

# A Statistical Profile of *The Canadian Music Publishing Industry*



A Report Prepared for the:

*Canadian Music Publishers Association and the  
Professional Music Publishers Association*

by Paul Audley & Associates Ltd. and Circum Network Inc.

December 13, 2005



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## Note:

The contents and findings of the report are not intended to and nor do they necessarily reflect the views of the Department of Canadian Heritage or the Government of Canada.

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## HIGHLIGHTS

- CMRRA, SODRAC, CSI, SOCAN and CPCC (author/publisher share) collected about \$290 million in royalties in fiscal year 2004. This represented an increase from approximately \$249 million in 1999 largely due to the introduction of the private copying and CSI commercial radio tariffs. These new revenue sources have become increasingly important to music publishers.
- We estimate that of the \$290 million collected, approximately \$100 million will be paid to music publishers based in Canada, with the remainder paid directly to authors or paid to foreign-based rights holders and collectives.
- The study does not deal with the publishing of music in printed form, except where this activity is a secondary source of revenue for the companies surveyed. It also excludes organizations owned or controlled by a songwriter/composer whose own musical works comprise the majority of works in the company's catalogue. While a number of the companies included in this study are involved in music publishing activities related to film and television production or multimedia activity, the study does not deal comprehensively with this sector.
- The companies whose responses are included in the data presented represent a substantial majority (approximately 85%) of the revenues of active music publishers currently operating in Canada, including the revenues in Canada of all of the major multinational publishers.
- Twenty companies were located in Ontario, 14 in Quebec and three in other provinces. For about two-thirds of these companies (25 publishers), music publishing represented their primary source of revenue.
- Seventy percent of the companies were involved either in sub-publishing or in administering catalogues for other publishers.
- These publishers earned total royalty revenues of \$87.6 million. Of this total \$62.8 million, or 72%, was earned from domestic sources, with \$24.8 million in foreign royalty revenue.
- It is important, in looking at the royalty revenues reported by survey respondents from sources other than performing and mechanical rights, to bear in mind that survey respondents reported for the year ending between September 1, 2003 and August 31, 2004. During this period most of the revenue derived from the CSI commercial radio tariff and private copying tariff had not yet been distributed.
- Of the total \$24.8 million in royalties received from foreign sources, survey responses indicated that the United States was the single most important source of such income, accounting for 59% of the total, or \$14.5 million. The second and third most important sources identified were France, which accounted for

\$3.1 million, 12% of the total, and the United Kingdom/Ireland which accounted for \$2.0 million, or 8% of total foreign royalties.

- Canadian-controlled publishers made payments of \$10.5 million directly to authors, a little more than the \$9.8 million reported by foreign-controlled companies. However, the proportion of such payments accounted for by advances against royalties differed significantly, with foreign-controlled publishers accounting for \$3.5 million in advances out of a total of \$4.0 million.
- Firms that are involved primarily in music publishing reported pre-tax profit of \$9.9 million, or 13.8% of revenue.

## INTRODUCTION

This report was prepared for the Canadian Music Publishers Association (CMPA) and the Professional Music Publishers Association (PMPA)/*l'Association des professionnels de l'édition musicale (APEM)*. It provides a statistical profile of the Canadian music publishing industry. Funding was provided by the Department of Canadian Heritage. The report provides a statistical profile of the Canadian music publishing industry, including both its English-language and French-language components. Statistical data was collected from individual music publishers on their financial position and their publishing activities.

The research for the study was managed jointly by Paul Audley, President of Paul Audley & Associates Ltd. and Benoît Gauthier of Circum Network Inc. The work was completed with the assistance of Margaret McGuffin of Paul Audley & Associates and staff from Écho Sondage inc. (a survey research firm). Frank Davies of Let Me Be Frank Inc. acted as a consultant.

All involved would like to thank the Canadian Musical Reproduction Rights Agency (CMRRA) and Société du droit de reproduction des auteurs, compositeurs, et éditeurs au Canada (SODRAC) for their support and assistance with this project.

An Advisory Committee (Appendix A) was established by CMPA and PMPA. The Committee, which included representatives from CMPA, PMPA and the Department of Canadian Heritage, provided input on the questionnaire, the sample and the final report.



## **THE ROLE OF MUSIC PUBLISHERS IN CANADA**

### **Number of Companies in Canada**

In June 2005, the Society of Composers, Authors and Music Publishers of Canada (SOCAN) reported that it had 10,878 publisher members. The principal reason that this number is so high is that many songwriters, composers and lyricists act as their own publishers. Many record companies, film, television and multimedia producers also function as music publishers. The number also includes many individuals who may not in any given year receive a payment from SOCAN.

The majority of music publishers registered with SOCAN is in fact made up of "passive" companies that register their copyrights without carrying on any of the activities generally associated with music publishing, other than receiving royalties. This study examines "active" music publishers. Though an exact number of active publishers could not be established, information from many sources indicates that the number of truly active, specialized companies involved in all (or most of) the activities associated with music publishing, and with substantial yearly revenues, is not large.

Relatively few companies have full-time, paid staff. This report looks at 37 active publishing companies, including all of the major multinational firms. These companies would account for a substantial majority of the revenue (approximate 85%) of the active publishers operating in Canada today. This report documents the variety and scope of their activities as businesses engaged in music publishing as an important and often the only, commercial activity they are involved in.

### **Musical Works and Copyright**

The *Copyright Act* confers on the authors of musical works (songwriters, composers and lyricists) a copyright for the duration of their lives plus a period of fifty years after their death. This copyright includes the exclusive right to reproduce the work, to perform the work in public, to communicate the work to the public by telecommunication, to publish the work in printed form, to translate or adapt the work and to authorize any such acts. The *Act* also confers on such creators moral rights. Moral rights are not transferable, but may be waived, and apply for the same term as the copyright.

### **Description of a Music Publisher**

The primary role of a music publisher is to act on behalf of authors of musical works, based upon an assignment of rights, an agency or administration agreement, or otherwise. This involves representing the copyright holders in their dealings with users of their works, collecting royalties on their behalf from copyright collectives or individual users, and seeking to achieve the most extensive and profitable use of their works that is possible (while respecting the author's moral rights). Active music publishers also participate in the songwriter's creative development and the most active music publishers are increasing their involvement in this activity. As technology has changed the music

industry, from the introduction of cylinder recordings, to radio in the 1920s to, CDs, and now online distribution, music publishers have worked to adapt to their changing environment.

Traditionally, music publishers played a key role in matching artists and record companies with songs that they need. This still occurs, but in 2005 many songwriters are also recording artists signed to labels. Further, many authors now feel that they can efficiently handle their own administration by establishing their own affiliated publishing entity to collect royalties from copyright collectives.

As a result, Canadian publishers are facing a situation where authors are looking for a publishing deal that offers more than what they see as administrative services. The ability of Canadian music publishers to sign publishing agreements with Canadian authors is fundamentally determined by the added value they can provide, that is by how active they are as publishers.

A publisher can now be involved in a wide range of activities on behalf of his authors. He may play an active part in all stages of an author's career and creative development (particularly where the author is also a recording artist), participate financially and artistically in the production of the works they publish, actively participate in the domestic and foreign marketing of musical works, and attend to the protection and administration of related copyrights worldwide. A number of publishers now are actively involved in the important role of artists and repertoire (A&R) development, previously carried out almost exclusively by the record labels. Active publishers may also seek out opportunities for musical works to be used in audio-visual productions, ringtones and even video games.

### **Types of Music Publishing Agreements**

The activities of music publishers in Canada are guided by four general types of agreements:

i) Standard Music Publishing Agreement

Standard music publishing contracts reflect the traditional music publishing agreement and involve the publisher contracting directly with an author. The agreement calls for the author and the publisher to share equally in all royalties earned. Agreements with authors are made either on an exclusive basis, covering all works produced during a period of time, or on a non-exclusive basis, covering only specified compositions. In both cases, the publisher usually holds the rights for the term of copyright. These types of agreements have declined in use, as co-publishing agreements have become more popular.

## ii) Co-publishing Agreement

Co-publishing agreements are essentially the same as standard publishing agreements except that the author shares in the publisher's half of the royalties. Under such an arrangement, the publisher and author divide the publisher's share of royalties. In the English-language sector, the author typically is entitled to 75% of gross royalties earned (the author's 50% share plus half of the publisher's 50% share) although this split does not generally apply in Quebec. The split may vary and will reflect the negotiating power of the author, as well as the value added by the publisher. In addition, the publisher may charge a nominal administration fee to cover the costs associated with the purely administrative functions carried out on behalf of the author's catalogue.

## iii) Administration Agreement

These contracts provide for a publisher or some other party acting as administrator, such as a law firm or artist management company, to administer the collection of royalties for an original publisher (typically a publishing entity set up by the author or one set up by a film and television company whose catalogue would not justify committing its own resources to music publishing activities) in return for a relatively modest administration fee. Administration agreements are usually of limited duration and do not involve the transfer or sharing of the ownership of the copyrights. The advantage for the author is that the cost as a percentage of royalty revenue earned is lower than in a co-publishing or standard publishing agreement, reflecting the more limited role the administrator plays.

## iv) Sub-publishing Agreement

Sub-publishing agreements allow original publishers to assign publishing rights in musical works for representation by a local publisher, known as a "sub-publisher" in a specific territory. The sub-publisher exploits these rights for a term of usually three to four years and retains a percentage of the royalties earned in the territory. The portion retained by the sub-publisher has declined over time. At present it can be as high as 25% of all revenues earned, but usually falls in the 15 - 20% range.

These alternative types of agreements principally describe the different roles that may be performed by music publishers involved in the area of popular music. In contrast, the copyrights for stock music, as well as for television and film scores, are often obtained outright through contract with the author. A stock music library consists of varieties of "cue oriented" music available for rental in blocks of time (30 seconds, 5 minutes, etc.). Stock music is usually created by an author under a specific commission from a music publisher (renter) and then either purchased outright and owned by the renter, or rented from the author or other rights owner who receives a royalty each time his music is used.

## **THE ROLE OF COPYRIGHT COLLECTIVES**

Copyright collectives play an important role in collecting and distributing royalties to authors and publishers. Copyright collectives and individual music publishers for the most part perform functions that are complementary. The *Copyright Act* provides for the collective administration of copyright generally, and specifically for the establishment of societies for the collective administration of performing and reproduction rights as well as for the collection of private copying royalties.

CMRRA, SODRAC, CSI, SOCAN and CPCC (author/publisher share only) collected about \$290 million in royalties in fiscal year 2004. This represented an increase from approximately \$249 million in 1999, largely due to the introduction of the private copying and CSI commercial radio tariffs. It is clear that these new revenue sources have become increasingly important to music publishers, especially in a period where CMRRA's royalties associated with mechanical licences have declined by 32%, or more than \$15 million.

We estimate that of the \$290 million in royalties received in 2004 by collectives in Canada, approximately \$100 million will be paid to music publishers based in Canada. A substantial portion of the revenue from both private copying and the CSI commercial radio tariff is not reflected in the revenues survey respondents reported due to the timing of such payments. Both CSI and CPCC had only just begun their initial distribution process during the period that was surveyed.

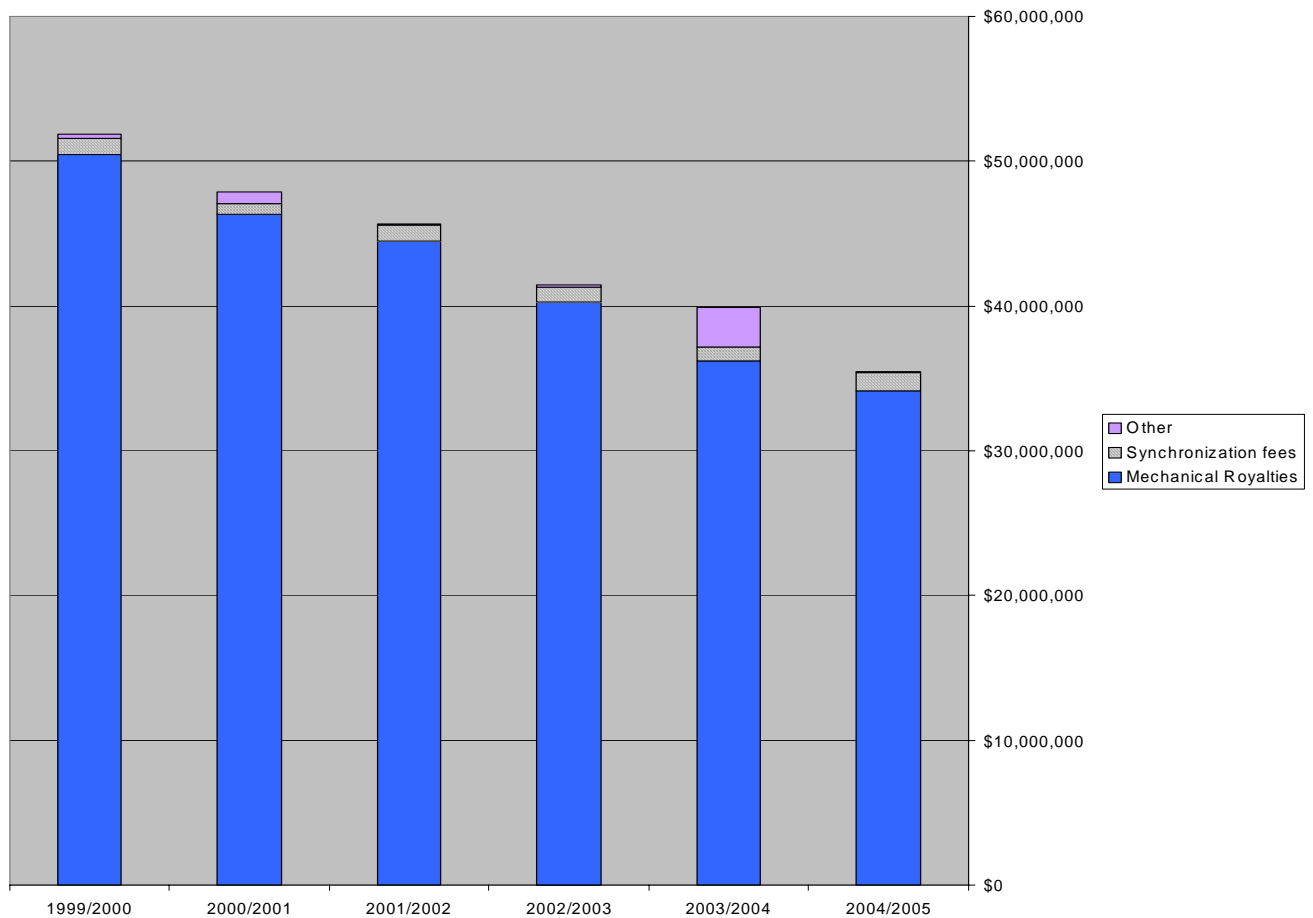
SOCAN and SODRAC both make direct payments to authors or to publishing companies established principally by the author to handle his or her own works. Such publishers are not active publishers in the market in the sense used for the purpose of this study. As a result, this revenue is not reflected in this survey. Additionally, although we are unable to quantify the amount, there are substantial annual payments to publishers operating exclusively in the film and television sector. This study did not seek to provide comprehensive coverage of such companies.

