



Canadian Independent Music Association

Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

By: Canadian Independent Music Association (CIMA)
August 7, 2020

List of Recommendations:

Following is a list of CIMA's recommendations:

Recommendation 1: That the Canada Music Fund annual budget be stabilized at its current \$36M.

Recommendation 2: Invest additional \$10M into the CMF for two years in order to support the long-term recovery of the music industry.

Recommendation 3: Immediately begin a two-year, "Buy Canadian" for the arts and culture sector.

Recommendation 4: Implement programs and tax incentives to promote the use of Canadian songs, sound recordings and screen composers in projects produced for screen-based industries.

Recommendation 5: Extend the CEWS wage subsidy for elements in the creative industries that continue to see decline in revenues over next 12-18 months as well as the extension of the subsidy to cover contract workers.

Supplementary Recommendations 6: Accelerate the work of legislative modernization begun through the Copyright Act review and the Broadcasting and Telecommunication Act Review.

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 represents more than 320 Canadian companies and professionals and 6,200 Canadian artists including: Tanya Tagaq, Serena Ryder, Terra Lightfoot, Tegan and Sara, Whitehorse, The Sheepdogs and METRIC.

Current Government Support

The Federal government has been a strong partner for the Canadian independent music industry, with the **Canada Music Fund (CMF)** being a critical source of support over the years. In Budget 2019, the Federal government recognized the need for further investment and announced a \$20M increase over two years towards the CMF. This additional funding was a testament to the government's commitment and support to Canadian music and its creators and we are grateful for that support.

We are also grateful that the federal government responded to our industry-specific concerns with a \$500M COVID emergency fund dedicated to supporting arts, culture and sports sectors, of which \$32.9M went to support the music industry. More than ever, the Canadian music industry and its supply chain needs robust financial support and continued flexibility in both funding and policy dedicated to supporting our industry, in order to survive the profound effects the pandemic is wreaking on our community.

RECOMMENDATION #1: THAT THE CANADA MUSIC FUND ANNUAL BUDGET BE STABILIZED AT ITS CURRENT \$36 MILLION.

Support from the Federal government is integral to the domestic and international success of the Canadian music industry. The CMF assists artists and entrepreneurs to undertake sound recordings, music videos, touring and showcasing, marketing and promotional initiatives in a global and digital marketplace, and allows Canadian consumers access to high-quality Canadian music choices.

CIMA and other music sector organizations had long advocated for increased support for the CMF. In response to the Department of Canadian Heritage broadening the fund through its recent 'modernization' exercise, an additional \$20M increase over two years was provided in Budget 2019, to support the enhancement of existing programs, as well as the establishment of new, innovative options.

The recent modernization of the CMF expanded the program's eligibility requirements, resulting in more organizations qualifying for funding support. As such, the industry

needs the fund to be stabilized at its current funding level of \$36M a year.

The Budget 2019 investment revealed the Federal government's keen awareness of the overdue need for a \$10M annual increase to the CMF's annual budget to address the real costs and inflationary pressures that faced the Canadian music industry at the time. In view of this, we trust that the government will recognize the profound need for this investment to be made permanent in Budget 2021.

Therefore, CIMA recommends that the CMF annual budget be stabilized at its current \$36 million.

This permanent investment will provide much needed stability for our industry during a time of unprecedented upheaval and turmoil due to the COVID-19 pandemic.

RECOMMENDATION #2: INVEST ADDITIONAL \$10 MILLION IN THE CMF ANNUALLY FOR 2 YEARS

Our industry will not be on a true road to recovery until live events involving critical masses of people will be permitted again and international exporting activities resume, which by most conservative estimates will be well into next year.

Between July 7-24, CIMA and Music Publishers Canada surveyed Canada's music companies to evaluate the effectiveness of current government relief programs and to capture the projected impact of the pandemic over the next year in order to help us understand what long-term recovery measures were needed. Our survey found that 84% of respondents expected a decline in their revenues over the next year, with just shy of 30% projecting losses of half or three-quarters of their revenues.

Long-term support measures are integral to the full recovery and success of the sector. Government has a key role to play over the next two years in order to maintain jobs and support business continuity for organizations whose cash flow and short-term operational viability have been negatively impacted by the COVID-19 pandemic. Our survey results show that 82% of respondents need long-term government support measures for their companies to recover from the pandemic.

Also, the Heritage Department's decision to increase its contribution limits from 50% to 75% for CMF recipients is very positive, with approximately 83% of survey respondents referring to this adjustment as "important" or "extremely important" to their company's recovery. Additional funding for the CMF would enable government to continue a 75% contribution limit over the next two years.

