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Cultural Industries Cluster Evaluation

Canada Music Fund and Canada Book Fund for the period
from 2007-08 to 2011-12

July 2014



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List of acronyms

BPIDP- Book Publishing Industry Development Program

CA- Creators' Assistance

CBF- Canada Book Fund

CCA- Canada Council for the Arts

CI- Collective Initiatives

CMD- Canadian Musical Diversity

CMF- Canada Music Fund

CMM- Canadian Music Memories

EMAP- Export Marketing Assistance Program

FRMAP- Foreign Rights Marketing Assistance Program

FTE- Full-time equivalent

IMA- International Marketing Assistance

LAC- Library and Archives Canada

LCB- Livres Canada Books

ME- Music Entrepreneur

NMW- New Musical Works

SFO- Support for Organizations

SFP- Support for Publishers

SSA- Support to Sector Associations

TB- Treasury Board

Summary

Program descriptions

The Canada Music Fund (CMF) was launched in 2001 as part of a suite of arts and culture programs, replacing the Sound Recording Development Program introduced in 1986. The CMF is the principal mechanism for achieving the goals of the Canadian Sound Recording Policy, *From Creators to Audience*, which are to enhance Canadians' access to a diverse range of Canadian music choices, to increase the opportunities available for Canadian music artists and entrepreneurs, and to ensure that Canadian music artists and entrepreneurs have the skills, know-how and tools to succeed in a global and digital environment. The CMF seeks to achieve its objectives by providing grants and contributions to the Canadian music sector to support the creation and dissemination of Canadian music and enhance the industry's capacity and ability to compete and excel in domestic and international markets. During the current evaluation period, the CMF was composed of the following seven complementary funding components: Creators' Assistance (CA), Canadian Musical Diversity (CMD), New Musical Works (NMW), Music Entrepreneur (ME), Support to Sector Associations (SSA), Collective Initiatives (CI) and Canadian Music Memories (CMM). However, the Canadian Musical Diversity component was eliminated upon renewal of the program on April 1, 2010, while the budget of the Support to Sector Associations component was amalgamated into the Collective Initiatives, Creators' Assistance and Music Entrepreneur components. For the period from 2007-08 to 2011-12, CMF budgeted resources totaled an average of \$27.6 million per year.

The Canada Book Fund (CBF) has served as the Government's main support mechanism for Canadian books for over thirty years. The principal objective of CBF is to ensure access to a diverse range of Canadian-authored books in Canada and abroad. The program seeks to achieve this objective by fostering a viable Canadian book industry that publishes and markets Canadian-authored books. The program has two main components: Support for Publishers (SFP) and Support for Organizations (SFO). SFP helps to ensure the sustainable production and marketing of Canadian-authored books by offsetting the high costs of publishing in Canada and building the competitiveness of the sector in a global market. SFO helps to develop the Canadian book industry and the market for its products by assisting industry associations and related organizations in undertaking collective projects offering a broad benefit to readers everywhere. CBF is managed and delivered by the Cultural Industries Branch at Canadian Heritage (PCH) headquarters. A relatively small portion of the support provided through SFO is administered on behalf of PCH by Livres Canada Books (LCB), formerly the Association for the Export of Canadian Books, a non-profit organization with an established capacity to deliver support to ultimate recipients for foreign rights marketing activities. This third-party arrangement is set out through a contribution agreement between PCH and LCB. From 2007-08 to 2009-10, annual resources allocated to the CBF had initially been set at \$41.1 million. However, following a broad Government of Canada strategic review exercise in 2007, a budget reduction of \$1 million in grants and contributions was made starting in fiscal

year 2008-09. For the period from 2007-08 to 2011-12, budgeted resources directly tied to the CBF totaled an average of \$39.1 million per year.

Purpose of the evaluation and methodological approach

Context and purpose

The evaluation of the Canada Book Fund (CBF) and the Canada Music Fund (CMF) covers the period from April 1, 2007, to March 31, 2012. The evaluation also took into account all available information related to the period beyond this time frame in order to provide the most up-to-date snapshot of the situation possible. The evaluation was conducted between May 2012 and December 2013 by the Evaluation Services Directorate (ESD) of the Office of the Chief Audit and Evaluation Executive at PCH. All of the work was carried out by the ESD, with the exception of the collection and analysis of data regarding efficiency and economy, which were done by a consultant.

The cluster evaluation strategy was developed in collaboration with the programs. This strategy is based on a calibrated approach to the extent that:

- The evaluation strategy is common to both programs.
- The use of administrative data collected by the two programs as well as the secondary data available was emphasized.
- The document review and literature review were conducted internally and covered both programs simultaneously.
- The number of interviews and the number of interview questions were defined.
- The work done by outside firms covered both programs simultaneously.

The key evaluation questions echo the common expected outcomes of the two programs. The following expected outcomes were identified for both programs:

- Support for the creation of a diversity of Canadian books and music by Canadian artists
- Support for the consumption of a diversity of books and music in Canada and abroad
- Support for the viability of Canada's music and book publishing industries

The purpose of the evaluation is to examine the following:

- The relevance of programs, in particular with regard to the extent to which (i) they continue to meet a demonstrable need and respond to Canadians' needs; (ii) their objectives are in line with federal government priorities and departmental strategic outcomes; (iii) they are in keeping with the federal government's roles and responsibilities in terms of their implementation.
- The performance of programs (effectiveness, efficiency and economy).

Methodological approach

The evaluation used the following lines of investigation:

- Literature review
- Document review

- Review of project files, databases and other information systems
- Key informant interviews
- Value-for-money analysis

Some limitations were identified in the conduct of the evaluation.

- The lack of national longitudinal data concerning all forms of distribution and dissemination of digital products by the book industries reduced the capacity to provide a complete picture of the industry's evolution during the period covered by the evaluation.
- The lack of data related to certain performance indicators limited the capacity to fully assess the degree to which some of the programs' expected results were achieved.
 - With regard to the CBF, the lack of data concerning the sale of books by recipients under the Support for Publishers component by region and type of publication limited the capacity to fully evaluate diversity in the consumption of books published by program recipients.
 - With regard to the CMF, challenges reporting on the achievement of the program's expected results linked to the creation of a diverse range of Canadian music choices, accessibility for consumption and the financial viability of recipients in the NMW and former CMD components limited the ability to fully evaluate the achievement of the CMF's expected results. Certain data on the language of expression of the music produced and on album sales and operating profit margins of the recipients of these two components could not be provided because the program's current performance measurement strategy does not require it to collect this sort of information. Although the expected results set out in the terms and conditions of the CMF program apply to the program overall, the indicators contained in the program's current performance measurement strategy state that the three expected results mentioned earlier are to be measured based on the performance of recipients in the ME component, which supports the largest sound recording firms. Consequently, partial information about the language of artistic expression and the absence of data on album sales and operating profit margins for recipients supported by the NMW component and the former CMD component limited the ability to fully evaluate the achievement of the CMF's expected results.
- In particular, the purpose of the evaluation was to evaluate the effectiveness of the support provided to CBF and CMF recipients for the promotion and marketing of books by Canadian authors and albums by Canadian artists. In accordance with both programs' performance measurement strategy, data was gathered by the programs on the funding provided for the promotion and marketing of books and music in order to identify the outputs: the number and type of promotion and marketing projects funded. Evaluating the effectiveness of activities intended to promote and market a product or service generally requires the collection of data related to the impact of these activities on the volume of sales of the product or service in question. However, in addition to the CBF and the CMF, recipients had access to various sources of funding to carry out their promotion and marketing

activities, and other internal and external factors come into play when looking at the success of a book or music album. Evaluating the effectiveness of the support provided to program recipients for promotion and marketing is therefore a challenge when it comes time to establish causality between the funding allocated by the programs and the results obtained in terms of sales. In addition, it is difficult for the recipients, most of which are small- or medium-sized enterprises (SMEs) with limited resources, to conduct the necessary studies to accurately determine the direct and exclusive impact of the funding allocated by the CBF or the CMF for marketing and promotion on the sales of books and music albums. Measurements designed to calculate the sales and market shares of albums by Canadian artists and books by Canadian authors were used to determine, indirectly, the scope of the investment under the programs when it comes to promotion and marketing.

