

March 11, 2021

Standing Committee on Canadian Heritage
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada
E-mail: chpc@parl.gc.ca

Brief to the Standing Committee on Canadian Heritage Proposal to Create a Canadian Musicians' Support Fund

Dear Standing Committee on Canadian Heritage,

Thank you for the opportunity to present this brief on behalf of the Canadian Musicians' Coalition in support of much-needed reform on how Canadian professional creative and performing musicians are remunerated. Due to the extreme systemic devaluation of music and the necessary pandemic restrictions on music performances, most professional music artists can no longer earn a living wage from their music. Without the ability to earn a living wage, Canadian music creatives and performers will no longer be able to provide high-quality music for the continued growth of Canadian music culture necessary for the enjoyment and well-being of our society.

I also respectfully request to please appear before the Standing Committee as a witness to provide further evidence needed to support the implementation of a Canadian Musicians' Support Fund to sustainably rebuild our music scene that is so essential to all Canadians.

As an acclaimed music teacher and professional music artist, I feel a deep responsibility to advocate for my music students' career opportunities and the livelihoods of my professional musician peers.

Thank you for your consideration.

Sincerely,

Steve Sainas, Executive Director
Canadian Musicians' Coalition
www.canadianmusicianscoalition.ca

Brief to the Standing Committee on Canadian Heritage

Proposal to Create a Canadian Musicians' Support Fund

The Rationale

(Hyperlink citations are underlined)

1. Music is essential to our cultural identity and enriches Canadian lives. It is scientifically proven that music improves mental health and physical well-being. Because music significantly enhances life, Canadians value and enjoy music daily.
2. Most professional musicians can no longer earn a sustainable living wage from music creation and performances. This is because of diminished royalties caused by music streaming, and declining performance opportunities due to the economic struggles of most music venues. Currently, the COVID-19 crisis has caused sudden seemingly insurmountable hardship to an already struggling music community. On May 6th, B.C. Premier John Horgan announced that gatherings larger than 50 people would be prohibited for events until a COVID-19 vaccine is available for public inoculations. As COVID-19 infection numbers increased, all performance events became prohibited until further notice, and in British Columbia, live background music became restricted to being presented without amplification and at normal conversation decibel levels. As a result, most professional musicians have lost their tours and local gigs for at least a year; many live music venue owners are on the verge of bankruptcy; and the future looks daunting for young musicians who have aspirations for a career in music. It is essential for the continued strong development of our Canadian music culture that we rebuild a thriving live music scene where young musicians can effectively develop their musicianship in smaller live venues while earning performance income to viably finance their creative projects and livelihoods. This will give rise to much higher quality music creation and performance.
3. For decades, live music venue operators have struggled economically in part due to soaring real estate leases. These economic challenges have also kept most musician performance wages below living wage standards. The current pandemic crisis has shut down performance venues causing predicted irrecoverable economic stress. Without significant ongoing government financial support, many venue owners say they will go out of business. The short-term CERB, CEWS, CECRA, and extended Employment Insurance are not enough financial support to ensure the recovery of live music venues and professional musicians. Even the current emergency funding and grants being made available to live venues and music artists will not create sustainable music economy recovery. In response to the need of long-term financial support, 50 Canadian Senators signed and submitted a letter on April 20th, 2020 requesting our government implement an ongoing \$2000/month living wage for all Canadians in need of financial support. This is a much-needed progressive proposal to support all Canadians' ability to earn a sustainable living wage from a long-term plan that emphasizes the need to radically change the way we financially support our citizens. Currently, Bill C-273 has received first reading in The House of Commons. Bill C-273 was introduced as a Private Members Bill on behalf of UBI Works, which is an organization advocating for the implementation of Canadian Universal Basic Income.

4. Our music industry also needs a financial support strategy that will rebuild our music economy. Without ongoing financial support, and financial incentives to rebuild our live music scene, many live music venues and performing musicians will permanently go out of business. Our proposed Canadian Musicians' Support Fund (CMSF) is essential for the ongoing financial support needed to rebuild our music scene by creating incentives for the presentation of live music performances that pay fair wages to musicians. The CMSF will make it possible for musicians to earn a sustainable living income, so that they can viably create professional music.

