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Chair

Mr. Gordon Brown

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• (1100)

[English]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good morning everyone. We're going to call this 19th meeting of the Standing Committee on Canadian Heritage to order.

We are currently carrying out a review of the Canadian music industry. Today, for the first hour, we have a number of witnesses with us. From Cerberus Management and Consulting, we have Brian Hetherman, president; from Quebecor Media, we have J. Serge Sasseville, vice-president of corporate and institutional affairs, and Christian Breton, vice-president, music sector, of Groupe Archambault; and from the Polaris Music Prize, we have Steve Jordan, founder and executive director.

For our three groups, we have eight minutes each for a statement. We're going to start with Mr. Hetherman.

You have the floor.

Mr. Brian Hetherman (President, Cerberus Management and Consulting): First, I want to thank you very much for allowing me the opportunity to speak to the committee today.

In my 28 years in the music industry I've been lucky enough to see the music business from many sides. I spent 12 years with the major record label Universal Music. Additionally, I spent 12 years of running my own independent record label, Curve Music, as well as my own artist management company, Cerberus Artist Management.

In addition, I was the inaugural executive director of the Radio Starmaker Fund in 2001. I was responsible for helping set up the fund as well as operate it in its first few years. More recently, I was the vice-president and general manager of FACTOR, the Foundation to Assist Canadian Talent on Recordings, but I have now returned once again to my companies.

I can certainly speak about the necessity for cultural funding for the arts at length, especially given the more difficult climate for artists and music companies. I am of course happy to answer any questions you have for me; however, I also thought it vital that I present some additional impacts that the music industry is facing, specifically related to the digital landscape.

While the onset of paid digital music streaming services seems to somewhat be eroding the illegal download issue and of course making music accessible to many people on a more immediate basis, it is also creating a number of other issues, the main one being that it is driving the sale value of a single song and recorded songs' value down to micro-pennies.

When the major record labels opened up their catalogues and new releases to streaming companies such as Pandora and Spotify, it was done by negotiating massive advances from the said streaming companies to the major labels, in the millions of dollars. Although the majors still see the same net profit on a single stream that an independent company or as an independent artist does, neither the independent labels nor the artists have seen any type of advance from the streaming services and must solely rely on the very low per-stream payment.

As an example, an artist whom I previously worked with named Peter Katz, who was originally signed to both my record label and my artist management company from 2007 to 2011, recently provided me with his financials for the last six months of streaming of his most recent album release, *Still Mind Still*. Between September 2013 and February 2014, Peter Katz's album was streamed 7,794 times on various streaming services. He was paid the grand total of \$47.96 for that. With 11 songs on the album, this means that Peter was paid 0.0006 cents for each song on an album or 0.006 cents for the entire album. Compare that, if you will, to the \$9.99 for the album or the 0.99 cents you would get for a song on iTunes.

On the publishing side, since Peter is a self-contained songwriter, he wrote all the songs on his album. Despite how bad these numbers are for Peter, if you were, say, a songwriter who wrote only one of the songs on his album, your mechanical licence for a song on that album from a streaming service would be 0.00006 cents. You can see that it's not only extremely difficult to make a living as a performer and songwriter selling your music, but virtually impossible as a songwriter only. At 0.006 cents per album, you would need to stream millions of albums to even make a decent living or, as is the case for most artists these days, simply not make a living in music.

We can also use the example of David Lowery of the American band Cracker, who has openly published on his Facebook page his songwriting royalties from streaming services that Pandora, the streaming service, paid him. He received \$16.89 for more than one million plays of the band's 1991 hit song "Low" during the last three months of 2012. While Lowery only owns 40% of the song as a songwriter, when you add the other writers into the share, for a total of \$42.23 that Pandora would have paid all songwriters, it's embarrassingly low.

We need to investigate and to attempt to set up some legislation that ensures that artists, labels, and songwriters are paid fairly for the use of their music through digital services. Since these services may already be making millions or will eventually be making millions, it's even more imperative.

•(1105)

Since sales of music have been virtually eliminated as a way to make a living only for artists, then touring has become one of the few ways to both advance your career as an artist and make a living as an artist. Support for touring is crucial, both domestically and internationally. In fact, very few acts can make a living simply touring in Canada alone.

The plan for a touring artist must encompass all countries and territories around the world, as many as possible, in order to build a viable career of both touring and selling music. The international marketing and touring of an artist is extremely expensive. As well, while recording costs are decreasing, the cost of actually marketing and promoting albums is not decreasing. As any independent label or artist will tell you, they must view the world as their marketplace now and must plan to tour and promote themselves and their careers internationally.

We must ensure that there are further funding models in place to allow artists and record labels to properly market their products, both domestically and internationally. In addition, there need to be more funds directed to export-ready artists to help them tour internationally. It is also key to ensure that funding is available for cultural trade missions for both artists and companies to showcase their material in foreign territories.

Thank you.

The Chair: All right, thank you very much.

We'll now move to our friends from Quebecor.

You have eight minutes.

[*Translation*]

Mr. J. Serge Sasseville (Vice-President, Corporate and Institutional Affairs, Quebecor Media Inc.): Ladies and gentlemen parliamentarians, distinguished guests, Quebecor Media wishes to thank the members of the committee for giving us this opportunity to share our experience and take part in the discussion on the issues surrounding the funding of the Canadian music industry.

My name is Serge Sasseville and I am the senior vice-president of Corporate and Institutional Affairs at Quebecor Media. I also previously had the privilege of occupying the position of president of the music sector at Groupe Archambault, where it was my responsibility, among other things, to supervise of all of the activities of the music sector.

I am accompanied by my colleague Christian Breton who is the vice-president of the music sector of Groupe Archambault.

Whether we are talking about Quebecor or Archambault, our passion for music goes back a long way.

Quebecor began its first music-related operations in 1976 by purchasing Distribution Trans-Canada, one of the most important record distributors in Quebec, which began its activities in 1958. Then in 1986, Quebecor got involved in record production and retail sale by purchasing Kébec-Disque. In 1995, our presence in the musical field took on a new dimension with the acquisition of Archambault.

Founded in 1896, the Archambault company specialized originally in the sale of sheet music and musical instruments. Over the decades, it broadened its activities into the production, distribution and sale of records, among other cultural products.

All of this has made Québecor Média and Groupe Archambault the most important independent disk distributor in Canada today, via Distribution Select. This also has made it the largest music retailer in eastern Canada, through the Archambault stores and their online sales sites. This has also meant that we operate the largest disk store in Quebec, Musicor, which houses artists such as Marie-Mai, Kain, Bruno Pelletier, Marie-Élaine Thibert and Francis Cabrel. We are also an important player in the production of all types of musical shows through Musicor Spectacles.

Finally, I should also mention the role our broadcaster TVA plays in getting the public to know new artists and Quebec musical heritage by broadcasting programs such as *Star Académie* and *La Voix*, whose final show earlier this month drew over 2.7 million spectators and a market share of over 60%.

In short, Quebecor Media is today an important player in the musical sector in Canada.

Despite all of the success our artists have had, the fact remains that the music industry in Quebec or in Canada is largely dependent on public funding.

And that said, we wish to thank the current government for its decision to make the sums allocated to the Canada Music Fund permanent. As I was saying, these public funds are unfortunately still essential to maintaining the Canadian musical industry. I say "unfortunately", because Quebecor would like the Canadian music industry to be able to get along someday without public subsidies and create players that would be solid enough to fly on their own and compete with foreign players. Unfortunately, it seems that day has not yet come.

On the contrary, Canadian players must now face world players who are more powerful than ever. Of course I mean Apple and other international digital sales platforms that take up more and more room in the Canadian musical landscape, creating new issues for local actors.

The most urgent issue, we feel, is the price discrimination Canadian music retailers face in competing with retailers such as iTunes, because they do not have to charge sales tax. If you take the example of an artist such as Marie-Mai, her albums are produced by our company Musicor, distributed by our firm Distribution Select, and sold among other places in our Archambault stores, the brick and mortar stores. If a Canadian wants to purchase a Marie-Mai song he has the choice of buying it from iTunes for \$1.29 tax free, or on a Canadian site, for instance our site archambault.ca, for \$1.29 plus taxes, that is to say \$1.48. We are talking about 19¢ more. Clearly this is bad, artificial competition that works to the detriment of Canadian retailers, both digital and physical ones.

Ultimately, in a highly competitive market where margins are very small, such a disadvantage will inevitably lead to the disappearance of Canadian retailers, and to the consolidation of the industry around foreign players. with all of the job losses and loss of tax revenues that that will entail.

Beyond the financial repercussions, it is unthinkable that Quebecor Media let the sale of music go into foreign hands alone, for the plain and simple reason that in our opinion Canadian and Quebec retailers will always be in a better position to showcase our artists than the retailers from other countries. Indeed, they do not necessarily have the same priorities or the same interests.

• (1110)

When Canada completely loses control of the platforms that broadcast Canadian music, our country will also lose control of the positioning of its music and of its artists. You do not have to be a rocket scientist to understand the catastrophic consequences this will have on our artists and on an industry that according to a PricewaterhouseCoopers study commissioned by Music Canada, provides a livelihood for about 4,000 people and generates annual revenue of close to \$400 million.

In addition, it is one thing for a Canadian artist to see his or her works available on iTunes or any other digital platform, but his albums also have to be promoted on the home pages for consumers to buy them.

Access to promotional space on digital platforms is very difficult to obtain. Unfortunately, there are no subsidies at this time for promotion on those platforms. And so we feel the time is more than ripe for public funding programs to be adapted to that reality in the promotion of music in the digital era.

Also, we would like to see some funds allocated to the digitization of the older recordings of our musical heritage, as is currently being done for literature and cinema, so as to make those works accessible on new digital platforms, thus ensuring their availability for future generations.

