



Canadian Patrimoine  
Heritage canadien



# Canada Music Fund

*Music for Everyone*

Annual Report 2004-05



Canada

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# The Canada Music Fund and its Objectives

Canadian music embodies the creativity and spirit of Canadians. It helps us to define who we are, and expresses the richness of Canada's cultural and linguistic diversity. From creators to audience, the Canadian sound recording industry brings together a wide range of artists and entrepreneurs who are responsible for creating, producing and promoting Canadian music.

In 2001, the Government of Canada announced its *Tomorrow Starts Today* initiative, offering significant assistance to Canadian arts and culture. Following up on this announcement, the Canada Music Fund (CMF) was established to strengthen the Canadian sound recording industry. From its inception to the end of the 2004-05 fiscal year, the CMF invested close to \$100M in the Canadian sound recording industry to support songwriters, the development of young artists, the production and promotion of new recordings, multidisciplinary projects involving the entire industry, and the conservation and digitization of great Canadian musical works.

Canada's music industry is continuing to adapt to the fundamental changes and challenges facing it, including piracy and file sharing, and falling record sales. To keep the industry relevant and competitive so that it can survive and flourish in the context of globalization and the digital economy, the government has set three objectives for itself:

- to ensure that Canadian music artists and entrepreneurs have the skills, expertise and tools to succeed in a global and digital environment;
- to enhance Canadians' access to a diverse range of Canadian music choices through existing and emerging media;
- to increase the opportunities for Canadian music artists and entrepreneurs to make a significant and lasting contribution to Canadian cultural expression.

# The Canadian Market



The Canadian sound recording industry consists of 300 record companies, 287 of them Canadian-owned and -controlled, and 13 under foreign control (source: Statistics Canada). Most of the labels are based in Ontario, Quebec or British Columbia. Of the 2,000 new Canadian recordings released in 2004, most were produced by Canadian-owned and -controlled record companies (source: CMID/SOPROQ).

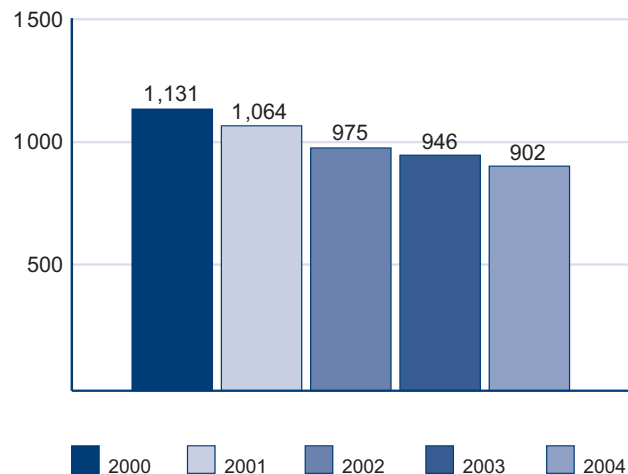
Every year, more than 45,000 Canadian music artists and entrepreneurs are directly or indirectly dependent on the Canadian sound recording industry to create, produce and market their products. In 2004, 19,876 Canadian songwriters and 4,748 music publishers earned more than \$95M from the performance of their works within Canada and abroad (source: SOCAN).

Distribution of Canadian sound recordings is controlled mainly by Canadian subsidiaries of foreign multinationals. The exception is Quebec, where distribution of Canadian sound recordings is managed to a large extent by Quebec-controlled companies. Chain record stores such as HMV and Archambault, as well as independents such as CD Warehouse, dominate the retail music market, accounting for close to 71% of

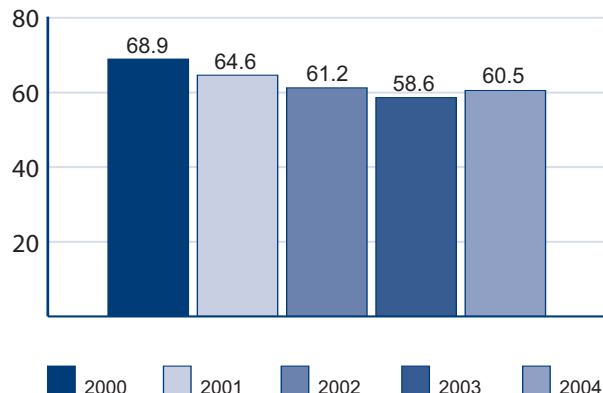
all records sold in Canada in 2004. “Big box” stores such as Wal-Mart and Future Shop account for 29% of the market (source: Nielsen SoundScan).