Evaluation findings

Relevance

The relevance of the CBF and the CMF has been clearly demonstrated in the evaluation. Both programs ensure access to a diverse range of Canadian cultural content in Canada and abroad. This access allows for the development and assertion of Canadian culture, participation in Canada's economic development and its expansion abroad. Moreover, the government has repeatedly underscored the importance of creativity and cultural innovation for Canada's economic future and has expressed its support for cultural industries. The federal government fully assumes its roles and responsibilities by contributing to the promotion and expansion of Canadian cultural industries, involving a variety of artists with different backgrounds and a variety of Canadian works in these industries. Similarly, the Government of Canada's contribution to cultural industries enables it to fulfill its responsibilities with regard to the promotion of both official languages while supporting access to cultural content for official language minority communities across Canada.

Performance – Effectiveness

Despite the limitations of the evaluation, the CMF and the CBF have achieved their expected results overall. The programs contribute to the creation and consumption of a diversity of books by Canadian authors and musical works by Canadian artists as well as to the viability of Canada's music and book publishing industries. The level of resources necessary to implement the CMF and CBF is deemed reasonable.

Creation of a diverse range of Canadian music choices and books by Canadian authors

Canadian small and medium enterprises (SMEs) operating within Canada's music industry play a critical role in developing Canadian talent. Overall, Canadian SMEs contribute to the release of 87% of new recordings by Canadian artists and account for 79% of Canadian artists' recording sales. The CMF contributed to the creation of new albums presenting a diverse range of Canadian music choices through investments in

Canadian musical creators and entrepreneurs and support for marketing and opportunities to showcase musical creations. During the period evaluated, 2,687 new albums, covering a variety of languages, regions and musical genres, were created with support from the CMF.

Canadian-authored books are published primarily by Canadian SMEs operating within Canada's publishing industry. Overall, Canadian SMEs contribute to the publication of 77% of new titles by Canadian authors. The CBF contributed to the creation of a diverse range of Canadian-authored books, including adult and children's fiction as well as textbooks. During the evaluation period, the number of new Canadian titles created annually with the support of the CBF increased by 14.6 %, totalling over 30 000 new literary works in all genres, both in English and French.

Accessibility for consumption of a diverse range of Canadian music choices and Canadian-authored books, in Canada and abroad

The CMF contributed to making accessible for consumption a diverse range of Canadian music choices in Canada and abroad. The total sales of albums eligible for program funding produced by recipients under the Music Entrepreneur component of the CMF was close to 10.5M units during the evaluation period. Structural transformations, including the change of medium (physical to digital), certainly had a negative impact on the sales of physical albums in Canada, but the downturn in the number of albums sold in Canada that was experienced by CMF recipients was nonetheless two times less (-8.3%) compared to the decrease in the number of albums sold in Canada for the Canadian industry as whole (-19.75%), and there was actually a 9.4% increase in the number of albums sold abroad.

The CBF contributed to making available for consumption a diverse range of Canadian-authored books. During the period evaluated, the sales of Canadian titles produced by CBF-funded publishers remained relatively stable, with an annual average of \$433.6 million and a total of \$2.2 billion over the period evaluated. The export sales of Canadian-authored books represented 22% of sales by CBF-funded publishers, or approximately twice the average recorded by Canadian publishers as a whole.

Viability of the Canadian music and book publishing industries

The current conditions of the music industry, the technological changes affecting it, and the changes observed in sound recording production methods and artist promotion have made sound recording firms vulnerable. This was seen, among other areas, in the substantial drop in revenue and in the repeated operating deficits for a majority of CMF-recipient sound recording firms. The situation for the music publishing industry is different. Recipients' revenues doubled during the period reviewed, but there were low median annual operating profits and low average annual operating profits, again underscoring the effect of structural changes within the industry. In either case, the future of recipients of these components of the music industry is difficult to foresee. This

situation requires the CMF to monitor the evolution of the music industry very closely to ensure that the program's directions remain relevant.

The funding provided through the CBF contributed to the viability of a diverse range of small and medium-sized enterprises working in the book publishing field, providing annual support to approximately 233 of the 293 Canadian publishers responsible for 95% of sales in Canada's book publishing industry, thus helping to provide Canadians with a variety of Canadian-authored works from all over the country. The operating profit margin of CBF-funded publishers remained at approximately 4% over the evaluation period, while the operating profit margin of Canada's book publishing industry was approximately 11% during the same period. The financial situation of program recipients remains fragile, hence the importance and relevance of the role played by the CBF in maintaining the diversity of Canadian firms operating in the country's book publishing industry.

Performance – Efficiency and economy

The level of resources necessary to implement the CMF and CBF is deemed reasonable. During the period evaluated, the CBF was successful at containing salary costs while the CMF managed to reduce its salary expenses by 8%. Both programs also significantly reduced their operating and maintenance expenses.

Recommendations

Based on the findings of the evaluation, the following measures are recommended. Management's response to these recommendations can be found at the end of this report.

Canada Music Fund

The evaluation looked at the progress made in achieving the expected results of the CMF as stated in its terms and conditions. Despite the limitations of the evaluation, the CMF has achieved its expected results overall. However, challenges reporting on the achievement of expected program results linked to the creation of a diverse range of Canadian music choices, accessibility for consumption and the financial viability of recipients in the NMW and former CMD components limited the ability to fully evaluate the achievement of the CMF's expected results. Certain data on the language of expression of music produced and on album sales and operating profit margins of the recipients of these two components could not be provided because the program's current performance measurement strategy does not require it to collect this sort of information. Although the expected results set out in the terms and conditions of the CMF program apply to the program overall, the indicators contained in the program's current performance measurement strategy state that the three expected results mentioned earlier are to be measured based on the performance of recipients in the ME component only, which supports the largest sound recording firms. Consequently, partial information on the language of artistic expression and the absence of data on album sales and operating profit margins for the recipients supported by the NMW component and the former CMD component limited the ability to fully evaluate the achievement of the CMF's expected results over the period evaluated. In addition, the performance measurement framework of the Canada Music Fund as presented in the PCH Program Alignment

Architecture (PAA) was reviewed in 2012-13. Specifically, the expected result related to the viability of the portion of the Canadian music industry funded by the CMF no longer appears in the PCH 2014-15 PAA approved by Treasury Board.

Recommendation 1: To enable the CMF to gather the information it needs to demonstrate the level of achievement of expected results on an annual and five-year basis, it is recommended that the program review its performance measurement strategy so that it also gathers information from:

- All ME component recipients on:
 - the language of artistic expression of each album produced with program support
- All NMW component recipients on:
 - the language of artistic expression of each album produced with program support
 - sales (in dollars and in units) of musical works produced with program support

Canada Book Fund

The era of digitization has brought major changes to the way citizens all over the world consume cultural goods, and the book industry is no exception to this marked trend. The increasing popularity of tablets and e-readers in recent years has led to a growing demand for digital books. Although the proportion of recipients producing publications in digital format more than doubled during the period evaluated, reaching 53%, the proportion of digital book sales by recipients was 1.8%,¹ while the industry average in Canada was around 10%. According to most of the key informants interviewed, one of the main challenges publishers face is the increasingly prevalent practice of marketing books online using methods such as social media, blogs and publisher or author websites. The production of books in digital format and the marketing of these works in an extremely competitive, constantly changing environment represent a formidable challenge for CBF recipients who, in return, need to adapt their knowledge and obtain specific expertise in digital technologies in order to contend with an industry in transition. Well-capitalized multinational companies that made significant investments in the development, promotion and marketing of digital products captured one third of the book market in Canada, including the digital book market. It should be noted, however, that the gap in the proportion of digital book sales in Canada and sales by CBF recipients is not in itself an anomaly but is representative of an ongoing challenge that is central to the activities of businesses in Canada's book publishing industry.

The CBF provides annual support to Canadian publishers for the production, promotion and marketing of Canadian-authored books in print and digital format in Canada and abroad. The support provided covers a wide range of eligible activities related to the production, marketing and distribution of Canadian-authored books. The funding provided to publishers is structured in such a way that the publishers are free to decide how they will use the amounts received, on the condition that it is used for expenses deemed eligible under the terms and conditions of the program. Recipients may therefore earmark all of the funding they receive from the CBF for the marketing of books by

Canadian authors, if they wish to do so. The decision to use their resources for marketing, production or other priority activities is left to the discretion of the recipients. The CBF also provides financial support to publishers that wish to offer internships in technology that emphasize the acquisition and use of skills related to adopting innovative technology strategies for production, marketing and information management.

Lastly, the CBF supports organizations and associations of the Canadian book industry in marketing and promoting Canadian-authored books. The funding provided aims to support collective marketing projects that increase the number of opportunities for professional organizations and associations to be able to market and promote books by Canadian authors.

The digitization of books nevertheless represents a major challenge for CBF recipients, primarily SMEs, in terms of the following:

- Reducing the gap in digital sales observed between CBF recipients and multinational companies.
- Marketing and promoting digital books, giving visibility in an extremely competitive and perpetually changing virtual environment.