5. Although demand for recorded music has never before been so accessible and in such high demand, revenue streams for creative artists and musicians have ironically plummeted to almost record lows. The average professional musician earns less than \$17,000/year in gross total income from a variety of combined music revenue sources. This includes average streaming earnings amounting to less than \$500/year at approximately half-a-cent per stream. Many artists have to split their gross earnings with co-writers, record labels, publishers, and agents; most artists get paid only 12% of their gross music profits. This gross income is well below the 2020 low-income cut-off of \$25,920 for individuals in 500,000+ population Canadian urban centres.

6. Currently, grants are the main financial support made available for professional creative and performing musicians. However, there have always been far too few grants made available with too many artists in need. Grants have become much more difficult to attain and artists often require the assistance of an expensive grant writer to have a viable chance at submitting a successful grant application. Once an artist receives a grant, the grant money mostly serves to create income for everyone working on the recording project except for the creative artist whose songs are the foundation of the grant funded project. The grant writer, studio owner, producer, audio engineer, session musicians, mastering engineer, record label, publicist, album art designer, record manufacturing plant, live venues, and all middle management benefit from the work that is created by the grant funding. However, creative artists are the last in line to earn income from their music. Only if their music is able to generate enough physical sales or music streams, will artists recoup their personal financial investment and then possibly earn a profit.

7. Before music streaming became the dominant medium for how people listen to music of their choice, people had to buy their music at an average cost of 99 cents per song. The purpose of a creative grant was to assist the creative artist with the initial capital required to record new music that would be sold to generate a living income for the artist. For most grants, a music artist has to personally fund 25% - 50% of the music project. The artist usually has to fund the entire project up front and then recoup 50%-75% of their expenses once their submitted receipts are processed by the grant committee. This significant investment made by the artist was viable prior to the music streaming era because the artist could reasonably predict that their investment would soon turn into profit through the physical sales of their songs. For the past two decades, music streaming has steadily replaced almost all physical sales, and as a result, has rendered creative grants a much less effective financial support because it is now unlikely the artist will recoup their recording costs from physical sales or music streaming royalties. It is even less likely that a music artist will earn a living wage from their recorded music. During the pandemic, creative artists are still required to personally fund a reduced, but still significant

percentage of the grant funded project. As a result, instead of assisting artists to recover from their present financial crisis, creative grants often create irrecoverable financial debt for many artists. This is because music streaming has gutted physical sales and exploitatively low streaming royalty rates will not generate enough income for the average artist to recoup the funds required to record new music. This business model is financially unsustainable.

8. Prior to the pandemic, creative grants combined with touring grants supported creative and performing artists to finance the recording of an album and help finance a supporting performance tour so the artist could try to recoup their creative investment from performance ticket and merch sales. Because of the high cost of touring, it was challenging for most indie bands to earn a living wage from touring. Now that pandemic restrictions for music performances and touring are in effect until further notice, artists have lost their main source of income through performances. The creative grants being offered during the pandemic offer very little effective support to create a living wage from recorded music, and touring grants serve no purpose until performance restrictions are lifted. Even after the pandemic performance restrictions are lifted, it is predicted that 90% of live venues will have permanently gone out of business and music artists will still be severely challenged to earn a living wage from their music. With significantly fewer opportunities to effectively earn a living wage from recorded music and/or music performances, grants will not be an effective financial support unless the monetary value of recorded songs is restored to pre-music streaming levels, and a Canadian Musicians' Support Fund is created to guarantee music artists a living wage, as well as incentivize venues of all sizes to present live music performances while paying musicians scale wages.

9. For more than a decade, streaming corporations have dominated the primary medium through which music consumers listen to music, and how artists monetize their recordings. Regrettably, artists have to make their music available on all streaming platforms or risk not being heard at all because very few people still buy CDs. Despite streaming corporations being entirely dependent on the distribution of musicians' recordings to earn profit, and regardless of numerous court challenges, streaming corporations continue to exploit artists with unfair royalty rates of an average half cent per stream. Streaming corporations have resisted paying fair royalty rates even though in 2019, Spotify reported a 29% profit increase at \$7.44 billion.

