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Policy Monitoring Program

Keeping Track

CANADA MUSIC FUND

Annual Report 2003 - 2004



Canada



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Keep *the* Rhythm



1. The Policy Monitoring Program and its Objectives

The Policy Monitoring Program, one of eight programs making up the Canada Music Fund (CMF), is administered by the Sound Recording Policy and Programs Directorate of the Department of Canadian Heritage.

The program enables the Directorate to track and evaluate changes in the domestic and international recording industries and to monitor and measure the progress and impact of the CMF programs. This is crucial to ensuring that the CMF's programs remain effective and responsive to sector needs, and serve the interests of all Canadians.



The program was created to:

- > Establish and maintain a database containing comprehensive, reliable and timely information on CMF programs and the Canadian and international sound recording industries;
- > Monitor changes in the industry through research, studies and consultations with industry stakeholders.

Ultimately, the program assists the Department in developing policies and programs that enable a strong, vibrant and viable Canadian sound recording industry and ensure access to a diversity of musical choice for all Canadians.

In 2003-04, the program had a budget of \$1 million, of which \$541,817 was spent.



The Instrumentation of the Program

2. Summary of Activities

In order to ensure effective impact analysis of the CMF, the Directorate commissioned two evaluations in 2003-04:

- 1) *Formative Evaluation of the Canada Music Fund* – an evaluation of the design and implementation of all CMF program funding, including the Policy Monitoring Program;
- 2) *Canada Music Fund – Results-based Management and Performance Measurement (RMAF)* – a review of the CMF’s RMAF, which recommended areas where the RMAF could be strengthened and reviewed the performance measurement information being gathered.



The Formative Evaluation concludes that considerable advances have been made in the implementation of most CMF programs. However, it also expresses concerns that performance information available on CMF programs was inadequate to determine whether the objectives of the CMF have been met. In the first quarter of 2003-04, the Directorate addressed these concerns by consulting with program administrators on a new data collection strategy and by collecting additional information for the evaluation of all outcomes.

The RMAF review in February 2004 examined information gathered on CMF programs and its relevance to measuring the outcomes. The review concludes that the information was adequate to assess the effectiveness of CMF programs.

Nonetheless, it recommends the RMAF and its logic model be streamlined and clarified to “provide a clear and easily understood picture of how the CMF deploys resources in order to contribute to results that matter to Canadians.”

The Program’s key activities for 2003-04 can be divided into two main business lines: databases and studies.

2.1 THE PROGRAM’S DATABASE

From its inception, the design and implementation of the program’s database was to be determined by the Knowledge, Information and Technology Sector (KITS) of the Department of Canadian Heritage. The goal was for KITS to build a user-friendly database which would house all information collected by the Directorate, and which would automatically generate reports and analyses necessary for measuring the performance of the CMF.

In 2003-04, KITS conducted their analysis of the program’s informatics processes and concluded that the data collected by the program need not be integrated into conventional Government-online and informatics workflow processes. This conclusion freed the Directorate from proceeding with building a proprietary database. This represented a significant direction shift for the program, allowing for much more flexibility in both the collection of data and its analysis.



The Directorate currently has a wealth of data on the Canadian and international sound recording industry. In 2003-04, the Directorate continued to collect information on the Canadian and international music sectors as well as on CMF programs. This was added to existing information on the domestic and international recording industries, the publishing sector, consumer behaviour and new technology and the Internet. *(See Appendix for a list of information collected by the program.)*

In addition, to measure the growth of the Canadian music industry and the impact of the CMF, the Directorate entered into contractual agreements with:

- 1) The Canadian Music Industry Database (CMID) and the Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Québec (SOPROQ), to provide information on the number of recordings released by Canadian English-language and French-language artists from 1999 to 2003;
- 2) Nielsen SoundScan, to provide the Directorate access to their database of sales data on sound recordings sold at retail outlets in Canada.

Information collected from CMID, SOPROQ and SoundScan for the years 1999 to 2003 will allow the Directorate to grow its database and undertake studies on the sale of Canadian and CMF-funded recordings.



Program administrators continued to be an important source of information in 2003-04. Discussions with FACTOR, Musicaction and the Canada Council for the Arts were held to obtain information on the New Musical Works, Collective Initiatives and Canadian Musical Diversity programs.

The Directorate provided financial assistance to Statistics Canada to help ensure the delivery of cultural statistics within 15 months of the end of a given survey period. Statistics Canada was unable to undertake the 2002 Sound Recording Survey. The 2003 Sound Recording Survey is scheduled to be released in 2005. The 2000 Sound Recording Survey is the most recent Statistics Canada data available.

