



Canadian Independent Music Association

Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

By: Canadian Independent Music Association (CIMA)

July 11, 2019



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List of Recommendations:

Following is a list of CIMA's recommendations:

Recommendation 1: That the Budget 2019 \$20M increase (over two years) to the Canada Music Fund be made a permanent increase.

Recommendation 2: That a percentage of Wireless Spectrum auction dollars be invested into the Canadian music industry.

Supplementary Recommendation: Take short-term and long-term measures in the area of broadcasting and telecommunications to support Canadian music.



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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 more than 300 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 also manages *Music Export Canada*, the international brand of our music export office. *Music Export Canada* organizes up to twenty 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.

RECOMMENDATION #1: INCREASE TO THE CANADA MUSIC FUND TO BE MADE PERMANANT

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.



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The need for this additional investment is acute. Businesses in the music industry are currently operating in an unpredictable and ever-changing market due to:

- A forecasted **significant decrease** over the next five years of mandated **funding from private radio broadcasters** that supports several programs for the commercial music industry.
- **Revenues** from both physical and digital **album sales plummeting**.
- **Streaming revenues** being almost non-existent for the overwhelming majority of artists and producers, especially those in the independent sector.
- **High-risk investments** needed to make a sound recording profitable **increasing** because of the need to invest in two worlds (traditional and digital).
- Recent **CRTC decisions** on television license renewals that have **deprived the music industry of millions of dollars in annual support**
- Without amendments to the **Copyright Act**, the industry will continue to be deprived of millions of dollars in revenues.
- **Important players** (online music services and internet service providers) **not contributing to the support of the Canadian music industry**.

These challenges undermine not only the competitiveness of Canadian music companies but threatens their ability to provide the Canadian public with sustainable access to diverse and quality professional national content.

For many years, CIMA and other music sector organizations had been advocating for increased support for the CMF, which had remained at a \$26-million annual investment over the past 15 years. In fact, as part of the Budget 2017 process, the Finance Committee recommended that the Government of Canada support Canada's cultural sector by increasing funding for the Canada Music Fund.

This request was realized in Budget 2019, with an additional \$20-million increase over two years, at \$10-million a year, to support the enhancement of existing programs, as well as the establishment of new, innovative options. The return on many of these investments will occur outside of this two-year window, as the music industry operates in 24 to 36-month planning cycles.



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Therefore, **CIMA calls on the government to extend the Budget 2019 investments by making the \$10-million annual increase permanent, starting in fiscal 2021-2022, thereby establishing the Canada Music Fund with an approximate \$36-million baseline budget.**

This permanent investment 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.

RECOMMENDATION #2: ENHANCING MUSIC SECTOR SUPPORT VIA SPECTRUM AUCTION FUNDS

Licenses for various Spectrum networks, used by telecom companies in this country to enhance their cellular networks, have brought record revenues into government coffers, exceeding \$18-billion over the last 20 years. This is far above the amounts that were expected to be received by the government when these auctions initially took place, and these amounts are only expected to increase further as new spectrum licenses become available for purchase in the coming years.

The CRTC, in its *Future of Programming Distribution in Canada* report, mentioned this possibility:

“A restructured funding strategy should be based on a revised contribution structure that is broad-based, equitable and sustainable in the longer term. It could integrate or at minimum align the existing contributions of the federal government directed to audio and video content. It could also incorporate a portion of the revenues derived from spectrum licensing and auctions, since the demand for spectrum is driven to a large extent by the demand for audio and video content.”¹ (CIMA’s emphasis)

The wireless spectrum is a vital public resource and its auction will allow consumers to benefit from faster and more reliable networks that “deliver the

¹ <https://crtc.gc.ca/eng/publications/s15/pol1.htm - p2>



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downloads, streaming content and services they need.”² Music will no doubt form part of the content to be broadcast or streamed over the new wireless spectrum by these private corporations, much in the same spirit that terrestrial

radio stations are currently broadcasting music. Consequently, we believe that the same logic and spirit that governs the existing Canadian Content Development policy should be extended to the revenues derived from the sale of wireless spectrum.

CIMA recommends setting aside up to 5% of auction proceeds from current and future licenses to support the creation, distribution and development of Canadian artists and companies. This investment, which would amount to up to \$40-million annually, would allow for a stable base of funding for an extended period, as these licenses are usually payable over a 20-year period.

SUPPLEMENTARY RECOMMENDATION: TAKE SHORT-TERM AND LONG-TERM MEASURES IN THE AREA OF BROADCASTING AND TELECOMMUNICATIONS TO SUPPORT CANADIAN MUSIC

Although not directly tied into the Budget 2019 process, there is an opportunity for the government to support the music sector through changes to the Broadcasting and Telecommunications Act, which will provide much needed financial support.

Currently, online music services are not subject to the same regulations as companies in the traditional environment. In order to ensure the sustainability of the music industry, all active Canadian programming companies must participate in the development of Canadian content, including through financial contributions, the promotion of Canadian music and disclosure of information to the CRTC, so that the objectives of Canadian broadcasting policy are pursued.

CIMA was encouraged by the Minister of Canadian Heritage and Multiculturalism Pablo Rodriguez’s July statement declaring that the government intends to ensure that all players in the Canadian broadcasting system, “including the web

² Government of Canada. 2015. “AWS-3 Wireless Auction a Win for Consumers”.
<http://news.gc.ca/web/article-en.do?nid=944669>



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giants,” are responsible for contributing to the broadcasting system. That includes providing “meaningful levels of Canadian content” on their services, contributing to the creation of Canadian content and promoting that content and making it easily accessible on platforms.

There is urgency to this request, which is why we propose the following short-term actions:

– **The governor in council should give directions to the CRTC to ensure that online music services operating in Canada are subject to appropriate regulation.** In the short term, the CRTC needs to add conditions to the new media exemption that has been in effect since 1998 pending a review of the licensing system. These conditions must relate to the development of Canadian music, its funding and the sharing of information with the CRTC.

– **The broadcasting act should be amended to provide the CRTC with powers of sanction that are similar to those it has under the telecommunications act.** Since the CRTC is used to administering financial penalties, it is simply a question of extending this power in broadcasting. Thus, the CRTC would be in a position to better enforce its regulations with all businesses.

– **The governor in council should use its powers under the telecommunications act to require telecommunications providers contribute to Canadian music.** The Supreme Court has determined that these companies are not broadcasting undertakings. Their contribution, however, is consistent with the Canadian telecommunications policy, which in section 7 affirms the essential role in the maintenance of Canada's identity and sovereignty and aims to foster the development of telecommunications.

As part of the longer-term legal review, CIMA recommends:

- The broadcasting and telecommunications acts should clearly distinguish the regulation of telecommunication activities from cultural content regulation, which can be delivered through different telecommunication activities.



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- The revised broadcasting act should maintain the main objectives of the broadcasting policy for Canada and add an objective on the protection and promotion of the diversity of cultural expressions.
- All activities involved in the delivery of cultural content should come under the jurisdiction of the next broadcasting act

For more information, see our Canadian Music Policy Coalition's (CMPC) submission to the Panel of Experts on the Review of Broadcasting and Telecommunications Legislation.

Thank you for your time and 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. We look forward to growing a strong, dynamic Canadian music sector together.

Yours sincerely,

Stuart Johnston
President

Cc: Rt. Hon. Justin Trudeau, Prime Minister of Canada
Hon. William Morneau, Minister of Finance
Hon. Pablo Rodriguez, Minister of Canadian Heritage and Multiculturalism
Hon. Navdeep Bains, Minister of Innovation, Science and Economic Development
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