For the first time in five years, Canadian record sales rose to 60.5 million units in Canada in 2004. This represents a 3.2% increase in units sold over the preceding year. Despite the rise, the dollar value of retail record sales in 2004 fell by 4.7% from 2003, to \$901.9M (source: IPFI).

Retail record sales in Canada  
(\$000,000)



Record sales in Canada  
(millions of units)



According to a nationwide survey conducted by Decima Research, some 93% of Canadians think that Canadian music is as good as that of other countries, if not better. Reflecting this attitude is the fact that Canadians continue to buy Canadian records in increasing quantities; the domestic proportion of sales for recordings by Canadian artists rose from 16% in 2001 to 25% in 2004 (source: Nielsen SoundScan).

Of records by Canadian artists ranking in the top 200 hits, units sold rose by 13.1% in 2004 over the preceding year, reaching 5.2 million units. At the same time, units sold of records by foreign artists fell by 1% to 12 million units. Records by Canadian artists accounted for slightly over 30% of the top 200 hits (source: Nielsen SoundScan).

With a rich pool to draw on, Canada ranks second in the world in supply of talent. Together, the 21 top-selling Canadian artists have grossed more than C\$12B in global record sales over the course of their careers. Canadian music is played around the world on radio and video, and Canadian recordings have earned many gold, platinum and diamond sales certifications, as well as international honours such as Grammy and Victoires de la Musique awards.

In 2004, Canadian songwriters earned \$41.5M in royalties for performance of their works abroad, either live or recorded. The same year, foreign songwriters earned close to \$45M in royalties for performance of their works in Canada (source: SOCAN).

# The Programs

The Canada Music Fund (CMF) is the main program by which the federal government supports the Canadian sound recording industry. The CMF was established in 2001 to achieve the objectives of the Canadian Sound Recording Policy, *From Creators to Audience*. The CMF replaced the Sound Recording Development Program, its predecessor set up in 1986 to support the Canadian sound recording industry.

The CMF consists of eight programs administered directly by the Department of Canadian Heritage, or in partnership with other federal institutions or industry organizations. The primary objective of the fund

is to open doors for Canadian talent, to ensure that Canadian musical production is varied and accessible in Canada and abroad, and to ensure the success of Canadian music in the digital era. The main role of the CMF is to supply financial assistance to players in the music sector (artists and businesses), to facilitate the work of writers and composers, to promote emerging artists, to produce and promote new recordings, to encourage cross-cutting projects in the sector, and to protect and digitize great Canadian musical works in order to make a lasting contribution to Canadian cultural expression in Canada and abroad.

## Financial overview 2004-05

Program	Administrator	Canadian Heritage available amounts	Amounts used by administrators as per annual reports
Creators' Assistance Program	SOCAN Foundation	\$906,561	\$880,801
Canadian Musical Diversity Program	Canada Council for the Arts	\$1,406,250	\$1,406,250
New Musical Works Program	FACTOR	\$7,068,184	\$7,068,184
	Musicaction	\$4,685,900	\$4,685,900
Collective Initiatives Program	FACTOR	\$1,563,338	\$1,563,338
	Musicaction	\$1,025,115	\$1,025,115
Music Entrepreneur Program	Telefilm Canada	\$5,875,117	\$5,875,117
Canadian Music Memories Program	Library and Archives Canada	\$360,000	\$360,000
	Audio-Visual Preservation Trust of Canada	\$186,455	\$186,455
Support to Sector Associations Program	Canadian Heritage	\$600,000	\$650,998
Policy Monitoring Program	Canadian Heritage	\$1,000,000	\$743,607
		<b>\$24,676,920</b>	<b>\$24,445,765</b>



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## Creators' Assistance Program

The Creators' Assistance Program is designed to assist Canadian composers, lyricists and songwriters to develop their craft and business knowledge. By doing so, the program helps to ensure that Canadian artists, performers and producers have access to high-quality Canadian compositions, and that Canadians continue to be able to hear relevant, resonant music and songs. The program is administered by the SOCAN Foundation.