### **CMRRA**

The Canadian Musical Reproduction Rights Agency Ltd. (CMRRA) was formed in 1975 to represent the interests of music publishers doing business in Canada. Today, CMRRA acts as a non-exclusive agent for its principals in the areas of mechanical and, in some cases, synchronization licensing. CMRRA also secures an exclusive assignment from its members that allows CMRRA to collect royalties flowing from both the CMRRA-SODRAC Inc. (CSI) Commercial Radio Tariff and a CSI licensing agreement with Pay Audio Services, as well as the Canadian Private Copying Collective's (CPCC's) private copying tariff.

These new revenue sources are becoming increasingly important to music publishers as sales of pre-recorded music decline. CMRRA has also filed a proposed tariff for non-commercial radio stations, is pursuing a negotiated agreement with CBC Radio, and, as noted further below, has filed important additional tariffs, in co-operation with SODRAC, through CSI. CMRRA's royalties associated with mechanical licences have dropped 32% from \$50,306,835 in fiscal year 1999/2000 to \$34,129,659 in fiscal year 2004/2005.

**Figure A**  
**CMRRA Royalty Revenue 1999-2005**  
(excluding private copying and broadcast mechanical royalties)



Rates for CMRRA mechanical licences are now set by negotiation between the Canadian Recording Industry Association (CRIA) and CMRRA which results in a "Mechanical Licensing Agreement" (MLA). The parties recently reached an agreement in principle for the period retroactive to January 1, 2004.

CMRRA remits all royalties, net of CMRRA's commission, directly to the publisher. The publisher in turn pays the author whatever amounts are owing under the terms of their contractual agreement. While CMRRA represents an extensive repertoire of foreign copyrights, as well as domestic repertoire, it does not do so primarily through agreements with foreign collective societies. Instead, foreign repertoire is represented primarily

through the member publishers of CMRRA. Approximately 17% of the royalties received by CMRRA in 2004 were distributed either directly to foreign-based music publishers, or to foreign collective societies.

## **SODRAC**

Founded in 1985, Société du droit de reproduction des auteurs, compositeurs et éditeurs au Canada inc. (SODRAC) is a reproduction rights society that represents authors, composers, and publishers of musical works, as well as visual artists. Unlike CMRRA, SODRAC pays royalties separately to authors and publishers.

**Figure B**  
**SODRAC Royalty Revenue 1999-2005**  
(excluding private copying and broadcast mechanical royalties)



SODRAC receives an exclusive assignment of reproduction rights from its publisher and author members. With respect to its foreign repertoire, SODRAC relies principally upon its reciprocal agreements with foreign collective societies. SODRAC negotiates royalty rates and related terms and conditions for mechanical licences with both CRIA and l'Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ).

On behalf of its members, SODRAC administers a variety of licences, including licences for the principal private television networks in Quebec, the radio and television services of the CBC, and a tariff for non-commercial radio stations. As noted above, SODRAC has joined with CMRRA to create CSI. Through CSI, SODRAC receives royalties from commercial radio stations and pay audio services and, as indicated below, is pursuing important new tariffs. Like CMRRA, SODRAC receives through the Canadian Private Copying Collective, private copying royalties for distribution to its members.

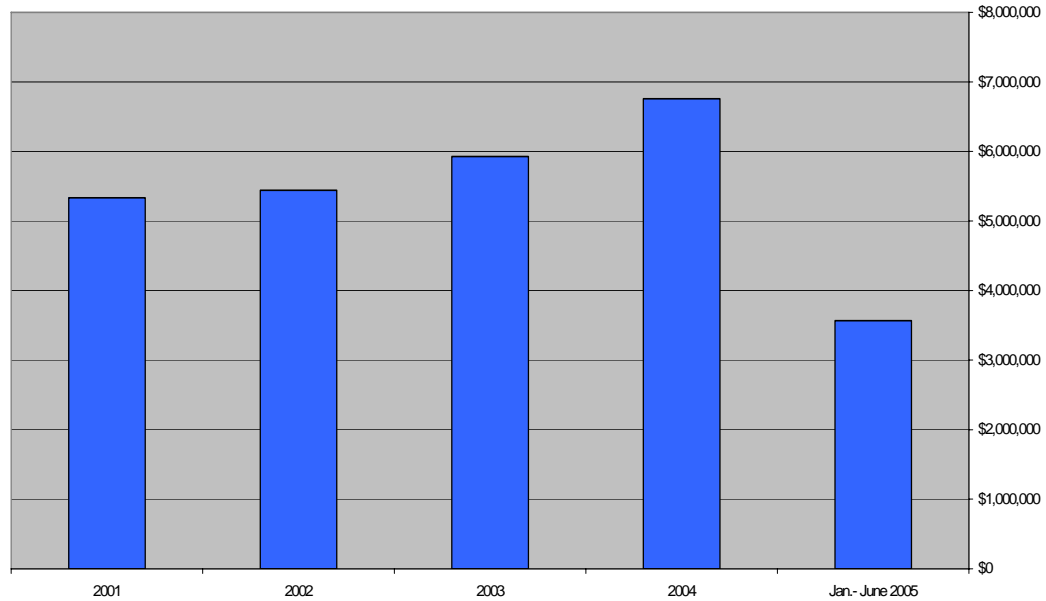
In certain circumstances, the publishers affiliated with SODRAC will receive only the publisher's share of royalties, while publishers affiliated with CMRRA receive both the publisher's and the author's share. This difference does not exist where a publisher has provided an advance to an author that has not been recouped or where the author is not a member of SODRAC. In such cases, a publisher affiliated with SODRAC would receive both the author's and the publisher's shares. However, the fact that SODRAC does sometimes pay the author's share directly to the author should be kept in mind in comparing the revenues of publishers affiliated with the two societies. SODRAC's revenues (excluding private copying and commercial radio royalties) rose from \$10.5 million in 1999/2000 to \$16.6 million in the fiscal year 2004/2005.

In fiscal year 2004/2005, SODRAC distributed just over \$5 million to member songwriters, \$7.8 million to member publishers, \$96 thousand to visual artists and just under \$3 million to foreign societies. \$5.6 million of the \$7.8 million paid to member publishers was paid to publishers located in the province of Quebec.

### **CSI**

SODRAC and CMRRA incorporated CMRRA-SODRAC Inc (CSI) in 2002 for the purpose of pursuing through a single entity the tariffs each society had filed for commercial radio stations. The CSI Commercial Radio Tariff was certified by the Copyright Board on March 31, 2003 following a hearing in 2002. Under the terms of the tariff, CSI receives on behalf of CMRRA and SODRAC the royalties owed by commercial radio stations. CMRRA and SODRAC make payments directly to rights holders. \$5.3 million was collected from commercial radio stations for 2001, rising to \$6.7 million in 2004. A confidential licensing agreement was also reached between CSI and the two pay audio services that operate in Canada (Galaxie and Max Trax).

Figure C  
CSI Commercial Radio Royalty Revenue, 2001-2004



## **SOCAN**

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is an organization that administers in Canada the performing rights of authors and publishers. Like SODRAC, SOCAN operates on the basis of an exclusive assignment of rights from its members. With respect to its foreign repertoire, SOCAN acts on the basis of reciprocal affiliation agreements with collective societies in other countries.

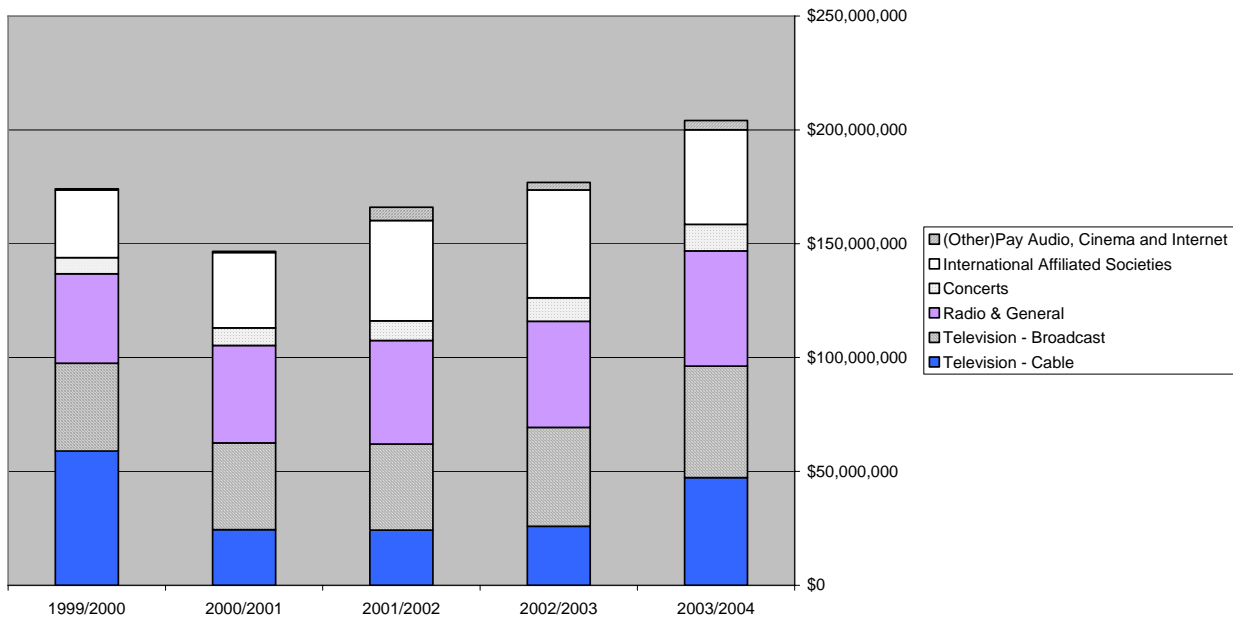
SOCAN's role is to ensure that authors and publishers receive royalties for the public performance of their music in Canada by collecting licence fees from individuals, businesses and organizations that play music in public, broadcast it, or communicate it by telecommunication. SOCAN administers over 20 existing tariffs, including tariffs for all radio and television services in Canada, for live performances and the performance of recorded music in a wide variety of venues. In addition to performing rights, SOCAN also collects royalties through CPCC on behalf of authors and publishers who have assigned their private copying rights to it.

SOCAN distributes the fees collected as royalties to author and publisher members and to SOCAN's many affiliated performing rights organizations worldwide. SOCAN is by a substantial margin the largest collective society in Canada. Total revenues (excluding private copying royalties) rose from \$174 million in 1999/2000 to \$204 million in fiscal year 2003/2004.



In 2004, SOCAN distributed \$152 million to its author and publisher members and to international affiliated societies. SOCAN writer members received just over \$53 million, SOCAN publisher members received nearly \$46 million, and nearly \$53 million was paid to international affiliated societies.

**Figure D**  
**SOCAN Royalty Revenue, 1999-2004**  
(excluding private copying royalties)



## CPCC

The Canadian Private Copying Collective (CPCC) is the non-profit agency charged with collecting and distributing private copying royalties. Established in 1999, CPCC is an umbrella organization of collectives that represent authors, music publishers, recording artists, and record companies, on whose behalf the royalties are collected.

