



December 17, 2019

The Honourable Rod Phillips
Minister of Finance
c/o Budget Secretariat
Frost Building North,
3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1

Sent via email: submissions@ontario.ca
Cc: Minister.MacLeod@ontario.ca

Dear Minister:

Thank you for the opportunity to submit a pre-budget submission on behalf of the Canadian Independent Music Association's (CIMA) Ontario-based membership, as well as its provincial division, MusicOntario. This submission will cover CIMA and MusicOntario's recommendation for the Ontario Government to reinstate the Ontario Music Fund (OMF) budget to \$15 million annually.

We believe that the government's investments through the OMF are integral to the success of Ontario's music companies and the artists they support. These investments help solidify Ontario's position as the hub of Canada's music industry and as a breeding ground for bands and artists whose music is exported around the world. The commercialization of Intellectual Property (music) by the independent sector in Ontario guarantees an important return on investments into Ontario's economy and into the pockets of Ontarians.

CIMA's Recommendation: Small businesses have been disproportionately impacted by the initial cut to the Ontario Music Fund. We ask the government to relieve the stress on those small Ontario companies and the entrepreneurs who lead them by partnering with them and reinvesting \$15 million annually into the OMF.

INVESTING IN THE MUSIC INDUSTRY

There is no doubt that the Ontario Music Fund provided through the Government of Ontario and Ontario Creates is a catalyst for the provincial music industry's success. While Ontario has historically had robust business support tools for its Canadian-owned music companies, the cornerstone of the current funding environment is the OMF.

For background and more detailed information on Ontario's music industry and the challenges we face, please refer to supporting material in the appendix.

CIMA and MusicOntario strongly believe that investing in Ontario's music industry will ensure that Ontario is open for business, given the strong economic and socio-cultural benefits of investing in the Canadian-owned small businesses that comprise Ontario's independent music industry. In turn, this investment will help drive exports and help Ontario ultimately continue to transition into an even more successful innovation-driven, knowledge-based economy that will continue to provide sound returns on investment and economic benefit for Ontarians. That is why, **CIMA and MusicOntario recommend immediately reinstating the OMF's budget to \$15 million annually.**

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

The OMF is a **public-private partnership** that is designed to strengthen and develop the small and medium sized businesses that contribute to economic and cultural growth of the music industry in Ontario. Leveraging investments such as the OMF enable Ontario music companies and their artists to develop and retain **intellectual property (music)**, meaning the **economic benefits of commercializing the music stays in Ontario**. This is an important **net-benefit to Ontario's economy**.

Furthermore, in a climate where funds are limited, it is important for governments to invest in industries where there's a real, tangible return on their investments. Beyond job creation and revenue generation, CIMA's *Sound Analysis* report demonstrated that **for every \$1 of support** invested by government into the music industry, **\$1.42 was returned to provincial governments**. The findings of *Sound Analysis* also suggested that the music industry paid out more in taxes than they received by way of funding support from both levels of government combined. (See **Appendix 3** for further information on challenges faced by the Ontario music industry.)

As for the OMF specifically, investments have important leverage value, with an average of \$4.52 of additional financing generated for each dollar invested over the past 3 years:

- 14/15: \$3.72
- 15/16: \$5.05
- 16/17: \$4.79

The economic benefits that result from musical innovation at the independent level are significant for Ontario's economy. To date, the program has leveraged sales of over 5.6 million recordings domestically and more than 7 million internationally. Almost 4 million people have attended live music events in which the fund invested, featuring more than 4,000 performances by Ontario artists.

Multinational foreign-owned music companies (eg: the 'major labels' such as Sony, Universal, or Warner) may have offices in Ontario, but their economic benefits do not return to the province but rather go abroad—to their head offices in Japan, France, and the United States.

Therefore, we believe that the Ontario Music Fund is best leveraged by the Canadian-owned and controlled companies based in Ontario, as represented by CIMA and MusicOntario. By providing matching dollars, these companies can invest in the discovery, promotion, and commercialization of Ontario's artists, both here and internationally.

Independent (Canadian) music companies are leaders in discovering, developing, and investing in new talent. It is these small businesses that are finding and signing new artists, creating intellectual property, and commercializing it all over the world.

The importance of exporting cannot be overstated. Competing on the international stage is paramount to achieving success in the music industry and the gateway to seeing the largest return on investment. The foreign direct investments that are achieved through exporting come back to benefit Ontario's economy. The public-private partnership model of the OMF provides the necessary capital to make these investments possible and allows Ontario companies to compete with larger companies on the world stage.