In closing, please allow me to make one last, more specific comment, this time about the Canadian Heritage MEC program.

On behalf of several artists and producers who shared this with us, we deplore the fact that artists whose record companies receive funding from the MEC are not eligible for touring assistance from Musicaction, even when their shows are not produced by their recording companies.

For several artists, whether they are already well-established or are newcomers, this is a terrible choice to make; they have to choose between receiving funding to tour, and signing with a larger record company that may invest more resources in their albums. That situation has a perverse effect on newcomers especially, who see themselves relegated to smaller record companies while they should be allowed to join the big leagues.

In conclusion, we believe that the main question the committee must answer is the following: How should government assistance be structured in order to allow music industry actors to compete in the digital arena, which is increasingly controlled by international giants?

The suggestions we humbly submitted today had to do with that.

Thank you for your attention. We are available for your questions.

• (1115)

The Chair: Thank you.

[English]

We'll now go to Mr. Jordan from Polaris Music Prize for eight minutes.

You have the floor.

Mr. Steve Jordan (Founder and Executive Director, Polaris Music Prize): Thank you very much for inviting me to speak on behalf of the Polaris Music Prize.

I realize in the preparatory material that I read, it said not to describe what you do too much but to get to the matters at hand, but if you'll just permit me I'll mention the following.

We are a not-for-profit organization that annually honours, celebrates, and rewards creativity and diversity in Canadian recorded music by recognizing, then marketing, the albums judged to have the highest artistic integrity, without regard to musical genre, professional affiliation, or sales history, as judged by a panel of over 200 select music critics from across the country. Previous winners have been Arcade Fire, Feist, Caribou, Karkwa, Patrick Watson, Godspeed You! Black Emperor, and Owen Pallett. Nominees have included Metric, Neil Young, Ron Sexsmith, Tegan and Sara, K'naan, Sarah Harmer, and Kathleen Edwards. I wanted to throw a few more artists names into the mix, just as the other two witnesses have been doing here.

Our jury includes media from coast to coast in Canada and excludes anyone who makes a living from musicians, or as a musician. It was inspired by both the Giller Prize for fiction in Canada and the Barclaycard Mercury Prize in the U.K. for album of the year. It is an award strictly for the quality of the main artistic work in a recording artists canon: the album. This is our ninth year.

We are based in Toronto where our annual gala is held each September. Polaris season starts in June with the release of our 40-title long list. The ten-album short list is announced in July. We select 11 critics from our larger panel to pick the winner the night of our September gala. This year it's September 22, and you're all invited.

We've been called "prestigious" by *The New York Times* and the BBC. The *Chicago Tribune* calls us "Canada's top music honour". *The Globe and Mail* has said that Polaris is "something that matters on the international stage". But any credit that Polaris takes from this must really be given to the artists themselves. They are making world-class artistic statements.

A lot has been said and during this review I'm sure you will hear from others a lot about how well our artists perform commercially around the world. What Polaris has done, if anything, is to celebrate the quality of our musical works in a way that the world notices. Canadians are known as innovators and explorers in music in almost every genre, from Polaris nominated Drake and his producer, Noah "40" Shebib, in hip hop, to Cirkut in pop, to inaugural Polaris winner Owen Pallett, who along with another Polaris winner, Will Butler of Arcade Fire, was nominated for an Oscar for best original score recently. We're known for our natural beauty and resources, our comedians, our authors, our politeness and now, more than ever, around the world for our great musicians.

We believe that part of that credit can be given to a history of policy that supports music culture and musicians both directly and indirectly, from FACTOR, to the Canada Council to the Radio Starmaker Fund, and various talent support initiatives required of broadcasters through the CRTC, not to mention Canadian content requirements, our artists can survive next to the cultural behemoth that lies to our south, and often with work that inspires, challenges, and stands the test of time.

It's no secret, and it's been mentioned here before, that sales for albums have been declining. Yet album recordings are still the cornerstone of most artists' commercial and public presence. Albums are the nucleus for all the other activities that allow our musicians to make a living: touring, merchandise, grants, publishing, and master royalties licences. This is why Polaris chooses to celebrate the album above all else. It's the pinnacle of a recording artist's creativity and the thing they generally spend the most of themselves on.

Making the long or short list, or winning Polaris, has many positive effects, the most obvious one being a dramatic uptick in sales and digital streams, often months after the record has exhausted its initial-release promotional activity. It also results in increased international media coverage, better paying gigs, and more promotional opportunities. But it's not just for these benefits that we believe music celebrations like ours are an important part of the music ecosystem. Celebrations and awards give artists something to strive for, in our case for their actual work. To our surprise and delight over the years, we've heard from a few talent managers or artists that they have driven themselves to make better recordings in hope of a Polaris nomination. In an age of dramatically declining sales, we're giving artists something to strive for with these recordings. We're encouraging innovation and excellence.

We believe that existing government policy and programs as they pertain to the Canadian music industry are effective in allowing our artists to excel at being themselves and telling Canadian stories that they then share successfully around the world. There have been many positive articles in U.K. and U.S. media outlets written about Polaris. I'd like to summarize two thoughts that appear to be common to a lot of them: (1) Canada is making amazing music; (2) Their government support for music is incredible. To us the correlation is real: accessible funding that takes chances on more challenging artists results in music that leads the world. This results in the very real perception that Canada is a world leader in music.

● (1120)

If there's anything we might suggest, it's that we, along with other music celebrations and awards, are considered under slightly different criteria when it comes to funding, as we tend to get either wedged into other development categories like conferences and festivals, or at times don't qualify for other funds because we are not rights holders. Refinement of the criteria to consider music awards and celebration under different and more pertinent criteria could make things more efficient for our category.

Also, a word about music education. Any charity efforts we undertake are aligned with MusiCounts, which provides instruments to schools that can no longer afford to provide them for their students. We believe the excellence we have just outlined starts with music education from the very early years. The benefits to child development have been well documented, but we believe the development to Canadian music cannot be overlooked. We fully support any effort for a national music strategy that includes music education as an important part of that strategy.

Once again thank you very much for inviting Polaris to this discussion, and as everyone else here, I'm happy to answer any questions.

The Chair: Thank you very much.

We're now going to move to the questions. We have Mr. Boughen for seven minutes.

Mr. Ray Boughen (Palliser, CPC): Thank you, Chair.

Thanks to the panel for taking time out of your busy day to meet with us. We appreciate your input.

I have a question of clarification in my mind. Brian, I heard you and Steve say two different things. One, that you couldn't make a living out of the music industry, and yet Steve says there's a living to be made out of the music industry.

Which way is it?

Mr. Brian Hetherman: There's certainly a higher echelon of artists who are making a living out of the music industry, but the reality is that probably 80% or more of artists are not making a living solely based on the music industry. They might have a cottage industry business on the side that's not related to music. They may even work part-time. In fact, most of the artists I know—and perhaps you can jump in here at any point, Steve—have some type of part-time job that takes them away from properly building their career.

Mr. Steve Jordan: Perhaps I may attempt to clarify. I think it's next to impossible to make a living from your recordings. The point I was trying to make is that those recordings are still the centrepiece of what an artist does. It's just that balance has shifted.

Let's give the best example. The Beatles quit touring and just made records. Obviously, this may be a bad example because it is the most popular band ever, but they could afford to do that. You could not afford to do that now. You could not afford to quit touring and just make records because the money you make from your recordings has shrunk to almost nothing.

Mr. Ray Boughen: So who makes the money from the recordings? People pay dollars for recordings. Where does that money go if it doesn't go to the artists?

Mr. Steve Jordan: It's not that the money is not going to the artist. It's that the actual sales of recordings have declined to such a point, and people have been steadily shifting toward streaming services that are paying the micropennies that Brian was just talking about.

I should point out there are services that are available in Canada like Rdio and Deezer. I'm not aware of the intimate details of their deals, but I'm going to assume—and perhaps this is worth some further study—that their payments are in that neighbourhood.

The royalty statements you would get from a record company for a sale or track on iTunes or CDs, which are still part of the industry, we should point out, are going to be way more than what you would get from a streaming service, but as the consumer moves towards this “all you can eat” streaming service model, the payments do not reflect what someone would get if they bought a recording as opposed to the streaming services.

• (1125)

Mr. Brian Hetherman: If you want me to break down the payment, you have two streams of thought. One would be an artist signs to a major label. Without getting into the finances of how that deal is initially instigated, how the payment breaks down is rather simple.

Once the artist recoups their money, perhaps their deal is at 25% royalty rates. So, perhaps you look at a dollar download on iTunes for the best example, because if we try to break down the micropennies on the streaming side it would be almost next to impossible to do. But if you're looking at, say, just simply a dollar for a single download on iTunes, under a traditional deal, if the artist has recouped their expenditures on the recording, they would get, say, 25¢ of that dollar.

What happens is iTunes sells it for a dollar. Seventy-two cents goes back to the label, whether it's a major or an independent. From that, 72¢ is broken out 25:75—75% to the label and 25% to the artist.

So you can see, even on an album, if an artist was to get, say, two dollars, at best, and that's a really extremely high royalty rate, you would have to sell literally hundreds of thousands of records to make a living off just solely your album sales. And it's virtually impossible to sell hundreds of thousands of records.

Mr. Ray Boughen: So this change has come about gradually because years ago, albums and single record sales kept artists busy. Is that not true? I can remember as a kid going to listen to records and albums in a music booth in a music store and it was filled with people buying records, buying albums. That's all gone now, you're saying.

Mr. J. Serge Sasseville: It was in the nineties, 20 years ago. But since 2000, sales have been declining at a very rapid pace and now it's very difficult for an artist to make a living from recordings.

Mr. Ray Boughen: Thanks, Chair.