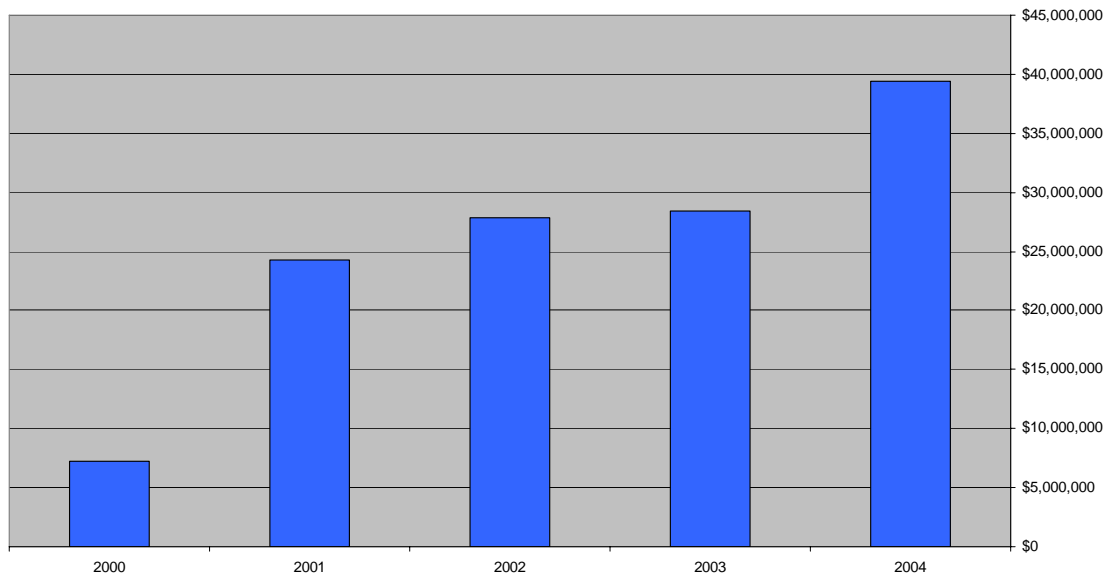
Under Canada's *Copyright Act*, it is legal for individuals to copy recorded music for their own personal use. In exchange, there is a mechanism to compensate those with rights in that music: royalties for private copying. The royalties attach to the types of blank media that are commonly used for copying. The types of media currently subject to private copying royalties and associated rates are audio cassettes of 40 minutes or more in length, CD-R, CD-RW, CD-R Audio, CD-RW Audio and MiniDisc.

The levy has generated \$114 million in royalty revenue for all eligible rights holders in recorded music from 2000 through 2004. Authors and publishers currently receive 66% of the royalties distributed by CPCC

Distribution is currently ongoing for the \$78.6 million in total royalties generated from 2000 to 2003. Of this amount, 60%, or \$47.5 million, has already been distributed. Distribution of the \$35.6 million in royalties generated for rights holders from levies collected in 2004 will begin as soon as all data relevant to making an accurate distribution become available. The CPCC anticipates the quickest distribution yet.

CMRRA, SODRAC and SOCAN are all members of CPCC. CPCC royalties are distributed to authors and publishers through these three collectives.

Figure E  
CPCC Royalty Revenue, 2000-2004



### **New Revenue Sources For Publishers And Authors**

In addition to the revenue streams described above, CMRRA and SODRAC, as well as SOCAN have filed new tariff proposals with the Copyright Board, reflecting new uses that are being made of their members' rights. When the Board sets the rates and certifies these tariffs, they will generate additional royalties for music publishers and authors.

## **Proposed CMRRA/SODRAC (CSI) Tariffs**

### *Online Music Services, 2005-2007*

This tariff will apply to online music services that sell à la carte permanent downloads of individual recorded musical works, such as the iTunes Music Store, and to subscription services, like Napster, that provide streams of individual works "on demand" and/or limited downloads of musical works that disappear when a subscription expires. In its application to permanent downloads, this tariff will cover the Internet activity that is most similar to purchasing a pre-recorded CD.

### *Webcasting, 2006-2009*

The range of services that will be licensed under this tariff includes those offering continuous streaming of musical works, where the user has no control or influence over the selection or timing of the transmission of individual musical works ("non-interactive webcasting"). The tariff would also apply to similar services that do offer the user a limited influence ("interactive webcasting"), for example, rating music to increase or decrease its inclusion in programming. In contrast to on-demand streaming, the user of a webcasting service does not know, and cannot control, the sequence or the time of transmission of the musical works in the program.

### *Multi-Channel Subscription Radio Services, 2006-2009*

In June 2005, the CRTC approved three applications for licences to operate multi-channel subscription radio services, two of which will provide their service via satellite, and one using satellite and terrestrial transmitters. The services have not yet begun to operate. The proposed CSI tariff would apply to these services, and to any similar services subsequently licensed.

## **Proposed SOCAN Tariffs**

### *Tariff 22, Communication of Musical Works Via the Internet or Similar Transmission Facilities, 2006*

The initial version of Tariff 22 was proposed and filed by SOCAN for the year 1996, and was refiled each year thereafter up to and including 2005. An initial phase of preliminary rulings by the Copyright Board was subject to judicial review by the Federal Court of Appeal and a final decision of the Supreme Court of Canada. Subsequent to this process, SOCAN has refiled the tariff for 2006 with major modifications. The 2006 tariff will apply to music websites, audio webcasts, webcasts of radio station signals, audiovisual webcasts, webcasts of television station signals, game sites, and any other websites communicating musical works to the public.

### *Tariff 24, Ringtones & Ringbacks, 2003-2005, 2006*

A decision on the 2003-2005 proposed tariff is currently under advisement at the Copyright Board, following a hearing in June 2005. This tariff will apply to suppliers of monophonic, polyphonic and master sound recording ringtones (also known as "mastertones" or "ringtunes"), activated by an incoming telephone call, and "ringbacks" (also known as "caller ringtones"), which are only audible to the calling party.

*Tariff 25, Direct Multi-Channel Subscription Radio Services, 2006*

This tariff will license with respect to the performance right, the same services as CSI's reproduction rights tariff, described above.

## **METHODOLOGY**

### **Scope**

In 2000, Statistics Canada executed a survey of Canadian music publishers. However, the results were not released. Since Statistics Canada had consulted extensively with the music publishing industry during the development of its questionnaire, it seemed reasonable to build the present study on the foundation of that questionnaire. Changes were made to make the questionnaire more pertinent, simpler, and easier for publishers to respond to. The questionnaire that was used during this study is attached as Appendix B. It was developed in consultation with the Advisory Committee established for this project.

The study does not deal with the publishing of music in printed form except where this activity is a secondary source of revenue for the companies surveyed. There are, however, companies operating in Canada that primarily deal in print publishing. It also excludes organizations owned or controlled by a songwriter/composer whose own musical works comprise the majority of works in the company's catalogue. While a number of the companies included in this study are involved in music publishing activities related to film and television production or multimedia activity, the study did not intend to deal comprehensively with this sector.

Further, this study only surveyed companies that have an office in Canada. As a result, information about Canadian catalogues that are administered outside Canada is not included in this report.

This report reviews annual financial data for each company's financial year ending between September 1, 2003 and August 31, 2004 inclusive.

### **Confidentiality**

Confidentiality was a prime concern during this study. No one outside of Paul Audley & Associates Ltd. and Circum Network Inc. (the Research Team) was permitted access to individual responses – not even study sponsors. No information has been included in this report in a way that will permit identification of an individual respondent. No data, except for number, type and location of establishments, are presented in aggregations composed of fewer than three companies.

### **Sample**

The sample of publishers to receive the questionnaire was developed with the assistance of CMPA, PMPA, CMRRA, SODRAC, Frank Davies and our Advisory Committee.

The largest music publishers in Canada according to revenue were selected using confidential revenue data for 2005 from CMRRA and SODRAC. All remaining APEM and CMPA members were added to the sample. Companies that had all of the

works/catalogues of their organization administered by another company in Canada were deleted from the sample.

An additional sample of 50 companies was then selected from CMRRA and SODRAC members using a simple random sampling approach (i.e., each firm having an equal probability of selection). Due to the manner in which the initial companies were selected, these additional 50 companies were selected to bolster representation of companies with relatively small revenues. In total, 137 companies were sent the questionnaire during the second week of March 2005.

### **Data Collection**

In order to maximize the probability of co-operation, the following process of data collection was used:

- Addresses for each company in the sample were secured from PMPA, CMPA, CMRRA and SODRAC. Additional companies not affiliated with one or more of these organizations were contacted by the Research Team to obtain mailing addresses.
- Each company was sent a short personalized letter (Appendix C) explaining the purpose of the study and identifying the sponsors, the funding agency and the research team. The package was sent by Express Mail and included a colour-printed, spiral-bound, bilingual questionnaire with an Express Mail return envelope;
- Initial telephone contact was made within 14 days of delivery of the questionnaire. PMPA and CMPA staff made an initial contact with their membership to confirm that the questionnaire had been received. All other companies were contacted by senior interviewing personnel from Écho Sondage inc.;
- A second contact was made by Écho Sondage inc. and the Research Team during the month of April in a continued attempt to motivate the recipient to fill out the questionnaire.
- The Research Team worked with PMPA and CMPA to identify the companies that were most important to the survey results. The Research Team and the two associations continued to contact these companies until September.
- Respondents were given the option of filling out the questionnaire in Excel, rather than providing a response on paper.

## **Final Sample**

Fifty-four companies responded to the questionnaire. Results from ten questionnaires received from music publishing companies owned or controlled by a songwriter/composer whose own musical works comprised the majority of the works in the catalogue of the company were not included in the final sample. Two questionnaires that were returned provided substantially incomplete (and as a result unusable) information, three had catalogues administered by another company in Canada, and one company indicated that it was no longer in business, while another indicated that its primary source of business was print publishing. None of these results was included.

The report includes data from the resulting 37 companies. The companies whose responses are included in the data presented represent a substantial majority (approximately 85%) of the revenues of active music publishers currently operating in Canada, including the revenues in Canada of all of the major multinational publishers.

Of those that did not respond, eight of the companies contacted did not return the questionnaire, either because they were no longer in the music business or because their catalogues were administered in Canada by another company. One company was not yet operating during the survey period.

## SURVEY FINDINGS

### **Number, Location, And Primary Activity of Respondents**

Of the 37 publisher respondents included in the final sample, 20 were located in Ontario, 14 in Quebec and three in other provinces. For about two thirds of these companies (25 publishers), music publishing represented their primary source of revenue. Of the remaining 12 companies, three cited as their primary revenue source record label activity while five reported that their revenues came primarily from film or television production. A single company reported that its revenues came primarily from artist management activity, while three reported other activities as their primary revenue source.

Note: some numbers may not add precisely due to rounding.

***Table 1***  
***Number of Survey Respondents by Location and Primary Revenue Source, 2004***

<b><i>Primary Revenue Source</i></b>	<b><i>Ontario</i></b>	<b><i>Quebec</i></b>	<b><i>Other Provinces</i></b>	<b><i>Total</i></b>
<i>Music Publishing</i>	14	9	2	<b>25</b>
<i>Record Company/Label</i>	1	1	1	<b>3</b>
<i>Film Production</i>	1	1	-	<b>2</b>
<i>TV Production</i>	1	2	-	<b>3</b>
<i>Management Company</i>	1	-	-	<b>1</b>
<i>Other</i>	2	1	-	<b>3</b>
<b><i>TOTAL</i></b>	<b>20</b>	<b>14</b>	<b>3</b>	<b>37</b>



Most respondents to the survey (22 companies) indicated that their business had been established since 1980, with 15 of the 37 reporting that they were established before 1980. However, the situation differs significantly for respondents located in Quebec, where only 3 of the 14 publishers were established prior to 1980. In fact, of the Quebec companies responding to the survey, half were established between 1990 and 2005.

The relatively recent date of establishment of many of the respondent companies may to some degree reflect the change to the mechanical licensing rate implemented in the 1988 revision of the *Copyright Act*. Under the provisions of the legislation in effect prior to that revision, mechanical licences were issued at a compulsory 2 cent rate. With the new legislation in effect, the rate increased to 5 1/4 cents, resulting in an immediate, dramatic increase in the revenues of publishers.

***Table 2***  
***Survey Respondents by Date Established and Location***

	<i>Ontario</i>	<i>Quebec</i>	<i>Other Provinces</i>	<i>Total</i>
<i>1950-1969</i>	4	-	-	4
<i>1970-1979</i>	7	3	1	11
<i>1980-1989</i>	4	4	1	9
<i>1990-1999</i>	2	5	1	8
<i>2000-2005</i>	3	2	-	5

Of the 37 reporting publishers, 70% were involved either in sub-publishing or in administering catalogues for other publishers. Such activity was substantially more important for Ontario-based publishers, with 18 of the 20 located in the province reporting such involvement. By contrast only six of the 14 publishers in Quebec were involved in sub-publishing or administration. The reporting firms indicated that in total they administered catalogues for 657 Canadian companies and 4010 foreign companies. 928 foreign companies were sub-published in Canada by one of the survey respondents, 92% of them by companies located in Ontario and 7% by companies located in Quebec.

***Table 3***  
***Involvement in Sub-publishing and Administration by Location of Publisher***

	<i>Ontario</i>	<i>Quebec</i>	<i>Other Provinces</i>	<i>Total</i>
<i>Publishers Involved</i>	18	6	2	26
<i>Canadian Companies Administered</i>	569	84	4	657
<i>Foreign Companies Sub-published</i>	853	61	14	928
<i>Foreign Companies Administered</i>	4003	3	4	4010
<i>Total: Companies Administered/Sub-published</i>	5425	148	22	5595

Foreign-controlled publishers in Canada administered the catalogues of the vast majority of the foreign companies administered by reporting publishers (3999 of 4010). They also administered the catalogues of 512 Canadian companies and sub-published on behalf of 165 foreign companies. However, administration and sub-publishing were also important for Canadian-controlled companies, who sub-published for 763 foreign companies, as well as administering the catalogues of 145 Canadian companies. It is not uncommon for an individual company to sub-publish or administer hundreds of catalogues.

***Table 4***  
***Involvement in Sub-publishing and Administration by Country of Control of Publisher***

	<i>Canadian-Controlled</i>	<i>Foreign-Controlled</i>	<i>Total</i>
<i>Publishers Involved</i>	19	7	26
<i>Canadian Companies Administered</i>	145	512	657
<i>Foreign Companies Sub-published</i>	763	165	928
<i>Foreign Companies Administered</i>	11	3999	4010
<i>Total: Companies Administered/Sub-published</i>	919	4676	5595

## **Musical Works Published, Sub-published and Administered**

Of the 37 reporting companies, 23 reported that a master sound recording of one or more of the musical works published had been produced by a related company, or by the reporting publisher. A related company might include either a subsidiary, parent company, or affiliate. Twenty of the 23 companies that indicated they were involved in such activity, also provided information concerning the percentage of the musical works for which they owned copyright which resulted in master sound recordings being produced by a related company. On average such works accounted for 61% of the copyrights owned by these firms. It can reasonably be assumed that these publishing companies are affiliated with a record label.