ABOUT CIMA AND MUSICONTARIO

CIMA is the not-for-profit national trade association that represents the English-language, Canadian-owned sector of the music industry. Our mandate is to develop and advocate for policies and services that serve to support a strong and economically stable Canadian independent music and sound recording industry, to ensure the long-term development of the sector, and to raise the profile of Canadian independent music both in Ontario, across Canada, and abroad.

CIMA represents more than 300 Canadian small to medium sized companies and professionals involved in the worldwide production and commercialization of Canadian independent music. These companies in turn represent more than 6,000 Canadian artists and bands including: A Tribe Called Red, Tanya Tagaq, Serena Ryder, The Trews, Terra Lightfoot, Tegan and Sara, Whitehorse, The Sheepdogs, and METRIC. The **majority of CIMA's membership resides in Ontario**, and the province's activity and support is a major focus for CIMA and its members. (See **Appendix 1** for further information about CIMA's members.)

CIMA also manages *Music Export Canada*, the international brand of our music export office. *Music Export Canada* organizes up to 20 annual music trade missions to markets around the globe, helping businesses connect with international buyers and sellers while providing important showcase opportunities for Canada's emerging artists.

Over the last year, CIMA's export office organized a total of **15 export missions in 17 cities and 7 countries**, in which **128 companies** participated and **114 artists/bands** were showcased. Our post-event analysis has revealed that companies reported that they initiated or secured more than **\$3.8 million in new business** as a result of CIMA's trade missions last year. (See **Appendix 2** for further information on music exports).

CIMA launched **MusicOntario** in 2012 as a non-profit, membership-based association whose mission is to provide professional development, education, information, and support to the provincial music industry. MusicOntario is the only organization of its kind in the province that supports artists and emerging professionals across all music industry sectors, genres, and market sizes. It strives to be connected with each community at the ground level, and represents more than 600 small businesses, artists and industry professionals in Ontario, including emerging artists, industry professionals and companies, promoters, publishers, record labels, venues, music supervisors, booking agents and agencies, designers, engineers, lawyers and more.

CONCLUSION

On behalf of CIMA and MusicOntario's respective membership, we would once again like to thank the Government of Ontario for your time and consideration of CIMA and MusicOntario's pre-budget submission. For further information on Ontario's music industry and the challenges we face, please see supporting material in the appendix. Please contact CIMA's Senior Policy Advisor, Elise Rustad at 416-485-3152, extension 223 or at elise@cimamusic.ca if you have any questions about this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stuart Johnston', with a long horizontal stroke extending to the right.

Stuart Johnston
President, CIMA

A handwritten signature in black ink, appearing to read 'Emy Stantcheva', with a wavy horizontal stroke at the end.

Emy Stantcheva
Executive Director, MusicOntario

Appendix 1

THE MUSIC INDUSTRY IN ONTARIO

By any measure, Ontario's music industry is a success story. The province is currently well positioned as the unofficial capital of Canada's music industry. **Recent data supports this position by showing that 79% of Canada's national music industry-related revenues are generated here in Ontario¹.**

The independent music companies in Ontario are exclusively small to medium sized businesses with 46% of them **sole proprietorships**, with the top 10% earning more than \$500,000 per year in revenues ².

In 2017, music publishing and sound recording contributed \$362.2 million to Ontario's GDP, up 5% from 2016 and accounted for 3,995 jobs in 2017.³ The province's sound recording and distribution industry generates an estimated 75% of total national industry revenues and pays \$59.1 million annually in employee salaries, wages, and benefits. ⁴

The international 2018 WINTEL report revealed that **independent music companies around the world have increased their global market share to almost 40% against the share of the multinational major labels.** ⁵

Given the size and strength of the music industry in this province, it comes as no surprise that Ontario's music industry produces a great number of success stories, punching far above its weight nationally and internationally. Independent music companies are uniquely positioned to discover and foster new talent. It is within this sector that music creators are likely to follow bold, unconventional paths in their business decisions and the style of music they create. Spanning the musical gamut from Rush to Daniel Caesar to Feist, Ontario's music industry has been at the forefront of creating and exporting rich, diverse, and high-quality Canadian talent to the world.

In particular, the Canadian-owned, independent music companies which call Ontario home have been leading the charge for the province's music industry; ensuring that Ontario

¹ Statistics Canada. Sound Recording and Music Publishing, 2013. Published August 12, 2015

<http://www.statcan.gc.ca/daily-quotidien/150812/dq150812a-eng.pdf>

² Canadian Independent Music Association. 2013. Sound Analysis.

