourism Industry Association of Canada).

50 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1110 (Mr. Brett Kissel, as an individual).

51 Ibid., 1155

52 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1135 (Mr. Louis O’Reilly, Manager, O’Reilly International Inc., as an individual).

that government funding had allowed his company to develop its systems and marketing initiatives.<sup>53</sup> Mark Monahan, Executive Director of the RBC Royal Bank Bluesfest in Ottawa, said that government support has contributed to the success of festivals such as his.<sup>54</sup> He also felt that the government's temporary two-year Marquee Tourism Events Program had been too short.<sup>55</sup>

Witnesses identified a number of challenges that could be addressed by government funding. Mr. Kane of Warner Music Canada said that the development of musical artists should be seen as research and development (R&D) and as such, should receive the same kind of support received by other industries that rely on R&D, such as the film and television industry.<sup>56</sup>

Mr. Johnston of CIMA said that Canada's English-language independent music industry needs sufficient revenues to support production, marketing and promotion and that access to capital is the main challenge.<sup>57</sup> Martin Smith, President of the Gospel Music Association of Canada, said that tapping into government funding is the biggest challenge for those in the gospel music genre, because many of them are independent artists who do not sell their CDs in major retail outlets.<sup>58</sup> He pointed out that this was one of the criteria for FACTOR funding.<sup>59</sup> However, Duncan McKie, President of FACTOR, said that FACTOR now considers other criteria in addition to the physical sale of CDs.<sup>60</sup>

Brian Hetherman, President of Cerberus Management and Consulting, noted that international marketing and touring are extremely expensive.<sup>61</sup> Shawn Cooper, President and Co-Founder of Volu.me, a digital platform that allows artists to create mobile apps, noted that platforms such as his require highly paid technical staff and can be, initially, a

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53 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1155 (Mr. Simon Mortimer-Lamb, President and Chief Operating Officer, Nettwerk Music Group).

54 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1200 (Mr. Mark Monahan, Executive Director, RBC Ottawa Bluesfest).

55 Ibid., 1245.

56 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 11150 (Steven Kane, President, Warner Music Canada).

57 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1220 (Mr. Stuart Johnston, President, CIMA).

58 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1120 (Mr. Martin Smith, President, Gospel Music Association of Canada).

59 Ibid., 1150.

60 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1100 (Mr. Duncan McKie, President, FACTOR).

61 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1150 (Mr. Brian Hetherman, President, Cerberus Management and Consulting).

money-losing proposition.<sup>62</sup> In a similar vein, Sébastien Nasra, President and founder of Avalanche Productions and Sound Publishing, said that support is needed for hiring specialists, particularly in areas of online marketing and social media.<sup>63</sup> Alain Chartrand, Executive and Artistic Director of Coup de cœur francophone, a pan-Canadian music festival, made the same point.<sup>64</sup>

Jean Surette, Executive Director of Music NB, suggested that the government could fund programs with a focus on artist development on a grassroots level, on industry development and mentorship and on international export activity, digital platforms, promotion and marketing. Music NB said that provincial music industry associations are best positioned to help local industry.<sup>65</sup> Richard Petit, Director of Artisti and Union des artistes, said that creators must often work without pay while they are creating an album.<sup>66</sup>

Not all witnesses supported the idea of the government providing funding for creators, however. Mr. Vallance said government funding “keeps the patient alive, but it doesn’t cure the illness.” He added that funding is artificial and creates an industry of dependence.<sup>67</sup>

## 2.6 FACTOR/Musicaction

FACTOR and Fondation Musicaction (FACTOR/Musicaction) administer the CMF’s New Musical Works Component and Collective Initiatives Component for the English-language sector of the music industry and the French-language sector, respectively. Slightly more than half of the CMF’s budget is administered by FACTOR/Musicaction. These public-private partnerships are funded in part by private and satellite radio broadcasters.

There was a consensus among witnesses that FACTOR/Musicaction plays a key role in supporting the creation of home-grown musical content. The organizations sharing this point of view include the CIMA, Music BC, ADISQ, the Songwriters Association of Canada, the Alliance nationale de l’industrie musicale (ANIM), the Polaris Music Prize,

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62 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1205 (Mr. Shawn Cooper, President and Co-Founder, Volu.me).

63 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1210 (Mr. Sébastien Nasra, President and founder, M for Montreal – Mundial Montreal, Avalanche Productions and Sound Publishing).

64 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1200, (Mr. Alain Chartrand, Executive and Artistic Director, Coup de cœur francophone).

65 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1245 (Mr. Jean Surette, Executive Director, Music NB).

66 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1225 (Mr. Richard Petit, Director, Artisti and Union des artistes).

67 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1215 (Mr. Jim Vallance, as an individual).

Warner Music Canada, Nettwerk Music Group, Deezer, Music NB and Manitoba Music. Mr. Kissel, the singer-songwriter, told the Committee that support from FACTOR was essential to his success.<sup>68</sup>

However, some witnesses were critical of funding allocation, program recipients and the overall administration of the two organizations.

In terms of funding, Robert D'Eith, Executive Director of the Music BC Industry Association, spoke of a regional imbalance in the funding allocated by FACTOR.<sup>69</sup> However, Mr. McKie of FACTOR pointed out that, although 80% of English-language music entrepreneurs are based in Ontario, only 59% of the applications approved are from Ontario.<sup>70</sup> He added that FACTOR supports artists, businesses and initiatives in every province and territory.<sup>71</sup>

The Committee heard some criticism about eligibility criteria for FACTOR/Musicaction funding. Steve Jordan, Executive Director, Polaris Music Prize, was not sure that it is still a “useful measure” to evaluate success based on record sales.<sup>72</sup> Mr. Smith from the Gospel Music Association of Canada pointed out that gospel music artists “have not been able to receive support from FACTOR.”<sup>73</sup> Representatives from the CMPA<sup>74</sup> and the SPACQ<sup>75</sup> called for increased funding for their respective segments of the music industry. As the CMPA’s representative explained, funding focuses “almost exclusively on supporting the record labels, not the publishers who represent the

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68 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1110 (Mr. Brett Kissel, as an individual).