***Table 5***  
***Production of Master Sound Recordings of Musical Works Owned by Respondent Publishers or their Subsidiaries, Parents or Affiliated Companies by Location of Publisher***

	<i>Ontario/Other</i>	<i>Quebec</i>	<i>Total</i>
<b>Publisher or Related Company Produced Master Recordings from Musical Works Owned by Publisher</b>			
<i>Yes</i>	14	9	<b>23</b>
<i>No</i>	9	5	<b>14</b>
<b>% of Musical Works Owned by Publishers Produced by Related Company <sup>1</sup></b>			
<i># of respondents</i>	11	9	<b>20</b>
<i>Average % produced by related company <sup>2</sup></i>	63%	59%	<b>61%</b>

<sup>1</sup> Percentage of Works owned by publisher was not reported by 3 companies.

<sup>2</sup> Averages are for the 20 companies that responded. Of the 11 respondents in Ontario/Other Provinces, 6 reported that 100% of the musical works for which they owned copyrights were produced by a related company, as did 2 of the 9 Quebec-based companies. A further 3 Quebec-based companies reported that between 75% and 99% of the musical works for which they owned copyright were produced by an affiliated company.

The Canadian-controlled publishers indicated that they published, sub-published or administered a total of just over 1.7 million musical works. Ontario-based publishers accounted for 95% of this total. Just over a quarter of these titles (27%) were sub-published, with a further 13% accounted for by catalogues administered by the respondent. Confidentiality restrictions do not permit the release of comparable information for foreign-controlled publishers. Just under 2%, or 29,596 of the musical works in the catalogues of these publishers produced revenue during this period. 810 works were recorded and released onto a sound recording for the first time.

***Table 6***  
***Number of Musical Works Published, Sub-published and Administered by Location of Publisher (Canadian-Controlled Publishers<sup>1</sup>)***

	<i>Ontario</i>		<i>Quebec</i>		<i>Other Provinces</i>		<i>Total</i>	
<b><i>Total musical works in catalogue</i></b>	1,630,271	100%	86,849	100%	6,752	100%	<b>1,723,872</b>	100%
<b><i>Works that produced revenue during reporting period</i></b>	14,898	0.91%	8,222	9.47%	6,476	95.91%	<b>29,596</b>	1.72%
<b><i>Works that had first recording/release (of copyrights owned) during reporting period</i></b>	238	0.01%	514	0.59%	58	0.86%	<b>810</b>	0.05%
<b><i>Works administered</i></b>	211,526	12.97%	9,202	10.60%	4,420	65.46%	<b>225,148</b>	13.06%
<b><i>Works sub-published</i></b>	399,282	24.49%	69,007	79.46%	270	4.00%	<b>468,559</b>	27.18%

<sup>1</sup>The number of foreign-controlled publishers who were able to respond to this question was insufficient to permit the release of information.

### **Royalty Revenues by Source**

The 37 publishers who responded to the survey reported total royalty revenues of \$87.6 million. Of this total \$62.8 million, or 72%, was earned from domestic sources, with \$24.8 million in foreign royalty revenue. Approximately equal revenues flowed from performing rights (\$37.2 million) and from mechanical rights (\$41.8 million), with the remaining \$9 million earned from other revenue sources, and in particular from synchronization rights. In Tables 7 to 9, the category "Other" with respect to performing rights includes royalties from Grand Rights. In both the mechanical rights and performing rights categories "Other" includes revenue directly from foreign collectives and revenue remitted by affiliates and sub-publishers in other countries.

It is important in looking at the royalty revenues from sources other than performing and mechanical rights, as reported in Table 7 below, to bear in mind that survey respondents reported for the year ending between September 1, 2003 and August 1, 2004. During this period most of the revenue derived from the CSI commercial radio tariff had not yet been distributed. That tariff, as shown in Figure C, generated \$6.7 million in 2004. Similarly, it must be kept in mind that most of the revenue generated by the private copying levy (see Figure E) had not yet been distributed. A total of \$35.6 million in royalties is available for the calendar year 2004, with 66% of this total available for distribution to music publishers and authors. As a result, both the broadcast mechanical tariff and private copying royalties represent a far more important source of revenue than Table 7, or any of the subsequent tables below, would suggest.

***Table 7***  
***Music Publishing Royalty Revenue by Source, All Survey Respondents***

	<i>Domestic</i>		<i>Foreign</i>		<i>Total</i>	
<i>Performing Rights</i>						
SOCAN	25,018,661	39.83%	4,100,041	16.53%	29,118,702	33.23%
Other (direct licensing of Grand Rights, revenue from foreign sub-publishers and other foreign sources, etc.)	28,853	0.05%	8,088,910	32.62%	8,117,763	9.27%
<b><i>Subtotal: Performing Rights</i></b>	<b>25,047,514</b>	<b>39.87%</b>	<b>12,188,951</b>	<b>49.16%</b>	<b>37,236,465</b>	<b>42.50%</b>
<i>Mechanical Rights</i>						
Direct Licensing	4,792,553	7.63%	3,751,104	15.13%	8,543,657	9.75%
CMRRA	24,436,972	38.90%	154,416	0.62%	24,591,388	28.07%
SODRAC	2,515,480	4.00%	23,949	0.10%	2,539,429	2.90%
Other (revenue from foreign sub-publishers and other foreign sources, etc.)	95,252	0.15%	6,074,996	24.50%	6,170,248	7.04%
<b><i>Subtotal: Mechanical Rights</i></b>	<b>31,840,257</b>	<b>50.68%</b>	<b>10,004,465</b>	<b>40.35%</b>	<b>41,844,722</b>	<b>47.76%</b>
<i>Synchronization</i>	4,779,320	7.61%	1,651,603	6.66%	6,430,923	7.34%
<i>Print Licensing</i>	19,921	0.03%	3,381	0.01%	23,302	0.03%
<i>Other Rights (video games, ring tones, etc.)</i>	103,084	0.16%	18,725	0.08%	121,809	0.14%
<i>Private Copying</i>	954,694	1.52%	76,145	0.31%	1,030,839	1.18%
<i>Broadcast Mechanical</i>	75,703	0.12%	853,147	3.44%	928,850	1.06%
<b><i>TOTAL ROYALTIES</i></b>	<b>62,820,493</b>	<b>100%</b>	<b>24,796,416</b>	<b>100%</b>	<b>87,616,910</b>	<b>100%</b>

Ontario-based music publishers accounted for \$73 million in royalty revenue in 2003-04. Thirty-seven per cent of that total, or \$27.2 million, was derived from performing rights revenue and 53%, or \$39.2 million from mechanical rights. By comparison publishers based in Quebec reported total royalty revenue of \$13.9 million. Of that total, performing rights accounted for 72%, or just under \$10 million, with 16%, or \$2.3 million derived from mechanical rights.

Royalty revenue from sources other than performing and mechanical rights accounted for approximately the same proportion of royalty income for both Ontario and Quebec-based companies. It represented 9% of total revenue for the former, \$6.7 million, and 12% for the latter, or \$1.7 million.

The total revenues of reporting publishers based in other provinces were \$604,916. More than two thirds of their royalty revenue (68%) derived from mechanical rights, 17% representing performing rights royalties and 16% revenue from other sources.

SOCAN reported in 2004 that it had distributed nearly \$46 million to publisher members. This included payments to authors who have established their own publishing companies and are not active publishers in the market. As a result, their revenues are not reflected in this survey. There would also have been substantial payments to publishers operating exclusively in the film and television sector which are not included in this report. SODRAC's members would also include similar categories of rightsholders which are not represented in this survey.

**Table 8**  
**Music Publishing Royalty Revenues by Source and Location of Publisher**

	<b>Ontario</b>		<b>Quebec</b>		<b>Other Provinces</b>		<b>Total</b>	
<i>Performing Rights</i>								
SOCAN	26,011,364	35.60 %	3,006,941	21.57 %	100,396	16.60 %	<b>29,118,702</b>	33.23 %
Other (direct licensing of Grand Rights, revenue from foreign sub-publishers and other foreign sources, etc.)	1,156,929	1.58%	6,960,834	49.94 %	0	0.00%	<b>8,117,763</b>	9.27%
<b>Subtotal: Performing Rights</b>	<b>27,168,293</b>	<b>37.18 %</b>	<b>9,967,775</b>	<b>71.52 %</b>	<b>100,396</b>	<b>16.60 %</b>	<b>37,236,465</b>	<b>42.50 %</b>
<i>Mechanical Rights</i>								
Direct Licensing	7,792,785	10.66 %	345,779	2.48%	405,093	66.97 %	<b>8,543,657</b>	9.75%
CMRRA	24,585,016	33.64 %	2,678	0.02%	3,694	0.61%	<b>24,591,388</b>	28.07 %
SODRAC	1,253,089	1.71%	1,286,340	9.23%	0	0.00%	<b>2,539,429</b>	2.90%
Other (revenue from foreign sub-publishers and other foreign sources, etc.)	5,546,106	7.59%	624,142	4.48%	0	0.00%	<b>6,170,248</b>	7.04%
<b>Subtotal: Mechanical Rights</b>	<b>39,176,996</b>	<b>53.61 %</b>	<b>2,258,938</b>	<b>16.21 %</b>	<b>408,787</b>	<b>67.58 %</b>	<b>41,844,722</b>	<b>47.76 %</b>
<i>Synchronization</i>	5,080,281	6.95%	1,260,241	9.04%	90,401	14.94 %	<b>6,430,923</b>	7.34%
<i>Print Licensing</i>	11,443	0.02%	11,859	0.09%	0	0.00%	<b>23,302</b>	0.03%
<i>Other Rights (video games, ring tones, etc.)</i>	121,809	0.17%	0	0.00%	0	0.00%	<b>121,809</b>	0.14%
<i>Private Copying</i>	839,857	1.15%	186,012	1.33%	4,971	0.82%	<b>1,030,839</b>	1.18%
<i>Broadcast Mechanical</i>	675,998	0.93%	252,491	1.81%	361	0.06%	<b>928,850</b>	1.06%
<b>TOTAL ROYALTIES</b>	<b>73,074,677</b>	<b>100%</b>	<b>13,937,317</b>	<b>100%</b>	<b>604,916</b>	<b>100%</b>	<b>87,616,910</b>	<b>100%</b>

Foreign-controlled music publishers reported revenues of \$63.8 million. This represented 73% of the total royalties reported. Royalty revenue of \$23.8 million was reported by Canadian-controlled companies.

Canadian-controlled publishers were substantially more dependent on performing rights royalties than were foreign-controlled companies. Two thirds of the royalty revenue of Canadian-controlled publishers derived from this source, compared to 34% for foreign-controlled companies.

Mechanical royalties represented more than half (59%) of the revenue of foreign-controlled publishers, compared to 17% for Canadian-controlled firms. However, as a percentage of their royalty revenue, synchronization licensing was more important to Canadian-controlled companies, accounting for 12% of their revenue, compared to 6% for foreign-controlled firms.

**Table 9**  
**Music Publishing Royalty Revenue by Source:**  
**Canadian and Foreign-controlled Publishers**

	<i>Canadian- Controlled</i>		<i>Foreign- Controlled</i>		<i>Total</i>	
<i>Performing Rights</i>						
SOCAN)	8,759,856	36.81 %	20,358,845	31.90 %	<b>29,118,702</b>	33.23 %
Other (direct licensing of Grand Rights, revenue from foreign sub-publishers and other foreign sources etc.)	7,012,437	29.47 %	1,105,326	1.73%	<b>8,117,763</b>	9.27%
<b><i>Subtotal: Performing Rights</i></b>	<b>15,772,293</b>	<b>66.28 %</b>	<b>21,464,171</b>	<b>33.63 %</b>	<b>37,236,465</b>	<b>42.50 %</b>
<i>Mechanical Rights</i>						
Direct Licensing	1,367,127	5.75%	7,176,530	11.24 %	<b>8,543,657</b>	9.75%
CMRRA	162,284	0.68%	24,429,104	38.28 %	<b>24,591,388</b>	28.07 %
SODRAC	1,546,339	6.50%	993,089	1.56%	<b>2,539,429</b>	2.90%
Other (revenue from foreign sub- publishers and other foreign sources, etc.)	1,010,682	4.25%	5,159,566	8.08%	<b>6,170,248</b>	7.04%
<b><i>Subtotal: Mechanical Rights</i></b>	<b>4,086,432</b>	<b>17.17 %</b>	<b>37,758,289</b>	<b>59.16 %</b>	<b>41,844,722</b>	<b>47.76 %</b>
<i>Synchronization Licensing</i>	2,754,291	11.58 %	3,676,632	5.76%	<b>6,430,923</b>	7.34%
<i>Print Licensing</i>	12,521	0.05%	10,781	0.02%	<b>23,302</b>	0.03%
<i>Other Rights (video games, ring tones, etc.)</i>	17,103	0.07%	104,706	0.16%	<b>121,809</b>	0.14%
<i>Private Copying</i>	227,230	0.95%	803,610	1.26%	<b>1,030,839</b>	1.18%
<i>Broadcast Mechanical</i>	925,014	3.89%	3,836	0.01%	<b>928,850</b>	1.06%
<b><i>TOTAL ROYALTIES</i></b>	<b>23,794,885</b>	<b>100%</b>	<b>63,822,025</b>	<b>100%</b>	<b>87,616,910</b>	<b>100%</b>



The survey also requested from all reporting publishers an estimate of the percentage of their royalty revenue that was attributable to works by Canadian authors. Table 10 below reports those estimates, first by location of the publisher, and secondly, by country of control.