The Chair: Thank you very much. You still have a couple of minutes left, Mr. Boughen.

Mr. Ray Boughen: Oh, okay.

The Chair: Do you want to continue?

Mr. Ray Boughen: Maybe you could share with us what's happening in Quebec because it seems like Quebec is making it work in terms of sales and generating some money for the artists and for the producers and all the other people attached to music. No? Yes?

Mr. J. Serge Sasseville: We sell more records in Quebec than in the rest of Canada but the situation is not a good one right now. I'll ask Christian Bretton to give you more details on this.

Mr. Christian Breton (Vice-President, Music sector, Groupe Archambault, Quebecor Media Inc.): Yes, physical sales have been down a lot the last few years. They have been going down a lot.

Last year we had a better year. However, the problem with falling physical sales in the last few years is that they are falling faster than digital sales are rising. The digital sales would only compensate a bit. The problem we had last year and that we are experiencing this year is that both digital downloads and physical sales are down, not only in Quebec but in Canada in general.

So that is a problem, and it's probably the impact of streaming services. And I think the problem with streaming services, when we talk about royalties, is most of these big streaming services coming to Canada right now are giving a lot of free trial periods, really long trial periods, not just six weeks or two months. They're giving six months, a year, and people can actually go on and go out and go back on. That's the problem we're having with streaming services. So yes, you can get 7,000 streamings of your song but if most of them are free, you get that small return. That's the big problem with streaming services.

The Chair: Thank you very much.

We'll move to Monsieur Nantel.

[Translation]

You have seven minutes.

Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP): Good morning, everyone. Thank you very much for being here.

This is a study that everyone is undertaking with a lot of good will. It is wonderful to hear testimony from so many people in such an important industry. To my mind and that of many of us here, this industry has a heritage dimension. I think that today's group of witnesses reflect that very well. Their experiences are at both extremes.

There are people who lived through the good years Mr. Boughen talked about when there were vinyl record stores everywhere. The display cases were incredible and showcased Bee Gees albums, for instance. At that time people purchased music because that was the only leisure source they controlled.

Then the VCR appeared, and people began to control what they wanted to listen to in a way, because they no longer needed to have a turntable to play their vinyl records.

I am referring to the two bookends of the issue: the cultural aspect and the business aspect.

Mr. Hetherman, in your testimony you mentioned the fact that it has become extremely difficult for artists to try to live from their art.

Mr. Jordan, you are among those who took part in the creation of the "Canadian sound". All of the artists who received awards from your organization were very relevant creators. They really broke through artistic frontiers and that was excellent.

We also have here representatives from the industry that decided to focus on finding talent, fostering it, growing it and showing it off internationally. Those people often refer to Marie-Mai, and quite rightly so. She is certainly the best example of the success of *Star Académie*. Last Sunday, we saw her once again and that was fantastic. We were able to see the conjunction of English-language music from Montreal, with Adam Cohen, and that of Marie-Mai.

I congratulate all of you on what you do. You do good work and it is absolutely crucial. And that is why we wanted to hear your comments.

This morning I am concerned by what Mr. Sasseville said concerning taxes that are not collected by services like iTunes. We are going to have to find some way of building a legal framework around that type of service.

In fact, as Mr. Jordan and Mr. Hetherman said, services like Deezer are used more and more. The day before yesterday, I was cruising through my Deezer account and received a half-price subscription offer, for \$5 a month. At that price, there is not a soul who will purchase a disk. You can listen to your music as often and as long as you like and it is even available for mobile devices.

My question is for Mr. Sasseville.

You referred to the issues surrounding the MEC program. I would like you to outline for us again the choice a young artist faces when he or she has the possibility of signing a contract with a big record company.

• (1130)

Mr. J. Serge Sasseville: With your permission, I am going to let Christian Breton answer that question, since he is now the one who deals with that problem in his work as director of the music sector.

Mr. Christian Breton: In fact, I will answer by using an established artist as an example. I am not going to name any, but the situation arose twice during the past six months.

The artist approached us to obtain a licence for his album. The album was ready to be launched and the artist was looking for a recording company to market it. In this case, the artist was eligible

for touring assistance. We had nothing to do with the tour. We were not producing the show. However, by signing with us for production of his album, the artist was no longer available for touring assistance. This meant a loss of \$25,000 for the artist. In the past, we could compensate the loss of that amount by recovering it in other ways, but this is no longer possible. That is the situation.

We also do a lot of development. We launched a small independent label under Musicor that is called Ste-4, and we sign new groups under that label. However, those small groups have to grapple with the same problem; their survival often depends on the touring subsidy and currently they don't have access to it if they sign with us.

Mr. Pierre Nantel: Once again, this indicates that the system reacts too slowly. Ten years ago it may have been true that an artist who signed with a big label received assistance for touring. Today, even artists who sign with a big label absolutely need to tour.

• (1135)

Mr. Christian Breton: I think that the difference is that 10 years ago shows were used to promote disks and to help with the sale of the disk. Today, a disk is often perceived as a tool to promote the tour. That is where we are at currently.

Mr. Pierre Nantel: I have a question for you, and feel free to answer. I think all of you could answer the question.

Our study is about the ways we can help the music industry in a media context that is in flux. In Quebec, with an organization that is more independent from the other large international companies, we have managed to carve out a spot in the retail market, in the visibility market. It was not only the American rules. Over time we have managed to free ourselves from international rules and to carve out a place and take our fair share of the pie.

Currently, because of online streaming, we have to devise a reaction plan so that our music can carve out and maintain its place in this international competitive environment.

Do you think we should intervene in supporting marketing rather than production, which is doing rather well?

Mr. J. Serge Sasseville: There would have to be programs to support the aggregators who on behalf of several record companies, commonly called "labels", stream our artists' music.

Did you want to add something, Christian?

Mr. Christian Breton: This goes back to what we were saying earlier. Regarding streaming, we negotiated with Sélect Digital for a year and a half to obtain better conditions. Our content has just arrived on Rdio and Deezer. Finally, when all of the major companies are at the table, our negotiating power is minimal.

Mr. Pierre Nantel: What would you recommend? Is there something that could help?

Mr. Christian Breton: That's somewhat difficult for us, as we are sitting on the fence, in a way. We are managing a streaming service, and that is very difficult because we are fighting against giants. At the same time, we are trying to develop our service to help local and Canadian artists gain visibility. We also promote international artists. It's very difficult to survive.

No one is currently making any money in streaming. That's the problem. Even companies that provide streaming services make no money. A solution must be found to ensure that companies that provide streaming services can make a bit of money and that the royalties—although they are currently very minimal—do not become too high. Legislation should be passed for music that is broadcast at no charge.

The Chair: Thank you, Mr. Nantel.

[*English*]

Ms. Jones, you have the floor for seven minutes.

Ms. Yvonne Jones (Labrador, Lib.): Thank you very much.

Thank you to the witnesses for your presentations this morning. It's a very interesting discussion, for sure.

This Sunday I logged on to YouTube and could listen to the top 40 hits for February all free. You can do that any day, which really causes one to wonder how those artists make money and a living today. It's not just the top 40, but it's everywhere. You go to a bluesfest or a jazzfest and you go home and you can go onto YouTube and look for those songs, the music, those artists and you can listen to them and it doesn't cost you anything.

When I hear what you're saying this morning with regard to where music sales have gone in the country, a drop by 46% since 2008, and how this is affecting artists and how they are able to contribute artistically via their music in this country, I can see where your concerns are.

It's very interesting that you just talked about live streaming and the fact that nobody is making money off it. My question this morning would be, what would your recommendations be to our committee to go forward to the federal government and how we make changes in the country to allow for some profitability for these artists and people who are involved in the music industry?

• (1140)

Mr. Steve Jordan: The first thing that has to be looked at is with current funding, the measurement for success tends to be aligned with record sales. I can't speak for Musicaction but definitely with FACTOR the measurement for how effective funding goes tends to go towards sales and that is not really a useful measure anymore. I think you can look at things like YouTube plays. You can look at streaming numbers, if any of the services actually release them, which I'm not sure is even possible; I know I've tried for Polaris nominees and have not had much success. I think more thought has to be given into how you actually measure the success of the projects and the artists that are currently being funded and are being funded moving forward.

The second thing has been touched on today. And it's becoming pretty clear in the minds of, I think, most of the people in the industry, that the recordings are there as a promotional expense,

pretty much, and that the real way forward for any kind of economic success is touring and appearances. We can also touch on royalties that you get when a song is placed in a commercial or in a TV show or in a movie, that kind of income as well. These are things that can support those efforts and actually shifting focus more towards those things without, as I said before in my presentation, losing focus that artists still make albums. This is still their artistic output. It's the main thing that they go forward with; it's the reason why they tour. It's the thing that moves them to go forward as an artist, so you can't completely abandon the album and the recording as a thing to support, but the measurement for success and the way forward for economic success goes around all the other pieces that we've mentioned and that others, I'm sure, will mention.

Mr. J. Serge Sasseville: The thing is that right now we're in the middle of a transition period. I think that everybody is looking for the right business model. We thought a few years ago that it would be downloads. It is not. It may be streaming services, maybe it won't be streaming services. What's important is that the public funding allows artists and record companies in Canada to be able to position themselves on a market that is more and more a global market. We have to have funding programs that are in line with what's going on.

Mr. Brian Hetherman: Music has never been, I don't think, ever more enjoyed than it is right now. That's the biggest irony of it all. If ever music was the soundtrack of people's lives, it is currently right now. The problem is very few people are making money on it. There's going to be a long stopgap between where we are right now and the position where artists and rights holders are being paid enough to actually continue to do it. That's the sticking point: we need to figure out how we get from here to there. Everyone's made some very good suggestions as to a start at least.

Ms. Yvonne Jones: Did you want to add anything, Christian, or you're good?