Recommendation 2: To ensure that the Canada Book Fund continues to fulfil its role as a major lever in a competitive Canadian publishing industry in transition and to enable Canadian publishers to continue to provide readers in Canada and abroad with access to a diverse range of Canadian-authored books, it is recommended that the program give CBF recipients support that further encourages the production, marketing and sale of digital books based on the growth and changes observed in the market regarding digital content.

1. Introduction and context

This report presents the results of the Canada Book Fund (CBF) and the Canada Music Fund (CMF) cluster evaluation for the period from 2007-08 to 2011-12. The following sections describe the programs as well as the evaluation context, objectives and constraints.

1.1 Canada Music Fund profile

1.1.1 *Background*

The Canada Music Fund (CMF) was launched in 2001 as part of a suite of arts and culture programs, replacing the Sound Recording Development Program introduced in 1986. The CMF is the federal government's main support program for Canadian music and supports the activities of music creators, artists and entrepreneurs to ensure Canadians' access to a diverse range of Canadian music. The program supports activities such as the creation, production, distribution and promotion of sound recordings, domestic and international touring and showcasing, digital market development, professional development, workshops, conferences and award shows, and the archiving and preservation of Canadian music. The CMF was last renewed in 2009 for the five-year period from 2010-11 to 2014-15, at which time its structure was changed through streamlining of its components.

During the current evaluation period, the number of CMF components went from seven—Creators' Assistance, Canadian Musical Diversity, New Musical Works, Collective Initiatives, Music Entrepreneur, Support to Sector Associations and Canadian Music Memories—to four. As of April 2010, funding for the Canadian Musical Diversity component of the CMF has been eliminated and reallocated to the Collective Initiatives component. The budget of the Support to Sector Associations component was amalgamated with the Collective Initiatives and Creators' Assistance components and with the new subcomponent of the Music Entrepreneur component, Aid to National Service Organizations. The Creator's Assistance component was eliminated as of April 2013.

The Department is responsible for the overall management of the Fund and the administration of the Music Entrepreneur component. It provides policy advice and remains accountable for all program design, results, oversight and interface with third-party administrators as well as PCH functions responsible for research, audits and evaluations. Four components are administered by third-party administrators: FACTOR, MUSICACTION and the SOCAN Foundation through contribution agreements, and Library and Archives Canada through a memorandum of understanding. The third parties are responsible for operations and delivery, including setting specific program eligibility criteria, marketing the opportunity to potential recipients, and approving applications and disbursing funds. They are overseen by the program.

1.1.2 Program objectives

The CMF is the principal mechanism for achieving the goals of the Canadian Sound Recording Policy, “From Creators to Audience,” the objectives of which (see Appendix 1 for the program’s logic model) are to:

- Enhance Canadians’ access to a diverse range of Canadian music choices.
- Increase the opportunities available for Canadian music artists and entrepreneurs.
- Ensure that Canadian music artists and entrepreneurs have the skills, know-how and tools to succeed in a global and digital environment.

The CMF seeks to achieve its objectives by providing grants and contributions to the Canadian music sector to support the creation and dissemination of Canadian music and enhance the industry’s capacity and ability to compete and excel in domestic and international markets.

1.1.3 Program changes since the last evaluation

During the period from 2007-08 to 2009-10, the CMF, defined as a single program, consisted of seven components: Creators’ Assistance (CA), Canadian Musical Diversity (CMD), New Musical Works (NMW), Music Entrepreneur (ME), Support to Sector Associations (SSA), Collective Initiatives (CI) and Canadian Music Memories (CMM).

The 2007 evaluation concluded that “the CMF is relevant, that it contributes in a meaningful way to improving Canadians’ access to a wide variety of Canadian music and that it has a flexible structure to respond to important changes facing the music industry.” The evaluation presented five recommendations which were all accepted by the program’s management and subsequently implemented. Among those recommendations, the evaluation recommended that the CMF be redesigned, that the performance measurement framework be enhanced, and that the administrative workload and cost be reduced.

When the program was last renewed in 2009, its structure was streamlined from seven to five components. Integrating the SSA into other components allowed for increased efficiency while reducing the administrative burden for applicants. The CMD was eliminated to address an overlap in program delivery, and its resources were reallocated to the CI to increase the visibility of Canadian artists in international markets and on digital platforms. In addition, an authority to issue grants was approved. This enabled the program to use grants in lieu of contributions in low-risk situations to reduce the administrative burden for applicants and to improve the efficiency of program delivery.²

1.1.4 Governance and resources

The Director General, Cultural Industries Branch, of the Cultural Affairs Sector at PCH is responsible for the CMF program. Accountability lies with the Assistant Deputy Minister, Cultural Affairs.

The program was renewed in 2009. The CMF obtained \$27.6 million in annual funding for the period from 2010-11 to 2014-15. Of this amount, \$17.5 million is funded from PCH existing reference levels. An additional \$250,000 per year was added from the

existing reference levels of Canada Council for the Arts, and \$9.85 million per year in new funding was approved. This new funding amount includes \$360,000 for Library and Archives Canada. For the period from 2007-08 to 2011-12, CMF-budgeted resources averaged \$27.6 million per year. The CMF program had an average of 13.2 full-time equivalent employees (FTEs) during the period covered by the evaluation.

Table 1: Canada Music Fund – Annual budget forecast

	2007-08	2008-09	2009-10	2010-11	2011-12
<i>Operating expenditures</i>					
Employee salaries	1,124,151	982,915	1,073,096	1,292,476	1,054,404
Employee benefits	224,830	196,583	214,619	258,495	210,881
Operating and maintenance (O & M)	693,566	526,525	499,376	191,687	143,539
Subtotal	2,042,547	1,706,023	1,787,091	1,742,658	1,408,824
<i>Grants and contributions</i>					
Grants	0	0	0	0	0
Contributions	25,108,496	25,150,348	25,968,496	26,124,003	26,293,443
Subtotal	25,108,496	25,150,348	25,968,496	26,124,003	26,293,443
Total resources	27,151,043	27,709,371	27,755,587	27,866,661	27,702,267

The CMF budget is divided among the program components. The New Musical Works and Music Entrepreneur components mainly support activities related to the production and marketing of sound recordings; they account for 73.7% of the planned budget between

2007-08 and 2011-12. The Aid to National Service Organisations subcomponent of the Music Entrepreneur component and the Collective Initiatives component support the creation of opportunities for Canadian music artists, creators and entrepreneurs to increase their visibility at home and abroad; it accounts for 13.9% of the planned budget between 2007-08 and 2011-12.

1.1.5 Recipients of program funding

The CMF targets different recipients, such as Canadian record labels, Canadian music publishers, Canadian artists' managers, Canadian artists, and professional associations. A detailed description of CMF funding components, third-party administrators and primary recipients is provided in Table 2 of Appendix 7.

1.2 Canada Book Fund profile

1.2.1 Background

The Canada Book Fund (CBF) was launched in 1979 as the Canadian Book Publishing Development Program (CBPDP) to support the creation and dissemination of Canadian books through industry support in order to encourage growth and improve financial viability in Canada's domestic book publishing industry. The program has served as the government's main support mechanism for Canadian books for over thirty years. This funding is designed to help publishers offset the high costs of creating and marketing books in Canada, in order to ensure that Canadian and international readers have access to a broad range of Canadian content. Its name has changed several times, but the

program's objective to ensure access to a diverse range of Canadian-authored books in Canada and abroad remains intact. The program was renamed the Book Publishing Industry Development Program (BPIDP) in 1986 and, in 2010, became the CBF. This most recent change reflects the shift in its role from supporting a developing industry to reinforcing an established industry that brings Canadian books to readers everywhere. Following an evaluation in 2008, the program was renewed in 2009 for the period from 2010-11 to 2014-15 with changes to its structure, streamlining its components from four to two (Support for Publishers and Support for organizations) to reduce the administrative burden and to improve client service.

The Support for Publishers (SFP) component helps to ensure the sustainable production and marketing of Canadian-authored books by offsetting the high costs of publishing in Canada and building the competitiveness of the sector in a global market. The bulk of SFP support is distributed through a sales-based funding formula that rewards publishers' success in delivering content to consumers. This formula-based funding for publishers continues to be the main funding mechanism for the CBF. Eligible recipients of the SFP are Canadian-owned and Canadian-controlled book publishers that have their headquarters and a majority of their employees in Canada. The SFP combines the formula-based support that was previously delivered under the BPIDP's Aid to Publishers and International Marketing Assistance components with the targeted, project-based support for publishers supported by with the former Collective Initiatives and Supply Chain Initiative components.