**Eligible recipients:** Canadian not-for-profit music sector organizations and associations representing Canadian creators.

### Use of funds

The SOCAN Foundation used \$880,801 of the \$906,561 allocated by the CMF in 2004-05. The Canadian Heritage contribution represented 100% of the SOCAN Foundation's total funding commitment of \$825,500 for the Creators' Assistance Program in 2004-05. Administrative expenses of \$66,987 accounted for 8% of funds used.

Five funding applications were directed to the SOCAN Foundation under the Creators' Assistance Program from five Canadian associations requesting a total of \$1,165,600. All the applications were approved, entailing an investment of \$813,814 or 70% of the total amount requested.

In 2004-05, these Canadian not-for-profit associations sponsored a large number of workshops, seminars and showcases across the country. Together, these initiatives attracted more than 3,400 Canadians.

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## Canadian Musical Diversity Program

The mandate of the Canadian Musical Diversity Program is to promote musical diversity within the Canadian sound recording industry. It assists Canadian creators, artists and entrepreneurs involved in the production, distribution and promotion of specialized sound recordings. The program is administered by the Canada Council for the Arts (CCA).

**Eligible recipients:** Canadian artists, ensembles or bands, and Canadian-owned and -controlled record companies and record distribution companies whose artistic genre, work or product is specialized music.

### Use of funds

The CCA used all of the \$1,406,250 allocated by the CMF in 2004-05. Administrative expenses of \$120,000 accounted for 9% of all funds received.

Of the \$1,406,250 available, \$1,286,250 was applied toward grants. The CCA evaluated 427 applications under the Canadian Musical Diversity Program, requesting a total of \$5,765,783; funding of \$975,120 (22% of the amount requested) was approved for 96 projects. The program supported recordings produced in varied musical genres including folk, world music, Aboriginal music, jazz, *musique actuelle*, new music, as well as classical and electroacoustic music.

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## New Musical Works Program

The New Musical Works Program is designed to assist Canadian creators, artists, record labels and other music recording entrepreneurs by giving them the opportunity to produce and promote Canadian recordings, and to develop their craft and expertise. The program is administered by the Foundation to Assist Canadian Talent on Records (FACTOR) for the English-language sector of the industry, and by the Fondation Musicaction (Musicaction) for the French-language sector.

**Eligible recipients:** Canadian artists and Canadian not-for-profit associations, companies or organizations, including record labels, music publishers and artist managers.

### Use of funds – FACTOR

In 2004-05, FACTOR used all of the \$7,068,184 available under the CMF. Administrative expenses of \$1,439,807 accounted for 10% of all public- and private-sector funding received (\$14,386,647).\*

FACTOR received 3,057 requests totalling \$33,186,364 for a range of projects; of these, it approved 1,197, for a total commitment of \$10,895,668, or 33% of the total requested. FACTOR disbursed a total of \$8,756,277 on past and current commitments. The New Musical Works Program contributed substantially to the total assistance provided by FACTOR. Funds expended during a fiscal year do not represent the total funds committed, but mainly payments for projects approved during the current fiscal year and a final payment for projects previously approved.

### Use of funds – Musicaction

In 2004-05, Musicaction used all of the \$4,685,900 available under the CMF. Administrative expenses of \$665,266 accounted for 8% of all public- and private-sector funding received (\$8,331,324).\*

Musicaction approved 673 of the 806 applications it received, for a total funding commitment of \$7,681,958, or 64% of the \$11,976,091 requested. Musicaction disbursed a total of \$6,717,669 on past and current commitments. Funds expended during a fiscal year do not represent the total funds committed, but mainly payments for projects approved during the current fiscal year and a final payment for projects previously approved.

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### Collective Initiatives Program

The Collective Initiatives Program seeks to foster the development of the Canadian sound recording industry by increasing the presence of Canadian undertakings, companies, record labels, creators and artists regionally, nationally and internationally. The program provides financial assistance for conferences and award shows, real and virtual showcases, and market expansion initiatives. The program is also administered by FACTOR for the English-language sector of the industry, and by Musicaction for the French-language sector.

**Eligible recipients:** Canadian not-for-profit organizations, associations and/or corporations.

In 2004-05, the CMF invested \$2,588,453 in this program.

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\* Funds were received from the Department of Canadian Heritage (for the New Musical Works and Collective Initiatives programs), broadcasters, loan repayments and investment income.