Respondents reported that an estimated \$34.7 million in royalty revenue was attributable to works by Canadian authors. This amount represents 42% of their total royalties of \$87.6 million. Publishers based in Ontario reported royalties for Canadian works totalling \$22.5 million or 65% of the total, while Quebec-based publishers accounted for 34% of such royalties, amounting to \$11.8 million.

Canadian-controlled publishers accounted for slightly more in royalties attributable to Canadian-authored works (\$17.6 million) than their foreign-controlled counterparts (\$17.0 million). For Canadian-controlled publishers royalties attributable to Canadian-authored works accounted for almost three-quarters (74%) of their total revenue, representing \$17.6 million of the total of \$23.8 million. Such royalties represented, by comparison, 27% of the royalty revenue of foreign-controlled publishers, \$17.0 million out of a total of \$63.8 million.

***Table 10***  
***Estimate of Royalty Revenue Attributable to Works by Canadian Authors***  
***by Location of Publisher and by Country of Control***

<b><i>By Location</i></b>				
	<b><i>Ontario</i></b>	<b><i>Quebec</i></b>	<b><i>Other Provinces</i></b>	<b><i>Total</i></b>
<i>Domestic Royalty Revenue</i>	8,190,101	2,633,792	59,974	<b>10,883,867</b>
<i>Foreign Royalty Revenue</i>	14,324,097	9,132,852	321,531	<b>23,778,481</b>
<b><i>Total Royalty Revenue</i></b>	<b>22,514,198</b>	<b>11,766,644</b>	<b>381,505</b>	<b>34,662,348</b>
<b><i>By Country of Control</i></b>				
	<b><i>Canadian-Controlled</i></b>	<b><i>Foreign-Controlled</i></b>	<b><i>Total</i></b>	
<i>Domestic Royalty Revenue</i>	3,873,223	7,010,644	<b>10,883,867</b>	
<i>Foreign Royalty Revenue</i>	13,753,785	10,024,696	<b>23,778,481</b>	
<b><i>Total Royalty Revenue</i></b>	<b>17,627,008</b>	<b>17,035,340</b>	<b>34,662,348</b>	

Of the total royalties received from foreign sources, survey responses indicated that the United States is the single most important source of such income, accounting for 59% of the total, or \$14.5 million. The second and third most important sources identified were France, which accounted for \$3.1 million, 12% of the total, and the United Kingdom/Ireland which accounted for \$2.0 million, or 8% of total foreign royalties.

Ontario-based publishers reported foreign royalty revenue of \$14.8 million. This represented 60% of all royalties from foreign sources. By comparison, Quebec-based publishers reported foreign royalties of \$9.4 million, 38% of the total, with publishers in other provinces accounting for 2%. Royalties from foreign sources were obviously substantially more important to Quebec-based companies and to companies in other provinces, than to Ontario-based companies. Such royalties accounted for 68% of the total royalties of companies in Quebec, 88% for publishers outside Ontario and Quebec, but just 20% for Ontario-based companies.

***Table 11***  
***Estimated Foreign Royalty Revenue by Country or Region: By Location of Publisher***

	<i>Ontario</i>		<i>Quebec</i>		<i>Other Provinces</i>		<i>Total</i>	
<i>United States</i>	7,769,065	52.39%	6,325,038	67.04%	440,023	82.55%	<b>14,534,125</b>	58.61%
<i>Mexico/Central/South America</i>	77,249	0.52%	10,728	0.11%	0	0.00%	<b>87,978</b>	0.35%
<i>United Kingdom/Ireland</i>	1,450,201	9.78%	520,108	5.51%	51,100	9.59%	<b>2,021,409</b>	8.15%
<i>France</i>	2,493,643	16.82%	590,505	6.26%	4,268	0.80%	<b>3,088,416</b>	12.46%
<i>Germany/Austria/Switzerland</i>	1,131,426	7.63%	416,203	4.41%	12,775	2.40%	<b>1,560,405</b>	6.29%
<i>Belgium/Netherlands/Luxembourg</i>	572,316	3.86%	464,762	4.93%	13,326	2.50%	<b>1,050,404</b>	4.24%
<i>Scandinavia</i>	346,816	2.34%	147,991	1.57%	1,165	0.22%	<b>495,972</b>	2.00%
<i>Italy</i>	212,635	1.43%	222,817	2.36%	0	0.00%	<b>435,452</b>	1.76%
<i>Spain/Portugal</i>	163,817	1.10%	264,415	2.80%	146	0.03%	<b>428,377</b>	1.73%
<i>Other Countries in Western Europe</i>	25,509	0.17%	11,619	0.12%	0	0.00%	<b>37,128</b>	0.15%
<i>Eastern Europe</i>	42,506	0.29%	11,421	0.12%	0	0.00%	<b>53,927</b>	0.22%
<i>Japan/Australia/South East Asia</i>	461,062	3.11%	238,934	2.53%	10,220	1.92%	<b>710,215</b>	2.86%
<i>All Other Countries</i>	81,793	0.55%	210,815	2.23%	0	0.00%	<b>292,608</b>	1.18%
<b><i>TOTAL</i></b>	<b>14,828,039</b>	<b>100%</b>	<b>9,435,355</b>	<b>100%</b>	<b>533,022</b>	<b>100%</b>	<b>24,796,417</b>	<b>100%</b>

Canadian-controlled music publishers accounted for the majority of royalties from foreign sources. Their foreign royalties were \$14.4 million, or 58%, of a total of \$24.8 million. The remaining 42%, or \$10.4 million, was accounted for by foreign-controlled music publishers.

***Table 12***  
***Estimated Foreign Royalty Revenue by Country or Region:  
Canadian and Foreign-Controlled Publishers<sup>1</sup>***

	<b><i>Canadian- Controlled</i></b>		<b><i>Foreign- Controlled</i></b>		<b><i>Total</i></b>	
<i>United States</i>	8,317,671	57.89%	6,216,454	59.60%	<b>14,534,125</b>	58.61%
<i>Mexico/Central/South America</i>	71,258	0.50%	16,719	0.16%	<b>87,978</b>	0.35%
<i>United Kingdom/Ireland</i>	858,140	5.97%	1,163,269	11.15%	<b>2,021,409</b>	8.15%
<i>France</i>	2,044,513	14.23%	1,043,904	10.01%	<b>3,088,416</b>	12.46%
<i>Germany/Austria/Switzerland</i>	730,540	5.08%	829,864	7.96%	<b>1,560,405</b>	6.29%
<i>Belgium/Netherlands/Luxembourg</i>	788,801	5.49%	261,603	2.51%	<b>1,050,404</b>	4.24%
<i>Scandinavia</i>	296,065	2.06%	199,906	1.92%	<b>495,972</b>	2.00%
<i>Italy</i>	327,870	2.28%	107,582	1.03%	<b>435,452</b>	1.76%
<i>Spain/Portugal</i>	314,308	2.19%	114,070	1.09%	<b>428,377</b>	1.73%
<i>Other Countries in Western Europe</i>	14,670	0.10%	22,458	0.22%	<b>37,128</b>	0.15%
<i>Eastern Europe</i>	26,679	0.19%	27,248	0.26%	<b>53,927</b>	0.22%
<i>Japan/Australia/South East Asia</i>	360,023	2.51%	350,192	3.36%	<b>710,215</b>	2.86%
<i>All Other Countries</i>	216,282	1.51%	76,326	0.73%	<b>292,608</b>	1.18%
<b><i>TOTAL</i></b>	<b>14,366,822</b>	<b>100%</b>	<b>10,429,595</b>	<b>100%</b>	<b>24,796,416</b>	<b>100%</b>

<sup>1</sup> Publishers provided both their total royalty revenue from all foreign countries and an estimate of the percentage attributable to each country or region.

### **Royalty Payments to Authors and Publishers**

Of the total royalties of \$87.6 million received by publishers, \$64.9 million was paid out to authors and to other publishers. Such payments represented 74% of the total royalty revenue publishers received. Of the total of \$64.9 million, just over two thirds, or \$43.5 million represented payments to foreign publishers for catalogues sub-published in Canada. An additional \$1.1 million represented payments to other publishers for catalogues administered by the respondent. Of \$20.3 million in royalty payments made directly to authors, 4.0 million represented advances against royalties, while \$16.3 million represented earned royalties. It can be assumed that most of these payments would be to Canadian authors.

Publishers involved in film and television publishing as well as those that specialize in stock music usually purchase their catalogues outright. As a result, the royalty revenue is often not recorded during the same fiscal year as the initial expense. Table 23 of this report provides a more reliable indication of the cost structure of companies whose primary activity is music publishing, excluding from that table, for example, companies involved primarily in film and television production. As Table 23 indicates, for such companies, royalties and advances represented 88% of total expense (\$54.7 million out of total expenses of \$62.1 million).

Payments to authors and to other publishers represented a significantly higher percentage of total royalty revenue for publishers based in Ontario and other provinces, than for publishers based in Quebec. For the former such payments represented 76% of royalty revenue received (\$55.5 million out of total revenues of \$73.1 million), while for Quebec-based publishers they represented 68% of royalty revenue (\$9.5 million out of \$13.9 million).

***Table 13***  
***Royalties Paid to Authors and to Other Publishers by Location of Publisher***

	<i>Ontario/Other Provinces</i>	<i>Quebec</i>	<i>Total</i>
<b><i>Paid Directly to Authors</i></b>			
<i>Advances on royalties</i>	3,701,262	328,173	4,029,435
<i>Earned royalties</i>	8,899,885	7,383,253	16,283,138
<b><i>Sub-total: Authors</i></b>	<b>12,601,147</b>	<b>7,711,426</b>	<b>20,312,573</b>
<b><i>Paid to Other Publishers</i></b>			
<i>Administered</i>	478,097	633,636	1,111,733
<i>Sub-published</i>	42,382,314	1,139,483	43,521,797
<b><i>Sub-total: Publishers</i></b>	<b>42,860,411</b>	<b>1,773,119</b>	<b>44,633,530</b>
<b><i>TOTAL</i></b>	<b>55,461,558</b>	<b>9,484,545</b>	<b>64,946,103</b>

Canadian-controlled publishers made payments of \$10.5 million directly to authors, a little more than the \$9.8 million reported by foreign-controlled companies. However, the proportion of such payments accounted for by advances against royalties differed significantly, with foreign-controlled publishers accounting for \$3.5 million in advances out of a total of \$4.0 million.

***Table 14***  
***Royalties Paid to Authors and to Other Publishers:***  
***Canadian and Foreign-controlled Publishers***

	<i>Canadian- Controlled</i>	<i>Foreign-Controlled</i>	<i>Total</i>
<b><i>Paid Directly to Authors</i></b>			
<i>Advances on royalties</i>	526,847	3,502,588	4,029,435
<i>Earned royalties</i>	9,994,189	6,288,949	16,283,138
<b><i>Sub-total: Authors</i></b>	<b>10,521,036</b>	<b>9,791,537</b>	<b>20,312,573</b>
<b><i>Paid to Other Publishers</i></b>			
<i>Administered</i>	921,733	190,000	1,111,733
<i>Sub-published</i>	2,624,194	40,897,603	43,521,797
<b><i>Sub-total: Publishers</i></b>	<b>3,545,927</b>	<b>41,087,603</b>	<b>44,633,530</b>
<b><i>TOTAL</i></b>	<b>14,066,963</b>	<b>50,879,140</b>	<b>64,946,103</b>

Publishers were also asked to estimate how much of the royalties paid directly to authors went to Canadian authors, as well as the proportion of payments to publishers that went to Canadian publishers. Payments to Canadian authors are estimated at \$18.0 million. Respondents based in Ontario estimated that they paid \$10.0 million to Canadian authors, while Quebec-based respondents estimated that they paid \$7.6 million, with the remainder accounted for by publishers in other provinces.

***Table 15***  
***Estimate of Royalties Paid to Canadian Authors and to Canadian Publishers***  
***by Location of Publisher***

	<i>Ontario</i>	<i>Quebec</i>	<i>Other Provinces</i>	<i>Total</i>
<b><i>To Canadian Authors</i></b>				
<i>Advances on royalties</i>	3,479,262	317,857	64,000	<b>3,861,119</b>
<i>Earned royalties</i>	6,479,362	7,313,161	309,698	<b>14,102,221</b>
<b><i>Sub-total:</i></b>	<b>9,958,623</b>	<b>7,631,018</b>	<b>373,698</b>	<b>17,963,340</b>
<b><i>Authors</i></b>				
<b><i>To Canadian Publishers</i></b>				
<i>Administered</i>	196,766	613,528	16,431	826,725
<i>Sub-published</i>	308,360	0	0	308,360
<b><i>Sub-total:</i></b>	<b>505,126</b>	<b>613,528</b>	<b>16,431</b>	<b>1,135,085</b>
<b><i>Publishers</i></b>				
<b><i>TOTAL</i></b>	<b>10,463,749</b>	<b>8,244,546</b>	<b>390,129</b>	<b>19,098,425</b>

Total payments made to Canadian authors differed only slightly for Canadian and foreign-controlled publishers -- \$9.1 million in the case of Canadian-controlled publishers and \$8.9 million for foreign-controlled firms. However, foreign-controlled publishers reported advances to Canadian authors of \$3.5 million, compared to \$0.4 million for Canadian-controlled companies. Canadian-controlled firms also accounted for most (just over 70%) of the payments made directly to other Canadian publishers with respect to catalogues administered or sub-published.

