



Canadian Independent Music Association

July 31, 2017

Standing Committee on Finance
House of Commons
Ottawa, ON
K1A 0A6

Canadian Independent Music Association 2017 Pre-Budget Submission

EXECUTIVE SUMMARY

The Canadian Independent Music Association (CIMA) commends the government for its investments in Canada's commercial music industry through its support of talented artists and the hardworking Canadian companies and entrepreneurs who stand behind them.

It takes the talent of our recording artists, songwriters, composers; the support and investment of our world-class entrepreneurs such as record label executives, managers, publishers and programs like the *Canada Music Fund*, to make our industry internationally competitive.

To survive and thrive, Canadian artists must be engaged in markets around the world. The *Canada Music Fund* has been a critical source of support over the years. However between funding cuts and the expanding costs to be on the world stage, the industry requires additional investments. These investments assist the commercial **music industry**, the market-driven sector of the cultural economy that drives the discovery, development and promotion of emerging Canadian artists.

On average, music export investments cost **double** domestic activities and can cost **21 times more** for breakout artists (per artist) than for emerging artists. This cost is highly burdensome, especially as 46% of the English Canada music industry is comprised of sole proprietorships.

New investment will assist Canadian music companies better **understand markets, invest in the training, development and marketing of artists, fully engage in the global marketplace and increase their international market share.**

CIMA is grateful the Standing Committee on Finance supported new music investments in its December 2016 report. Recommendation 29 noted the “Government of Canada support Canada’s cultural sector by increasing funding for...the Canada Music Fund, and by creating a music export fund.”

In keeping with that direction, CIMA recommends the following:

1. Increase the **Canada Music Fund** by up to **\$8 million**, with annualized staged increases over the next five years.
2. Establish an annual **\$10 million Music Export Fund** for Canadian-owned music companies and their artists, using funding available from the Budget 2016 investment “Showcasing Canadian Talent to the World”. Ensure funding is available annually for the Music Export Fund in fiscal 2018-2019 and beyond.
3. Increase annual funding to CIMA’s **Music Export Canada** international trade programming to **\$1.5 million** per year.

About CIMA

CIMA is a not-for-profit national trade association representing English-language, Canadian-owned and controlled businesses of the domestic, commercial music industry. CIMA represents a diverse membership of small businesses including: record producers, record labels, recording studios, managers, agents, licensors, music video producers and directors, creative content owners, artist-entrepreneurs and other professionals from across the sound recording industry.

CIMA’s mandate is to develop professional services and advocate for policies that foster a more viable independent music industry and raise the profile of Canadian music, domestically and abroad.

CIMA represents over 280 Canadian companies and professionals and 6,200 Canadian artists including: A Tribe Called Red, Tanya Tagaq, Serena Ryder, The Trews, Terra Lightfoot, Tegan and Sara, Whitehorse, The Sheepdogs and METRIC.

CIMA manages *Music Export Canada*, the international brand of our music export office. *Music Export Canada* organizes two dozen 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.

PRODUCTIVITY AND INTERNATIONAL COMPETITIVENESS CANADIAN INDEPENDENT MUSIC ON THE WORLD STAGE

The Canadian music industry is the sixth largest in the world, making it a powerful contribution to the Canadian economy. Studies have shown that “audio-visual and interactive media” comprises 50% of the growth in Canadian culture-related GDP; with Canadian sound recordings being the largest increase (7.9%). The music

industry generated approximately \$430 million for the Canadian economy in 2015, up 8.3% from 2014.

Canada's economy relies on a prosperous Canadian-owned and controlled music sector to discover, develop, support and promote local talent in commercial markets at home and abroad.

Independent music is uniquely positioned to help artists establish careers in the creative sector and tell original Canadian stories. 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.

A music company's 'product' is largely intangible intellectual property. Thus, 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. The economic, cultural and social benefits that result from musical innovation at the independent level are significant. Sustainable funding should be increased to protect and support independent music creators who are responsible for undertaking such risks in the Canadian economy.

The increasing degree to which cultural products are exchanged on Internet platforms means that digital transactions should be integrated into Canada's media regulation system. The federal government should ensure that a share of revenues generated from the transaction of cultural products still contributes to the ongoing development and promotion of Canadian cultural industries.

THE CANADA MUSIC FUND

Support from the federal government is integral to the domestic and international success of the Canadian music industry. This support is leveraged by the music sector for much-needed capital into the professional and artistic development of emerging Canadian artists.

The **Canada Music Fund (CMF)** assists artists and entrepreneurs undertake sound recordings, music videos, touring and showcasing, marketing and promotional initiatives in an increasingly global, digital marketplace. It also allows Canadian consumers to access high-quality music choices. However, the industry is in effect working in 2007 dollar amounts, as the CMF has not increased in the past decade; in fact, a few years ago, the fund was reduced.

Independent music companies have been able to generate over \$300 million in annual GDP for the Canadian economy and a disproportionately large amount of tax revenue, despite their small size. For every dollar received in government support, they return \$1.42 in federal and provincial tax contributions.