69 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1235 (Mr. Robert D'Eith, Executive Director, Music BC Industry Association).

70 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1125 (Mr. Duncan McKie, President, FACTOR).

71 Ibid., 1100.

72 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1140 (Mr. Steve Jordan, Executive Director, Polaris Music Prize).

73 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1120 (Mr. Martin Smith, President, Gospel Music Association of Canada).

74 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014, 1235 (Mr. Jodie Ferneyhough, President, Canadian Music Publishers Association).

75 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1100 (Mr. Pierre-Daniel Rheault, Chief Executive Officer, Société professionnelle des auteurs et des compositeurs du Québec).

creators.”<sup>76</sup> The SPACQ representative stated unequivocally, “Government support for creators is clearly insufficient.”<sup>77</sup>

Greg Terrence, President of the Canadian Independent Recording Artists' Association (CIRAA), believes that FACTOR does not adequately support independent artist entrepreneurs. The CIRAA called for FACTOR to restructure the way in which it allocates funding and for a new funding organization to be established for independent artist entrepreneurs.<sup>78</sup> Similarly, Mr. Vallance feels that FACTOR “should be building new careers, not supporting old ones.”<sup>79</sup> As he explained to the Committee, “My criticism of FACTOR, if any, is: when do you stop funding?”<sup>80</sup>

Certain witnesses suggested further modifying the support allocated by FACTOR to reflect the digital environment in which the music industry operates. Mr. Reid from CARAS suggested that FACTOR consider how it can help entrepreneurs “compete in the digital economy.”<sup>81</sup> Mr. Cooper from Volu.me recommended that “the collective initiatives program administered by FACTOR and Musicaction see their project timelines and budgets for technology-based projects increased.”<sup>82</sup> Mr. Albert from Stingray Digital recommended that some of FACTOR’s support be directed to the creation of Canadian broadcasting platforms, including streaming platforms.<sup>83</sup>

The persons representing independent artists had the sense that they were not eligible for FACTOR support because they did not meet the program eligibility requirements. Zachary Leighton, Executive Director of the CIRAA, said that “of Canada’s

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76 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014, 1105 (Mr. Jodie Ferneyhough, President, Canadian Music Publishers Association).

77 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1100 (Mr. Pierre-Daniel Rheault, Chief Executive Officer, Société professionnelle des auteurs et des compositeurs du Québec).

78 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1105 (Mr. Greg Terrence, President, Canadian Independent Recording Artists Association).

79 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1105 (Mr. Jim Vallance, as an individual).

80 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1225 (Mr. Jim Vallance, as an individual).

81 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1140 (Mr. Allan Reid, Director, MusiCounts, Canadian Academy of Recording Arts and Sciences).

82 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1205 (Mr. Shawn Cooper, President and Co-Founder, Volu.me).

83 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1235 (Mr. Eric Albert, Executive Vice-President, Stingray Digital).



19,000 recording artists, only 3,400 have even bothered to register with FACTOR, due to widespread apathy.”<sup>84</sup>

During their appearance before the Committee, representatives from FACTOR and Fondation Musicaction addressed some of the criticisms that had been directed at their organizations. Mr. McKie of FACTOR reported that the organization had recently made significant changes to some program criteria to reflect changes in the music industry. As noted in section 2.5, when evaluating funding applications from record companies, FACTOR now considers not only the physical sale of CDs but also digital sales and placements in advertisements, TV and film.<sup>85</sup> The application criteria for artists have also been overhauled and now include such elements as number of performances, success on social media and ad placements.

Speaking on behalf of Fondation Musicaction, President Pierre Rodrigue stated that funding has been allocated to collective digital projects since 2010–2011, “to increase the amount of digital content available.”<sup>86</sup> However, he admits there is a need to “invest more and better in the new digital ecosystem.”<sup>87</sup> Funding programs must be flexible in this environment, and exporting to target markets has “become essential.”<sup>88</sup>

FACTOR/Musicaction stated that their programs are open to a wide range of applicants. However, they have limited funds and a large number of applicants. Mr. Rodrigue noted that it is not unusual for applicants to try several times before they are successful.<sup>89</sup>

Mr. McKie was asked about the roughly \$35 million FACTOR has in its reserve fund. He said that FACTOR decided to set the money aside for a time when there is a reduction in the financial contributions (tangible benefits) that it receives as a result of commercial transactions approved by the CRTC. He said that FACTOR expects these financial contributions to begin diminishing in 2017. At that point, the reserve money will be used to generate income in order to keep FACTOR funding at a constant level until 2020. Mr. McKie said that beyond that, it will depend on the conditions.<sup>90</sup>

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84 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1100 (Mr. Zachary Leighton, Executive Director, Canadian Independent Recording Artists' Association).

85 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1100 (Mr. Duncan McKie, President, FACTOR).

86 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1110 (Mr. Pierre Rodrigue, Chairman of the Board of Directors, Fondation Musicaction).

87 Ibid.

88 Ibid.

89 Ibid., 1145.

90 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1130 (Mr. Duncan McKie, President, FACTOR).



## CHAPTER 3: OUTCOMES

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This chapter reviews the outcomes proposed by witnesses on each of the themes of the report.

### 3.1 Digital distribution and streaming

As described in section 2.2, digital distribution and streaming have had an impact on the revenue streams of artists. At the same time, there are challenges to launching new digital music services, which would provide more legitimate sources of music.