***Table 16***  
***Estimate of Royalties Paid to Canadian Authors and to Canadian Publishers***  
***by Canadian and Foreign-Controlled Publishers***

	<i>Canadian- Controlled</i>	<i>Foreign-Controlled</i>	<i>Total</i>
<b><i>To Canadian Authors</i></b>			
<i>Advances on royalties</i>	395,531	3,465,588	<b>3,861,119</b>
<i>Earned royalties</i>	8,663,022	5,439,199	<b>14,102,221</b>
<b><i>Sub-total: Authors</i></b>	<b>9,058,553</b>	<b>8,904,787</b>	<b>17,963,340</b>
<b><i>To Canadian Publishers</i></b>			
<i>Administered</i>	769,525	57,200	<b>826,725</b>
<i>Sub-published</i>	31,387	276,973	<b>308,360</b>
<b><i>Sub-total: Publishers</i></b>	<b>800,912</b>	<b>334,173</b>	<b>1,135,085</b>
<b><i>TOTAL</i></b>	<b>9,859,465</b>	<b>9,238,960</b>	<b>19,098,425</b>

## **Employees and Employee Remuneration**

Music publishers reported that they had a total of 89 full-time employees who were involved in music publishing, as well as 20 part-time employees and 34 freelancers. Of the 89 full-time employees, 46 were involved exclusively in music publishing, with a further 18 spending most of their time on music publishing activity. Of the full-time employees dedicated exclusively to music publishing, about one third were employed by Quebec-based companies and two thirds by companies in Ontario and other provinces. The use of freelance employees was most common in Quebec, which accounted for 27 of the 34 freelancers involved.

***Table 17***  
***Number of Full-time Employees, Part-time Employees and Freelancers and***  
***Estimated Percentage of Hours Dedicated to Music Publishing:***  
***by Location of Publisher***

<i><b>% of Time Dedicated to Music Publishing</b></i>	<i><b>Ontario/Other Provinces</b></i>	<i><b>Quebec</b></i>	<i><b>Total</b></i>
<i><b>Full-time Employees</b></i>			
<i>100%</i>	<i>31</i>	<i>15</i>	<i>46</i>
<i>50-99%</i>	<i>15</i>	<i>3</i>	<i>18</i>
<i>Less than 50%</i>	<i>22</i>	<i>3</i>	<i>25</i>
<i><b>Sub-total</b></i>	<i><b>68</b></i>	<i><b>21</b></i>	<i><b>89</b></i>
<i><b>Part-time Employees</b></i>			
<i>100%</i>	<i>1</i>	<i>3</i>	<i>4</i>
<i>50-99%</i>	<i>8</i>	<i>4</i>	<i>12</i>
<i>Less than 50%</i>	<i>4</i>	<i>0</i>	<i>4</i>
<i><b>Sub-total</b></i>	<i><b>13</b></i>	<i><b>7</b></i>	<i><b>20</b></i>
<i><b>Freelancers</b></i>			
<i>100%</i>	<i>2</i>	<i>1</i>	<i>3</i>
<i>50-99%</i>	<i>2</i>	<i>0</i>	<i>2</i>
<i>Less than 50%</i>	<i>3</i>	<i>26</i>	<i>29</i>
<i><b>Sub-total</b></i>	<i><b>7</b></i>	<i><b>27</b></i>	<i><b>34</b></i>



Of the 89 full-time employees involved in music publishing, 71 are employed by Canadian-controlled companies and 18 by foreign-controlled firms. All of the 18 full-time employees of foreign-controlled companies are involved exclusively in music publishing. By comparison 28 full-time employees of Canadian-controlled publishing companies are involved exclusively in music publishing, with an additional 18 involved for at least 50% of their time. Canadian-controlled firms also reported 20 part-time employees, as well as using 32 freelance employees.

***Table 18***  
***Number of Full-time Employees, Part-time Employees and Freelancers and***  
***Estimated Percentage of Hours Dedicated to Music Publishing:***  
***Canadian and Foreign-Controlled Publishers***

<i>% of Time Dedicated to Music Publishing</i>	<i>Canadian-Controlled</i>	<i>Foreign-Controlled</i>	<i>Total</i>
<b><i>Full-time Employees</i></b>			
<i>100%</i>	28	18	46
<i>50-99%</i>	18	0	18
<i>Less than 50%</i>	25	0	25
<b><i>Sub-total</i></b>	<b>71</b>	<b>18</b>	<b>89</b>
<b><i>Part-time Employees</i></b>			
<i>100%</i>	4	0	4
<i>50-99%</i>	12	0	12
<i>Less than 50%</i>	4	0	4
<b><i>Sub-total</i></b>	<b>20</b>	<b>0</b>	<b>20</b>
<b><i>Freelancers</i></b>			
<i>100%</i>	1	2	3
<i>50-99%</i>	2	0	2
<i>Less than 50%</i>	29	0	29
<b><i>Sub-total</i></b>	<b>32</b>	<b>2</b>	<b>34</b>

Total employee remuneration was \$3.5 million, with companies in Ontario and other provinces accounting for \$2.9 million and Quebec-based companies for \$0.6 million. Canadian and foreign-controlled companies reported almost equal amounts of employee remuneration, \$1.7 million for Canadian-controlled companies and \$1.8 million for foreign-controlled publishers.

***Table 19***  
***Estimated Remuneration Attributable to Music Publishing Activity***  
***by Location of Publisher and for Canadian and Foreign-Controlled Publishers***

<i>By Location</i>					
<i>Ontario/Other Provinces</i>		<i>Quebec</i>		<i>Total</i>	
2,889,826	82.53%	611,512	17.47%	<b>3,501,338</b>	100%
<i>By Controlling Interest</i>					
<i>Canadian-Controlled</i>		<i>Foreign-Controlled</i>		<i>Total</i>	
1,708,742	48.80%	1,792,596	51.20%	<b>3,501,338</b>	100%

### **Breakdown of Music Publishing Expenses**

The publishers surveyed reported total expenditures related to music publishing of \$62.8 million, with publishers in Ontario and other provinces reporting expenditures of \$59.3 million and Quebec-based companies expenditures of \$3.5 million. The figures presented in Tables 20 and 21 reflect responses from 34 of the 37 respondents. Three firms did not provide the breakdown of expenditures requested in Question 19 of the survey questionnaire.

Royalties and royalty advances accounted for the vast majority of expenditures: \$56.0 million, or 89% of the total. These figures differ from the royalties and advances reported in Tables 13 and 14 above primarily because they exclude the responses of three firms that did not provide an expenditure breakdown. All other expenditures combined, that is excluding royalty advances, totalled \$6.7 million. Employee remuneration and other human resource expenditures, at \$3.5 million, represented 6% of total expenditure, followed by \$1.5 million in general operating expense.

Publishers also reported that they spent a total of just over three-quarters of \$1 million (\$763,500) on marketing and promotion and on demo and master recording expense. These figures represent only the direct costs that are additional to staff and freelancer remuneration related to marketing and promotion. Further, with respect to demo and master recording costs, a number of publishers -- Peer Music represents an example -- make available to their writers as part of their own facilities a recording studio in which

demos and master recordings can be produced, rather than relying upon the use of the recording studio of a third party. The value of such recording time and resources would be significant if purchased at market rates, rather than being provided by the publisher.

***Table 20***  
***Breakdown of Music Publishing Expenses of All Survey Respondents:***  
***by Location of Publisher***

	<b><i>Ontario/Other Provinces</i></b>		<b><i>Quebec</i></b>		<b><i>Total</i></b>	
<i>Royalties/ advances paid</i>	53,738,451	90.61%	2,293,027	65.29%	<b>56,031,478</b>	89.19%
<i>General Operating</i>	1,268,053	2.14%	240,878	6.86%	<b>1,508,931</b>	2.40%
<i>Marketing/Promotion</i>	193,596	0.33%	130,832	3.73%	<b>324,428</b>	0.52%
<i>Demo/Master Recording Cost</i>	357,562	0.60%	81,510	2.32%	<b>439,072</b>	0.70%
<i>Stock Music Library Expense (Acquisition of stock music CDs)</i>	42,313	0.07%	18,000	0.51%	<b>60,313</b>	0.10%
<i>Interest/ bank charges</i>	93,612	0.16%	13,746	0.39%	<b>107,358</b>	0.17%
<i>Depreciation/ amortization</i>	271,855	0.46%	73,482	2.09%	<b>345,337</b>	0.55%
<i>Other music publishing expenses<sup>1</sup></i>	452,175	0.76%	49,107	1.40%	<b>501,282</b>	0.80%
<i>Music publishing wages/ salaries/ benefits</i>	2,889,826	4.87%	611,512	17.41%	<b>3,501,338</b>	5.57%
<b><i>TOTAL</i></b>	<b>59,307,443</b>	<b>100%</b>	<b>3,512,094</b>	<b>100%</b>	<b>62,819,537</b>	<b>100%</b>

<sup>1</sup> The category "Other Music Publishing Expenses" includes costs of goods sold (costs related to print music sales) and other music publishing expenses such as currency exchange fees, insurance, legal fees, copywriting costs, etc. related to music publishing.

As Table 21 below indicates, the pattern of expenditure of Canadian and foreign-controlled publishers differs substantially. Royalties and advances represent 92% of the total expenditure for foreign-controlled firms compared to 72% for Canadian-controlled publishers. Expenses other than royalties/advances are correspondingly more important for Canadian-controlled firms. Employee remuneration represented 18% of expense for Canadian-controlled publishers compared to 3% for foreign-controlled publishers, while general operating costs represented 5% compared to 2%. Similarly, direct expenses for marketing/promotion and demo/master recording costs combined totalled 3% of total expenditure for Canadian-controlled publishers and 1% for foreign-controlled firms. These differences can be explained by the fact that a large portion of the administration expenses for these foreign-controlled publishers are incurred outside of Canada.

***Table 21***  
***Breakdown of Music Publishing Expenses of all Survey Respondents:***  
***Canadian and Foreign-controlled Publishers***

	<i>Canadian-controlled</i>		<i>Foreign-controlled</i>		<i>Total</i>	
<i>Royalties/ advances paid</i>	6,845,891	71.55%	49,185,587	92.37%	<b>56,031,478</b>	89.19%
<i>General Operating</i>	465,884	4.87%	1,043,047	1.96%	<b>1,508,931</b>	2.40%
<i>Marketing/ Promotion</i>	199,252	2.08%	125,176	0.24%	<b>324,428</b>	0.52%
<i>Demo/ Master Recording Cost</i>	101,643	1.06%	337,429	0.63%	<b>439,072</b>	0.70%
<i>Stock Music Library Expense (Acquisition of stock music CDs)</i>	60,313	0.63%	0	0.00%	<b>60,313</b>	0.10%
<i>Interest/ bank charges</i>	29,758	0.31%	77,600	0.15%	<b>107,358</b>	0.17%
<i>Depreciation/ amortization</i>	82,559	0.86%	262,778	0.49%	<b>345,337</b>	0.55%
<i>Other music publishing expenses<sup>2</sup></i>	74,551	0.78%	426,731	0.80%	<b>501,282</b>	0.80%
<i>Music publishing wages/ salaries/ benefits</i>	1,708,742	17.86%	1,792,596	3.37%	<b>3,501,338</b>	5.57%
<b><i>TOTAL</i></b>	<b>9,568,593</b>	<b>100.00%</b>	<b>53,250,944</b>	<b>100.00%</b>	<b>62,819,537</b>	<b>100.00%</b>

<sup>1</sup> The category "Other Music Publishing Expenses" includes costs of goods sold (costs related to print music sales) and other music publishing expenses such as currency exchange fees, insurance, legal fees, copyrighting costs, etc., related to music publishing.

## **Revenue, Expense and Profitability**

All publishers who responded to the survey were asked to provide a report of revenue, expense and profit. However, for companies for which music publishing is an ancillary activity, for example companies involved primarily in film and television production, financial information concerning their operations either was not provided or is not helpful in understanding the profitability of music publishing. As a result, tables 22 and 23 below rely exclusively on information received from the companies that indicated that they were involved primarily in music publishing, with any other activity being of secondary importance. The companies included in these tables had total revenues of \$72.0 million, by comparison with the \$87.6 million in total revenue reported in Table 7 for all companies that were included in the survey.

In looking at the total revenues reported, it is evident that for these companies the vast majority of their revenue was derived from music publishing, which accounted for \$71.4 million out of the total of \$72.0 million. These firms that are involved primarily in music publishing reported pre-tax profit of \$9.9 million, or 13.8% of revenue. Companies located in Ontario and other provinces excluding Quebec reported pre-tax profits of \$10.0 million, which represented 14.6% of their revenue. By comparison, companies based in Quebec reported a loss of \$68,948, or 2% of their revenue.