The Support for Organizations (SFO) component helps to develop the Canadian book industry and the market for its products by assisting industry associations and related organizations in undertaking collective projects that offer a broad benefit to readers everywhere. Eligible recipients of the SFO are Canadian-owned and Canadian-controlled organizations, professional organizations, and other groups representing or related to the Canadian book industry, including teaching institutions with a specialization related to the book industry. Funding is provided to projects undertaken on behalf of a group of publishers or other industry stakeholders developing new and existing markets for Canadian-authored books or improving the book industry's ability to deliver content to and for those markets in an efficient and competitive manner. The SFO combines the project-based support for industry groups that was previously administered under the BPIDP's Collective Initiatives, Supply Chain Initiative and International Marketing Assistance components.

As in the past, a significant majority of support continues to be focused on individual publishers (through the SFP), with other funding flowing to organizations involved in the Canadian book industry (through the SFO).

The CBF is managed and delivered by the Cultural Industries Branch at Canadian Heritage (PCH) headquarters. A relatively small portion of the support provided through the SFO is administered on behalf of PCH by Livres Canada Books (LCB), a non-profit organization with an established capacity to deliver support to ultimate recipients for foreign rights marketing activities. This third-party arrangement is set out through a contribution agreement between PCH and LCB.

1.2.2 Program objectives

The CBF's overall objective is to ensure that readers everywhere have access to a broad range of Canadian-authored books (see Appendix 1 for the program's logic model).

The CBF seeks to achieve its objectives by providing grants and contributions to the Canadian-owned book industry to support the creation and dissemination of Canadian-authored books and to encourage their consumption by readers everywhere. The program's terms and conditions guide program delivery and set out the program objectives and expected results, the application requirements, the nature of eligible expenditures, and the maximum contribution amounts.

1.2.3 Program changes since the last evaluation

An evaluation of the BPIDP was completed in 2008 and focused on issues of relevance, value for money and the program's success. While the evaluation concluded that the program is still relevant, well aligned with departmental priorities and has contributed to increased access to Canadian-authored books, it also presented five recommendations which were all accepted by the program's management and subsequently implemented. These recommendations included that the program review and update its logic model and performance measures, that it review its approach to rewarding export sales through formula-based funding, and that it look for administrative efficiencies in program delivery.

Changes to the program's structure since the last evaluation include streamlining the program's components from four to two tailored components that provide "single-window" access for the program's two eligible groups: publishers and publishing organizations, and streamlining the application process and easing burdensome application requirements. In 2010, the program was renamed the Canada Book Fund.

1.2.4 Governance and resources

The Director General, Cultural Industries Branch, of the Cultural Affairs Sector at PCH is responsible for the program. Accountability lies with the Assistant Deputy Minister, Cultural Affairs. From an operational point of view, the CBF had an average of 22 full-time equivalent employees (FTEs) during the period evaluated. Of these, 16 employees were dedicated to direct program delivery, while 4 employees were responsible for book policy activities.

From 2007-08 to 2009-10, annual resources allocated to the CBF were initially set at \$41.1 million. However, following a broad Government of Canada strategic review exercise in 2007, a budget reduction of \$1 million in grants and contributions was made starting in fiscal year 2008-09. Table 2 below shows the budgeted direct costs of administering the program, as well as the grant and contribution levels year-over-year for the period covered by the evaluation.

Table 2: Canada Book Fund – Annual budget forecast

	2007-08	2008-09	2009-10	2010-11	2011-12
Operating expenditures					
Employee salaries	1,582,901	1,567,359	1,690,775	1,485,161	1,625,659
Employee benefits	316,580	313,472	338,155	297,032	325,132
Operating and maintenance	468,260	371,171	217,345	100,317	112,230
Subtotal	2,367,741	2,252,002	2,246,275	1,882,510	2,063,021
Grants and contributions					
Grants	0	0	0	8,300,000	8,300,000
Contributions	38,094,798	36,637,660	36,637,660	28,366,301	28,366,301
Subtotal	38,094,798	36,637,660	36,637,660	36,666,301	36,666,301
Total resources	40,462,539	38,889,662	38,883,935	38,548,811	38,729,322

1.2.5 Recipients of program funding

The CBF's terms and conditions describe the program's recipients as follows:

- Eligible recipients of the Support for Publishers component are Canadian-owned and Canadian-controlled book publishers that have their headquarters and a majority of their employees in Canada. Recipients must be in the private sector, either for-profit or not-for-profit, or operated by a Canadian university.
- Eligible recipients of the Support for Organizations component are Canadian-owned and Canadian-controlled organizations, professional associations, businesses or other groups representing or related to the Canadian book industry, including teaching institutions with a specialization related to the book industry.

1.3 Context and purpose of the evaluation

Identifying the outcomes to be evaluated presented certain challenges, one of which was grouping the outcomes of these two programs to develop a common evaluation strategy. The evaluation also took into account the following:

- The financial authorities of both programs were renewed during the period covered by the evaluation and included changes to the terms and conditions (and outcomes) of the program; and
- The programs made changes to the outcomes when updating their performance measurement, evaluation and risk management strategies.

The evaluation strategy was developed in collaboration with the programs. This strategy is based on a calibrated approach to the extent that:

- The evaluation strategy is common to both programs.
- The use of administrative data collected by the two programs as well as the secondary data available was recommended.
- The literature review and document analysis were conducted internally and covered both programs simultaneously.
- The number of interviews and the number of interview questions were defined.
- The work done by outside firms covered both programs simultaneously

The key evaluation questions echo the common expected outcomes of the two programs. The key evaluation challenges and questions as well as the related indicators are set out in Appendix 2.

The following expected outcomes were identified for both programs:

- Support for the creation of a diversity of Canadian books and music by Canadian artists
- Support for the consumption of a diversity of books and music in Canada and abroad
- Support for the viability of Canada's music and book publishing industries

The purpose of the evaluation is to examine the following:

- The relevance of the programs, in particular with regard to the extent to which (i) they continue to meet a demonstrable need and respond to Canadians' needs; (ii) their objectives are in line with federal government priorities and departmental strategic outcomes; (iii) they are in keeping with the federal government's roles and responsibilities in terms of their implementation.
- The performance of the programs (effectiveness, efficiency and economy), in particular with regard to the progress made in achieving the expected outcomes (including immediate, intermediate and ultimate outcomes) with reference to program reach and design, including the linkage and contribution of outputs to outcomes, and the use of resources in relation to the production of outputs and progress made in achieving the expected outcomes.

The evaluation of the Canada Book Fund and the Canada Music Fund covers the period from April 1, 2007, to March 31, 2012. The evaluation also took into account all available information related to the period beyond this time frame in order to provide the most up-to-date snapshot of the situation possible. The evaluation was conducted between May 2012 and December 2013 by the Evaluation Services Directorate (ESD) of the Office of the Chief Audit and Evaluation Executive at PCH. All of the work was carried out by the ESD, with the exception of the collection and analysis of data regarding efficiency and economy, which were done by a consultant.

2. Methodological approach

In this section, we present the data collection methods used, as well as the limitations of the methodological approach.

1.4 Evaluation design

The evaluation used the following data sources:

Literature review

The Policy Research Group was responsible for providing a review of pertinent literature to the evaluation working group. It included a comparative analysis on similar programs in Canada and abroad. The Evaluation Services Directorate incorporated the results of this literature review in their analysis and supplemented the review with other literature

sources. Special attention was given to Industry Canada and Statistics Canada reports on the Canadian book and music industries.

Document review

A thorough review of program documentation has been undertaken to acquire increased familiarity with the programs, to provide input into identifying the causal linkages between programs activities and expected results, and to help address questions of continued relevance and performance.

Review of project files, databases and other information systems

A review was conducted of CBF and CMF baseline data as well as databases and other internal/external information systems created to help management in the ongoing administrative support and performance measurement of program activities. This review was used to acquire information to assess program performance and determine the relevance of these information sources for decision making. The program databases constituted a key source of information in assessing the extent to which the performance measurement activities yield timely and meaningful information in support of results-based management practices.

Key informant interviews

Two rounds of interviews with key informants were conducted. The first round helped to finalize the Evaluation Methods Framework and ascertain the methodology and the evaluation issues covered in this study. During the second round, 46 interviews were completed, including 19 with former and current CBF and CMF employees, 20 representatives from organizations funded by the programs, 3 representatives of book and music industry associations, and 4 representatives of third parties responsible for the implementation of program components or subcomponents. These interviews were aimed at supporting information on the extent to which the programs are relevant in responding to the demonstrable needs of Canadians and are the most appropriate and efficient means to achieve the expected results.