Regarding the issue of revenue streams, the Committee heard a number of suggestions. A number of witnesses, including Luc Fortin, President of the *Guilde des musiciens et musiciennes du Québec* (GMMQ), called for the private copying levy to be extended to digital audio recorders.<sup>91</sup> Another suggestion came from Ian MacKay, President of Re:Sound Music Licensing Company, who called for the elimination of the \$1.25 million exemption for commercial radio that is contained in the *Copyright Act*.<sup>92</sup> Mr. Tetreault of the Canadian Federation of Musicians called on the government to sign and ratify the World Intellectual Property Organization's *Beijing Treaty on Audiovisual Performances*. He said this treaty recognizes the right of audiovisual performers to be fairly compensated for their work.<sup>93</sup>

Regarding the launching of new services, the most common suggestion made by witnesses was to provide the Copyright Board of Canada with the resources it needs to speed up its decision-making process. The witnesses that raised this issue included SODRAC, Connect, SOCAN, the Professional Music Publishers' Association, CMPA, Songza, Re:Sound, Nettwerk, Stingray Digital, Google Canada, Music Canada and the Canadian Musical Reproduction Rights Agency.

Other suggestions for encouraging digital distribution services included the establishment of a level playing field with respect to regulation and the requirements to support Canadian content. For example, Paul Cunningham, Vice-President of SiriusXM Canada, said a level playing field would allow companies such as his to support Canadian music and to be able to compete in the marketplace.<sup>94</sup> Mr. Sasseville of Quebecor Media

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91 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1115 (Mr. Luc Fortin, President of the *Guilde des musiciens et musiciennes du Québec*).

92 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1205 (Mr. Ian MacKay, President, Re:Sound Music Licensing Company).

93 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1110 (Mr. Mark Tetreault, Director of Symphonic Services, Canadian Federation of Musicians).

94 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1240 (Mr. Paul Cunningham, Vice-President, SiriusXM Canada).

Inc. said there should be a level playing field with respect to charging sales tax for downloads.<sup>95</sup>

On the other hand, Mr. Kee of Google Canada expressed reservations about regulating new digital services. He questioned whether regulatory intervention would be justified to meet the policy objectives regarding the creation of Canadian content and expressed concerns about the impact that regulating digital services would have on the introduction of new services.<sup>96</sup> When asked about the contributions that services such as his could make to Canadian artists, Mr. Kee said that, instead of a mandatory monetary contribution, “we as a company would be more inclined to look at what can we do creatively to actually promote Canadian content.”<sup>97</sup> He mentioned, for example, that the Google Play music service has a number of playlists that promote Canadian artists.<sup>98</sup>

Mr. Albert of Stingray Digital suggested offering fiscal incentives to companies for the creation of Canadian content.<sup>99</sup> He also supported the idea of bundling music services with mobile telephone subscriptions.<sup>100</sup> Mr. Erdman of Deezer made a similar suggestion.<sup>101</sup>

### 3.2 Music education

Witnesses made a variety of suggestions regarding music education, which can be grouped under two themes: developing young Canadians’ musical abilities and increasing consumer awareness of the cost of music.

On the subject of developing musical ability, several witnesses highlighted one of the recommendations in Music Canada’s report *The Next Big Bang: A New Direction for Music in Canada*. According to the report, music education could be a critical area of focus for reinvigorating Canada’s commercial music industry. Music Canada urges governments to “look for innovative ways to support music education because of the broad economic benefits it creates.”<sup>102</sup> Music Canada’s recommendation was echoed by other witnesses,

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95 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1145 (Mr. J. Serge Sasseville, Vice-President of Corporate and Institutional Affairs for Quebecor Media Inc.).

96 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1235 (Mr. Jason Kee, Counsel, Public Policy and Government Relations, Google Canada).

97 Ibid.

98 Ibid.

99 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1205 (Mr. Eric Albert, Executive Vice-President, Stingray Digital).

100 Ibid., 1240.

101 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1225 (Mr. Justin Erdman, Managing Director, Canada, Deezer).

102 See Music Canada, [The Next Big Bang. A New Direction for Music in Canada](#), 2013, p. 29.

such as CARAS, Connect Music Licensing, the National Music Centre, Avalanche Productions and Ticketmaster Canada.

Mr. Reid from CARAS suggested creating a program that would encourage Canadians to reap the benefits of music education in the same way that ParticipACTION promotes sports and active living.<sup>103</sup>

On the subject of increasing consumer awareness of the cost of music, the SPACQ,<sup>104</sup> SODRAC, the Canadian Federation of Musicians, Live Nation Canada, Stingray Digital, CIRAA and Deezer stated that the public needs to be informed of the value of music. Mr. Tetreault of the Canadian Federation of Musicians called for the government to support “educational initiatives that give youth a proper understanding of how artists are compensated through the royalties.”<sup>105</sup> According to Mr. Fortin of the GMMQ, music education “could even start as early as elementary school and high school.”<sup>106</sup>

Mr. Vallance and some other witnesses were sceptical about the effectiveness of campaigns against illegal downloading. Mr. Mortimer-Lamb of Nettwerk Music Group believes the concept is good but, at the same time, there is a need to “ensure a market environment that provides a multitude of licensed and legitimate music-consumption options for the next generation.”<sup>107</sup>

### 3.3 Music tourism

A number of witnesses believe that Canadian music events are not achieving their full economic potential and that greater focus could be placed on the concert industry. In his appearance before the Committee, the representative from Music Canada reiterated the recommendation in his organization’s report *The Next Big Bang: A New Direction for Music in Canada* and called for a comprehensive music tourism strategy.<sup>108</sup> During the

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103 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1105 (Mr. Allan Reid, Director, MusiCounts, Canadian Academy of Recording Arts and Sciences).

104 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1130 (Mr. Pierre-Daniel Rheault, Chief Executive Officer, Société professionnelle des auteurs et des compositeurs du Québec).

105 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1130 (Mr. Mark Tetreault, Director of Symphonic Services, Canadian Federation of Musicians).

106 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1155 (Mr. Luc Fortin, President, Guilde des musiciens et musiciennes du Québec).

107 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1155 (Mr. Simon Mortimer-Lamb, President and Chief Operating Officer, Nettwerk Music Group).

108 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1210 (Mr. Graham Henderson, President, Music Canada).