**Table 22**  
**Revenue, Expense and Pre-tax Profit of Firms Primarily Involved in Music Publishing**  
**by Location of Publisher<sup>1</sup>**

	<i>Ontario/Other Provinces</i>		<i>Quebec</i>		<i>Total</i>	
<b>Revenue</b>						
<i>Music Publishing Revenue</i>						
Royalties Received	67,986,815	99.14%	3,134,630	90.51%	<b>71,121,445</b>	98.72%
Other Music Publishing Revenue <sup>2</sup>	213,686	0.31%	97,764	2.82%	<b>311,450</b>	0.43%
Sub-total	68,200,501	99.45%	3,232,394	93.33%	<b>71,432,895</b>	99.16%
<i>Other Income</i>				0.00%		0.00%
Other Music-Related Income <sup>3</sup>	550	0.00%	190,884	5.51%	<b>191,434</b>	0.27%
Interest	327,631	0.48%	2,890	0.08%	<b>330,521</b>	0.46%
Other Non-Music Related Income <sup>4</sup>	49,473	0.07%	37,210	1.07%	<b>86,683</b>	0.12%
Sub-total	377,654	0.55%	230,984	6.67%	<b>608,638</b>	0.84%
<b>TOTAL REVENUE</b>	<b>68,578,155</b>	100	<b>3,463,378</b>	100%	<b>72,041,533</b>	100%
<b>Expense</b>						
<i>Royalties/ advances paid out</i>	52,535,010	89.70%	2,122,328	60.08%	<b>54,657,338</b>	88.01%
<i>General operating expense</i>	1,225,232	2.09%	236,149	6.69%	<b>1,461,381</b>	2.35%
<i>Marketing/ Promotion</i>	151,624	0.26%	129,006	3.65%	<b>280,630</b>	0.45%
<i>Demo/ Master Recording Costs</i>	344,429	0.59%	81,510	2.31%	<b>425,939</b>	0.69%
<i>Stock Music Library Expenses (acquisition of stock music CDs)</i>	42,313	0.07%	0	0.00%	<b>42,313</b>	0.07%
<i>Interest/ Bank Charges</i>	83,399	0.14%	13,576	0.38%	<b>96,975</b>	0.16%
<i>Depreciation/ Amortization</i>	271,787	0.46%	73,482	2.08%	<b>345,269</b>	0.56%
<i>Other Music Publishing Expenses<sup>5</sup></i>	427,455	0.73%	36,335	1.03%	<b>463,790</b>	0.75%
<i>Employee Wages/ Salaries/ Benefits</i>	2,890,474	4.94%	743,527	21.05%	<b>3,634,001</b>	5.85%
<i>Non-Music Publishing Expenses<sup>6</sup></i>	597,837	1.02%	96,413	2.73%	<b>694,250</b>	1.12%
<b>TOTAL EXPENSE</b>	<b>58,569,560</b>	100%	<b>3,532,326</b>	100%	<b>62,101,886</b>	100%
<b>Profit (loss) Before Taxes</b>	<b>10,008,595</b>		<b>(68,948)</b>		<b>9,939,647</b>	

<sup>1</sup> This table reflects only the information provided by companies primarily involved in music publishing. It excludes companies primarily involved in film and television production, record production and artist management.

<sup>2</sup> The category "Other Music Publishing Revenue" includes income from administration and sub-publishing fees, sales of catalogues, net sales of print music, stock music library revenues, rental of sheet music and other revenues from music publishing.

<sup>3</sup> The category "Other Music Related Income" includes income from non-exclusive sales of print music, artist management, record production or distribution, concert activities, musical instruments, grants related to sound recording, etc.

<sup>4</sup> The category "Other Non-Music Related Income" includes income from other business activities such as book publishing, film production, etc.

<sup>5</sup> The category "Other Music Publishing Expenses" includes costs of goods sold (costs related to print music sales) and other music publishing expenses such as currency exchange fees, insurance, legal fees, copyrighting costs, etc. related to music publishing.

<sup>6</sup> The category "Non-Music Publishing Expenses" includes insurance, consulting fees, subscriptions, rent, mortgage, legal fees, currency exchange fees, etc.

The principal difference in profitability, however, is a difference between Canadian-controlled- and foreign-controlled publishers. Foreign-controlled companies reported a pre-tax profit of \$10.4 million, which represented 16.2% of their revenues of \$63.9 million. As is evident in Table 23 below, the revenues of these foreign-controlled companies are derived entirely from music publishing. By comparison, the Canadian-controlled companies involved primarily in music publishing reported collectively a loss of \$416,644, which represented 5% of their revenue.

**Table 23**  
**Revenue, Expense and Pre-tax Profit of Firms Primarily Involved in Music Publishing:**  
**Canadian and Foreign-controlled<sup>1</sup>**

	<i>Canadian- controlled</i>		<i>Foreign- controlled</i>		<i>Total</i>	
<b>Revenue</b>						
<i>Music Publishing Revenue</i>						
Royalties Received	7,508,647	92.61%	63,612,798	99.50%	<b>71,121,445</b>	98.72%
Other Music Publishing Revenue <sup>2</sup>	291,416	3.59%	20,034	0.03%	<b>311,450</b>	0.43%
Sub-total	7,800,063	96.20%	63,632,832	99.53%	<b>71,432,895</b>	99.16%
<i>Other Income</i>						
Other Music-Related Income <sup>3</sup>	191,434	2.36%	0	0.00%	<b>191,434</b>	0.27%
Interest	29,598	0.37%	300,923	0.47%	<b>330,521</b>	0.46%
Other Non-Music Related Income <sup>4</sup>	86,683	1.07%	0	0.00%	<b>86,683</b>	0.12%
Sub-total	307,715	3.80%	300,923	0.47%	<b>608,638</b>	0.84%
<b>TOTAL REVENUE</b>	<b>8,107,778</b>	100%	<b>63,933,755</b>	100%	<b>72,041,533</b>	100%
<b>Expense</b>						
<i>Royalties/ advances paid out</i>	5,471,751	64.19%	49,185,587	91.80%	<b>54,657,338</b>	88.01%
<i>General operating expense</i>	418,334	4.91%	1,043,047	1.95%	<b>1,461,381</b>	2.35%
<i>Marketing/ Promotion</i>	155,454	1.82%	125,176	0.23%	<b>280,630</b>	0.45%
<i>Demo/ Master Recording Costs</i>	88,510	1.04%	337,429	0.63%	<b>425,939</b>	0.69%
<i>Stock Music Library Expenses (acquisition of stock music CDs)</i>	42,313	0.50%	0	0.00%	<b>42,313</b>	0.07%
<i>Interest/ Bank Charges</i>	19,375	0.23%	77,600	0.14%	<b>96,975</b>	0.16%
<i>Depreciation/ Amortization</i>	82,491	0.97%	262,778	0.49%	<b>345,269</b>	0.56%
<i>Other Music Publishing Expenses<sup>5</sup></i>	37,059	0.43%	426,731	0.80%	<b>463,790</b>	0.75%
<i>Employee Wages/ Salaries/ Benefits</i>	1,826,405	21.43%	1,807,596	3.37%	<b>3,634,001</b>	5.85%
<i>Non-Music Publishing Expenses<sup>6</sup></i>	382,730	4.49%	311,520	0.58%	<b>694,250</b>	1.12%
<b>TOTAL EXPENSE</b>	<b>8,524,422</b>	100%	<b>53,577,464</b>	100%	<b>62,101,886</b>	100%
<b>Profit (loss) Before Taxes</b>	<b>(416,644)</b>		<b>10,356,291</b>		<b>9,939,647</b>	

<sup>1</sup> This table reflects only the information provided by companies primarily involved in music publishing. It excludes companies primarily involved in film and television production, record production and artist management.

<sup>2</sup> The category "Other Music Publishing Revenue" includes income from administration and sub-publishing fees, sales of catalogues, net sales of print music, stock music library revenues, rental of sheet music and other revenues from music publishing.

<sup>3</sup> The category "Other Music Related Income" includes income from non-exclusive sales of print music, artist management, record production or distribution, concert activities, musical instruments, grants related to sound recording, etc.

<sup>4</sup> The category "Other Non-Music Related Income" includes income from other business activities such as book publishing, film production, etc.

<sup>5</sup> The category "Other Music Publishing Expenses" includes costs of goods sold (costs related to print music sales) and other music publishing expenses such as currency exchange fees, insurance, legal fees, copyrighting costs, etc. related to music publishing.

<sup>6</sup> The category "Non-Music Publishing Expenses" includes insurance, consulting fees, subscriptions, rent, mortgage, legal fees, currency exchange fees, etc.



## **APPENDIX A**

### **Study Advisory Committee**

**Rizak Abdullahi, Department of Canadian Heritage**

**Nicole Beausoleil, PMPA**

**Pegi Cecconi, Anthem Entertainment Group**

**Jodi Ferneyhough, Universal Music Publishing**

**Daniel Lafrance, PMPA**

**Pierre Lalonde, Department of Canadian Heritage**

**Catharine Saxberg, CMPA**

## APPENDIX B

### Questionnaire



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## MUSIC PUBLISHING SURVEY, 2005

### Survey Objective

The objective of this survey is to provide statistics on the activities of music publishers in Canada which will assist in the development of copyright policy, industry analysis and international trade data for the music industry. Information from this survey will be grouped together and used by music industry associations and all levels of government to develop and assess programs and policies. The study has been supported financially by the federal Department of Canadian Heritage.

### Reporting

Aggregate results from this study will be incorporated into a report to be published by the Canadian Music Publishers Association (CMPA) and l'Association des professionnels de l'édition musicale (APEM).

### Confidentiality

No statistics will be published, or released to any party other than the undersigned, which would divulge information obtained from this survey that relates to any identifiable business. Data reported on this questionnaire will be treated in confidence, used for statistical purposes and published in groupings only.

### Return Date

The questionnaire should be completed and returned in the postage paid envelope within 14 days of receipt.

### More information

If you would like more information on the study, please address English-language requests to Margaret McGuffin at (416)485-3550 (paa@audley.ca) and French-language requests to Benoît Gauthier at (819)770-2423 (gauthier@circum.com).

### Tracking Number

The number below is for survey administration only. It will not be used to identify your responses.

Thank you for your help.

**Paul Audley & Associates Inc.**

Paul Audley

**Circum Network Inc.**

Benoît Gauthier, Adm.A., CMC, CMRP

# Eligibility to Report

1 Please check below the primary designation (in terms of revenue) and secondary designations which most accurately describe your organization.

<p><b>Primary designation in terms of revenue</b> (Check only one)</p> <p><input type="radio"/><sub>1</sub> MUSIC PUBLISHER</p> <p><input type="radio"/><sub>2</sub> RECORD COMPANY/LABEL</p> <p><input type="radio"/><sub>3</sub> RECORD PRODUCTION COMPANY/PRODUCTION OF MASTER RECORDINGS</p> <p><input type="radio"/><sub>4</sub> FILM PRODUCTION</p> <p><input type="radio"/><sub>5</sub> FILM DISTRIBUTION</p> <p><input type="radio"/><sub>6</sub> BROADCASTING</p> <p><input type="radio"/><sub>7</sub> TELEVISION PRODUCTION AND/OR DISTRIBUTION</p> <p><input type="radio"/><sub>8</sub> MANAGEMENT COMPANY</p> <p><input type="radio"/><sub>9</sub> OTHER, SPECIFY .....</p>	<p><b>Secondary designations</b> (Check as many as required)</p> <p><input type="radio"/><sub>1</sub> MUSIC PUBLISHER</p> <p><input type="radio"/><sub>2</sub> RECORD COMPANY/LABEL</p> <p><input type="radio"/><sub>3</sub> RECORD PRODUCTION COMPANY/PRODUCTION OF MASTER RECORDINGS</p> <p><input type="radio"/><sub>4</sub> FILM PRODUCTION</p> <p><input type="radio"/><sub>5</sub> FILM DISTRIBUTION</p> <p><input type="radio"/><sub>6</sub> BROADCASTING</p> <p><input type="radio"/><sub>7</sub> TELEVISION PRODUCTION AND/OR DISTRIBUTION</p> <p><input type="radio"/><sub>8</sub> MANAGEMENT COMPANY</p> <p><input type="radio"/><sub>9</sub> OTHER, SPECIFY .....</p>
---	---

2 Is your organization a subsidiary or an affiliate of another organization?

<sub>1</sub> YES → PLEASE ANSWER QUESTION 3

<sub>2</sub> NO → PLEASE GO TO QUESTION 4

3 Is the parent or affiliate company located...

<sub>1</sub> IN CANADA

<sub>2</sub> OUTSIDE CANADA

4 Is your organization a music publishing company owned or controlled by a songwriter/composer whose own musical works comprise the majority of works?

<sub>1</sub> YES

<sub>2</sub> NO

5 Does your organization administer the works of other music publishers and/or function as a sub-publisher in Canada, or other territories you control, for other music publishers?

*Note: Administration agreements refer to contracts where one publisher administers the catalogues or works on behalf of another publisher, whether domestically, for a number of territories, or worldwide, in return for the retention of a predetermined percentage of the gross receipts as fees for such service. This does not involve the transfer of ownership of copyrights. Sub-publishing refers to contracts whereby an original publisher assigns the publishing rights to their copyright catalogue for a specific territory (generally other than their own) to a second publisher (sub-publisher) based in, or controlling that territory/s, for a specified period of time. The sub-publisher retains a portion of royalties earned in that territory/s. This does not involve the transfer of ownership of copyrights.*

<sub>1</sub> YES → PLEASE ANSWER QUESTION 6

<sub>2</sub> NO → PLEASE GO TO QUESTION 7

6 Please list the following:

	(enter a number; enter 0 if none)
the number of Canadian companies whose works you administer .....	companies
the number of foreign companies whose works you represent for Canada and/or other territory/s as a sub-publisher .....	companies
the number of foreign companies for which you function as an administrator . . .	companies

7 **Does your organization, a subsidiary, a parent or an affiliate produce any of the master recordings for your musical works?**

- <sub>1</sub> YES → PLEASE ANSWER QUESTION 8
- <sub>2</sub> NO → PLEASE GO TO QUESTION 9

8 **What percentage of the musical works for which you own copyright (and have produced revenue during the reporting period) were produced by this subsidiary, parent or affiliate?**

\_\_\_\_\_ %

9 **In Canada, are the works/catalogues of your organization administered by another company?**

- <sub>1</sub> YES, ALL OF THE WORKS/CATALOGUES OF OUR ORGANIZATION ARE ADMINISTERED BY ANOTHER COMPANY → PLEASE GO TO QUESTION 20
- <sub>2</sub> YES, SOME OF THE WORKS/CATALOGUES OF OUR ORGANIZATION ARE ADMINISTERED BY ANOTHER COMPANY (NOTE: FOR THE REST OF THIS QUESTIONNAIRE, PLEASE REPORT ONLY FOR THOSE WORKS THAT YOU ADMINISTER)
- <sub>3</sub> No

---

## Instructions

Please provide information on all music publishing activities of your Canadian company. Report all publishing activity, including all domestic and foreign revenues, transactions with other publishers (administration and sub-publishing agreements) and income collected at source (e.g. record company). Multinationals should report all activities of their Canadian music publishing company. Do not report the activities of parent/affiliated companies located abroad or affiliated companies or other divisions which are not involved in music publishing.