Value-for-money analysis

To conduct an in-depth analysis of the efficiency and economy of the programs, the Evaluation Services Directorate contracted a value-for-money analysis. The analysis aimed to assess the programs' resource utilization with regard to program delivery in relation to the achievement of outputs and looked at alternative approaches to achieve similar results.

1.5 Limitations of the evaluation

Some limitations were identified in the conduct of the evaluation.

- The lack of national longitudinal data concerning all forms of distribution and dissemination of digital products by the book industries reduced the capacity to

- provide a complete picture of the industry's evolution during the period covered by the evaluation.
- The lack of data related to certain performance indicators limited the capacity to fully assess the degree to which some of the programs' expected results were achieved.
 - With regard to the CBF, the lack of data concerning the sale of books by recipients under the Support for Publishers component by region and type of publication limited the capacity to fully evaluate diversity in the consumption of books published by program recipients.
 - With regard to the CMF, challenges reporting on the achievement of expected program results linked to the creation of a diverse range of Canadian music choices, accessibility for consumption and the financial viability of recipients in the NMW and former CMD components limited the ability to fully evaluate the achievement of the CMF's expected results. Certain data on the language of expression of music produced and on album sales and operating profit margins of the recipients of these two components could not be provided because the program's current performance measurement strategy does not require it to collect this sort of information. Although the expected results set out in the terms and conditions of the CMF program apply to the program overall, the indicators contained in the program's current performance measurement strategy state that the three expected results mentioned earlier are to be measured based on the performance of recipients in the ME component, which supports the largest sound recording firms. Consequently, partial information on the language of artistic expression and the absence of data on album sales and operating profit margins for recipients supported by the NMW component and the former CMD component limited the ability to fully evaluate the achievement of the CMF's expected results.
 - In particular, the purpose of the evaluation was to evaluate the effectiveness of the support provided to CBF and CMF recipients in promoting and marketing books by Canadian authors and albums by Canadian artists. In accordance with both programs' performance measurement strategy, data was gathered by the programs on the funding provided for the promotion and marketing of books and music in order to identify the outputs: the number and type of promotion and marketing projects funded. Evaluating the effectiveness of activities intended to promote and market a product or service generally requires the collection of data related to the impact of these activities on the volume of sales of the product or service in question. However, in addition to the CBF and the CMF, recipients had access to various sources of funding to carry out their promotion and marketing activities, and other internal and external factors come into play when looking at the success of a book or music album. Evaluating the effectiveness of the support provided to program recipients for promotion and marketing is therefore a challenge when it comes time to establish causality between the funding allocated by the programs and the results obtained in terms of sales. In addition, it is difficult for the recipients, most of which are SMEs with limited resources, to conduct the necessary studies to accurately determine the direct and exclusive impact of the funding allocated by the CBF or the CMF for marketing and promotion on the

sales of books and music albums. Measurements designed to calculate the sales and market shares of albums by Canadian artists and books by Canadian authors were used to determine, indirectly, the scope of the investment under the programs when it comes to promotion and marketing.

3. Findings

The results are organized and presented according to the two key dimensions of the evaluation, namely, the relevance and performance (effectiveness, efficiency and economy) of the programs.

1.6 Relevance

The relevance of the CBF and the CMF is clearly demonstrated. Both programs ensure access to a diverse range of Canadian cultural content in Canada and abroad. This access allows for the development and assertion of Canadian culture, participation in Canada's economic development and its expansion abroad. Moreover, the government has repeatedly underscored the importance of creativity and cultural innovation for Canada's economic future and has expressed its support for cultural industries. The federal government fully assumes its roles and responsibilities by contributing to the promotion and expansion of Canadian cultural industries, involving a variety of artists with different backgrounds and a variety of Canadian works in these industries. Similarly, the Government of Canada's contribution to cultural industries enables it to fulfill its responsibilities with regard to the promotion of both official languages while supporting access to cultural content for official language minority communities across Canada.

1.6.1 *Continued need for the programs*

The primary objective of the CBF and CMF is to ensure access to a diverse range of books by Canadian authors and music by Canadian artists in Canada and abroad. These two programs are designed to achieve this objective by contributing to maintaining a viable and competitive Canadian book and music industry, an objective that is supported by the fact that 90% of Canadians³ believe it is important to have access to Canadian cultural content.

Access to Canadian cultural content meets three specific needs: the development and assertion of Canadian culture, Canada's economic development and its international expansion.

Therefore, culture is an important tool in developing a sense of belonging to Canada by fostering the establishment of relationships and interactions between Canadians in various parts of the country and by supporting the development of national pride in a diversified culture. Moreover, by supporting the production and promotion of Canadian cultural content from Aboriginal communities (for the CBF) and official-language minority communities (for the CBF and CMF), the CBF and CMF contribute to fulfilling two of the Government of Canada's key priorities: Canada's linguistic duality and the diversity of cultural expressions.

Culture is also an economic tool that benefits all Canadians. In addition to contributing to quality of life, the cultural sector is a vector of innovation, essential to maintaining and

developing productivity and international competitiveness in a knowledge-based economy. A creative economy is a key factor in attracting foreign investments, skilled employees, tourists and foreign students and in creating a positive image of Canada abroad.

However, in order to ensure that the Canadian cultural industry, in particular the book and music sectors, is able to increase Canadian content, it must be competitive on both the national and international markets. But some indicators suggest that the Canadian book and music industry is still fragile. Although the national market share held by Canadian book and music entrepreneurs remained steady or increased during the evaluation period, foreign enterprises still dominate the Canadian market and could threaten the viability of their Canadian competitors. Therefore, support from PCH programs for the Canadian book and music industry is especially important given that these industries must also deal with challenges and seize opportunities related to the increasing popularity of digital devices that facilitate the consumption of books and music.

Lastly, 86% of the people interviewed during a survey of the Canadian population conducted in 2012⁴ responded that it is important to them, as Canadians, for Canadian artists to be recognized internationally.

1.6.2 Alignment with government priorities

The government's interest in cultural industries has been reiterated on many occasions in recent years. In November 2008, the Speech from the Throne⁵ stated that cultural innovation and creativity are vital not only for a healthy cultural life, but also for Canada's economic future.

In its Economic Action Plan 2009, the Government of Canada invested more than half a billion dollars in the arts and heritage protection between 2009-10 and 2011-12, stating that "the Government recognizes the importance of economic stimulus through infrastructure investments in a number of targeted sectors, and the cultural sector is no exception."⁶

Lastly, in the 2010 Speech from the Throne, the government recognized the important contribution that the Canadian cultural sector makes to our identity and our economy and stated that special measures are required to ensure that Canadians have access to Canadian cultural content.

Furthermore, one of the strategic objectives of PCH, "Canadian artistic expressions and cultural content are created and accessible at home and abroad," directly affects cultural industries. Accordingly, through its support for cultural industries, the Department, in its Departmental Performance Report 2009-10, renewed its commitment to support the innovation of Canadian cultural industries and announced the renewal and addition of funding for that purpose.

The Department's Report on Plans and Priorities 2011-12 also indicates that "This strategic outcome speaks to the importance placed by the Government of Canada on the continuing existence and public availability of Canadian cultural products, artistic work by Canadian creators and performers, and Canada's tangible and intangible cultural heritage. It is underpinned by a series of assumptions:

- That Canadians have a right to access this material readily in their domestic market, for reasons of identity and cultural sovereignty;
- That special measures are required to ensure this access, given the proximity of the United States, economies of scale, and ready supply of American cultural production and exports; and
- That international promotion of Canadian cultural expressions and heritage provides measurable economic benefits to Canada, by strengthening the growth of creative industries and a knowledge economy, attracting creative talent and tourism, fostering trade and investment, and branding Canada throughout the world as a dynamic, confident, forward-looking society.”

1.6.3 Alignment with the government's roles and responsibilities

The cultural industries sector is considered a shared responsibility between the federal and provincial governments. These different orders of government can therefore legislate in this field and create programs to meet the needs of Canadians. By means of the two programs evaluated, the federal government fully assumes its role and its responsibilities by contributing to the promotion and expansion of Canadian cultural industries, involving a variety of artists from different backgrounds and a variety of Canadian works in these industries.

Similarly, the Government of Canada plays an essential role with regard to Canada's official languages. Its contribution to cultural industries enables it to fulfil its responsibilities with regard to the promotion of both official languages, while supporting access to cultural content for official-language minority communities across Canada.