Committee's study, several witnesses supported this recommendation as well, including NXNE, Live Nation Canada, Ticketmaster Canada, TIAC, the National Music Centre and RBC Royal Bank Bluesfest.

Andrew Mosker of the National Music Centre spoke of our country's rich musical tradition. He emphasized the need to "brand Canada as a music country"<sup>109</sup> and make music tourism "an economic pillar."<sup>110</sup>

Witnesses told the Committee that it can be difficult for foreign tourists and workers to enter Canada. Patti-Anne Tarlton of Ticketmaster Canada described the problems that foreign tourists and artists sometimes face when trying to obtain a visitor's permit.<sup>111</sup> Tracy Jenkins of the Lula Music and Arts Centre called on the federal government to eliminate the fees to apply for a Labour Market Opinion. These new fees "make such international collaboration significantly more expensive and difficult."<sup>112</sup> Ms. Jenkins proposed an "agreement of sorts between Canada and the U.S. for touring musicians"<sup>113</sup> to give Canadian artists easier access to the U.S. market.

### 3.4 Current funding – future investment

As noted in section 2.5, many witnesses were pleased that the government has provided ongoing funding to the CMF. Mr. Mortimer-Lamb of Nettwerk Music Group said "don't change what is working."<sup>114</sup> Mr. Johnston of CIMA and Mr. Nasra of Avalanche Productions noted the importance of continued support for production, marketing and promotion.<sup>115</sup>

While there was widespread support for the current level of government funding, witnesses also had suggestions for improving it. One suggestion was that a system of tax credits, similar to those provided for the film and television industry, be established.

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109 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1105 (Mr. Andrew Mosker, President and Chief Executive Officer, National Music Centre).

110 Ibid.

111 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1245 (Ms. Patti-Anne Tarlton, Chief Operating Officer, Ticketmaster Canada).

112 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1115 (Ms. Tracy Jenkins, Executive and Co-Artistic Director, Lula Music and Arts Centre).

113 Ibid.

114 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1155 (Mr. Simon Mortimer-Lamb, President and Chief Operating Officer, Nettwerk Music Group).

115 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1220 (Mr. Stuart Johnston, President, Canadian Independent Music Association) and House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1210 (Mr. Sébastien Nasra, President and founder, M for Montreal – Mundial Montreal, Avalanche Productions and Sound Publishing).

Mr. Kane of Warner Music Canada argued that the development of artists is a form of R&D and said it deserves public support similar to the tax credits available to other R&D-intensive industries.<sup>116</sup> Mr. Henderson of Music Canada made the same argument.<sup>117</sup>

Another suggestion for a tax credit was made by François Bissoondoyal, Label Director with L'Équipe Spectra of Montréal, who suggested implementing one for the production and marketing of sound recordings.<sup>118</sup> For his part, Mr. Nasra of Avalanche Productions suggested implementing a tax credit on specialized workers' salaries in the digital field.<sup>119</sup>

Support for the idea of tax credits was not shared by all witnesses, however. Ms. Thomas of Songza pointed out that because start-up companies typically run large losses in the early years, tax credits are of little or no value to them. Instead, she called for the government to provide subsidies for the payment of royalties, which represent a significant cost for digital music services.<sup>120</sup>

Government support for hiring specialized workers was suggested by Mr. Chartrand of Coup de Coeur Francophone<sup>121</sup> and Mr. Cooper of Volu.me. Specifically, Mr. Cooper also suggested that a grant program be set up to match the institutional investments raised by technology companies.<sup>122</sup>

Support for exporting was another area that witnesses raised. Mr. Johnston of CIMA called for the government to be a partner of the industry as they explore opportunities in foreign markets.<sup>123</sup> Mr. Hetherman of Cerberus Management and

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- 116 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1150 (Steven Kane, President, Warner Music Canada).
- 117 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1210 (Mr. Graham Henderson, President, Music Canada).
- 118 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1200 (Mr. François Bissoondoyal, Director, Label, L'Équipe Spectra).
- 119 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 April 2014, 1250 (Mr. Sébastien Nasra, President and founder, M for Montreal – Mundial Montreal, Avalanche Productions and Sound Publishing).
- 120 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1220 (Ms. Vanessa Thomas, Managing Director, Canada, Songza).
- 121 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 May 2014, 1200 (Mr. Alain Chartrand, Executive and Artistic Director, Coup de coeur francophone).
- 122 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 1 April 2014, 1205 (Mr. Shawn Cooper, President and Co-Founder, Volu.me).
- 123 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1220 (Mr. Stuart Johnston, President, Canadian Independent Music Association).

Consulting suggested that funding be made available for cultural trade missions abroad.<sup>124</sup> Mr. Surette of Music NB also called for support for export activity.<sup>125</sup>

To better understand the changes taking place in the Canadian music industry, a number of witnesses called for a study of the various funding programs and of the ways that monies flow within the industry. These included Elisabeth Bihl, Executive Director of the CMPA; Mr. Johnston of the Songwriters Association of Canada; Ms. Thomas of Songza; Mr. Monahan of RBC Royal Bank Bluesfest; and Mr. Henderson of Music Canada.

### 3.5 FACTOR/Musicaction

The witnesses the Committee heard were generally positive about the level of funding provided by FACTOR/Musicaction but did have some suggestions for improving their programs.

Mr. D'Eith of Music BC believes the Department of Canadian Heritage should ensure that more money is spent “in the regions for grassroots artist development.”<sup>126</sup> Music NB would like FACTOR to support export activities and to involve provincial music associations in regional program management.<sup>127</sup>

Representatives from the CMPA<sup>128</sup> and the SPACQ<sup>129</sup> called for increased funding for their respective segments of the music industry.

The CIRAA called for FACTOR to restructure the way in which it allocates its funding and for a new funding organization to be established for independent

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124 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 29 April 2014, 1105 (Mr. Brian Hetherman, President, Cerberus Management and Consulting).