10. Despite best efforts, our government has been unsuccessful in preventing the extreme devaluation of musicians' creative content through streaming. This has created an unsustainable business model for creative and performing musicians. It takes almost 1,500 plays to earn a single dollar on YouTube. In order to equal a \$10 album sale on most streaming platforms, an artist must on average generate 2000 half-cent royalty streams from online listeners who literally have instant access to millions of song titles. Spotify boasts they provide unlimited access to over 50 million songs with a free subscription to their music streaming service. For the average artist, capturing 6 million streams per year to generate an annual gross minimum wage income of \$30,000 is an impossible task, especially given that music consumers have instant unlimited access to millions of song selections. In 2002, just before the streaming era, CD sales made up 95.5% of the recording industry's revenue. For creative artists, the loss of physical recording sales revenue is staggering, and for musicians to recover, this exploitive profit share

must be remedied. Therefore, the CMSF is essential for professional artists to earn a sustainable living wage so they will be able to create and perform music with a standard of excellence.

11. Music consumers have for many years enjoyed extremely low monthly subscription rates for streaming services that give access to unlimited music content. Most streaming subscribers seem unaware that creators of the music they need and enjoy daily are being financially exploited by streaming corporations. It is necessary for music consumers to pay fair price for the music content that they consume in order for music creators to earn a sustainable living wage. Before the age of digital music, music consumers had to purchase almost all of their music in order to enjoy high-quality recordings. Conservatively, the average music consumer would spend hundreds of dollars per year on a limited library of music, and they could only enjoy the music library they purchased. In the pre-streaming and file-sharing era, a consumer would pay an average price of 99 cents per song, or \$9.99 per album. Currently, music consumers can enjoy free unlimited music streaming with commercials, or commercial-free unlimited music streaming for just \$9.99/month for a Basic Premium Plan or \$15.99/month for a Family Premium Plan which also allows the consumer to download unlimited music for up to six family-owned personal digital devices. For approximately \$120/year, music consumers can enjoy unlimited access to the creative works of millions of recording artists, not fully realizing that streaming corporations, record labels, and agencies take the majority of recording profits leaving artists a sliver of the profit pie. Also, high-quality professionally produced music has increasingly atrophied into a flood of low-budget ear-worm tunes because record labels want low-risk homogenous releases instead of higher-risk big-budget productions that might create groundbreaking timeless music. This collapse of Canada's music scene has greatly diminished the development of live music acts and individual musicianship. Fewer youth are learning to play instruments, and instead, rely on samples and auto-tune to craft looped digital tunes designed for maximum familiarity and attention-grabbing instead of inspired art. Without adequate financial support to properly develop and professionally produce new artists, the future of Canadian music is in crisis.

12. In order to restore professional music production budgets, it is essential to significantly increase streaming royalty rates to match the value of a recorded song before it was devalued by music streaming. Prior to the music streaming era, a recorded song had an average retail value of approximately one dollar. With streaming being the dominant medium through which people listen to music, physical music sales have diminished to a financially unsustainable level. At half-a-cent per stream, artists who own 100% of their recordings need to generate approximately 200 streams to earn one dollar per song, or 6 million streams per year to earn an average annual minimum wage of \$30,000. It is important to note that the majority of music artists do not own 100% of their original recordings. "It is an industry norm for a new artist to only receive 10-16% of their sales." Exploitative low music streaming royalty rates make it nearly impossible for most professional music artists to earn a living wage from their recorded music.

13. The challenge to earn a living wage from exploitative low music streaming rates is further compounded by music consumer streaming trends. Music consumers have 50 -70 million songs to choose from through free or inexpensive music streaming subscriptions. Due to the instant

accessibility to this vast music selection, music consumers tend to quickly sample only short segments of songs, frequently skipping through many songs, rather than listening to whole songs repeatedly. A song only registers a streaming royalty if a minimum of 30 seconds is streamed. Therefore, it is even more challenging for artists to generate royalties from their streamed music. It is unlikely that a music consumer will listen to a unique song 200 times in a year to generate a one dollar gross earning for an artist at half a cent per stream. With modern music streaming trends, it is more reasonable to estimate that the average music consumer will only listen to a unique song approximately 50 times in a year. At an average royalty rate of only half-a-cent per stream, and music consumers' inexpensive access to over 50 million song choices, it is extremely challenging, if not impossible for a creative musician to generate the number of music streams necessary to earn a living wage from their recorded music.