1.7 Performance

The strategy developed for the purposes of evaluating the CBF and CMF focused on reviewing three expected outcomes, namely the creation of Canadian artistic works, their accessibility for consumption, and the viability of the Canadian industry in these two fields. Various data tables and graphs providing further details on the performance of the CBF and CMF as well as their respective industries are provided in Appendix 7 and Appendix 8.

1.7.1 Canada Music Fund

1.7.1.1 Creation of a diverse range of Canadian music choices

In spite of partial data on the linguistic diversity of the albums funded through the CMF, the evaluation finds that, overall, the CMF contributes to the creation of new albums presenting a diverse range of Canadian music choices through investments in musical creators and entrepreneurs and support marketing and opportunities to showcase musical creations. During the period evaluated, 2,687 new albums, covering a variety of languages, regions and musical genres, were created with support from the ME and NMW components and the former CMD component of the CMF.

In order to determine whether the objectives of the Canadian Sound Recording Policy,⁷ the implementation vehicle of which is the CMF, were met, including increased access

for Canadians to a diverse range of Canadian music choices through traditional and new media, the evaluation examined one of the dimensions of this objective, namely, the creation of a diverse range of Canadian music choices. To do so, it looked at the following expected immediate outcomes: the number of new eligible albums funded by the CMF, as well as the number of new albums funded according to the language of artistic expression, the province of production and the musical genre.

Number of new albums funded

The music industry in Canada comprises three major entertainment multinationals, Universal, Sony and Warner, as well as hundreds of small to modest-size Canadian-owned enterprises. Multinationals operating in Canada are an important part of the domestic music scene and have contributed to the careers of many Canadian artists. However, Canadian-owned companies play a critical role in developing Canadian talent. Overall, Canadian companies contribute to the release of 87% of new recordings by Canadian artists and account for 79% of Canadian artists' recording sales.⁸

During the period evaluated, the CMF provided funding for 2,687 new albums under three components: Music Entrepreneurs (ME), New Musical Works (NMW) and the former Canadian Musical Diversity (CMD), the last year of which was 2009-10. The number of albums funded increased from 496 in 2007-08 to 548 in 2009-10, reaching a high of 624 albums in 2008-09. Therefore, the CMF funded the creation of an average of 537 albums annually during the period under review. The impact of the 2010 elimination of the CMD component on the number of albums funded annually almost completely disappeared in 2011-12, with the creation of a similar number of albums in 2011-12 (541) compared to 2009-10 (548).

The comparison with national data shows that when CMF-funded albums by Canadian artists are compared with the average of all the albums created by Canadian artists in Canada during the evaluation period, they represented approximately 22% of all the new albums launched by Canadian artists during the period evaluated.⁹

Diversity of new albums funded by language of artistic expression, province of production and musical genre

Language of artistic expression

The review of the linguistic diversity of albums funded under the ME component of the CMF, administered by the CMF at PCH, revealed that the proportion of funded albums where the language of expression was English or French varied considerably from one year to another. The annual average was 37% for English-language albums and 30% for albums in French. It should also be noted that nearly one third of the albums funded during this period were instrumental, were in languages other than English or French, or could not be classified.

The linguistic duality of albums funded under the NWM and former CMD components of the CMF could only be partially evaluated since the program's current performance

measurement strategy states that language-related results are to be measured based on ME component recipients.

It should, however, be noted that for the NMW component, FACTOR supports albums created primarily by Anglophone artists, while MUSICACTION supports albums created primarily by Francophone artists. Data collected from MUSICACTION indicates that 73% of the albums funded during the period evaluated were in French; however, no details were provided on the language of expression used for albums produced in other languages. For its part, in 2013-14 FACTOR began compiling the number of albums produced in English and in French, while albums produced in other languages are listed in the category “Other Language,” without the actual language being specified.

With regard to the former CMD component, the annual reports of the Canada Council for the Arts (CCA) show only the language of communication used in the funding applications of artists whose albums were supported.¹⁰ It was therefore impossible to examine the linguistic diversity of albums funded through the former CMD component.

Breakdown by province

This indicator looks at the province where the albums by Canadian artists that were funded were produced. Depending on the component, the location where funded albums are produced refers to the addresses given by both the artists and the sound recording firms (NMW) or those given by sound recording firms only (ME). For the former CMD component, the location is not known. During the evaluation period, the majority of albums funded under the NMW component were produced in Quebec (annual average of 42.3%), Ontario (36.3%) and British Columbia (9.3%).¹¹ The evaluation further found that the percentage of albums funded under the NMW component and produced in Ontario over the past five years is on the rise, increasing from 31.4% to 41.7%. The production of albums in British Columbia nearly doubled (from 6.2% to 11.2%), while the number of albums produced in Quebec dropped slightly, from 47.3% to 44.2%.

The ME component supports the production of albums by Canadian artists by providing financial support to sound recording firms. The evaluation found that from 2007-08 to 2011-12, the ME component funded an average of 23 sound recording firms annually. Two thirds of the firms that received funding under the ME component came from Quebec, one quarter were from Ontario, and nearly one tenth came from British Columbia.¹² During the evaluation period, there was little change in the number of firms from each of these provinces. However, a slight downward trend was observed in the number of sound recording firms from Quebec funded by the ME component, and a slight increase was observed in the same types of firms funded in Ontario.

Musical genres

In order to analyze the diversity of musical genres among the new albums funded by the NMW, ME and former CMD components, the albums were divided into two groups:

- **Specialty music** includes a number of musical genres that are considered culturally varied and for which albums were funded under the former CMD component (with the exception of folk) and the NMW component. This category

includes the following genres: classical music, jazz, youth or children's music, urban music, world music, reggae, and traditional and Aboriginal music.¹³

- **Mainstream music** includes musical genres that are not in the “specialty” category which are generally considered conventional or general. It includes the following genres: alternative, country, folk, contemporary, hip hop, dance or instrumental, rock, pop, heavy metal, electronic, roots and multi-genre.¹⁴ The majority of these musical genres can also be broken down into sub-genres.

During the evaluation period, on average, two thirds of the albums funded by the CMF fell under the mainstream music category. A gradual decrease was observed between 2007-08 and 2010-11 in the percentage of specialty music albums funded by the CMF, dropping from 45.1% in 2007-08 to 25.9% in 2010-11. This decrease was offset by an increase in mainstream albums. The decrease can be explained in part by the fact that the CMD component, the objective of which was to foster the creation of specialty music, ended in 2010-11. The evaluation found, however, that the percentage of specialty music albums increased in 2011-12, representing 33.3% of albums funded by the CMF.

1.7.1.2 Accessibility for consumption of a diverse range of Canadian music choices in Canada and abroad

Although data on the consumption of albums funded by the CMF is limited to the results from ME component recipients, the CMF contributes to making accessible for consumption a diverse range of Canadian music choices in Canada and abroad. The new albums produced with CMF support under the ME component led to domestic and international sales of close to 10.5M new albums during the evaluation period. Structural transformations, including the change of medium (physical to digital), certainly had a negative impact on the sales of physical albums in Canada, but the downturn in the number of albums sold in Canada that was experienced by CMF recipients was nonetheless two times less (-8.3%) compared to the decrease in the number of albums sold in Canada for the Canadian industry as whole (-19.75%), and there was actually a 9.4% increase in the number of albums sold abroad. The extent of these sales shows that new albums were made available to the public and were purchased.

The evaluation looked at accessibility for the consumption of the range of new musical works through traditional and new media, as well as the exportation of music by Canadian artists all over the world. The following indicators associated with this outcome were examined: the performance of ME component recipients versus that of the Canadian music industry, the market share held by albums by CMF-funded Canadian artists on Canada's top 2000 chart, as well as projects funded by the program targeting the promotion and marketing of Canadian artists and albums. This data takes into account components of consumption that, in return, can be used to estimate the accessibility of musical works by Canadian artists.

Long-term trends in national and export sales of eligible albums on physical and digital media from CMF recipients

The analyses of long-term trends in national and export sales of eligible albums from CMF recipients use the results obtained in 2006-07 as a reference and are limited to the

results from the period from 2007-08 to 2010-11 for the ME component, administered by the CMF. A review of long-term trends in national and export sales of albums funded under the NMW and former CMD components of the CMF could not be carried out since the program's current performance measurement strategy states that results related to album sales are to be measured in relation to ME component recipients only.