125 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1245 (Mr. Jean Surette, Executive Director, Music NB).

126 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 25 March 2014, 1235 (Mr. Robert D'Eith, Executive Director, Music BC Industry Association).

127 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1250 (Mr. Jean Surette, Executive Director, Music NB).

128 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 27 March 2014, 1235 (Mr. Jodie Fernyhough, President, Canadian Music Publishers Association).

129 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 10 April 2014, 1100 (Mr. Pierre-Daniel Rheault, Chief Executive Officer, Société professionnelle des auteurs et des compositeurs du Québec).



artist entrepreneurs.<sup>130</sup> Mr. Vallance also felt that FACTOR should not support established artists.”<sup>131</sup>

On the other hand, some witnesses talked about the benefits of supporting established artists. In his testimony, Mr. McKie noted that FACTOR provides funding at different stages of artists’ development. It provides early-stage financial assistance for recording demos, financing for full-length recordings and comprehensive support to more established companies and artists.<sup>132</sup> Musician Alan Doyle, a Member of the Board of the Radio Starmaker Fund, talked about the different stages in a musician’s career and noted that expenses increase at each stage. He said that the Starmaker Fund “kicks in on a part of a musician’s or an act’s career that is the most risky, the most costly, and the most in need of support.”<sup>133</sup>

As noted in section 2.6, FACTOR plans to use its reserve funds to maintain its funding at a constant level until about 2020. To ensure that FACTOR and the Fondation Musicaction have sufficient funding in the future, Susan Wheeler, the Chair of FACTOR, suggested the CRTC could play a role in generating more funding from such transactions.<sup>134</sup>

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130 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 6 May 2014, 1105 (Mr. Greg Terrence, President, Canadian Independent Recording Artists Association).

131 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 8 May 2014, 1105 (Mr. Jim Vallance, as an individual).

132 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1100 (Mr. Duncan McKie, President, FACTOR).

133 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1220 (Mr. Alan Doyle, Member of the Board, Radio Starmaker Fund).

134 House of Commons, Standing Committee on Canadian Heritage, [Evidence](#), 2<sup>nd</sup> Session, 41<sup>st</sup> Parliament, 13 May 2014, 1140 (Ms. Susan Wheeler, Chair, FACTOR).



## CHAPTER 4: RECOMMENDATIONS

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1. The Committee recommends that the Government of Canada examine the time that it takes for decisions to be rendered by the Copyright Board of Canada ahead of the upcoming review of the *Copyright Act* so that any changes could be considered by the Copyright Board of Canada as soon as possible.
2. The Committee recommends that the Government of Canada work with provincial authorities and other stakeholders to improve the musical knowledge and skills of Canadians.
3. The Committee recommends that the Government of Canada work with stakeholders in order to launch an information campaign on the actual cost of creating music, the negative impacts of illegal downloading and the importance of respecting the intellectual property of music creators, with an outcome of assisting the music industry in terms of improved measures and initiatives related to these issues, including preventing piracy.
4. The Committee recommends that the Government of Canada work with stakeholders from the Canadian music industry and the Canadian tourism industry to make music tourism in Canada a focus of marketing campaigns.
5. The Committee recommends that the Government of Canada study the economic impact of introducing a tax credit to support the Canadian music industry, taking inspiration, if needed, from those granted to the film and television industries.
6. The Committee recommends that the Government of Canada undertake a study of the impact of digital technology on the Canadian music industry and on government funding programs.
7. The Committee recommends that the Department of Canadian Heritage ensure that the various components of the Canada Music Fund reflect the changes in Canada's music industry, including potential new sources of funding from the private sector, with special attention given to creators, entrepreneurs and independent producers.
8. The Committee recommends that the administration of the Music Entrepreneur Component of the Canada Music Fund be transferred from the Department of Canadian Heritage to a new third-party organization(s) based on the model of FACTOR and Musicaction.

- 9. The Committee recommends that the Department of Canadian Heritage ensure that the general public and recipients are aware that FACTOR and Musicaction funding is made on behalf of the Government of Canada.**
  
- 10. The Committee recommends that the Government of Canada give the Canadian Radio-television and Telecommunications Commission the capacity to enforce the requirement for the private broadcasters to pay, in a timely manner, the required annual contribution for Canadian content development.**

# APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p><b>Department of Canadian Heritage</b>            Jean-François Bernier, Director General, Cultural Industries            Sophie Couture, Director, Music Policy and Programs</p>	2014/03/04	13
<p><b>Alliance of Canadian Cinema, Television and Radio Artists</b>            Brad Keenan, Director, Recording Artists' Collecting Society            David Faber, Canadian Musician, Faber Drive</p>	2014/03/25	14
<p><b>Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ)</b>            Solange Drouin, Vice-President of Public Affairs and Executive Director</p>		
<p><b>Canadian Independent Music Association</b>            Stuart Johnston, President            Shauna de Cartier, Chair</p>		
<p><b>Connect Music Licensing</b>            Victoria Shepherd, Executive Director</p>		
<p><b>Music BC Industry Association</b>            Robert D'Eith, Executive Director</p>		
<p><b>Society for Reproduction Rights of Authors, Composers and Publishers in Canada</b>            Alain Lauzon, General Manager</p>		
<p><b>Canadian Music Publishers Association</b>            Elisabeth Bihl, Executive Director            Jodie Ferneyhough, President</p>	2014/03/27	15
<p><b>Canadian Radio-television and Telecommunications Commission</b>            Scott Hutton, Executive Director, Broadcasting            Annie Laflamme, Director, Radio Policy and Applications</p>		
<p><b>Library and Archives of Canada</b>            Hervé Déry, Acting Librarian and Archivist of Canada, Office of the Librarian and Archivist of Canada            Cecilia Muir, Chief Operating Officer, Office of the Chief Operating Officer</p>		
<p><b>Professional Music Publishers' Association</b>            David Murphy, President</p>		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Society of Composers, Authors and Music Publishers of Canada</b> Gilles Daigle, General Counsel and Head of Legal Services	2014/03/27	15
<b>Alliance nationale de l'industrie musicale</b> Natalie Bernardin, President Benoit Henry, Chief Executive Officer	2014/04/01	16
<b>Gospel Music Association of Canada</b> Martin Smith, President		
<b>SiriusXM Canada</b> Andréanne Sasseville, Director, Canadian Content Development and Industry Relations Paul Cunningham, Vice-President		
<b>Songwriters Association of Canada</b> Greg Johnston, Vice-President Jean-Robert Bisailon, Vice-President		
<b>Songza</b> Vanessa Thomas, Managing Director, Canada		
<b>Volu.me</b> Shawn Cooper, President and Co-Founder		
<b>As individuals</b> Brett Kissel Louis O'Reilly, Manager, O'Reilly International Inc	2014/04/08	17
<b>Artisti</b> Richard Petit Annie Morin, Director		
<b>Avalanche Productions and Sound Publishing</b> Sébastien Nasra, President-Founder, M for Montreal - Mondial Montreal		
<b>Canadian Academy of Recording Arts and Sciences</b> Allan Reid, Director, MusiCounts		
<b>Re:Sound Music Licensing Company</b> Ian MacKay, President		
<b>Canadian Federation of Musicians</b> Mark Tetreault, Director of Symphonic Services	2014/04/10	18
<b>Gilde des musiciens et musiciennes du Québec</b> Luc Fortin, President		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Live Nation Canada</b> Riley O'Connor, Chairman Ken Craig, Promoter	2014/04/10	18
<b>North by Northeast (NXNE)</b> Mike Tanner, Director of Operations		
<b>Société professionnelle des auteurs et des compositeurs du Québec</b> Pierre-Daniel Rheault, Chief Executive Officer		
<b>Ticketmaster Canada</b> Patti-Anne Tarlton, Chief Operating Officer		
<b>Canadian Tourism Commission</b> Greg Klassen, President and Chief Executive Officer	2014/04/29	19
<b>Cerberus Management and Consulting</b> Brian Hetherman, President		
<b>Polaris Music Prize</b> Steve Jordan, Founder and Executive Director		
<b>Quebecor Media Inc.</b> J. Serge Sasseville, Vice-President, Corporate and Institutional Affairs Christian Breton, Vice-President, Music sector, Groupe Archambault		
<b>RBC Ottawa Bluesfest</b> Mark Monahan, Executive Director		
<b>Tourism Industry Association of Canada</b> David F. Goldstein, President and Chief Executive Officer		
<b>Coup de coeur francophone</b> Alain Chartrand, Executive and Artistic Director	2014/05/01	20
<b>Institut de la statistique du Québec</b> Dominique Jutras, Director, Observatoire de la culture et des communications Claude Fortier, Project Manager, Observatoire de la culture et des communications		
<b>L'Équipe Spectra</b> François Bissoondoyal, Director, Label		
<b>Nettwerk Music Group</b> Simon Mortimer-Lamb, President and Chief Operating Officer		
<b>Warner Music Canada</b> Steven Kane, President		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Canadian Independent Recording Artists' Association</b>  Zachary Leighton, Executive Director  Gregg Terrence, President</p> <p><b>Deezer</b>  Justin Erdman, Managing Director, Canada</p> <p><b>Google Canada</b>  Jason Kee, Counsel, Public Policy and Government Relations</p> <p><b>Lula Lounge</b>  Tracy Jenkins, Executive and Co-Artistic Director, Lula Music and Arts Centre</p> <p><b>National Music Centre</b>  Andrew Mosker, President and Chief Executive Officer  Mary Kapusta, Manager, Marketing and Public Relations</p> <p><b>Stingray Digital</b>  Eric Albert, Executive Vice-President  Mathieu Péroquin, Senior Vice-President, Marketing and Communications</p>	2014/05/06	21
<p><b>As individuals</b>  Paul Hoffert  Jim Vallance</p> <p><b>Manitoba Music</b>  Stephen Carroll, Board Member</p> <p><b>Mo'fat Management</b>  Stéphanie Moffatt, President  Mylène Fortier, Director, Marketing</p> <p><b>Music NB</b>  Jean Surette, Executive Director  Richard Hornsby, Director of Music, University of New Brunswick</p>	2014/05/08	22
<p><b>Canadian Music Week</b>  Neill Dixon, President</p> <p><b>Fondation Musicaction</b>  Pierre Rodrigue, Chairman of the Board of Directors  Louise Chenail, Chief Executive Officer</p> <p><b>Fonds RadioStar</b>  François Bissoondoyal, Chairman of the Board of Directors  Louise Chenail, Chief Executive Officer</p>	2014/05/13	23



Organizations and Individuals	Date	Meeting
<b>Foundation Assisting Canadian Talent on Recordings (FACTOR)</b>	2014/05/13	23
Susan Wheeler, Chair		
Duncan McKie, President		
Allison Outhit, Vice-President, Operations		
<b>Music Canada</b>		
Graham Henderson, President		
<b>Radio Starmaker Fund</b>		
Sylvie Courtemanche, Chair of the Board		
Chip Sutherland, Executive Director		
Alan Doyle, Member of the Board		



# **APPENDIX B LIST OF BRIEFS**

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## **Organizations and Individuals**

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**Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ)**

**Canadian Independent Recording Artists' Association**

**Canadian Musical Reproduction Rights Agency**

**Corporation of Massey Hall and Roy Thomson Hall**

**Department of Canadian Heritage**

**Institut de la statistique du Québec**

**L'Équipe Spectra**

**Music Canada**

**Professional Music Publishers' Association**

**Quinlan Road**

**Society for Reproduction Rights of Authors, Composers and Publishers in Canada**

**Songza**

**Stingray Digital**

**Tourism Industry Association of Canada**

**Warner Music Canada**



# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 and 27](#)) is tabled.