## Use of funds – FACTOR

In 2004-05, FACTOR used all of the \$1,563,338 it received under the CMF. Administrative expenses of \$1,439,807 accounted for 10% of all public- and private-sector funding received (\$14,386,647).\*

FACTOR received 68 applications for a total of \$2,814,143 under the Collective Initiatives Program; of these, it approved 60, for a total funding commitment of \$1,883,239, or 67% of the total requested. FACTOR disbursed \$1,813,335 on past and current commitments. Funds expended during a fiscal year do not represent the total funds committed, but mainly payments for projects approved during the current fiscal year and a final payment for projects previously approved.

## Use of funds – Musicaction

In 2004-05, Musicaction used all of the \$1,025,115 it received under the CMF. Administrative expenses of \$665,266 accounted for 8% of all public- and private-sector funding received (\$8,331,324).\*

Musicaction received 60 applications for a total of \$1,450,992 under the Collective Initiatives Program; of these, it approved 56, for a total funding commitment of \$1,072,177, or 74% of the total requested. Musicaction disbursed \$929,242 on past and current commitments. Funds expended during a fiscal year do not represent the total funds committed, but mainly payments for projects approved during the current fiscal year and a final payment for projects previously approved.

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## Music Entrepreneur Program

Complementing the New Musical Works Program, the Music Entrepreneur Program (MEP) focuses on a core group of established Canadian businesses actively involved in developing and promoting Canadian creators and performers. The ultimate objective of the program is to ensure that Canadian music entrepreneurs build a strong, sustainable industry.

MEP has four objectives:

- to offer Canadians a range of compelling Canadian choices that properly reflect the country's regional and cultural diversity, as well as its two official languages, in the digital economy;
- to facilitate the long-term development of artistic talent;
- to establish a dynamic Canadian presence online;
- to promote innovative use of new technologies.

At the time of its inception, the program sought to support development and implementation of business plans. The program is administered by Telefilm Canada.

**Eligible recipients:** Canadian-owned and -controlled firms with a proven track record in developing and marketing Canadian musical talent, and whose principal business is the production and marketing of Canadian-content sound recordings.

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\* Funds were received from the Department of Canadian Heritage (for the New Musical Works and Collective Initiatives programs), broadcasters, loan repayments and investment income.

## Use of funds

Telefilm Canada used all of the \$5,341,014 allocated by the CMF in 2004-05. Administrative expenses of \$534,103 accounted for 10% of all funds received.

Since the program was established in 2002-03, contracts have been signed with 20 applicants, for funding commitments totalling \$18.4M over a three-year period.

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## Support to Sector Associations Program

The Support to Sector Associations Program is designed to enable Canada's sound recording sector associations to provide their members with professional representation services, as well as analysis of public initiatives and industry trends and issues. As a result of this assistance to associations, Canadians in areas such as songwriting, music publishing, sound recording, marketing and performance will be able to make more informed decisions about their careers and activities within the industry. The program is administered by the Department of Canadian Heritage.

**Eligible recipients:** Canadian not-for-profit sound recording sector associations.

## Use of funds

The Support to Sector Associations Program used all of the \$650,998 it received under the CMF in 2004-05.

Canadian Heritage received 18 applications for a total of \$1,523,115 under the Support to Sector Associations Program; of these, it approved 12, for a total funding commitment of \$650,998, or 57.5% of the total requested.

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## Canadian Music Memories Program

The Canadian Music Memories Program ensures that Canadian sound recording works are preserved in order to provide Canadians with access to their musical heritage. Drawing on new technologies and the work of dedicated individuals and organizations, the Canadian Music Memories Program will help ensure that Canada's musical past is part of its musical future. The program is jointly administered by Library and Archives Canada and the Department of Canadian Heritage through the Audio-Visual Preservation Trust of Canada.

**Eligible recipients:** recognized organizations that specialize in providing access to Canadian sound recordings, as well as in their preservation and conservation.

## Use of funds – Library and Archives Canada

In 2004-05, Library and Archives Canada used all of the \$360,000 it received under the CMF, distributed in three major spheres of activity: \$124,500 for acquisitions, \$193,900 for access and awareness, and \$41,600 for conservation.