During that period, the total sales (national and export sales) of albums eligible for program funding produced by ME component recipients were 10,467,243 units, representing an average decrease of 2.5% in comparison with the total sales recorded in 2006-07. National sales represented, on average, just below two thirds of the total sales, and export sales were nearly 36.7% of the total sales. During the same period, national sales dropped by an average of 8.7% between 2006-07 and 2010-11, while export sales rose 9.4%.

National data¹⁵ on unit sales of albums by Canadian and foreign artists provides perspective on the sales of albums produced by recipients under the ME component of the CMF. The evaluation found that between 2007-08 and 2010-11 unit album sales in Canada dropped on average by 19.7%, while national sales of ME component recipients dropped an average of 8.3% during the same period. These results illustrate, on one hand, the special circumstances that affect the sound recording industry in Canada and, on the other hand, the less significant decrease affecting the sale of albums by Canadian artists produced by ME component recipients.

Effectiveness of support provided for promotion and marketing

In particular, the purpose of the evaluation was to evaluate the effectiveness of the support provided to CBF and CMF recipients for the promotion and marketing of albums by Canadian artists. In accordance with the program's performance measurement strategy, data was gathered on the funding provided for the promotion and marketing of music in order to identify the outputs: the number and type of promotion and marketing projects funded.

The CMF provides Canadian sound recording firms and artists with annual support aimed at promoting and marketing Canadian musical works both nationally and internationally. During the period evaluated, the NMW component supported a total of 4,830 projects designed to market Canadian musical works and promote Canadian artists domestically and abroad. Additional information on the number and types of projects funded can be found in Table 15 of Appendix 7. Funding provided to recipients under the ME component can also be used for purposes of promoting and marketing Canadian musical works and artists.

As previously indicated in section 2.2 on the limitations of the evaluation, evaluating the effectiveness of activities intended to promote and market a product or service generally requires collecting data related to the impact of these activities on the volume of sales of the product or service in question. However, in addition to the CMF, recipients have access to various sources of funding to carry out their promotion and marketing activities, and other internal and external factors come into play with regard to the success of a music album. Evaluating the effectiveness of the support provided to program recipients for promotion and marketing is therefore a challenge when it comes time to establish

causality between the funding allocated by the program and the results obtained in terms of sales. Moreover, it is difficult for recipients, the majority of which are SMEs with limited resources, to conduct the necessary studies to accurately establish the direct and exclusive impact of the funding allocated by the CMF for marketing and promotion on the sales of music albums. Measurements designed to calculate the market shares of albums by Canadian artists funded through the program were used to determine, indirectly, the scope of the investment under the CMF when it comes to promotion and marketing.

Market share of CMF-funded Canadian artists and albums on Canada's top 2000 chart¹⁶

The evaluation focused in particular on the analysis of the three following indicators to determine how the program contributes to making accessible for consumption a diverse range of Canadian music choices in Canada and abroad:

- Market share of CMF-funded albums on Canada's top 2000 chart
- Market share of Canadian artists that received funding through the CMF during their career on Canada's top 2000 chart
- Market share of all albums by Canadian artists on Canada's top 2000 chart

The evaluation revealed that the results related to the above-mentioned indicators demonstrate, in general, significant improvement from 2008 to 2012:

- The market share of albums by CMF-funded Canadian artists on the top 2000 chart increased from 6.8% to 9.0%.
- The market share of Canadian artists on the top 2000 chart that received funding through the CMF during their career remained relatively stable, with an average annual percentage of 15.2%.
- The market share of all albums by Canadian artists on the top 2000 chart increased from 20.7% to 25.8%.

Audience at award galas supported financially by the CMF

The CMF supports the collective promotion of Canadian albums and artists through the Collective Initiatives (CI) component. The program also supports the collective promotion and expansion of Canadian artists, Canadian musical content and the Canadian music industry through the Aid to National Service Organizations subcomponent of the ME component. This subcomponent provides financial assistance in the form of an annual contribution intended to provide aid to national organizations serving the Canadian music industry so that they can implement activities as part of a business plan aimed at supporting the collective promotion of Canadian artists and musical content, in addition to the services provided to Canada's music industry.

During the evaluation period, the CMF made financial contributions to various national and regional awards events, including two major awards events in the Canadian music industry: the Juno Awards, through the CI component, and the ADISQ, through the Aid to Canadian Music Industry National Service Organizations subcomponent of the ME

component. From 2007-08 to 2011-12, the average audience at the Juno Awards was estimated at 1.7 million viewers, and the audience at the ADISQ was estimated at 1.3 million viewers. The largest audience at the Juno Awards was in 2011, with 2.4 million television viewers, while the ADISQ gala saw its largest audience in 2008, with a total of 1.6 million television viewers.

Acquisition and preservation of existing musical works

Another way the CMF supports accessibility to a diverse range of music choices is the acquisition and preservation of existing musical works under the Canadian Music Memories (CMM) component, administered by the Audio-Visual Preservation Trust (AV Trust) until 2008-09 and then by Library and Archives Canada (LAC). These activities contribute to access and potentially to the consumption of sound recordings by Canadian artists.

During the evaluation period, the CMF supported the AV Trust in the amount of \$137,126 in 2007-08 and \$135,818 in 2008-09. The CMF also gave \$360,000 to LAC each fiscal year for the acquisition and preservation of existing musical works, pursuant to the memoranda of understanding in effect from 2006-07 to 2009-10 and from 2010-11 to 2014-15.

CMF funding to LAC through the CMM component during the period covered by the evaluation was used primarily to catalogue acquisitions and to identify and make requests for legal deposit.¹⁷

1.7.1.3 Viability of the music industry

The current conditions of the music industry, the technological changes affecting it, and the changes observed in sound recording production methods and in artist promotion have made sound recording firms vulnerable. This was seen, among other areas, in the substantial drop in revenue and in the repeated operating deficits for a majority of recipient sound recording firms. However, considering the average percentage in operating profits and considering that a majority of recipient sound recording firms produced operating deficits, we can deduce that some recipients, in contrast, achieved substantial profits.

The situation for the music publishing industry is different. Recipients' revenues considerably increased during the period reviewed, but there were low median annual operating profits and low average annual operating profits, again underscoring the effect of structural changes within the industry.

In either case, the future of recipients of these components of the music industry is difficult to foresee. The CMF will need to monitor the evolution of the situation very closely and continue to adapt to the changing needs of the industry, as it has done in the past.

The viability of the Canadian music industry was one of the CMF's expected results during the period evaluated.¹⁸ The program's performance measurement strategy stated that viability was to be measured based on the performance of ME component recipients. Although the NMW and former CMD components are indirectly related to this outcome,

only data on the ME component was collected to determine the financial viability of CMF recipients (revenue, operating profit, etc.). During the evaluation period, the program did not collect data on the viability of recipients under the NMW and former CMD components from third-party administrators, since it had been agreed that the financial situation of ME component recipients was representative (“proxies”) of all the sound recording firms supported by the program.

It should be noted that this data is available from MUSICACTION and that FACTOR recently began to collect similar information from NMW component recipients. It will now be possible to measure the financial viability of all CMF recipients.

Long-term operating profit of music publishing and sound recording firms

The CMF provides funding to Canadian music publishing and sound recording firms through the ME component. To analyze the long-term operating profit of music publishing and sound recording firms, seven music publishing firms¹⁹ and fifteen sound recording firms²⁰ that applied for funding for each of the years from 2007-08 to 2011-12 were examined.

The comparison of the operating profits of CMF-supported recording firms with those of Canadian-owned recording firms²¹ shows that the operating profits are similar, although the operating profits of the CMF-supported firms are slightly lower. The annual average operating profit is 4.6% for ME component recipients, whereas this annual average is 6.1% for Canadian-controlled firms, and 15.4% for foreign controlled firms.

Looking at annual revenues, the median revenue of the seven music publishing firms that received funding throughout the evaluation period (2007-08 to 2011-12) rose by 40.2%, from \$6.7 million in 2008-09 to \$11.2 million in 2011-12. The median operating profit of these seven firms fluctuated between -0.1% and 4.3%, with an annual average of 2%. The average operating profit of these music publishing firms fluctuated between 5.6% in 2010-11 and -2.1% in 2010-11, with an annual average over five years of 1.6%. In comparison, the average annual operating profit of the entire Canadian music publishing industry was 9.8%.