Respectfully submitted,

Gordon Brown

Chair



## SUPPLEMENTARY REPORT FOR THE NEW DEMOCRATIC PARTY -- REVIEW OF THE CANADIAN MUSIC INDUSTRY

The New Democratic Party would like to thank the many stakeholders who took the time to share their thoughts with us on the current state of the Canadian music industry. We believe this exercise will benefit and serve to educate all political parties.

The NDP was committed to carrying out a thorough investigation that focuses on the issues currently facing this industry, and those that are likely to arise in the future. The consensus that has emerged on almost all recommendations in the report eloquently demonstrates the commitment of all political parties to work together in producing a constructive and useful report for policy-makers. That being said, the NDP would like to express our reservations regarding recommendation 8.

The Committee's study revealed that, based on the testimony we heard, stakeholders overwhelmingly support federal government actions to encourage Canada's creative industries in the digital age, in the context of a legislative and regulatory framework strained by these rapidly changing realities.

The Standing Committee on Canadian Heritage already submitted recommendations to the government in February 2011, citing new challenges facing digital media and emerging outlets. The government responded to these recommendations with three years of silence and idling, and no action was taken until the spring of 2014, when the Minister of Industry published a Digital Canada strategy lacking any real new initiatives for Canadian cultural industries. There is clearly a major vacuum in the government's cultural and economic agenda.

When it comes to recommendation number 8 regarding the Music Entrepreneur Component (Canada Music Fund), the New Democratic Party would like to point out that not a single witness recognized the need to make these major changes being proposed by the committee. Of course, it goes without saying that such an important proposal should have been brought up with stakeholders and witnesses, but no questions were raised on this topic when there was opportunity to do so. The NDP believes that such structural changes should not be made without consulting with industry stakeholders; as a result the NDP is unable to support recommendation number 8. Potential effects of such changes, be they positive or negative, were not explained to Parliamentarians as part of this study.

The New Democratic Party believes that this report fails to note the testimony of the many stakeholders who clearly expressed the desire for the Canadian government to increase the proportion of public funding through FACTOR/Musicaction. To safeguard the credibility of such an important study, all opinions – no matter how divergent – deserve to be reported.

As the first to feel the effects of the digital shake-up, the musical industry took the opportunity during these hearings to point out many of the challenges that artists have been facing as their audience migrates towards new platforms. Music, like television and film, is at the heart of Canadian identity. The NDP believes that the music industry's strength, its sustainability and its accessibility need to be at the centre of the government's priorities.

More specifically, in an effort to support the industry, the government must consider the evolving realities, diversity of expressions and voices (emerging vs. established artists), broadcasting of Canadian content, and how Canadians listen to music. This can be accomplished by studying new ways to support artists through regulatory and fiscal instruments, and by supporting the tourism industry, for example. These efforts should include a long-standing NDP proposal, income averaging for artists.



# **STUDY OF THE CANADIAN MUSIC INDUSTRY BY THE STANDING COMMITTEE ON CANADIAN HERITAGE**

## **COMPLEMENTARY REPORT BY THE LIBERAL PARTY OF CANADA**

**Stéphane Dion  
Liberal Critic for Canadian Heritage  
June 11, 2014**

On behalf of the Liberal Caucus, I state that with a few exceptions, which nevertheless have to do with some important aspects, I support the Standing Committee's Report and encourage the Government to act on it.

The Report does not address all the issues. For example, it fails to address concerns voiced by the witnesses regarding the impact of the *Copyright Act (2012)* on the music industry, particularly on songwriters, composers, performers and other stakeholders. This is a complex issue, one which will have to be studied in 2016 as part of the five-year legislative review mandated in Section 92 of the Act.

Although the Report is not perfect, there is no question that its implementation would greatly improve the conditions under which music is created and distributed in Canada. This is why I wish to thank all those who took the time to share their insights with the Standing Committee, either by appearing before it or submitting briefs. I also wish to thank the Parliamentary staff for their outstanding support and am pleased to underscore the cordiality that prevailed between the Committee Members.

In total, the Liberal Caucus proposes three things to correct and two to add:

1. In order to support the key role played by the Copyright Board, we need a better recommendation than the one currently in the Report;
2. The proposal to create a new body to manage, in lieu of Canadian Heritage, the funds available to support record companies, music publishers and national associations must be removed from the Report;
3. The proposal to use taxpayer money to advertise the funding role played by the government must also be removed from the Report;
4. A recommendation regarding entrepreneurship education and training for artists and creators must be added to the Report;
5. A recommendation regarding the funding and efficiency of touring by Canadian musicians within Canada and abroad must also be added to the Report;

I will now expand on these five points, outlining their relevance for a better federal music policy.

## 1. Better support for the Copyright Board

In its first recommendation, the Standing Committee's proposal to support the Copyright Board is inadequate. Recommendation 1 reads as follows:

*"The Committee recommends that the Government of Canada examine the time that it takes for decisions to be rendered by the Copyright Board of Canada ahead of the upcoming review of the Copyright Act so that any changes could be considered by the Copyright Board of Canada as soon as possible."*

This recommendation does raise a real issue, one that was mentioned by many intervenors. Many decisions take unreasonable amounts of time to be rendered. Stakeholders must too often wait many years to be paid, particularly in those cases involving musical broadcasting via digital platforms. This generates a feeling of uncertainty that hinders the launching of new digital broadcasting platforms in Canada thus limiting access of Canadians to musical expression.

Recommendation 1 has two flaws.

The first flaw is that it ignores the main issue raised by many intervenors: an apparent lack of resources. The Copyright Board of Canada seems overwhelmed by the number and complexity of the cases it must address. The Board must face a huge workload and constantly analyze complex and massive expert reports dealing with legal, economic and technical issues. Although this is not only a resource issue and the Board's *modus operandi* must also be scrutinized, it is clear that a serious study of the means presently available to the Board must also be included in the Standing Committee's recommendation.