Therefore, **CIMA calls on the government to immediately invest an additional \$10M annually for two years in the CMF** as we transition through this current pandemic crisis.

RECOMMENDATION #3: IMMEDIATELY BEGIN A TWO-YEAR “BUY CANADIAN” CAMPAIGN FOR THE ARTS AND CULTURE SECTOR.

In Canada’s music sector, independent music companies are leaders in discovering, developing, and investing in new talent and introducing Canadians to local talent. Currently, the livelihoods of artists and musicians are collapsing with the vast majority of self-employed artists experiencing major reductions in their contracts or work activity due to canceled tours, concerts and gigs. More than half report that these contracts represent between 50-100% of their income.

We encourage the Department of Canadian Heritage to partner with Canada’s small businesses and lead a “Buy Canadian” or “Support Canadian Artists” promotional campaign for the arts and culture sectors from 2020-2023. This multidisciplinary initiative would put a focus on Canadian artists across all sectors in the arts and culture sector. For the music sector, the campaign would encourage Canadians to discover, buy, stream or otherwise support our great Canadian bands and artists.

RECOMMENDATION #4: IMPLEMENT PROGRAMS AND TAX INCENTIVES TO PROMOTE THE USE OF CANADIAN SONGS, SOUND RECORDINGS AND SCREEN COMPOSERS IN PROJECTS PRODUCED FOR SCREEN-BASED INDUSTRIES.

The COVID-19 pandemic continues to dramatically impact every element of the supply chain and threatens every revenue stream available to the music industry. For example, film and television closures resulted in a severe decline in work for media composers and the opportunity for music placement in productions.

We ask the government to increase incentives for media such as film, tv, video games to use music content from Canadian companies in their productions, through augmented tax credits. This includes Canadian and foreign production companies.

This initiative would support Canada’s domestic music companies, the artists they represent and the music they produce as well as increase consumer’s exposure and discovery of Canadian music. Music companies confirmed their support for this initiative with nearly 67% of survey respondents stating that this type of initiative would benefit their companies and artists.

RECOMMENDATION #5: EXTEND THE CEWS WAGE SUBSIDY FOR ELEMENTS IN THE CREATIVE INDUSTRIES THAT CONTINUE TO SEE A DECLINE IN REVENUES OVER 12-18 MONTHS AS WELL EXTENDING THE SUBSIDY TO COVER CONTRACT WORKERS.

The Canada Emergency Wage Subsidy (CEWS) has helped our businesses keep their teams together and employees in the sector working that would have otherwise been laid off. Our survey results show that of the respondents whose companies qualified for the wage subsidy, 76% reported that the wage subsidy prevented “some” or “all lay-

offs” at their company. We were pleased to see the government’s recent announcement of the extension of the CEWS program until December 2020.

Unfortunately, the CEWS program only applies to full-time employees and does not include contractors. We know that the majority of the music industry rely on contractors to complete their teams. According to a recent music industry survey, over 50% of respondents hired up to 5 contractors. Considering that the industry comprises a large number of small businesses of less than 10 employees, having to lay off even one person often means a significant loss to their business.

The current December 2020 deadline for the CEWS program does not meet the needs of the music sector which anticipates significant revenue loss throughout 2021 (due to the continued ban on large public gatherings like live music concerts), which will likely lead to more layoffs.

CIMA recommends that the government extends the CEWS program for the creative industries that continue to see a decline in revenues as well as the extension of the program to include contractors as eligible employees.

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

Broadcasting and Telecommunications Act

Although not directly tied into the Budget 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.

Online music services are not subject to the same regulations as companies in the traditional environment. 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.

There is urgency to this request, which is why **CIMA recommends that the government accelerate its work and take short-term and long-term measures in the area of the Broadcasting and Telecommunications 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.

Copyright Act

There is broad consensus within the Canadian music industry on what crucial steps need to be taken through the Copyright Act to improve the livelihood of our music creators. CIMA is one of the signatories of the CMPC policy submission and supports all of the recommendations contained therein.

For the music industry to rebound and thrive following the pandemic, we believe that the Government should accelerate the work it has started with the Copyright Act review and prioritize the two recommendations below:

- Repeal the \$1.25 million exemption in section 68.1(1)(a) of the Copyright Act, which currently provides an outdated and unnecessary subsidy to broadcasters on the royalties they pay at the expense of music creators.
- Amend the definition of “sound recording” in section 2 of the Copyright Act to allow recorded music in TV and film to be eligible for section 19 of public performance remuneration (i.e.: allow those recording the music in film and tv to be paid for their work).

For more information, see our CMPC submission regarding the Copyright Act review.

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,

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

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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