Mr. Christian Breton: No, I think I've given enough output.

Ms. Yvonne Jones: Good.

I think the goal, obviously, is how do we get the exposure and the recognition both domestically and internationally, and how do we derive revenue from that? I think we can all agree. I agree with your statement. We're in a transition period, there's no doubt about that.

But if you were to look five years out now, in terms of the Canadian music industry, what needs to happen from a federal government perspective to enhance that industry and to increase that exposure both domestically and internationally into markets? Where should we be going? What direction would you be giving us now in that process, so that we make best decisions and best policies to enhance the industry?

Mr. Brian Hetherman: I think in the early stages we need to encourage the funders to focus some energy on the.... I don't want to say they should divert all of the funds towards touring, because that doesn't allow them to continue to make the recordings that are the stem of all of the other things we're talking about. I think, as it stands now, touring is still a very hard funding element to access. It needs to be more accessible. One of the key things I mentioned in my speech was being export-ready. There are levels of artists who can be successful in Canada on a smaller scale, but you need to be export-ready. You need to be able to go into a foreign territory.

I spend a lot of time outside of this country in some of my work with Canadian Music Week. So I attend Midem, Eurosonic, PrimaveraPro, all of these events in France, Holland, Spain, where Canadian artists showcase their work and/or work with other foreign companies, and see foreign acts showcase their work in other territories as well. If the artist is not export-ready, then it doesn't make any sense. No one's going to be interested. They'll just move on quickly. But if the artist is export-ready—and many of the artists that Steve has mentioned today at various points in their career became export-ready—and then made the transition to be able to get outside this country and make themselves known.... So we need to find ways to transition some of the funding over to touring and make it accessible.

Right now, the funding agencies or organizations are going through a period of transition. How do we fund enough that these recordings can actually happen and be marketed because of the expenditure related directly to promotion and marketing? Where's the cutoff line as to what artists should be considered export-ready? That's a tricky slope right now.

• (1145)

Mr. J. Serge Sasseville: I would go at it a little bit differently. I think that we have to embrace the digital world and have measures and programs that allow us to take our place in the digital world. First, the catalogue, it has to be digitized. An important part of the catalogue of Canadian songs has not been digitized, so is not available in the digital world, first of all.

Second, support our Canadian services, be it downloading or streaming. Make sure that they compete on a level playing field, which is not the case right now, as I just explained, because of the tax situation. A Canadian who subscribes, who buys work from a Canadian artist on a Canadian platform, pays more than on a foreign platform because of the tax situation. At the end of the day, like I said, if all Canadian platforms are being shut, we lose control over the way our music is positioned because it will be all on foreign platforms. Then, we have to make sure that—

The Chair: I'm sorry, I'm going to have to cut you off there. I'm sorry about that, but we're well past our time.

We're going to have to move to Mr. Hillyer for seven minutes.

Mr. Jim Hillyer (Lethbridge, CPC): Thank you.

Before the committee makes a recommendation to the government, I want to make sure that we have an understanding of the proper role of government in any endeavour, whether music or not. We're talking about a cultural heritage; we're also talking about economic support. Nowadays the government gets involved in all of those things.

But I am going to ask a couple of questions about whether or not this.... We talk about the fact that it's tougher for artists to make a living. I guess my first question is why artists who get paid a few cents per stream or .00-something cents per stream license their music to these people. If it's not profitable, then why do they do it?

Mr. Christian Breton: They feel that if they're not there and every big artist is, they can't compete. As I said, our catalogue has been available in Rdio and Deezer in Canada since this week, actually. We're just on this week. Rdio is actually putting out a press

release to say that they have our catalogue now. However, we know they're not paying much; artists know they're not paying much, but they were calling us asking why they weren't there and saying that they want to be there.

It's promotion. As I said, it's like the recording of the CD and what we were saying earlier about touring. A CD is now a promotional item. For them, it's paying them pennies, but they're going to be there and they're going to have exposure. That's basically why they want to be there.

• (1150)

Mr. Brian Hetherman: Some international artists in the past and currently—Rolling Stones, AC/DC, bands that are massive historical bands—don't make their recordings available for those streaming services, but they are in the fortunate position to be able to say “you can't have it”. In many cases, some of them prevented their music from being available on iTunes for many years as well.

The problem, if you're a developing or a current artist, is that it's not as though you're making the sales up in other areas. In other words, if you withhold your music from a streaming service, you aren't automatically selling more CDs or even the same number of CDs or the same number of digital downloads. Basically, what is happening is that those sales are eroding regardless, so whether you have your music on a streaming service or not, your sales are decreasing.

Most people I think do it. As someone running a record company, I was certainly resistant at first at making my music available on streaming services, especially after I got the first royalty report. But to not be there means that you're not living in the current world of the way people consume music.

To the point earlier about YouTube, I know that probably 80% of the people who experience the artists whom I work with do so on YouTube or some service like it, from which I get paid a minimal amount or next to nothing. But it continues to build the artist's profile in the hope that, if there's a perfect storm and we get a radio hit or get a song on the video channel, the YouTube streams are—

Mr. Jim Hillyer: In the past, we used to have to pay for that exposure. Now we're getting paid .0001 cents for that exposure, so I'm not sure that it's appropriate for us to say that they're not getting paid enough and so we have to do something about it. Artists are finding value in doing it.

I think we need to make sure that contracts are observed and that people aren't forced to put their music on, and we should have regulations against services such as Napster, which would start downloading music that artists never agreed to have downloaded. But if this is something that we used to have to pay for, I'm not sure that we want to step in and make sure that the—

Mr. Steve Jordan: It might not be clear. This is not something that they used to have to pay for.

Mr. Jim Hillyer: Well, advertising....

Mr. Brian Hetherman: Yes, but it's important to note too that, in the case of 10 or 15 years ago, you might have had to spend \$40,000 or \$50,000 on a music video, which of course was a fairly hefty expense; however, you would also sell hundreds of thousands of records, so it was much easier to recoup.

Using the video as an example, in the past you would get a per-play from MuchMusic or CMT or one of the music video channels. At one point, CMT used to pay \$150 per play of a country music video, up to a cap of I think \$15,000. You, as the rights-holder or as the record company, would be able to recoup your investment in the music video via that payment. I think that the MuchMusic payments still happen, when you get.... They're much less than they used to be. The problem is that you would get at least some incentive; you would get the promotional value and you would get some financial incentive for your video to be played on those channels. Now what we're talking about is making a video for maybe \$5,000 or \$1,000 and your song being played for minuscule payments on YouTube.

But they're not jiving. You're getting the promotional opportunity and the marketing promotional push, but it's not resulting in sales on the other end the way it used to. It's apples and oranges, in a way; it's not a direct correlation, the way it used to be.

Mr. J. Serge Sasseville: The main thing is that what is now used to do the promotion is what was, until recently, the main source of revenues for artists. That's where the problem is.

Mr. Steve Jordan: It's considered promotion now, but it has also replaced paid consumption. I guess that's the main difference.

Mr. Jim Hillyer: I guess that, as we said, we're in a transition period. In the good old days.... We have a culture of fiddle music. A senator is putting forward a bill to have "Fiddle Day". Other than Stéphane Grappelli, Natalie MacMaster, and Ashley MacIsaac, we don't know very many people who make a living playing the fiddle; we have a few violinists in every city who will maybe hold the chair in a symphony. I used to play in the Lethbridge one and never was paid to do it. I enjoyed it, but most of the fiddle music that existed and continues to exist is made for the love of it.

I would love to be paid to play the violin. I'd love to be paid to play hockey, but we know that only a small percentage of people are paid to play hockey. While I agree that it's the government's mandate to promote heritage, is it also to make sure that people make a living promoting that heritage, any more than in the case of hockey?

• (1155)

The Chair: Mr. Hillyer, I'm going to have to cut you off.

I think many of us would like to be paid to play hockey, but looking around the table, I don't think that's going to happen.

We're going to move to Mr. Nantel for about three minutes.

[*Translation*]

Mr. Pierre Nantel: Thank you very much.

[*English*]

My colleague Kennedy Stewart has many questions for you, Mr. Jordan. I'll just take one minute. Please forgive my colleague.

Some hon. members: Oh, oh!

[*Translation*]

Mr. Pierre Nantel: I have a question for you. You talked about a level playing field. Beyond the fact that services from abroad such as iTunes and Netflix don't have to pay taxes, do you think this level playing field could include other commitments with regard to the visibility of our Canadian products?

Mr. J. Serge Sasseville: I would not go as far as regulating the sector by imposing on companies that come to Canada a percentage in terms of visibility. This is not a matter of a lack of content, but of visibility on platforms. I would not go as far as issuing regulations.

The idea is not to regulate everything on the web, but rather to ensure that Canadians who embark on a web adventure benefit from the same conditions as foreign players.

Mr. Pierre Nantel: Thank you.

[*English*]

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thank you.

Thank you for coming today. It's been a great conversation.

I have a quick question, seeing only a few minutes left; maybe we can get through it.

Why do some emerging artists make it and some not? Let's assume that it's not the music they're producing and the quality; let's assume that it's good. How, in your experience, have some musicians managed to make a full-time living out of music while others who might be of the same quality do not make it?

Perhaps we could just go across the board and see what the answers are—from your observation.

Mr. Brian Hetherman: I think as someone who's done A and R, which is artists and repertoire, for pretty much 20 years of my music career—in other words, finding artists—if I knew exactly the answer to that question, I would be a millionaire. But, I get where you're going with this.