In cases where co-writing of music and/or lyrics with non-Canadian partners takes place, count the work as Canadian if one or more of the songwriters/composers were Canadian citizens or landed immigrants.

For consistency and for future statistical comparison, all financial information requested should be reported on the same basis as reported on the financial statement for your company. Please report all amounts in Canadian dollars. Please answer all applicable questions. When exact information is not available from your records, please provide your best estimate. If the answer is zero, indicate it by "0".

---

## Company Information

10 **Indicate the country in which controlling interest of your organization is held. In the situation where the reporting business is subject to the financial and operational control of a parent and/or holding organization, indicate the country in which the ultimate control resides.**

*Note: Check one box only. Ultimate control is determined by tracing ownership links to the final parent and/or holding company. In a situation where the parent company is controlled by another company which resides in a different country, control is assigned to the country of the last and final parent.*

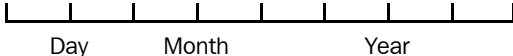
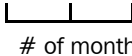
- <sub>1</sub> CANADA
- <sub>2</sub> UNITED STATES
- <sub>3</sub> OTHER, SPECIFY .....

11 **Indicate the year this organization was established in Canada.**

\_\_\_\_\_

## Reporting Period

- 12 **This report should cover your financial year ending at any time between September 1, 2003 and August 1, 2004 inclusive.**

<b>This report covers the financial year ending:</b>	<b>How many months does this report cover?</b>
	

## Employment / Remuneration

- 13 **Indicate the average (typical) number of employees, working proprietors, and freelancers or other staff (working under direct contract), as well as any interns, trainees or volunteers, during the reporting period. Also indicate the percentage of their work attributable to music publishing.**

*Employees are any persons drawing pay for services rendered, or for paid absence, and for whom you, the employer, are required to complete a T-4 Supplementary Form.*

Full time (at least 25 hours per week) employees, executives and working proprietors . . . . .

Part time (less than 25 hours per week) employees, executives and working proprietors . . . . .

*Freelancers are persons for whom the employer is required to complete a Canada Customs and Revenue Agency T-4A Supplementary form. Exclude employees of companies which performed contract work.*

Freelancers and other persons employed on contract as individuals . . .

Number of individuals	% of their work attributable to music publishing
	%
	%
	%

- 14 **Indicate the total wages and salaries and other staff remuneration and benefits during the reporting period. Also indicate the percentage attributable to music publishing.**

*Wages and salaries include commissions, bonuses, vacation pay and salaries of working executives of incorporated firms. Exclude employee benefits, withdrawals by proprietors of unincorporated firms and freelancers' fees.*

Wages and salaries of all full-time employees (before deductions) . . . .

Wages and salaries of all part-time employees (before deductions) . . . .

*Employee benefits include the employer's contribution to pension plans (including CPP/QPP), medical and employment insurance plans and worker's compensation.*

Employee benefits for full-time and part-time employees . . . . .

All other costs (include freelancers fees; exclude working proprietors' retained earnings or withdrawals) . . . . .

Total value (\$)	% attributable to music publishing
	%
	%
	%
	%

## Music Publishing Royalty Revenues

- 15 Please report ALL music publishing royalty revenues received for works your organization either owns or co-owns, sub-publishes or administers on behalf of other publishers. Please be sure to include music publishing royalty revenues from sound tracks, multi-media products, commercials and grand rights, in addition to any revenue received for private copying, broadcast mechanicals, ringtones and other such "new" publishing rights. Report all gross revenues, before royalty disbursal and other expenses, from both domestic and foreign sources. In the case of advances, please follow your normal accounting practices.

ROYALTIES RECEIVED	Gross royalties received, before royalty disbursal or other expenses		
	Domestic revenues <sup>1</sup>	Foreign revenues <sup>2</sup>	TOTAL
<b>Performing rights</b>			
SOCAN (excluding private copying royalties)	\$	\$	\$
Other (e.g. direct licensing of Grand Rights, etc.) . . . . .	\$	\$	\$
<b>Mechanical rights</b>			
Direct licensing . . . . .	\$	\$	\$
CMRRA (excluding private copying royalties) . . . . .	\$	\$	\$
SODRAC (excluding private copying royalties) . . . . .	\$	\$	\$
Other (e.g. foreign collectives/societies, other publishers, etc.) . . . . .	\$	\$	\$
<b>Synchronization Licensing Fees</b>			
Direct licensing . . . . .	\$	\$	\$
CMRRA . . . . .	\$	\$	\$
SODRAC . . . . .	\$	\$	\$
Other . . . . .	\$	\$	\$
<b>Print Licensing rights<sup>3</sup></b> . . . . .	\$	\$	\$
<b>Other rights</b>			
Private copying royalties . . . . .	\$	\$	\$
Broadcast mechanical royalties . . . . .	\$	\$	\$
Royalties from on-line music services . . . . .	\$	\$	\$
Other (e.g., video games, ring tones, etc.) . . . . .	\$	\$	\$
<b>TOTAL ROYALTIES RECEIVED</b> . . . . .	\$	\$	\$
Percentage attributed to works by Canadian songwriters/composers (estimate) . . . . .	%	%	%

<sup>1</sup> All royalties generated in Canada, foreign catalogues included.

<sup>2</sup> All royalties generated outside of Canada, including income received from licensing your copyright abroad (contracting with an overseas publisher), foreign royalty income collected at source (e.g. received directly from a record company abroad), and income from international collectives/societies whether received directly from the foreign collective/society or through a Canadian royalty collective/society.

<sup>3</sup> Please include here only revenues from licensing print rights. Do not include any revenues received from the sale or rental of printed music. Note: In cases where co-writing of music and/or lyrics with non-Canadian partners takes place, count the work as Canadian if one or more of the songwriters/composers were Canadian citizens or landed immigrants.

- 16 **If your organization received royalties from a foreign source or foreign sources according to your answers to the previous question, please provide estimated breakdowns of these revenues by country of origin.**

Country of origin of foreign revenues	% of all foreign revenues
United States .....	%
Mexico/Central/South America .....	%
United Kingdom/Ireland .....	%
France .....	%
Germany/Austria/Switzerland .....	%
Belgium/Netherlands/Luxembourg .....	%
Scandinavia .....	%
Italy .....	%
Spain/Portugal .....	%
Other countries in Western Europe .....	%
Eastern Europe .....	%
Japan/Australia/South East Asia .....	%
All Other Countries .....	%
TOTAL .....	100%

## Royalty Payments

- 17 **Please indicate royalties paid out during the reporting period.**  
*Note: In cases where co-writing of music and/or lyrics with non-Canadian partners takes place, count the work as Canadian if one or more of the songwriters/composers were Canadian citizens or landed immigrants.*

Paid to songwriters / composers	Total paid (\$)	% paid to <u>Canadian</u> songwriters / composers
Advances on royalties .....	\$	%
Earned royalties .....	\$	%

Paid to other publishers	Total paid (\$)	% paid to <u>Canadian</u> companies
Administrators .....	\$	%
Sub-publishers .....	\$	%



## Musical Works

- 18 **Please provide the total number of musical works in your catalogue which your organization owned or co-owned, administered or sub-published during the reporting period. If you are unable to provide exact numbers, please estimate.**

*Note: Exclude musical works where the rights are administered for you by another Canadian publisher or for which you only have print rights. In cases where co-writing of music and/or lyrics with non-Canadian partners takes place, count the work as Canadian if one or more of the songwriters/composers were Canadian citizens or landed immigrants.*

	<b>Total #</b>	<b>% of musical works by Canadian songwriters / composers</b>
Total number of musical works in your catalogue . . . . .	#	%
Number of musical works that have produced revenue during the reporting period . . . . .	#	%
Number of musical works that had their first recording and release during the reporting period (for those works for which you own copyrights). . .	#	%
Number of the musical works that your organization <u>administers</u> on behalf of other publishers . . . . .	#	%
Number of the musical works that your organization <u>sub-publishes</u> on behalf of other publishers . . . . .	#	%

## Revenues / Expenses

19 **Complete the following income statement for the reporting period. Report these amounts to the nearest Canadian dollar. Please exclude GST and all other taxes collected for remittance to a government agency.**

<b>REVENUES</b>	<b>Royalties received</b>	
	Revenue from works owned and controlled or co-owned and controlled . . . . .	\$
	Revenue from administered works (where your organisation is the administrator) . . . . .	\$
	Revenue from sub-published works (where your organization is the sub-publisher) . . . . .	\$
	<b>Other music publishing income</b>	
	Income from administration fees . . . . .	\$
	Income from sub-publishing fees . . . . .	\$
	Sales (disposition) of catalogues . . . . .	\$
	Net sales of print music . . . . .	\$
	Stock music library revenues (income from the sale of stock music CD's) . . . . .	\$
	Rental of sheet music . . . . .	\$
	Other revenues from music publishing . . . . .	\$
	<b>Other income</b>	
	Other music-related revenues (non-exclusive sales of print music, artist management, record production or distribution, concert activities, musical instruments, grants related to sound recording, etc.) . . . . .	\$
Interest income . . . . .	\$	
Other non-music related revenues (e.g. book publishing, film production etc.) . . . . .	\$	
<b>EXPENSES</b>	<b>Royalties/Advances paid out</b>	
	For works owned and controlled or co-owned and controlled . . . . .	\$
	For administered works . . . . .	\$
	For sub-published works . . . . .	\$
	<b>Other music publishing expenses</b>	
	Administration/sub-publishing fees paid (to another publisher for administering your works) . . . . .	\$
	Cost of goods sold (costs related to print music sales; exclude royalty expenses) . . . . .	\$
	General operating expenses (including office supplies, accounting costs, etc but excluding salaries/benefits) . . . . .	\$
	Marketing and promotion . . . . .	\$
	Demo and master recording costs . . . . .	\$
	Touring and/or showcasing	
	Stock music library expenses (incurred from the acquisition of stock music CD's) . . . . .	\$
	Interest and bank charges . . . . .	\$
	Depreciation and amortization . . . . .	\$
	Other music publishing expenses (include currency exchange fees, insurance, legal fees, copyrighting costs etc., relating to music publishing) . . . . .	\$
	<b>Other expenses</b>	
	Employee wages and salaries (include benefits) and other human resource costs . . . . .	\$
Non-music publishing expenses (include insurance, consulting fees, subscriptions, rent, mortgage, legal fees, currency exchange fees, etc.) . . . . .	\$	
<b>OTHER</b>	<b>Profit (or loss) before taxes and extraordinary items</b> . . . . .	\$
	<b>Provisions for income taxes (or tax refunds)</b> . . . . .	\$
	<b>Net profit (or loss) before extraordinary items</b> . . . . .	\$
	<b>Extraordinary items, net of income taxes</b> . . . . .	\$

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## Contact information

20 **Please provide the name of a person we could contact if we need clarification of some answers.**

Name of a contact person . . . . .

Telephone number (including area code) . . . . .

Fax number (including area code) . . . . .

E-mail address . . . . .


21 **Please use the space below to leave us any comment you may have about the study topic.**

**APPENDIX C**

**Introductory Letter**



March 2005

FIELD(2)  
FIELD(5)

Dear FIELD(4):

**Re: Music Publishing Survey, 2005**

The Canadian Music Publishers Association (CMPA) has been awarded a contract by the Sound Recording Policy and Programs Directorate of the Department of Canadian Heritage to work in partnership with L'Association des professionnels de l'édition musicale (APEM), to conduct a statistical study of the operational and financial activities of the Canadian music publishing industry. The study is also being supported by the Canadian Musical Reproduction Rights Agency (CMRRA) and Société du droit de reproduction des auteurs, compositeurs et éditeurs au Canada (SODRAC).

The objective of this survey is to provide statistics on the activities of music publishers in Canada which will assist in the development of copyright policy, industry analysis and international trade data for the music industry. Information from this survey will be grouped together and used by music industry associations and all levels of government to develop and assess programs and policies.

The survey is being conducted by Paul Audley & Associates Ltd. and Circum Network Inc. No statistics will be published, or released to any party other than the undersigned, which would divulge information obtained from this survey that relates to any identifiable business. **Data reported on this questionnaire will be treated in confidence**, used for statistical purposes and published in groupings only.

**The questionnaire should be completed and returned in the postage paid envelope within 14 days of receipt.** An Excel version of the questionnaire is available at [http://circum.com/cmpa\\_apem\\_2005.xls](http://circum.com/cmpa_apem_2005.xls) and can be returned by e-mail to [gauthier@circum.com](mailto:gauthier@circum.com); if you use this electronic version, please refer to the paper copy for the instructions and definitions.

If you would like more information on the study, please address English-language requests to Margaret McGuffin at (416) 485-3550 ([paa@audley.ca](mailto:paa@audley.ca)) and French-language requests to Benoît Gauthier at (819) 770-2423 ([gauthier@circum.com](mailto:gauthier@circum.com)).

Thank you for your help.

**Paul Audley & Associates Inc.**

Paul Audley

**Circum Network Inc.**

Benoît Gauthier, Adm.A., CMC, CMRP