The second flaw of Recommendation 1 is that it fails to emphasize the urgent need for action. Instead, it merely suggests that a consultation will be enough for the coming years and that concrete changes will have to wait until after 2017, the year of the planned *Copyright Act* review. In fact, the government and the Board would be perfectly able to fix things in the coming months if they only started now.

Therefore, in order to ensure that the Copyright Board of Canada can have the means to fulfill its mandate adequately:

- It is recommended that in keeping with Section 66.8<sup>1</sup> of the Copyright Act (2012), the Government of Canada undertake as soon as possible a consultation with the Copyright Board in order to analyse the delays in rendering decisions, notably in the digital context, and to establish, with the Commission, a level of funding that is adequate for the timely delivery of its mandate.

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<sup>1</sup> 66.8 The Board shall conduct such studies with respect to the exercise of its powers as are requested by the Minister.

## **2. "No" to the creation of a new body to manage funds allotted to music producers**

Committee Recommendation 8 reads as follows:

*"The Committee recommends that the administration of the "Music Entrepreneurs" component of the Canada Music Fund be transferred from the department of Canadian Heritage to a new third-party organization based on the model of FACTOR and Musicaction."*

The Liberal Caucus cannot support this recommendation, which was neither the topic of any intervention from those music sector experts who testified during the Committee's study nor the topic of any question from a Committee Member. The objective of this recommendation is totally unclear and its potential impact on the current clients of the programme has not been evaluated.

If the objective is to save on operating costs, it is very farfetched to believe that creating a new body is the way to achieve this. What it is likely to achieve instead is an increase in costs for staff, facilities, etc. Furthermore, it is not one body that would be required but two – one Anglophone and one Francophone – if the FACTOR-Musicaction model is to be followed. If the government's objective is better service for a specific client group, such as independent entrepreneurs, that client group should have been consulted in advance. In any case, the "Music Entrepreneur" and "Collective Initiatives" components do not lend themselves well to such focussed action because they include a wide range of clients – record companies, music publishers, national organizations.

For those reasons, the government should not implement Recommendation 8.

## **3. "No" to the use of Canadian taxpayer money for government advertising**

The Standing Committee's Recommendation 9 reads as follows:

*"The Committee recommends that the department of Canadian Heritage ensure that the general public and recipients are aware that Factor and Musicaction funding is made on behalf of the Government of Canada."*

This recommendation does not belong in a report that is meant to set a better music policy for Canada. Besides, no witness raised this during Committee. If the government is in such dire need of visibility, it should let Canadian Heritage and FACTOR/Musicaction deal with it themselves.

One thing is sure: the current government must not be encouraged to spend more money on political advertising, with its already inflated budgets compared to the sums

it invests to respond to the needs of the Canadian population. Too much taxpayer money is already being spent for the current government's self-glorification.

Furthermore, the recommendation is inaccurate. It gives the impression that the whole of FACTOR-Musicaction's funding comes from the federal government's pockets when in reality, a large part of it comes from the private sector. Finally, it should not be suggested that independent organizations such as FACTOR-Musicaction act "on behalf of the Government of Canada".

For those reasons, the government should not implement Recommendation 9.

#### **4. Better support for entrepreneurship training for artists and creators**

The Standing Committee heard a true call for help from many intervenors. They told us that songwriters, composers, performers, however talented, do not necessarily have the competencies required to manage their own careers and be able to live off their art, particularly in the very difficult digital environment. More and more, artists must act as producers, promoters and managers.

Representatives from Société professionnelle des auteurs-compositeurs du Québec (SPAC), Alliance nationale de l'industrie musicale, Canadian Independent Recording Artists Association (CIRAA) and MforMontreal brought to the Committee's attention the importance of providing creators and performers with adequate knowhow and training to manage their professional lives as independent entrepreneurs.

Indeed, Recommendation 7 of the Standing Committee's Report proposes that the Canada Music Fund be adapted to reflect the changes that have happened – and are happening – in the industry. But that recommendation is very general, whereas the training issue deserves special attention. The government has to focus on the pressing and vital need to develop programmes that provide artists with better entrepreneurship training.

Therefore:

- It is recommended that the Government of Canada consider the possibility of new programmes to enable songwriters and performers to improve their participation in the business sector of the music industry.

#### **5. Better support for touring within Canada and abroad**

Many witnesses underscored the fact that in the new context of digital broadcasting, it is more important than ever for Canadian musicians to tour within our country and abroad. In its current form, the Report says nothing about this key issue.

For a huge number of musicians, touring is an essential lever. Not only do the artists themselves benefit from this activity, but also the public and the economy at large. Further to the revenues from concerts and music festivals, Canadian artists contribute to the economic vitality of concert halls, theaters, stadiums, bars, and restaurants throughout the country.

Several suggestions were made for improving the efficiency and efficacy of federal support programmes, including increasing the budgets of those touring support initiatives currently available through various funding organizations. It was also pointed out that rather than acting in isolation, the Federal Government should collaborate with the other players.

Therefore:

- It is recommended that the Government of Canada consult members of the music sector and other levels of government to improve funding and efficiency of the support granted to Canadian musicians for domestic and international touring.

## **Conclusion**

The Report of the Standing Committee on Canadian Heritage is the result of a thorough and wideranging consultation process. As such, it is worthy of close government attention. While the Liberal Caucus supports the Report, it proposes five corrections or additions to it.

The Copyright Board needs better support to fulfill its mandate; no new bureaucratic body must be created with no valid reason or consultations; the government must avoid wasting public funds on its own political self-promotion; entrepreneurship training for musicians must be better supported; and finally, musicians need better and more efficient support for national and international touring.

Thus amended and if implemented, the Report will foster the creation and distribution of music in Canada and will help our music makers weather the challenges of the digital era. Thus will the Government of Canada better be able to support an industry that is important not only for our culture but also for our economy and international standing as a Nation.

We strongly urge the Government to take every necessary measure to implement both the Standing Committee's Report and Complementary Report of the Liberal Caucus.

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