



CIMA

**Canadian Independent
Music Association**

—
COVID-19 Recovery
Recommendations for the
Canadian Independent
Music Industry

1. RECOMMENDATIONS FOR ACTION

- 1. Drop in revenue:** the evaporation of live music revenue, along with the continuation of pre-COVID challenges (e.g., difficulties in generating significant streaming revenue) has led to a drop of \$233 million to independent music in Canada. This loss of revenue has been felt across the music industry – but has been most acute for emerging artist and their representatives. Nordicity also suggested that, in its best-case scenario, industry revenue will not recover to pre-COVID levels until 2023-2024;
- 2. Lack of audience development:** as the fundamental business model in the music industry is the development and monetization of a fanbase, the closure of venues around the world has significantly limited the ability of music companies to build those fanbases. Moreover, if the typical “album cycle” is 24 to 36 months in length, then Canadian independent music companies are now planning for releases in 2023-24. However, if the usual build-up to the eventual release cannot occur, the commercial viability of those projects will suffer. As such, the longer this impact continues, the longer the impact will be on the industry ability to generate revenue in the future;
- 3. Need for greater diversity:** while not a new issue, the pandemic (and events that occurred during it) have shone a brighter light than ever before on the need for the industry to improve access to different voices. Not only is doing so an ethical imperative, but a more diverse music industry will also have a broader global appeal – thereby helping to accelerate the pace at which the industry recovers;

4. Policy and regulatory uncertainty: Between the variable funding levels at the Canada Music Fund, the potential reforms to the Copyright Act, and the recently introduced Broadcasting Act legislation (Bill C-10), there is some uncertainty surrounding the policy environment in which Canadian independent music companies will operate as they recover from the pandemic. In practical terms, the degree to which Canadian and foreign-based broadcasters will be able (or compelled) to contribute to Canadian culture (including the commercial music industry) is one example of how this policy environment influences business realities for independent music companies. Indeed, such legislative changes can provide crucial funding support via marketplace solutions, and reforms to both Acts need to be accelerated during this pandemic.

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**With these challenges in mind, CIMA
proposes the following
recommendations for action:**

1.1 FINANCIAL SUPPORT

1.1.1 Extend and enhance the Canada Music Fund's Annual and Supplemental Funding

Timeframe: Permanent stabilization and immediate and short term recovery (three years)

As illustrated in the Nordicity report, the impact of the COVID-19 pandemic on Canada's independent music industry has been significant (with \$233 million in lost revenue and almost 2000 newly unemployed FTEs). Moreover, the report indicates that it will most likely take at least three years for the industry to recover from COVID-19 (i.e., to return to pre-COVID revenue levels). The music industry is grateful and relieved that the federal government has maintained a \$10 million increase to the Canada Music Fund for one year, as announced in its Fiscal Update. Looking ahead, considering that recovery will take a long three years, **it is recommended that the Canada Music Fund's annual \$10 million increase (that was originally implemented for a two-year period in 2019 and renewed for only for 2021-2022) be made permanent.** Given the extended and unpredictable effects of this on-going pandemic (combined with the general downward trend in private broadcaster contributions to FACTOR), it does not seem prudent to effectively cut \$10 million annually from the Canada Music Fund at the end of the next fiscal year, which would be a 28% reduction during a pandemic and a recovery period when it is needed the most.

Overall, the intended effect of this recommendation is to ensure that FACTOR and Musicaction are provided with the resources necessary to both ensure that their existing programs can be

optimally effective, and also to have the financial flexibility to develop new programming and augmented administrative support specifically designed to offset the worst impacts of the pandemic.

1.1.2 Increase program flexibility for Envelope Funding

Timeframe: Immediate

Given the unprecedented nature of the challenges currently facing independent music in Canada, it is prudent to ensure that the support programs that exist to support the industry (under normal circumstances) are made as flexible as possible. Indeed, the business challenges described in the Nordicity report (e.g., the near-total loss of live music revenue) could not have been contemplated when such programs were designed.

As such, **it is recommended that FACTOR and Musicaction temporarily suspend the 15% cap on administrative expenses to allow for greater flexibility in how the funds are disbursed.** Instead, program officers should evaluate the business plans (in particular the short-term business plans) on a triage basis: where will the funding have the greatest short-term impact?

That FACTOR is already asking applicants to its Envelope Funding for Music Companies program to provide information about administrative unmet needs that remain after the Canada Emergency Wage Subsidy and the overall Envelope Funding contribution is a good indication that the need for such support already outstrips the ability of support organizations to provide it.