As well, the Directorate financially assisted Statistics Canada to update a 1996-97 study on the economic impact of the cultural sector, including such statistics as value of input, GDP and employment contribution. The study is to be completed by fall 2004. Furthermore, the Directorate entered into discussions with Statistics Canada on the possibilities of undertaking additional studies, which would be conducted on an annual and timely basis, to measure changes in the Canadian sound recording industry.

2.2 REPORTS AND STUDIES

By drawing on the data and research information the program had collected since its inception, the Directorate developed the first Annual Report on the CMF and Developments in the Sound Recording Industry (Report Card), in collaboration with a sub-committee of the Canada Music Council. This report provides an important and timely snapshot of the state of the Canadian sound recording industry, and an overview of the activities of the CMF and its impact on the industry. It cautions that it is still too early to fully appreciate the effects the CMF has had on Canadians and the Canadian sound recording industry. The Report Card will be updated for public distribution in 2004-05.



As well, the Directorate commissioned three studies in 2003-04:

- 1) *Overview of the Live Music, Festival and Concert Industry in Canada*
- 2) *The Changing Face of Music Delivery: The Effects of Digital Technologies on the Music Industry*
- 3) *Empirical Data Demonstrating the Success of the Sound Recording Policies of Canadian Heritage for the Beneficiaries of the Program*

The study entitled *Overview of the Live Music, Festival and Concert Industry in Canada* provides a summary of the state and structure of the Canadian English-language live performance sector and identified its strengths and weaknesses. It makes the following key observations about live performance, both at the national and provincial levels:

- > It is a major source of revenue for musicians, both in terms of direct revenues for the performance and through merchandising (CDs, t-shirts, etc.);
- > It is important in promoting artists, both in building audience and increasing retail record sales;
- > It will likely have an expanded role to play in the new environment, in spite of growing competition from an ever-increasing diversity of other media (including video games, television, movies, the Internet and clubs using pre-recorded music).



The study also notes that historic support mechanisms like retail sales, radio airplay and music videos are less effective today for many artists. The opportunities afforded by touring and performing at festivals may provide channels for nurturing new talent and even rejuvenating the recording side of the industry in the future.

The study entitled *The Changing Face of Music Delivery: The Effects of Digital Distribution on the Music Industry* provides a profile of the music industry on the Internet in Canada. It offers a detailed account of issues pertinent to the industry and an overview of the changes taking place in the distribution of music as a result of the Internet and digital technologies. This study complements the 2003 study *Music Distribution in Canada*, which profiled the country's English and French language distribution industries. Key observations include:

- > The traditional CD distribution model is under pressure from changing retail dynamics, the alternative consumption model of digital downloads and streaming radio channels.

- > Copyright continues to be an issue. The disposition of copyright as it relates to digital file ownership, transfer and fair use is unclear, and music industry stakeholders have failed to agree on payment schedules for new media.
- > Marketing is critical to the success of any digital music enterprise, and requires specialized expertise.

A study was also undertaken to collect anecdotal evidence of the impact and successes of the Canadian Sound Recording Policy and CMF programs. The study underscores the need for CMF program funding to ensure a viable, vibrant and diverse Canadian sound recording industry. It also stresses participants' concerns that funding is inadequate to meet all the needs of the industry.

The Directorate also collaborated with other branches and provincial governments to obtain current, pertinent information to help develop sound recording policies. For example, the program provided an allocation to the Copyright Policy Branch of the Department of Canadian Heritage to undertake research on music copyright-related issues in Canada as well as on issues pertinent to the international music copyright community.



In 2003-04, the Copyright Policy Branch commissioned a study entitled *The Economic Contribution of Copyright Industries to the Canadian Economy*. The study examines copyright-based industries and determines their contribution over time to the Canadian economy. It concludes that copyright-based industries have seen significant growth over the last decade. The value-added of core copyright-based industries grew from \$19.6B in 1991 to \$39.6B in 2002, and they now contribute more to Canada's GDP (\$53.4B) than accommodation and food (\$23.5B) and agriculture (\$20.5B) combined. Total employment in copyright-based industries grew from an average of 500,000 employees in 1991 to almost 900,000 in 2002.

The Department also partnered with the British Columbia Ministry of Community, Aboriginal and Women's Services to undertake a study of challenges facing the sound recording industry in British Columbia, its potential for growth, and its possible means of government support. The study recommended:

- > Building the export capacity of BC artists and companies;
- > Improving BC's live performance environment;
- > Introducing tax incentives to attract investment and strengthen independent labels;
- > Supporting the development of a strong industry association to articulate industry stakeholders' needs and help co-ordinate and implement projects to develop stakeholders' capacity and maximize resources.