I think one of the key factors that I alluded to a few minutes ago is that perfect storm, which is something that can't be created. That is, you take a song to radio. Radio picks it up and starts playing it at the same time that the video gets played, and at the same time as 10,000 or 100,000 kids are on YouTube searching the song out. Maybe you get nominated for the Polaris prize, or maybe you get featured on a number of TV shows at the exact same time, or you're touring at the same time. It's very hard to create those opportunities, especially at the same time. Sometimes it's very hard to create any of those opportunities. When they all come together at a certain point, generally you've created a perfect music storm that allows for the artist to get elevated to the next level.

People get attached to it. Yes, people still buy music, but not anywhere near the way they used to. They buy 10,000 copies instead of the 100,000 they used to buy. At least you've sold 10,000 instead of zero. Maybe they'll pay \$20 for a concert ticket, or maybe they'll pay \$20 for a T-shirt. Whatever the case may be, people start engaging in the music, and it builds. The word spreads, and it creates this opportunity for the artist to get to the next platform.

In my experience, if I can go quickly back to when I first started in the music business, I think it was one in ten artists was successful. Those were your odds, and that was a number of years ago. Now I think the odds are probably more like one in maybe forty-five is successful.

The Chair: All right. That's going to have to be the last word, but, Mr. Stewart, thank you.

And thank you to our panellists. Thank you for your contribution to our study. If you have any further contributions, please send them to us in writing as soon as possible, please.

Thank you very much. We're going to briefly suspend.

• (1155)

(Pause)

• (1200)

The Chair: All right. We're going to call this meeting number 19 of the Standing Committee on Canadian Heritage back to order. With us this afternoon, for the next hour, we have from RBC Ottawa Bluesfest, Mark Monahan. From the Canadian Tourism Commission, via video hook-up, we have Greg Klassen, who's the president and chief executive officer. And with us here in Ottawa, from the Tourism Industry Association of Canada, we have David Goldstein, president and chief executive officer.

Each of the three of you will have eight minutes, and we'll start with Mr. Monahan.

You have the floor.

Mr. Mark Monahan (Executive Director, RBC Ottawa Bluesfest): Thank you so much, and again, thanks for inviting me here today. Honestly, I was surprised to get the call, but I'm happy to give my thoughts on a number of different fronts and I'll try and stay within the eight minutes.

The first thing I want to touch on, which has really been a topic over the last few years, is the demise of the record industry and how that affects live music. The one thing I have noticed is that with the demise of the record industry, live music has actually proliferated more than ever, which is kind of odd because we hear so much about the fact that people can get their music for free. They download the music and people aren't buying records anymore. Well, if there were a typical supply-and-demand relationship, that would have led to less music being created. In fact, the opposite has happened. More music is being created. More music is being watched and listened to, and more people are going out to see live music. That is kind of an odd thing, given all of that. My observation is that the demise of the record industry is really about the demise of the recording executive industry, not really about music, and 95% to 99% of musicians, are still making about the same.

Why is music becoming more popular? One thing I would argue is that there are so many events, and today I'm going to touch on the notion of not-for-profit music events because that's who I represent. The RBC Bluesfest is a not-for-profit and almost every festival across Canada is a not-for-profit event. There's a big distinction between that and a for-profit event. I'll mention that five to 10 years ago, really, the market in Canada shifted from concerts to more what I call "destination music" events. Destination music events are large-scale music events that attract tourism and large numbers of people to different communities.

Those destination music events, I would argue, are events like the Montreal Jazz Festival, the RBC Bluesfest, and the Festival d'été in Quebec City. All these events have been tremendously successful over the last 10 years, for a number of reasons. One reason is that they've been supported in large part by government, but also that there has been a huge interest in music, and the things that these not-

for-profit events have been able to do have had a huge impact. We're a member of FAME, Festival and Major Events Canada. There are 15 of us right now and that list is growing, but the economic impact of the 15 FAME members is \$1.1 billion to the economy. These organizations are making a huge impact.

One argument and one question maybe is, what is important about a not-for-profit music event, and why do we merit support from different levels of government? One of the main things we do is encourage the proliferation of non-commercial music. For instance, the Montreal Jazz Festival or the Festival d'été in Quebec City spend probably a million dollars on non-gated events. These are events that are free to the public, and many of those events have the biggest impact. The Festival d'été sells a 10-day, 200-act event passport for roughly \$70, and for that \$70 you can not only go and see Metallica and Bon Jovi, but you can also see phenomenal Canadian artists, ethnic and cultural artists, and street performers. They sell a hundred thousand of those passes, and the only reason they sell them is that the passes can be a huge deal. One of the ways they can do that is by using the public funding they received to do the important things they need to do to generate that impact.

We in fact spend \$200,000 on local artists. Those local artists don't really contribute to the people who are buying tickets to the event, but they contribute tremendously to the community. One thing I would note is that with a for-profit enterprise, the general goal is to maximize shareholder value. Well, not-for-profit companies don't do that. Not-for-profit companies maximize community value and that is the biggest difference between those two organizations. We do things like employ many local artists, non-commercial artists, who appear alongside commercial artists and who therefore gain a broader audience.

• (1205)

At the end of the day the question is, what should Heritage should be doing to support the live music industry in Canada? I think the argument that I would make is that it's time to really take an inventory of where the money is going. I think the not-for-profits make a huge impact but there also has to be accountability.

So it's not just music for music's sake. What is the impact these funds are making and what does each organization use the funds for? At the end of the day, there has to be accountability on the money that we're receiving and what the impact is in the community. That also has a huge impact on the tourism community and industry.

Those really are the several points that I'd like to make today. I'm open to questions and thank you very much for entertaining me.

• (1210)

The Chair: All right, thank you very much, Mr. Monahan.

We're now going to Vancouver by video conference.

Mr. Klassen, you have the floor for eight minutes.

Mr. Greg Klassen (President and Chief Executive Officer, Canadian Tourism Commission): Thank you very much, Mr. Chairman.

It's a pleasure to join you here today. I'm sorry I'm not here in person, but I do appreciate this very much and thank the committee for including the tourism perspective in your important study.

I would like to offer just a quick overview, if I can, of the organization that I represent—the Canadian Tourism Commission—and really give you a bit of a picture in terms of how the CTC incorporates Canadian music, Canadian festivals and events, into our international tourism marketing, and why it's important for us to do that.

First of all, we are Canada's national tourism marketing organization. We're a crown corporation that leads the industry in marketing Canada as a premier four season destination.

We know that travel and tourism is one of the world's fastest-growing sectors. It is an \$84-billion industry for Canada's economy, but a very competitive marketplace.

Through our international tourism marketing activities and our trade and sales activities in 12 countries, we really are competing hard for a visitation, supporting over 170,000 mostly small and medium-sized businesses in every nook and cranny and region of our country.

Our model is really partnership-based. We work with the Canadian private sector, from hoteliers to chefs to ski resorts and the cultural industry, to leverage every dollar that we get and double our marketing impact. We work with our international travel trade by connecting international buyers with Canadian sellers. We have a meetings and conventions division called Business Events Canada. Its mission is to create awareness of Canada as a great place to hold international conferences. We know that holding international conferences is great for filling hotel rooms, cultural centres, and restaurants, but we also know that we bring very important people to our country. It's like a big familiarization trip to our country, where, when they get here, they see what they see, and they invest here, they send their kids to school here, and perhaps even buy Canadian products from here. We know that the long-tail effect of that is significant.

We also work, of course, with the public sector, the provincial and territorial tourism marketers, to leverage their investments.

We're always looking about 5, 10, or 20 years out, to see what competitive advantages we can create and develop. One of these opportunities relates to our music industry in Canada and, of course, to some very important people who really appreciate great music—I think we all do—and that would be youth.

We know that young travellers represent a large and lucrative market for Canada. Internationally, it totals to about 187 million travellers, representing about 20% of our annual global arrivals, and it is the fastest-growing segment.

We're focusing domestically on youth because they present a large domestic tourism opportunity as well. There are 5.2 million Canadians up to the age of 29, reflecting about 15% of our population. Canadian youth travelling in Canada spent an average of about \$1,400 over 14 nights, and that's pretty much on par with what our international long-haul travellers are spending.

And yes, music festivals and events are significant motivators for youth travellers, and this is a key pillar in developing the youth travel strategy that we have under way at the CTC.

While still in development and only seed-funded by us at this point, our youth strategy focuses on the opportunity of leveraging existing Canadian festivals and events to attract those travellers. We've pulled together a youth council, and we're pleased to have representation of that FAME group—Festivals and Major Events Canada—that was mentioned by Mr. Monahan as an important contributor to help us build the right plans for the travel movement.

In the future, we're planning on hosting two influencer programs this summer focused on youth and music. These will focus on the Osheaga Music and Arts Festival, in Montreal, and Pemberton Music Festival, here in British Columbia.

We're also market-testing new concepts around youth initiatives connected to music festivals and events, and we will have this analysis completed later this spring. We're doing a little bit of research on that.

We look to the Canadian music industry for inspiration when we do our marketing in general. Last summer we asked Canadians to help us create an anthem for Canada. We created this program called 35 Million Directors, one of the most viewed tourism videos around the world of all time. The video connected us to a soundtrack that was Yukon Blonde, which is also a Canadian band, and we were able to highlight them to Canada and the rest of the world.

We focus on the Canadian signature experiences collection, which includes major cultural events in those experiences, including the Calgary Stampede, the Montreal Jazz Festival, the Harvest Jazz and Blues Festival in New Brunswick, and Celtic music in Cape Breton.

The long and short of it is that the tourism industry really relies on the culture and the music industry to help us round out that experience for Canada. We're known broadly and widely for our great outdoors, our beautiful cities. What we need and what we need to support is more the culture, and music plays a huge role in that culture to help us round out the experiences that Canada has to sell and offer.

We're highly supportive of this industry. We really like to partner with it, work closely with it, to help us collectively inspire the world to find a destination in Canada.

Thank you.

● (1215)

The Chair: Thank you very much.