1.1.3 Enhance financial and technical support for audience development

Timeframe: Immediate (but building for the long term)

One of the most critical impacts of the pandemic has been the relative lack of exposure of fan (and music companies) to new music (as would typically occur at major events like Canadian Music Week or SXSW, for example). Furthermore, absent the live music venues commonly used by the independent music industry to incubate new talent, it is yet more difficult for music companies to develop a fanbase around an artist – which is a necessary precondition to generating significant streaming revenue. Accordingly, **it is recommended that support be dramatically increased to support the audience development of promising independent acts.**

While it is recognized that funding for marketing and showcasing activity through FACTOR and Musicaction (such as through FACTOR’s “Marketing and Promotion for Non-FACTOR-Funded Sound Recordings” program), the relative importance of these funding streams has grown dramatically – as too should the amount of funding directed to them. Moreover (and in line with the preceding recommendation), **it is also recommended that the guidelines to these programs be loosened to encourage innovation – and to make them more accessible to emerging artists** (as these artists are most impacted by the lack of audience development). More specific examples of guideline changes could include: the re-examination of unit sales/streams thresholds, the relaxation of Canadian spending requirements, and the suspension of

component maximums.

As the Nordicity report illustrates, if the entire additional three-year, \$10 million emergency support (from the previous recommendation) was to be allocated to marketing and marketing-type initiatives, it would result in an additional \$50 million in GDP impact, 750 FTEs, and \$15 million in tax revenue. Crucially, this support should include both financial support and technical support. As such, it would be pragmatic to encourage partners with existing technical capacity to make that capacity more available to Canadian music industry companies. For example, the CBC/Radio-Canada could be asked to increase the rate at which it creates and delivers broadcast content to Canadians (and beyond), which would seem to fit within the mandate of CBC Radio 3. Other Canadian radio broadcasters could be asked to do the same.

The overall objective of this additional funding and increased innovation around market development is to mitigate the impact of COVID-19 on audience development. While the innovations supported by this recommendation will help, they will never entirely replace the crucial role of live music venues. However, absent such action the longer-term effects of the pandemic on the careers of Canadian music artists – and the independent music companies that support them – will be more severe.

1.1.4 Maintain wage level support for music sector

Timeframe: Immediate to Short Term

It is sure that (at least some) health restrictions will remain through 2021 and likely beyond. At the same time (and as illustrated in the Nordicity report), fans are likely to be reluctant to attend large concerts, while fee-based online engagement has had a limited impact on the ability of independent music companies to offset the loss of live revenue.

Accordingly, **it is recommended that wage-level support accessed by Canada's independent music industry be maintained while the industry is still in recovery mode (potentially for the next three years).** More specifically, interviewees commented on the positive benefits of CERB (and other company-targeted supports) in that they both keep the industry afloat, and also 'free' stakeholders to reflect, innovate, and turn new ideas into action. Independent music companies have thereby been afforded new capacity to work on emerging revenue streams (particularly those with multiple business verticals), to build new website, to identify unbeknownst grants, to collaborate with other creative industry professionals in new ways, and so on.

There is a high percentage of self-employed, contract and freelance workers in Canada's independent music industry (as shown, in part, in Table 3 of the Nordicity report). Therefore, a continuation (or amplification) of the Canada Recovery Benefit (CRB, formerly CERB) stands to be particularly beneficial for the survival of the industry. The program is available to those who have seen at least a 50% drop in income – a small hurdle for many artist managers and music companies impacted by the pandemic. For those dependent on now-shuttered theatres

and concert venues, CRB will have an undeniable impact. As evidence of this continues to be revealed, there may be even more of an argument to be made towards offering universal basic income support for Canada's independent music workforce.

At the same time, the Canada Emergency Wage Subsidy (CEWS) should be extended beyond its current end date of June 2021. As industry revenue is unlikely to recover by that point, the discontinuation of CEWS would undeniably lead to the deepening of the negative employment impacts detailed by Nordicity (almost 2000 FTEs lost thus far).

Allowing the 'band to play on' in face of an uncertain future also positions Canada as a global leader in reflexive support mechanisms that acknowledge the structural fragility of the industry and the challenges facing its workforce – already operating at the margins of financial sustainability. Moreover, such basic support is well positioned to encourage private sector investment in Canadian music to continue, if not increase.

1.1.5 Create tailored financing for underrepresented groups – and track the results

Timeframe: Short term (to begin), long term (to see impact)

One theme uncovered by the present research – largely through conversations with interviewees – is the understanding that traditional marginalized groups are not able to access mainstream funding to an equitable degree. While sufficient demographic information on the recipients of the Canada Music Fund's main programs is not available, anecdotal evidence (e.g.,

from interviewees) suggests that many Indigenous, Black, and People of Colour have not seen the same support as the rest of their peers in music – both as artists and as music industry entrepreneurs.