On Record



3. EXPENDITURES OF THE POLICY MONITORING PROGRAM FOR FISCAL YEAR 2003-04

Activity	Objective	Cost
Salaries and O&M		\$119,504
Review of the CMF's RMAF and performance indicators	Identify areas to be improved and/or strengthened.	\$7,500
CMID	Research the number of recordings produced by Canadian English-language artists in 1999, 2000 and 2003.	\$66,500
SOPROQ	Research the number of recordings produced by Canadian French-language artists in 1999, 2000 and 2003.	\$33,500
Nielsen SoundScan	Obtain information on record sales and build a database of Canadian recordings produced and sold on an annual basis.	\$15,000
Statistics Canada - Improved timeliness - Sound recording surveys - Updating the GDP study	Improve delivery of the cultural surveys to 15 months. Annual ongoing contribution for the Recording Industry Survey. Participate, with the Department's cultural sector, to financially assist StatsCan to update a 1996-97 study on the economic impact of the cultural sector.	\$29,500 \$6,000 \$5,000
Focus Canada 2004	PCH Contribution to purchase Focus Canada 2004 Opinion Poll Research.	\$5,000
Data subscriptions	<i>Canadian Music Network, Les Palmarès, Music and Copyright, Billboard, Music Week.</i>	\$3,039



3. EXPENDITURES OF THE POLICY MONITORING PROGRAM FOR FISCAL YEAR 2003-04 (continued)

Activity	Objective	Cost
KITS Program alignment project	Analysis of program's informatics processes.	\$14,000
Overview of the English-language live music sector	Identify strengths and weaknesses of the sector.	\$15,000
Study of digital distribution	Investigate the changes that have taken place in the recording industry as a result of digital technology and how these changes have affected the production, marketing, delivery/distribution, retail and consumption of music.	\$23,360
Study to collect stories on the impact of the CMF/SRDP ¹	Interview CMF/SRDP recipients to collect anecdotal evidence of the impact and successes of the CMF and the SRDP.	\$11,000
Co-contractual study with BC Region	Study of British Columbia sound recording industry.	\$7,500
Audits and Evaluations	Formative evaluation and CMF audit.	\$42,644
Translation		\$7,186
Travel		\$4,584
Copyright Policy Branch	Ongoing annual contribution to the Copyright Branch to undertake activities and studies on music copyright and music publishing.	\$126,000
Total		\$541,817



A number of projects proposed in the 2003-04 Business Plan were not fully realized in particular due to limited human resources, a revision in priorities and information needs, and concerns over the cost of obtaining information.

¹ Total cost of the study is \$24,073 but at the end of fiscal year 2003-04 only the preliminary report had been received.

More to Come



4. Next Steps for the Policy Monitoring Program

The first annual economic profile of the Canadian music industry will be published in 2004-05. By tracing the evolution of the Canadian sound recording industry comprehensively and on an annual basis, the profile will become a reference tool for policy-making by the Department, for key stakeholders and for the Canadian sound recording as a whole. In 2004-05 the Directorate will also publish the second *Report on the Canada Music Fund and Developments in the Sound Recording Industry*, to measure the impact of the CMF on the Canadian sound recording industry.



Other studies will also be undertaken, including:

- > A study on the state of the French-language live music, festival and concert performance industries in Canada;
- > A profile of the Canadian French-language music industry outside of Quebec;

Directorate staff will continue to consult with the industry to obtain additional sources of information to complement the existing pool. As well, consultations will be undertaken with industry stakeholders and partners to identify areas for further program and policy development.

Appendix

Information that the Directorate compiles and continues to collect includes:

- > Statistics Canada biennial Sound Recording Survey (1977-2000)
- > SOCAN Performing Rights
 - Annual Financial Statement (1990-2002)
 - Special Runs (1998-2002)
- > National Music Publishers' Association Annual International Survey (1995-2001)
- > Administrators' Annual Reports and more detailed information on CMF programs, components and recipients
- > CRIA annual recording industry statistics (1986-2003)
- > Canadian English-language (CMID) and French-language (SOPROQ) recordings produced and released during the 2001 and 2002 calendar years (1999, 2000 and 2003 to be made available in April 2004)
- > International record industry statistics from Recording Industry in Numbers (1991-2002) and the MBI World Report compiled by the International Federation of the Phonographic Industry (IFPI)
- > Recording Industry Association of America Year-end Statistics (1967-2003)
- > Information on music video production obtained from MuchMusic, MusiquePlus, CMT and VideoFACT (1982-2002)
- > Mechanical rights information from CMRRA (1989-98) and SODRAC (1993-2002)
- > Private copying information (Canadian Private Copying Collective (CPCC) Financial Statements 2000-02)
- > Access to the Nielsen SoundScan database