We'll now move to Mr. Goldstein from the Tourism Industry Association of Canada.

You have the floor for eight minutes.

Mr. David Goldstein (President and Chief Executive Officer, Tourism Industry Association of Canada): Thank you, Mr. Chair. [Translation]

Mr. Vice-Chair, members of the committee, it's a pleasure to join you today and be part of this important study. This was a suggestion the president made when he appeared before the parliamentary tourism caucus. We appreciate the opportunity we are given to discuss with you the impact of music and music festivals on the tourism industry.

[English]

Again for the record, my name is David Goldstein. I'm the President and CEO of the Tourism Industry Association of Canada. TIAC represents the full cross-section of Canada's travel and tourism sector, including major music festivals such as the Festival International de Jazz de Montréal, Ottawa Bluesfest, the Winnipeg Folk Festival, and Osheaga as well as other clubs and restaurants and venues of all sizes that host music events.

Our sector generates annual revenues of \$84 billion. We employ over 600,000 people and are in every riding of the country, and we've left you information today on the impact in your riding. And most notably, over 204,000 of those employed are under 25 years old, making us the sector that is the largest employer of young Canadians. Canada's most important services sector, export, is where we generate \$17.4 billion worth of international revenue.

Our mission at TIAC is to grow Canada's competitiveness as a global destination. Specifically we are working to boost Canada's international visitation growth rate from 1.5% in 2012 to meeting the global average of 5%. A recent Deloitte report states that every one percent increase in international visitation generates \$817 million more in general exports. So our 5% objective would mean an additional \$1.4 billion in general exports.

How do we get to 5%? TIAC is working within the federal tourism strategy to address the policy barriers, such as marketing investment, access investment, and tourism product like music events. And we are working to encourage more U.S. visitation, in particular, who are key consumers of Canadian music festivals. In fact, a recent study of Ontario statistics show that almost half of U.S. visitors to that province came for arts and cultural events.

Cultural events, including concerts and music festivals, are major draws for Canadian visitors. In 2012, 3.5 million international visitors attended cultural events. On average these visitors spend \$768 per trip, meaning these events contribute at least \$2.6 million to the economy every year. That is on top of the immense domestic spending and spin-off impacts.

Members of this committee can easily envision the economic benefits from a major festival like the Montreal Jazz Fest, or Mark's excellent product here in town. The Montreal Jazz Festival brought in \$72 million in tourism alone. But even smaller-scale festivals in smaller markets can have a major impact. Furthermore, as festivals grow and expand, so does the capacity to showcase and fund Canadian music.

Music Canada, who has already appeared at this committee, says that the limited size of Canada's domestic market means that some of the greatest opportunities for growth and development lie abroad. The same is true for the travel and tourism sector in Canada. However, small gains in quarter-to-quarter growth are masking a very disturbing over-reliance of our Canadian domestic market on tourism. Currently 80% of travel revenue is derived from Canadians travelling within Canada, up 65% from only a decade ago.

American visitors are particularly enthusiastic participants in Canada's cultural scene, with almost 2.5 million attending events in 2012, up 13% from the previous year. When compared to the overall

visitation rate of only 2.5%, it becomes clear that music and culture are leading drivers for American visitation.

Since 2002, Canada has lost almost 3.5 million overnight visits from the U.S. Fortunately, many of the structural barriers facing the U.S. market have lifted, making this an ideal time to re-engage. Our currency is stabilizing below par, U.S. passport ownership has doubled and now sits at over 120 million Americans, the border is thinning, the American economy is rebounding, and the U.S. outbound travel to overseas destinations is up.

This brings me back to the question of how music events will play a part in increasing visitation by 5%. TIAC has a whole-of-government approach to increasing tourism's competitiveness which includes advocating for government support for marketing, access and product. Music festivals are among the most compelling tourism products that spark economic growth in all regions of the country. Therefore, TIAC recommends that the committee support festival funding in partnership with the industry and other levels of government, including a broader approach in getting back into the U.S. market leading up to 2017, and we would add that any such initiative be done on a partnership basis with the private sector. Part of the metric should be delivering incremental international visitation to Canada.

● (1220)

I thank you very much, again, for the opportunity to be here. The Chair and Mr. Dykstra will remember my previous life in the broadcasting business where I spent a lot of time at the heritage committee. It's been a while since I've been here and I'm happy to be back especially with regard to a subject that is of great interest not only on a local level but on a national level as well.

The Chair: Thank you very much, Mr. Goldstein.

We're now going to move to the questions and we're going to start with Mr. Weston, for seven minutes. I'd like to remind members that we have Mr. Klassen by video conference, so please don't forget him.

Mr. Weston.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Mr. Klassen, as the MP for West Vancouver—Sunshine Coast—Sea to Sky Country, I can assure that I won't forget you on Vancouver.

Thank you, David. I know from the numbers you've provided that the riding I represent has the second number of employees in Canada in this industry right after Niagara Falls. Certainly, we see parallel things in sports, having hosted the Olympic and Paralympic games in 2010. Whistler is very keen about tourism. It's great to have good news actually after a parade of some discussions that made it a little bit hard to see where the hope was for musicians.

Mr. Monahan, I just want to tell you that our birthday gift to my son last week was a wrist band for the Ottawa Bluesfest, and so for people in the room, it's a great product. Young people love it. He's 17 and that's what he really wanted. So some good news.

Mr. Goldstein mentioned the distinction between domestic and foreign revenues. This is something that's driving a study that people in my riding are doing right now. In fact, people whom you know, Barrett Fisher, the head of Whistler Tourism, and Stuart McLaughlin and I are working on this together.

I'm really interested to hear your comments on where we should be putting the emphasis as government. Should it be bringing in the foreign dollars or taking what you said is 80%, David, domestic.

Maybe we can start with you, Greg. Just try and keep your answer to a minute or so, so we can go around the table.

Mr. Greg Klassen: We're very keen on the international market, of course, to Canada. It's significant because it helps us diversify our over-reliance on the Canadian market. We also know that the Canadian market is under significant threat. We're huge travellers and the rest of the world has figured that out and they're marketing with a vengeance here, especially starting with brand U.S.A. into Canada.

We really need to counter that attack by marketing more aggressively, I think, outside of Canada, in the U.S. and around the world, to draw international travellers here to Canada. They spend a lot of money, they see a lot of things, they contribute to every corner of our country's economy. So that's significant for us.

Mr. John Weston: Yes, more emphasis on foreign. David, do you want to comment on that?

Mr. David Goldstein: We love all our customers. But Canadian customers are really just moving Canadian dollars around the Canadian economy.

In 2002 we were 7th in the world when it came to international arrivals. We're now 16th. That is the biggest challenge that faces our industry, and that is the biggest gulf not just from a number of visitations but the amount that they spend. They spend at a higher rate than domestic travellers. It's like any portfolio, sir. We want to make sure our portfolio is as balanced as possible and we're just far too over-reliant on the Canadian customer right now.

• (1225)

Mr. John Weston: Can I ask you, how big a factor is open skies in terms of getting more foreigners to Canada to spend their tourism dollars in the music industry?

Greg?

Mr. Greg Klassen: We love unfettered access into Canada from all over the world. Air travel has a significant impact on bringing

customers into our country and bringing them to see our music festivals and all of our other experiences, so we love it.

Mr. David Goldstein: I look forward to present at the transport committee.

But in this sense, it's just one piece. If you can imagine, every successful destination has three things working in concert: marketing, access, and product. The marketing piece has to be done in development with access being, in this particular question, aviation access, but the product has to be there as well. Unless all three of those are working in concert, pardon the pun, no destination will be successful. It's an important piece but not a seminal one.

Mr. John Weston: How do we measure marginal revenue, Mark, if you might comment on this? How can we say that by investing an extra \$100,000 in a music festival, we can produce \$1 million in revenues for Canadians. How do you make that kind of an association?

Mr. Mark Monahan: It's actually quite easy to measure through economic impact studies. We measure the visitors now with the technology we have in terms of the sale of tickets and entries and so on. We know exactly where the visitors are coming from.

Mr. John Weston: Greg, do you want to comment on that? Marginal revenue based on marketing dollars?

Mr. Greg Klassen: We do exactly the same thing. We do what we call conversion studies. We identify how much we've invested in a marketing program. We then measure those people who saw the marketing program and those who came as a result and we're able to measure meaningful ROI on all of our marketing investments. We know the impact that we have.

Mr. John Weston: Do you want to add to that, Dave?

Mr. David Goldstein: I'd say exactly the same as the two gentlemen, and I'll just add that Mr. Klassen's ROI methodology has been vetted by Treasury Board, so it's solid methodology.

Mr. John Weston: All right. If I have 30 seconds, I'm going to split with Rick here.

Mr. Rick Dykstra (St. Catharines, CPC): David, I want to follow up on something. The reason we wanted to have the tourism folks here is to talk about the fact that, as you heard from the previous presenters, when you're trying to get into the industry now, you're just trying to make a living. It's not about sales of your albums any more, your songs. It's about being able to go out and tour, about being able to promote yourself. You keep referring back to the fact that you want to bring Americans or people from other parts of the world into Canada. That's the tourism responsibility. I understand that.

It's multi-dimensional, though, from a music perspective. We want Canadians to come out and witness Canadian music for two reasons. One is to understand how great Canadian music is, and two is to support the people who are in the industry within Canada.

I just wondered if you guys could comment a little more on the whole aspect. Mark laid it out very well in terms of the festivals, in terms of the direction that it needs to take. I don't know whether it's about partnering with Music Canada. I don't know how we grow the festival side of it, but could you all just speak to the fact that we need to get Canadians out to view Canadian music?

Mr. David Goldstein: Again, that's 80% of the market, number one. And number two—and I think Mark spoke about this—the big acts are the big draw, but that's what gives room for the smaller acts to be on the venue. That's how they're going to get exposure to Canadians but also to international audiences as well.