The consequence of this limitation is that artists and business owners from these backgrounds have not been positioned to succeed in a global market that would (likely) welcome the products that are aiming to bring to market. To counter this limitation, **it is recommended that the Canada Music Fund (and the organizations that administer its funding) embark on a three-pronged plan to improve the provision of funding to underrepresented groups:**

- 1. Collect:** First, Government should establish a data collection and reporting framework to better understand the representation of IBPOC people among the artists and music companies supported by its funding. Absent such a baseline, it will be very difficult to understand the efficacy of any subsequent programming;
- 2. Connect:** Next, the Government and stakeholders should work to improve the communication between underrepresented elements of Canada's independent music industry and the funding bodies. Working closely with organizations like ADVANCE, the overall objective should be to ensure that all eligible artists and companies feel like the programs are designed to suit their needs. It is likely that this communication will need to take somewhat innovative forms, including street teams, community ambassadors, and other tactics

that do not rely on music industry professionals having traditional “business skills” (as it is the lack of these skills (or opportunities to obtain these skills) that has, in part, kept them out of the funding system);

3. Adjust/Report: The Government should be prepared to examine and adjust CMF guidelines to address feedback obtained via this process – and likely should continue to do so on an on-going basis. The Government should also make the results of its efforts transparent, as doing so will both illustrate how effective (or not) its efforts have been and also continue to build faith within marginalized communities that the funding system is committed to supporting them better.

Crucially, this recommendation is not suggesting the creation of a new funding stream. Rather, it is aimed at providing better access to the main funding apparatus in Canada’s independent music industry. In doing so, the CMF would help Canada’s independent music industry to better position itself for a recovery – one where more of Canada’s talented artists and music professionals can contribute to the industry’s success on the global stage.

1.2 LABOUR AND TRAINING

1.2.1 Provide emergency support for the music-specific Benevolent Fund

Timeframe: Immediate

As the primary input into the Canadian independent music industry is talented artists – and as the primary source of income for independent artists is derived from touring/live music, they will need to be supported during the pandemic to ensure that they can continue to generate the intellectual property commercialized by music companies.

Around the world organizations like MusiCares (US) which provides short term financial assistance for personal (and addiction) needs and Help Musicians (UK), which has extended its COVID-19 support for artists experiencing financial hardship to March 2021, help to ensure the continuity of the industry by supporting artists in time of economic difficulty, illness, and/or hardship.

In Canada, Unison has been the main support body for the domestic music industry. Given the unprecedented and massive scope of the hardship wrought by the pandemic, however, the organization is insufficiently funded to meet the unprecedented demands on its services.

Accordingly, **it is recommended that an emergency grant be provided by the Department of Canadian Heritage to Unison in the amount of \$2 million to \$3 million annually during the recovery period of the**

pandemic. This infusion would enhance their ability to support artists (and other music industry professionals) for the duration of the pandemic's effects.

The ultimate objective of this recommendation is to keep music artists healthy and solvent – and thus in the industry and engaged while not generating income. As such, it is a protective measure, rather than one that will (on its own) generate incremental revenue.

1.2.2 Enhance support for training online for new and emerging music professionals (with an emphasis on under-represented groups)

Timeframe: Immediate

Sustaining support for emerging professionals may help stem the tide of industry 'leavers' in the wake of the pandemic. Considerable practice already exists in this space that all Canadian agencies funding independent music-related initiatives may consider. From the City of Toronto's 'Remix' music mentorship program for underprivileged youth, to Alberta Music's 'Project WILD' bootcamp and others. Indeed, CIMA's professional development programming and that of the Music Industry Associations across the country all have the experience and capacity to deliver on this programming. Identifying compelling ways to upskill online is a continuing challenge for both public and private funders and supporters, as many of these programs have had to be suspended because of COVID-19. At the same time, the need to develop these very skills has never been greater

With that in mind, **it is recommended that support be increased for the provision of coordinated online**

training for those considering a career in independent Canadian music - an initiative of low relative cost, with potentially high impact. As explored in the scenario planning section of the Nordicity report, diversity for growth requires accessible skill development, particularly for historically under-represented groups.

Marginalized groups should be empowered to organize grassroots and ad-hoc groups that offer skills training and professional development, and further empowered to participate in existing groups like music industry associations/funding bodies that, have experience/admin/resources/networks in delivering these kinds of initiatives. An outcome of such resultant training could also particularly address identified barriers to entry and industry advancement and encourage sustainable connections between emerging and establish professionals/ mentors across the industry.