## **Use of funds – Canadian Heritage / Audio-Visual Preservation Trust of Canada**

In 2004-05, the Department of Canadian Heritage allotted \$186,455 of the \$200,000 available from the CMF to the Audio-Visual Preservation Trust of Canada. The funds were distributed in two major spheres of activity: \$90,000 for education and \$67,500 for public engagement. Administrative expenses accounted for \$17,500 and \$11,455 have been reallocated.

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## **Policy Monitoring Program**

The Policy Monitoring Program enables the Sound Recording Policy and Programs Directorate to track and evaluate changes affecting the domestic and international sound recording industries, and to monitor and measure the progress and impact of CMF programs. This is crucial to ensuring that the CMF's programs remain effective and responsive to sector needs, and serve the interests of all Canadians. The program is managed by the Sound Recording Policy and Programs Directorate of the Department of Canadian Heritage.

## **Use of funds**

The Policy Monitoring Program used \$743,607 of the \$1,000,000 available in 2004-05, mainly to establish databases, gather statistics and conduct studies.



# The Canada Music Council

From December 2004 to April 2005, the Department of Canadian Heritage undertook a summative evaluation of the Canada Music Council (CMC). The purpose was to assess the effectiveness of the advisory role performed by the CMC, as well as the usefulness of maintaining such an advisory body. In all, 36 people were interviewed for the evaluation, including the 19 Council members.

The main finding of the evaluation report was that the Council succeeded in bringing together members from different sectors of the music industry for a dialogue that could not have been held in any other forum. The Council also made it possible to better understand the positions of other parties, and to strengthen ties between the Department and the music industry. Council members said that they would have liked to have more opportunities to work more closely with the Minister of Canadian Heritage.

The people interviewed for the evaluation were divided on the usefulness of maintaining the CMC. Some of them thought that the Council had not produced significant results in return for the government's investment. Others felt that the Council had made it possible to bring together members of different sectors and interests in the music industry. Those who were undecided thought that, if the Council was maintained, changes should be made to its mandate and operational structure.

The evaluation report suggested two options: maintain the Council, giving particular attention to the problems raised during the evaluation; or use other consultation methods and dissolve the Council.

In response to the evaluation, the former Minister of Canadian Heritage decided to dissolve the Council and replace it with other forms of consultation and dialogue with the Canadian sound recording industry.

# The Year in Review



The year 2004-05 was a pivotal year in the Government of Canada's commitment to arts and culture. In December 2004, the government renewed for an additional year the *Tomorrow Starts Today* initiative, which includes the Canada Music Fund (CMF). Subsequently, the February 2005 budget confirmed the government's commitment, extending funding for *Tomorrow Starts Today* and the CMF up to 2009-10.

Also during 2004-05, the Department of Canadian Heritage conducted extensive consultations with different players in Canada's sound recording industry to review the design of the Music Entrepreneur Program (MEP), identify options for change, and establish guidelines for a new support program for the Canadian sound recording industry pursuing the same objectives as the MEP. These consultations gave way to the Music Entrepreneur Component (MEC), with

a structure and funding process modelled on the Book Publishing Industry Development Program administered by the Department of Canadian Heritage.

The MEC will provide annual assistance to eligible established Canadian sound recording entrepreneurs, through a funding formula based on their success. Applicants' eligibility will be determined by a number of objectives, measurable criteria, including the number of Canadian-content recordings produced and marketed in a given period, sales volume, and the number of artists on roster.





# What's Ahead in 2005-06

While 2004-05 was an important year because of the renewal of funding for the Canadian sound recording industry and the entire sector of arts and culture, 2005-06 will mark the start of a new era for the Canada Music Fund (CMF).

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## Renewal of the Canada Music Fund

The CMF will be reorganized as a program with seven components. It will stress the complementarity of fund components that seek to meet the needs of the sound recording industry, *from creators to audience*. This will enable the Department to adapt more easily to changes that could occur in the industry by re-allocating funds between the different components. Further, policy monitoring activities will no longer take the form of a program. These activities, which support research and data collection efforts with the aim of measuring CMF results, are part of the Department's ongoing development activities for sound recording policy and programs.

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## Music Entrepreneur Component

The Music Entrepreneur Component will replace the Music Entrepreneur Program that was administered by Telefilm Canada. As the new administrator of the component, the Department of Canadian Heritage will invite established Canadian entrepreneurs in the sound recording industry to apply for funding under the component.