You're right that it's the touring and the exposure that they're going to get through performance, but they're not going to be able to reach those audiences through some of the digital means, or they're not going to be able to get the promotion through some of the digital means without these important festivals.

I agree, Mr. Dykstra, our Canadian audiences are important, but the incremental dollars to the Canadian economy are not only important to the tourism sector but are going to give that exposure to not just the big acts, but the up-and-coming emerging artists who are participating as well.

Mr. Mark Monahan: My comment is that I see things globally. I think when you engage the community, obviously what David's saying is true: 70-80% is Canadians coming out to see them, but it's proliferation of these large-scale events, which draws both locals and tourists alike, and that helps the whole industry. It helps the music industry, it helps the tourism industry, and it really, honestly, creates a bigger overall industry in Canada.

• (1230)

The Chair: Thank you very much.

We're going to move to Ms. Mathysen for seven minutes.

Ms. Irene Mathysen (London—Fanshawe, NDP): Thank you very much, Mr. Chair.

Thank you, gentlemen, Mr. Klassen, Mr. Monahan, and Mr. Goldstein, for being here. I think you've provided a really important and interesting dynamic to this study because I think, as you've clearly indicated, that all of this fits together. There is no silo, no isolation, when it comes to how we support our communities, whether it's in the tourist trade, the kid trying to find a summer job at the local park, or the artist—the brilliant artist—who creates fabulous music.

I have a number of questions, and I hope that you'll all just jump in.

I'll start though with you, Mr. Monahan, in regard to the issue of funding and support. It seems to me that you're talking about funding security, that you need to know that no matter what, there is going to be that foundation, that secure funding over a long period of time.

It seems to me that you've perhaps suggested moving around the existing pot to increase grants where there's a desired outcome, and also to just make sure that perhaps there is that increase in granting. I wonder if you could talk about how that is important in terms of the future of the industry.

Mr. Mark Monahan: First of all, your question is a very good one.

There's one thing that's missing from the federal funding picture right now, and that's a focus on economic development. Right now, Heritage is giving money out to various priorities and some have economic development as a priority maybe down the list, but Canada arts presentation, other funds are not really focusing on the deliverables like economic development and tourism as it relates to these destination music events. And that's the one piece that's missing. Provincially in Ontario there are funds. Provincially in Quebec and other provinces, there are funds. But on a federal level, what's missing is the piece to say, what are you going to do for us to make an impact in Canada? And I'm specifically saying about not-for-profits who are organizing these destination music events, we need that support in order to go out and do the things that we're trying to do. And that's have free events for the public, keep the costs low. All these things draw tremendous numbers of tourists but they also create larger events, and that's where we are lacking right now in competitiveness with other countries. We are not able to play ball. We're faced with a very competitive industry and we need to grow the industry and we've identified the leaders. FAME has identified 15 festivals contributing \$1.1 billion. These are the winners. You've got to ride with the winners. Fund with the winners and you'll get the biggest impact.

Ms. Irene Mathysen: You're talking about capacity-building.

Mr. Mark Monahan: Exactly.

Ms. Irene Mathysen: And I understand that.

In London, Ontario, we've got a couple of quite interesting festivals. We have Sunfest just after July 1. London is a city of 365,000 people and on that extended weekend, Sunfest will draw more than 200,000 people. It's just growing incrementally. And of course we have Home County, which features a lot of really wonderful local talent.

Now one of the things that I was curious about, the folks at Sunfest said because they don't charge admission, they can't access federal money. If there was a fee to come into the park, then they would be eligible. I don't understand that. I wonder if you could help me with that, why the federal government wouldn't support that incredibly successful festival when they're bringing in nearly a quarter of a million people into a medium-sized town. And those people are spending like crazy.

Mr. Mark Monahan: The only thing I would comment is I'm not familiar with why they wouldn't receive funding. I don't see why they wouldn't. But the point is, as a free event they need to be supported. If they're having that economical impact, they should be supported in a big way. If they're having that kind of effect in the community in drawing people in, they should be funded.

Ms. Irene Mathysen: Yes, I quite agree. And I've written letters asking for that kind of support because it has become in 20 years the signature event of the summer.

•(1235)

Mr. Mark Monahan: But you see, one of the problems is that there isn't a fund at a federal level that promotes economic development in music. If there was, they'd be getting funding.

Ms. Irene Mathysen: Okay. So we need to create that fund.

Mr. Mark Monahan: Exactly.

Ms. Irene Mathysen: Okay.

Mr. Goldstein, I was very interested in your comment on the issue around Canada's international visitation growth rate. It's only 1.5% compared to 5% globally. Has it always been that low or has the erosion happened because of 9/11, the thickening of the border, or is there something else at work here? I was wondering about visa restrictions because that's another problem that comes across my desk all the time, people desperately wanting to bring in their relatives for family events, and they can't. There's that barrier and it seems to dissuade a lot of families. Is that a significant problem?

Mr. David Goldstein: Yes, and I also would look forward to having that discussion with the Immigration committee. But in fact, we have. Your colleagues at the Citizenship and Immigration committee just actually did a very thorough report on that very issue and we're awaiting a response from the government.

As I said earlier, we would put visitor facilitation like visas and air access under the access bucket. So again going back to marketing, access, and product, those are the three pillars that we require. And this has really been a ten-year phenomenon. To the heart of your question, you can say this began with 9/11, but there's been a series of issues that flowed past 9/11 whether its SARS or the economic downturn, all of those things are turning around. That's number one.

Number two, just to give you a global perspective and if you'll imagine it this way, 10 or 15 years ago there were places on the planet that either couldn't afford to travel or weren't allowed to travel. So there's a huge demographic that is eagerly travelling the world right now which is why internationally, I think as Mr. Klassen or I said earlier, this is the fourth fastest growing sector on the planet right now. So there's ample opportunity. If we get the marketing, access, and product pieces all aligned, we're actually an extremely competitive destination.

Ms. Irene Mathysen: So it's happening and we'd better be ready for it. Okay.

The Chair: Thank you very much.

We'll move to Ms. Jones for seven minutes.

Ms. Yvonne Jones: This is very interesting.

I'm a little bit alarmed when you say that Canadians make up 80% of the market right now and only 20% is international. I think that there's a lot of success for us, as a country, when we can really expose and attract people internationally to what we're doing.

There have been some suggestions that maybe a public-private international marketing campaign would be set up to kind of increase the tourism visibility of a lot of festivals in Canada and basically, looked at in a way to attract more international tourists and more interest. As you say, Mark, it would boost the economic prospects of the work that you're doing.

I'm just wondering what your views would be on that particular initiative and how you could see it working or not working to benefit the work that you do.

Mr. David Goldstein: There's a specific initiative that FAME is working on that we're supportive of, which I'll let Mark speak to.

The first answer to the question, Ms. Jones, is that a lot of that cooperative work is already happening through the Canadian Tourism Commission. We have a proposal with the Canadian Tourism Commission in front of the government right now, which we're calling Connecting America, which will look specifically at the U.S. market. We're proposing a \$35 million a year co-investment for the next three years with the federal government and the private sector to drive or to re-ignite, if you will, that U.S. market. We would see festival programming, particularly music festivals and sporting events, as a key driver for that visitation.

That proposal is in with Minister Bernier right now and we're obviously having discussions across government and would love your support.

Ms. Yvonne Jones: Thank you.

Mr. Mark Monahan: My comment is just that we're very supportive of the Canadian Tourism Commission and giving them the ammunition they need to attract more people to Canada. We see that, as the destination music events, we have to put out the product. We are not specialists in marketing: we're specialists in creating the best product that will draw the most people to our event. That's where our focus is and that's where we hope to gain support.

•(1240)

Ms. Yvonne Jones: Thank you.

Mr. Klassen, would you like to speak to this?

Mr. Greg Klassen: Sure. Thank you very much.

You're quite right. One of the points that we want to make is that we are always a public-private partnership. We work fully in collaboration with other levels of government as well as with the private sector to co-invest our dollars in 12 countries around the world.

We do believe that the time and the conditions have changed in the United States to support a much more significant push into that market than we may have found in a post-SARS era. We do still see the thickening of the border. The Canadian currency drop is going to help a bit and we see a lot more air travellers coming in from the United States to Canada. So we think there's a huge opportunity.

We also have stats that say 60% of Americans are interested in travelling to visit a music festival and almost 20% of Americans are saying that it would be the main reason for travel.

We have these iconic music festivals going on in Canada, and some not-so or soon-to-be iconic festivals going on in Canada, that can be discovered by international travellers. Again, Americans or people from around the world discovering a great Canadian act is possibly the best way to distribute the notoriety of that particular act to other markets around the world, especially with that huge engine called social media to help support that.

Ms. Yvonne Jones: Thank you.

Do I have time for one more?

The Chair: You have about two minutes and thirty seconds.

Ms. Yvonne Jones: One of the other things I'm wondering about, and maybe others already know this... We talked about the ability of artists to be able to earn money and so on and how record labels have become promotional campaigns for them in many ways.

In terms of the events that you do, is there a percentage of the revenues from ticket sales that would actually go to record labels or to artists or producers, creators, any of those people who are involved? If so, how are those percentages negotiated or agreed upon? Could you tell me a little bit about that?

Mr. Mark Monahan: Basically, with an event like ours, we would spend roughly 50% of the total revenue on artists' fees. That would go to several hundred artists or different groups. Honestly, what happens with the top level groups is that there's really a negotiation with their agents or managers, so if we're negotiating to bring in Lady Gaga, as we are this year, that is a negotiation that's not easy, but in the end concludes.