1.2.3 Accelerate the implementation of artist, crew and audience safety measures in live performance venues

Timeframe: Immediate

In the likely event that some form of health restrictions remain through 2021 (and beyond), live performances will continue to be limited. Accordingly, reliable, science-based health and safety-related supports need to be in place to ensure performers, crew and audiences alike feel comfortable attending events and/or recording streamed performances. The speed at which these measures are implemented will help to shorten the time needed for the industry to recover. For this reason, **it is recommended that financial support be made available for live**

music venues (and their representatives) to create and implement a collaborative (and flexible) safety regime.

While such a recommendation is not directly focused on CIMA's main constituency, the lack of venues severely impacts the entire independent music ecosystem's ability to develop new musical acts (and thus its ability to generate future revenue). In this way, all of Canada's music sector is 'in it together.'

Key comparators are several, including BC's Restart Plan for the motion picture industry "How We'll Start Getting People Back to Work"^{2F} and the US's Event Safety Alliance's (ESA) Reopening Guide^{3F}. Additionally, we know that provincial medical officers have been providing guidance documents relevant to venue operators, staff, volunteers, patrons. The sharing and exchange of learnings to date (positive or negative) could be convened by provincial music industry associations on a regular basis as restrictions ease (or are reinstated).

Indeed, it is anticipated that national associations, provincial music industry associations and municipalities would work together to create a 'living and breathing' guide that reflects the most recent regulatory measures and best practice. For example, where there is still insufficient testing and contact tracing, and no vaccine, the first edition of such guides may be tailored to event professions operating small venues with few resources to mitigate risks. Similarly, key sub-sectors of the industry, such as recording studios, have also been developing relaunch guidance and precautions that could be collected and shared through host agencies.

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<https://www.creativebc.com/2020/05/07/creative-bc-to-facilitate-motion-picture-industry-as-it-defines-restart-plan.php>

<https://www.eventsafetyalliance.org/esa-reopening-guide>

1.3 BROADER PUBLIC SUPPORT

1.3.1 Ensure that Broadcasting Legislative Reforms supports Canadian independent music

Timeframe: Immediate

The outcomes of the 2020 review of Canada's communication laws is unprecedented in its consideration of a unified framework, relevant to the digital age. If Bill C-10 is passed as initially written, the Broadcasting Act would be amended in ways beneficial to the Canada's independent music industry. For example, if music streaming services are obligated to contribute funding and promote Canadian cultural content, as one example, Government estimates this would generate funding over \$800 million per year by 2023 to be invested in Canada's cultural industries, including music.

That said, the details of this funding (including how much of it would be allocated to music) remains undetermined.^{5F} Given that the drop in revenue estimated in Nordicity's report will last (at least) to 2023, **it is recommended that the development of the new funding mechanisms include provisions for funding to be directed to the Canada Music Fund or a complementary fund.** Indeed, as it will take 2-3 years from presenting a bill to Parliament to creating the mechanisms and collecting and allocating funds, the new funding could be considered as the medium-term replacement of the proposed recovery funding in a previous recommendation beyond 2023. Moreover, since the significant public benefits that flow funds to the music sector are declining from now through to 2023-24), the infusion of funds from the streaming services is quite timely.

1.3.2 Support Copyright Act reforms that benefit Canadian independent music

Timeframe: Immediate

Unrelated particularly to the pandemic crisis, there are key regulatory issues still worth emphasizing in the era of 2020 recommendations to the music industry. The 2019 statutory review of Canada's Copyright Act marks key areas for modernization and advancement that, if implemented, would increase opportunities to monetize copyrighted content, and thus increase the value of copyright holdings, encouraging investments in the creation, acquisition, and commercialization of existing and future copyrighted content. As such, **it is recommended that Copyright Act reforms to better reflect the business needs of Canadian independent music companies be given the highest priority by Government without delay.** Not only would such changes to copyright legislation ensure that it is further harmonized with that of Canada's major trading partners, but it would also ensure Canadian rights holders could compete internationally on a leveled playing field, and provide a long-term, market-driven solution to the current decline in music revenues, by opening up potentially \$50 million to \$60 million in new revenues every year.

Key components of proposed changes include (but are not necessarily limited to):

- **amending the definition of "sound recording" under the Act**

- **extending the copyright term from 50 to 70 years**
- **narrowing the radio royalty exemption (i.e. repealing the \$1.25 million broadcaster exemption)**
- **and allowing the private copying regime protection to apply to both audio recording media and devices.**

Other proponents of change point to the potential for advancing social justice related to ensuring accessibility to those in the industry with disabilities, and, prioritizing the need for improved consultation between the Government of Canada and Indigenous stakeholders on the protection of cultural expression in the context of Reconciliation.

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<https://cimamusic.ca/news/recent-news/read,article/17870/the-canadian-government-is-amending-the-broadcasting-act>



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