The **CMF** and mandated funding from private radio broadcasters, supports several programs for the commercial music industry. These programs are oversubscribed, and funding from radio broadcasters is forecast to significantly decrease over the next five years. Recent CRTC decisions on television license renewals have also deprived the music industry of millions of dollars in annual support.

As funding from radio and television broadcasters decreases ('online broadcasters' are not yet required to make cultural development contributions), we strongly recommend increasing the **CMF** to protect Canada's music industry.

Increasing **CMF** funding by up to **\$8 million with staged, predictable adjustments over the next five years** will enable our industry to continue providing dynamic, substantial return on investments for the Canadian economy, while helping address the real costs and inflationary pressures facing the Canadian music industry.

MUSIC EXPORT FUND

Music export strategies support artists during all phases of their careers. A dedicated funding program to assist music companies and their artists at all stages of their professional development is required.

A robust and diverse funding program would capitalize on international momentum within the industry and establish a stronger commercial environment where all music professionals (including new artists) can advance their careers at home and abroad. As export activities require long-term planning and cost significantly more than comparable domestic activities, a music export fund should provide multi-year funding and have flexible application and expense rules. CIMA would be happy to provide input on the structure of such a fund.

The significance of commercially exploiting existing and new global markets cannot be overstated. Canada's music industry must continually engage in markets across the world to compete and maximize returns on investment. Canadian funding programs (and limits) do not yet provide the necessary investment that Canada's music industry urgently requires.

Current funding programs are over-subscribed and underfunded. Immediately increasing the **CMF** by up to \$8 million will help address some of these funding pressures. However, such an initiative must occur in tandem with the creation of a dedicated **Music Export Fund** – one specifically designed to provide music companies the capital to invest in both emerging artists and those on the verge of fully exploiting international markets.

The federal government has moved in the right direction, with its investment in Budget 2016 into "Showcasing Canadian Talent to the World", a two-year, \$35 million investment into cultural exports. The music sector has benefited from a \$4.2 increase to the existing program during the initial two-year period, but with that investment ending as of March 31, 2018, many of the exporting gains realized for this sector will be lost if the program is not extended beyond 2018.

Canadian music companies, artists and industry associations like ours are all actively engaged in global exporting. Per CIMA's 2016 *Music in Motion* report, almost 90% of those surveyed for the report identify exporting as extremely important to their business, with almost 60% noting it is necessary for their survival. Therefore, a **dedicated, annual Music Export Fund of \$10 million for Canadian-owned music sector export initiatives should be established.**

MUSIC EXPORT CANADA

CIMA delivers diverse programming to our members and the broader industry-at-large, including [Music Export Canada](#) and [Canadian Blast](#) initiatives.

For over a decade, our music export office has directly facilitated Canadian music companies' global exporting activities, with the goal of developing and marketing our talented artists and musicians worldwide. We have done so with assistance from the federal government, the Ontario government, Canada's private broadcasters and other private sector and industry partners.

Through our ***Music Export Canada*** and ***Canadian Blast*** brands, we have led trade missions to major music markets including the US, UK, Europe, South America, Australia, Singapore and Japan. Between 2007 and 2017 these missions have resulted in finalized and/or initiated opportunities for our Canadian artists worth over \$126 million.

CIMA's ***Music Export Canada*** strategy is focused on the following business opportunities:

- Establishing new business contacts
- Showcasing opportunities
- License masters
- Exploiting opportunities for live booking for artists
- Strengthen relationships with established contacts
- Gain a better understanding of the music marketplace in international markets
- Establish new distribution networks for physical goods
- Open new sales territory
- Gain a better understanding of the digital marketplace in international markets
- Licensing publishing rights
- Establish new distribution networks for digital goods
- License foreign masters
- Import foreign finished goods

We are the only national organization that operates a music export office, organizing and executing almost two dozen robust music export opportunities every year.

Our programming regularly involves working with regional domestic partners, to fully leverage the expertise, resources and talent across this country.

CIMA's exporting program evolved and grew following the cancellation of the government's former Trade Routes program. Our global engagement is a necessity,

as many competing countries around the world have well-established music export offices.

Current government support programs are maximized, while at the same time radio broadcasting support – which forms the bulk of our private sector dollars for exporting – have reached their zenith, and are expected to decline in the coming years.

To grow and expand export capabilities and opportunities, we propose the federal government invest in a new approach to support Music Export Canada programming.

The key elements of this new approach should include **an increase in annual funding to \$1.5 million**; multi-year funding approvals; core funding for music export office; and program parameters that are more flexible than existing program guidelines to allow for greater market engagement and in recognition of fluctuating and inconsistent private sector funding support.

Thank you for your consideration of CIMA's pre-budget submission. Having never appeared before the Standing Committee on Finance, we would welcome the opportunity to present, either in Toronto or Ottawa, when it begins receiving witnesses in the Fall.

Yours sincerely,

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

Stuart Johnston
President

Cc: Rt. Hon. Justin Trudeau, Prime Minister of Canada
Hon. William Morneau, Minister of Finance
Hon. Mélanie Joly, Minister of Canadian Heritage
Natalie Théberge, Director General, Copyright and International Trade Policy
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