Then there's another level of artists—most of the artists actually—where it's not really much of a negotiation. It's a budget that we set to support those artists, and we bring in artists that we think will interest, will create excitement. Then there's a third level of artists that is strictly about Canadian and local artists, who are not really there because we think they're going to sell tickets. They're there because we think they're important artists to present and who will have a huge impact on a live audience. As you said, the recording industry now are cheerleaders; they're not driving the industry any more. We're not looking at record sales, because no one has any record sales. What we're looking at is what their live performances are like, whether they are exciting to the people who will come to the event, because we're promoting live music.

Ms. Yvonne Jones: Did you want to add anything? Would you like to add anything, Mr. Klassen?

Mr. Greg Klassen: I'm fully in agreement with that comment. It is the excitement that is the fuel that helps us sell tickets, both within Canada and internationally.

Ms. Yvonne Jones: Thank you, Mr. Chair.

The Chair: Thank you very much.

Mr. Falk, seven minutes.

Mr. Ted Falk (Provencher, CPC): Thank you, Mr. Chair, and thank you, panellists, for joining us today.

I'm always trying to follow the money in everything, and it seems as though there's money in the industry. It seems as though some parts of the industry are doing quite well and others are suffering. We're consistently hearing that the artists and the musicians and the

songwriters are not receiving the funding they should, or the financial recognition for the work they're doing.

Mr. Monahan, you made some interesting comments at the beginning of your presentation, that we've never seen such an increase in music as we have today, and there are still about the same number of musicians making a living at it and their revenues are actually fairly consistent.

Can you expand a little more on that? What do you see and what do you base that on?

● (1245)

Mr. Mark Monahan: Again, I base it on my conversations with recording industry executives. Generally, being in the industry for about 30 years now, I find that people lamented the fact that artists weren't making money 20 years ago, because most artists never made money. The record labels, when they gave an artist, for instance, a \$0.5 million recording contract, the artist ended up in some cases with zero, because all the money went to marketing, the creation, the production, and so on.

Really, back then they said, "We're going to create this record but really the record will only gain you notoriety to go out and play live music and get money there." Well, that hasn't changed. It's still the same. The artist is still not making any money. They're making money from their live performance.

I think that's really my point here. The proliferation of music is not really about the money the artists are making. It's about their desire to make music. And the proliferation of people listening to music is not about having to pay for it, it's about their interest in wanting to listen to music. So it's not really being driven by funding or money.

Mr. Ted Falk: That's an interesting concept.

I would like the other panellists to maybe expand a little bit on exactly how they view their organizations, promoting, incenting musicians and artists through the work they do. This is to both Mr. Klassen and Mr. Goldstein.

Mr. David Goldstein: Well, Mr. Klassen's organization takes the promotional role, so I'll yield to him on that.

Our job is really to create the public-private partnerships to make Canada a more competitive destination. To go to Mr. Klassen's earlier point, most of these are not-for-profit festival organizations, and all of these are partnerships with the private sector, which generate partnership multiples. So every dollar that's invested, whether it's public or private, ends up being part of the multiple mix. If you can imagine the layers of a club sandwich, the more meat there is, or the more participation there is by investors, that begets increased investment.

Mr. Greg Klassen: Great. Thank you, I'll add a little to that.

First of all, we operate, as I said, in about 12 different countries around the world. We do trade events, marketing, and PR events in all of those countries. and we frequently bring Canadian artists with us to both entertain and be part of those particular events. Because, again, that three sides of a triangle between the people we have in Canada and the geography we have in Canada, is really rounded out nicely when we talk about the culture of Canada and that's where we need a little extra oomph.

As we pointed out, fame is really the top 15. These are the ones who are best known and these are the ones who have the best international potential, and we use those 15 festivals and events to create a sense of urgency to come to Canada. It not only brings people here for the first time to discover these events themselves and Canadian artists, but it gives us a chance to have them come back year after year, especially those coming in from the U.S. So we leverage that opportunity for us to help, again, bring international travellers here and focus on them.

The third one is we've actually brought in an artist, created and commissioned pieces for music or something close to music, like spoken word poetry that has music elements to it. We brought in Shane Koyczan. We created an epic ode to Canada that ended up on the Olympic stage and many places since. So we've had an opportunity to take Shane and expose him to billions of people around the world to some great success as well. We'd love to do more Shanes if we can find them and keep rolling with that.

Mr. Ted Falk: Okay. We sure appreciate the work that you're doing on that aspect.

You talked a little about economic development and there's a piece missing there. Describe a little to me about what that looks like in your eyes.

• (1250)

Mr. Mark Monahan: In terms of the festivals you mean?

Mr. Ted Falk: Just that we don't have an economic development focus I think is the comment and there's a gap.

Mr. Mark Monahan: Right.

Going back many years, Canadian Heritage has provided funding through different programs, much of it focused on the proliferation of music, the support of the artists, and so on. But it really has not had a focus on the events side and how the events, using music, can promote economic development.

My key point here is that we had that focus briefly for two years with the marquee tourism events program, which promoted and created some very important initiatives. However, we were not able to sustain them, because for many of those initiatives, we didn't have a chance to garner enough corporate sponsorship and other sources of earned revenue to support them on an ongoing basis. It was too short-lived. It was an economic development program that came and went. That's really what I'm suggesting here, because if there is going to be a program looked at in the future, there has to be some sustainability and investment made over a period of time, because, as with any business, you cannot have a one-year or a two-year investment and hope that it's then just going to live on at that same level.

Mr. Ted Falk: How am I doing, Mr. Chair?

The Chair: You have some time left.

Mr. Ted Falk: I'm still not quite following what you mean by an investment in economic development. Can you expand on that a little more. Are you talking of venue, about performance in the actual venue?

Mr. Mark Monahan: The beauty of most destination music events like our event or the Montreal jazz festival is that we don't have infrastructure. We're not talking about building a light rail. We're talking about building ideas and events that pop up. So the investment required is not the same as when you talk about a \$1 billion infrastructure program. An investment of \$1 million or \$2 million or \$3 million for an event can lead to the creation of a new series. We did free outdoor programming for 10 days in the market in Ottawa as part of the marquee tourism events program. These initiatives cost, in some cases, \$1 million or \$2 million, but created many million dollars in economic benefits.

Really, by using these not-for-profits you can get the greatest benefit, because we have the ability to turn these funds into something immediately. We're not talking about trying to build infrastructure coming online years from now. We can create something in the next 12 months that would have an immediate impact.

Mr. Ted Falk: Thank you, Mr. Chair.

The Chair: Thank you very much.

We're going to move to Monsieur Nantel.

[Translation]

You have five minutes.

Mr. Pierre Nantel: Thank you, Mr. Chair.

[English]

I will invite everyone to wear their translation devices. Especially, I know, Mr. Klassen, if I speak French, will you get some translation?

[Translation]

Mr. Greg Klassen: Yes, I understand. Thank you.

Mr. Pierre Nantel: Thank you.

[English]

You spoke about FAME and the important role it plays in attracting broad audiences to big events, bringing performances live to communities, and also giving smaller talents the opportunity to be discovered and to be put in the spotlight.

[Translation]

Last week, I attended an event organized by the Montreal Council on Foreign Relations, MCFR, where a panel was held titled "The Future of Montreal's Festivals: Renewal and International Impact". So we are on the right topic.

I was the only federal MP at the event. I was approached by the spokesperson for the Major International Events Network, MIEN, which is the Quebec counterpart of FAME. The spokesperson told me that, according to the cumulative sales of the MIEN members, the funding had dropped from 22% to 18%—a decrease attributable to the end of the Marquee Tourism Events Program. In 2010, the federal contribution accounted for 12.4%; today, that contribution is only 4.4%.

Do you see an inconsistency between the emphasis on your events and that withdrawal of federal funding?

Mr. Klassen, Mr. Goldstein and Mr. Monahan, you are all affected by this.

Mr. David Goldstein: I will get first.

Mr. Greg Klassen: Go ahead.

• (1255)

Mr. David Goldstein: This is a matter of balance.

I will begin with an important fact. According to the surveys, Canada is among the most popular destinations for foreign travellers. Festivals are one of the reasons those people decide to come to Canada. We all agree that this is made possible through the investments by the federal government, the provinces and the private sector.

When the Marquee Tourism Events Program ended, the funding was reduced. As Mr. Monahan said, we hope a similar program will be launched. It's important for a program of this type to be part of a comprehensive tourism strategy. The Marquee Tourism Events Program was one of the initiatives under the

[English]

stimulus program.

[Translation]

A federal tourism strategy now exists. We want to have a similar program not only for major festivals, but also for all festivals across Canada.

Mr. Pierre Nantel: Thank you, Mr. Goldstein.

Mr. Klassen, do you hope the government will move faster when it comes to this?

[English]

Mr. Greg Klassen: I will respond in English.

This is part of what Mr. Goldstein is referring to in terms of product. We know that festivals are a significant portion of the products that we sell. We try to highlight those products across the country, whether they're festivals and events or different kinds of experiences that international travellers can have. We try to highlight the best.

We've packaged them into something called the Signature Experiences Collection, and there are a number of festivals that fit within that collection itself. Then we market that internationally. We don't have the kinds of budgets required to market those particular festivals directly, but we do try to draw attention to Canada as a significant festivals and events style of destination so that we can build up our cultural piece of that triangle I referred to.

So it's extremely important to have the investment dollars to do that, to work in full partnership with the festivals industry as we're doing with FAME. That's very important and a key linchpin to helping us all succeed.

Mr. Pierre Nantel: That's right.

The Chair: Thank you very much, Monsieur Nantel.

[Translation]

Your time is up.

[English]

I'd like to thank our witnesses for being here today. Thank you for your contribution to our study. It's going to help us. Tourism is a significant portion of that. If you have any further contributions, please send them to us in writing.

On that note, the meeting is adjourned.

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