<http://www.nordicity.com/media/201336ftnrdeunp.pdf>

³ [Statistics Canada](#), Table 36-10-0452-01 – Culture and sport indicators by domain and sub-domain, by province and territory, product perspective (x 1,000). (Accessed December 3, 2019).

⁴ Ontario Creates. Year in Review 2019-2019. Music Industry (Accessed December 3, 2019) p.13.

http://www.ontariocreates.ca/Year_in_Review/YIR19_EN/

⁵ [Worldwide Independent Network](#), WINTEL Worldwide Independent Market Report 2018, December 2018, p. 8.

retains and further develops its role as one of North America's leading music industry clusters for production and performance. From Canada's Music Incubator at Coalition Music to award winning Toronto-based independent label/management company/publisher Six Shooter Records to the internationally-minded Dine Alone Records, Canadian-owned companies can be counted on to develop, invest in, and support Ontario's artists throughout their careers.

The following is a sample of some of the highlights and successes experienced by CIMA and MusicOntario members this past year:

- The 2019 Polaris Music Prize, a prestigious award given annually to the best Canadian album, was awarded to independent artist and MusicOntario member, Haviah Mighty for her self-released album, *13th Floor*. She is also represented by Ontario based CIMA member Valeo Arts Management. Toronto-based Lido Pimienta won the 2017 Polaris Prize for her album *La Papessa*. Past Polaris Prize winners represented by Ontario based CIMA labels members include Buffy Sainte-Marie (True North Records), Feist (Arts & Crafts), and Tanya Tagaq (Six Shooter Records).
- The 2019 JUNO Awards, held in London, Ontario, last March where, Arkells (managed by EOne Last Gang records), won the award for Group of the Year as well as Rock Album of the Year for *Rally Cry*. A number of Ontario artists won Album of the Year awards, including Bahamas (Adult Alternative Album of the Year for *Earthtones*), Dizzy (Alternative Album of the Year for *Baby Teeth*) and Jeremy Dutcher (Indigenous Music Album of the Year for *Wolastoqiyik Lintuwakonawa*).

Appendix 2

EXPORTING ONTARIO

The **economic benefit** of music stretches well beyond our province and into the communities and markets that surround us. We know that music promotes **tourism, economic growth, and job creation within Ontario**, but exporting provides Ontario's music companies opportunities to establish and expand their business networks...and new revenues...throughout the rest of Canada and abroad.

In the age of streaming, music becomes an international product with the click of a button. In the vast majority of cases, the success of an album depends on the promotion, marketing, touring, and other exporting activities taken on by an artist or band and the professional teams and companies that support them.

On average, music export investments cost double that of domestic activities and can cost 21 times more for breakout artists (per artist) than for emerging artists. Despite this highly burdensome cost, Canadian music companies, artists, and industry associations like CIMA and MusicOntario are all actively engaged in global exporting. Per CIMA's 2016 *Music in Motion* report, almost 90% of those surveyed identify exporting as extremely important to their business, with nearly 60% noting it is necessary for their survival.⁶

⁶ Canadian Independent Music Association. Music in Motion, November 2016, p.29.
<http://www.nordicity.com/de/cache/work/27/2017110pbukyecji.pdf>

Appendix 3

CHALLENGES FACING ONTARIO'S MUSIC INDUSTRY

The need for additional investment into Ontario's independent music industry is acute. Businesses in the industry are currently operating in an unpredictable and ever-changing market. A music company's "product" is largely intangible intellectual property (IP), which means that the traditional banking system is reluctant to provide capital to music companies in the manner that it does for other industries. **Funding and access to capital are the most significant obstacles facing our independent music sector.** Through considerable expenditures on artist development, recording, touring, marketing, and promotion, Canadian independent music companies (eg: record labels) shoulder most of the risk necessary to foster new, innovative Canadian music.

In Budget 2019, the provincial government announced the modernization of the Ontario Music Fund. The budget document states:

*"The government will work with Ontario Creates to modernize the Ontario Music Fund to focus on activities that bring the biggest return to the province, and refocus its investments into emerging talent to create opportunities to achieve success."*⁷

We strongly believe that reimplementing the full \$15 million in funding for the OMF will increase music industry jobs and opportunities both here at home as well as outside Ontario.

⁷ [2019 Ontario Budget](#), 2019 Ontario Budget: Protecting What Matters Most, p.226