The Proposed Remedy

In order to make a living wage more attainable for professional recording artists, it is reasonable to request a raise in streaming royalty rates to a minimum of two cents per stream. This would improve an artist's ability to earn the traditional up-front one dollar purchase value per song in 50 streams per year. Even so, an artist would still need to generate 1.5 million streams per year to earn an average annual minimum wage of \$30,000.

However, the above proposed streaming royalty rate increase would be almost impossible to achieve given the recent legal challenge to the 2018 US court decision in favour of the Copyright Royalty Board increasing streaming royalty rates by 44%. In May 2020, Spotify, Amazon, Google, and Pandora filed an appeals court challenge to overturn this decision. It is reasonable to predict legal challenges will continue to keep royalty rates at financially unsustainable levels for recording artists as is evident in the following statements published in Rolling Stone Magazine:

"In a carefully-phrased post explaining why it was appealing the CRB rate rises last year, Spotify warned: "[It's] natural for everyone to want a bigger piece of the pie. But that cannot come at the expense of continuing to grow the industry via streaming."

"Doing the math, if the labels are taking 52% of revenue, and the publishers started taking 15%, that would leave Spotify a margin in the US of around 33%. Israelite refuses to accept that this isn't a big enough cushion on which to run a multi-billion-dollar tech company."

It seems clear from the above two statements that this legal battle will continue for some time with little consideration for the songwriters without whom the music industry would not exist. Therefore, it is imperative that an ongoing Canadian Musicians' Support Fund be established to guarantee an annual living wage for professional musicians and recording artists so they can continue to provide Canadians high-quality music essential to the well-being of our society. Petition e-2995 was presented in the House of Commons on February 26th, 2021 by Member of Parliament, Mr. Ron McKinnon. This petition summarizes our proposal and respectfully calls on the Government of Canada to please consider the following:

Petition to the Government of Canada

Whereas:

- Music is essential to Canadian cultural identity;
- Scientific studies strongly indicate that music is essential to everyone's well-being;
- Canada's music industry has suffered major economic crisis due to COVID-19 shutdowns and music performance restrictions;
- Without significant financial relief, the majority of musicians and live music venues are at risk of losing their businesses;
- Our music sector's survival is important to Canadian economic recovery;
- Exploitative music devaluation, due to unlimited music streaming services and ongoing pandemic restrictions to live music performances, have made it nearly impossible for most professional musicians to earn a living wage from music; and
- The Broadcasting Act has not been adequately updated to ensure fair and transparent remuneration for music artists.

We, the undersigned, citizens of Canada, call upon the Government of Canada to:

1. Create an ongoing Canadian Musicians' Support Fund to (i) provide sustainable financial relief to professional musicians so they can earn an annual living wage, (ii) support rebuilding our music economy by providing professional live music performance incentives to venues, (iii) provide additional funding for creative grants to support new Canadian music creation, as well as for public school music education to foster the development of future Canadian musicians;
2. While currently amending the Broadcasting Act, consider which regulatory tools would be most suitable to address fair and transparent remuneration for music artists.

The Canadian Musicians' Coalition respectfully requests the Standing Committee on Canadian Heritage to please carefully consider and strongly recommend the implementation of the remedies proposed in this brief to ensure the sustainable growth of our Canadian music heritage that is so essential to the well-being of our society.

Thank you for your consideration.

Steve Sainas, Executive Director
Canadian Musicians' Coalition
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The Canadian Musicians' Coalition

The Canadian Musicians' Coalition (CMC) is a volunteer professional musicians' organization founded by [Steve Sainas](#), [Cherelle Jardine](#), and [Marc Gladstone](#) to advocate for the implementation of the Canadian Musicians' Support Fund proposal conceived by Steve Sainas. Steve Sainas is the 2015 MusiCounts Teacher of the Year Juno Award Winner and a 2008 Western Canadian Music Awards Nominee for Best Blues Album. The CMC founders have assembled a support team of experienced and [acclaimed music industry professionals](#) to further this cause. For further information regarding the CMC, please visit <http://canadianmusicianscoalition.ca/>