The evaluation found that the median income of the 15 sound recording firms that received funding under the ME component (small and medium-sized enterprises) between 2007-08 and 2011-12 dropped by more than half (51.4%) and that since 2008-09 nearly half and sometimes more than half of the recipients, depending on the year, had no operating profit. However, the 4.6% average annual operating profit of these 15 sound recording firms suggests that some of these firms are achieving operating profits close to those seen in this area of the Canadian-controlled industry. Increased flexibility in the allocation of ME component contributions to recording firms in the last few years evaluated allowed recipients to undertake a variety of activities necessary to maintain or enhance their viability. For example, since it has become difficult to rely on a sole source of revenue, particularly sound recording, some CMF recipients have indicated that they used the funding received to diversify their revenue sources through technological and digital investments.

1.7.1.4 Other effects of the Canada Music Fund

Support for official-language minority communities

The CMF meets the requirements of section 41 of the *Official Languages Act*.

During the period covered by the evaluation, the CMF funded the dissemination of musical culture from official-language minority communities through the NMW and CI components administered by FACTOR and MUSICACTION.

Starting in 2008-09, the Music Showcases Program for Artists from OLMCs, part of the Roadmap for Canada's Linguistic Duality 2008-2013, was implemented. This program, with a budget of \$4.5 million over five years (\$500,000 in 2008-09 and \$1 million annually from 2009-10 to 2012-13), aims to stimulate programming by Anglophone and Francophone artists from official-language minority communities in events and tours to promote the development of their professional careers. It also strives to promote access by official-language communities in Canada to musical presentations in their language. This program is administered for the Department of Canadian Heritage by third-party administrators FACTOR (Anglophone market) and MUSICACTION (Francophone market) under the CI component of the CMF.

From 2008-09 to 2011-12, the CMF funded 410 projects and events totalling \$3,845,854. Of these, 275 projects and events were funded by MUSICACTION under the Music Showcases subcomponent (\$2,288,872 in total), and 135 projects and events were funded by FACTOR under the Music Showcases subcomponent (\$1,556,982 in total). As a result, more than 200 artists from official-language minority communities gave an average of 400 performances annually.

1.7.2 Canada Book Fund

1.7.2.1 Creation of a diverse range of Canadian-authored books

The CBF contributes to the creation of a diverse range of Canadian-authored books, including adult and children's fiction as well as textbooks. Publishers that received CBF support produced a total of 30,029 books during the evaluation period. During that time, the number of new Canadian titles created with CBF support also increased by 14.6%.

In particular, the purpose of the evaluation was to determine to what extent the CBF contributed to the creation of a diverse range of Canadian-authored books by examining the following expected immediate outcomes: the number of new eligible works funded by the CBF, as well as the diversity of works according to language, province of production and literary genre. Various data tables and graphs providing further details on various aspects of the performance of the CBF and the book industry are provided in Appendix 8.

Number of new works funded

The most recent national data available on the number of new works published within the Canadian industry date back to 2004. That year, 16,776²² titles were published by Canada's book publishing industry, including 9,965²³ titles by Canadian authors. Canadian-authored books are published primarily by Canadian SMEs operating within Canada's publishing industry. Overall, Canadian SMEs contribute to the publication of 77% of new titles by Canadian authors.²⁴ CBF recipients that received funding in 2003-04 reported having published around 5,300 new titles by Canadian authors during their last fiscal year.²⁵ Therefore, the number of new titles produced with CBF support represented approximately 53% of all the new Canadian-authored titles produced in Canada in 2004.

These books were produced by a group of approximately 234 Canadian publishers, the number of which varies slightly from one year to the next. These publishers, having received CBF funding, produced a total of 30,029 books during the evaluation period from 2007-08 to 2011-12, representing an average annual production of 6,006 new Canadian-authored titles. During the same period, the number of new Canadian titles created annually with CBF support rose from 5,672 to 6,500, corresponding to an increase of 14.6%.

Moreover, according to the program's administrative data, the proportion of recipients producing publications in digital format increased from 21% (50/236) in 2007-08 to 53% (125/238) in 2011-12. This resulted in a 78% increase in the number of digital titles available, from 4,092 titles in 2010-11 to 7,292 titles in 2012-13.

Diversity of new works funded by language, province of production and literary genre

Language of artistic expression

The review of the linguistic diversity of CBF-funded literary works shows that from 2009-10 to 2011-12,²⁶ 57% of new Canadian titles created with program support were in French, 41% were in English, and 2% were in both official languages or in another language. This corresponds to an annual average of 3,604, 2,631 and 119 books, respectively. Of these titles, 4.5% came from official-language minority communities.

Breakdown by province

This indicator looks at the province where works by Canadian authors that were funded by the CBF were produced. According to the data available, for the period from 2009-10 to 2011-12, 91% of the new Canadian titles created with CBF support came from publishers in Quebec (60%), Ontario (23%) and British Columbia (7.7%), while the remaining 9% came from the other provinces and territories.

Literary genres

During the same period, the CBF provided support for the publication of a diverse range of titles, including adult and children's fiction as well as textbooks. Adult non-fiction ranked highest (30%) among titles published by CBF recipients, followed by children's fiction (21%). The evaluation also found that 48% of new Canadian titles created with CBF support were for children and students.

Industry perspectives on the program's capacity to promote the creation of a diversity of Canadian books

Opinions and views gathered from stakeholders indicate that the CBF helps a variety of publishers, such as smaller publishers, to promote Canadian authors. As noted by some stakeholders:

- With CBF support, smaller publishers tend to take more risks with authors which leads to the discovery of new Canadian talent.
- Without CBF support, a large portion of regionally focused books would not be published by central Canadian or foreign publishers.

Funding criteria requires a minimal sales volume to be met in order for a publisher to qualify for assistance, but lower thresholds apply for certain types of publishers (Aboriginal and official-language minority publishers, for example) in order to stimulate the production of a breadth of new products.²⁷

Lastly, although new editions and reprints are not normally considered new titles, for the purposes of the publication minimum, new editions may be considered new titles for official-language minority, Aboriginal, and small literary publishers, provided that previous editions of the title were not published by the applicant or by a publisher in the same affiliated group.

1.7.2.2 Accessibility for consumption of a diverse range of Canadian-authored books in Canada and abroad

The CBF contributes to the consumption of a diverse range of Canadian-authored books. The sales value of Canadian titles produced by CBF-funded publishers totalled \$2.2 billion over the period evaluated. During the same period, the export sales of Canadian-authored books represented 22% of sales by CBF-funded publishers. The contribution of CBF-funded Canadian publishers would represent, on average, approximately 52% of all sales of Canadian-authored books.

The evaluation looked at accessibility for the consumption of a diverse range of Canadian-authored literary works. The following indicators related to this outcome were examined: Canadians' book consumption habits, Canadian publishers' revenues, the diversity of Canadian-authored titles sold by CBF-funded publishers, and the effectiveness of CBF support for promotion and marketing.

Canadians' consumption habits

As stated, the introduction of the digitization of books has had an impact on the reading habits of Canadian consumers. Booknet Canada estimated that e-books represented 15%²⁸ of all English-language book purchases in Canada during the first half of 2012.²⁹ Fragmentary information indicates that the market share of French-language digital books represents around 4%³⁰ of all book sales in Quebec. Although data on the proportions of digital book sales is incomplete, the CBF estimates that the sales of digital books from all categories across all Canadian markets represent approximately 10% of Canada's book sales market.

According to a study conducted by Hill Strategies Research Inc. in 2008, Canadian household spending related to the consumption of books was \$2.9 billion,³¹ representing an average of \$220 per Canadian household (13.2 million households).³²

From 1997 to 2008, taking inflation into account, Canadians' book purchases (excluding textbooks) increased by 24%, while the Canadian population grew 14% during that same period. Canadians spent an average of \$43 on books in 2008. Alberta leads all the provinces in spending per capita on book purchases with \$52, followed by British Columbia (\$47), Manitoba (\$42), Quebec and Ontario (each \$41).³³

Long-term trends in national and export sales of eligible titles on physical and digital media from CBF recipients

The sales value of Canadian titles produced by CBF-funded publishers totalled \$2.2 billion over the period evaluated. Between 2007-08 and 2010-11, the total annual sales of Canadian-authored titles published by CBF-funded Canadian publishers increased from \$429 million to \$441 million, representing an increase of 3%; however, there was a drop of 2% in 2011-12, with total annual sales of \$432 million. During the evaluation period, the export sales of Canadian-authored books represented 22% of sales by CBF-funded publishers, with average annual sales of \$97.1 million.

The demand for digital books has grown over the past few years. The digital book sales from CBF-funded publishers show the extent to which these types of books meet consumers' needs in terms of diversity in available products. In this respect, publishers that received CBF funding responded to the advent of digital books by increasing the number of titles available in digital format. This resulted in a 148% increase in the number of digital book sales, from \$3.0 million by CBF-funded publishers in 2007-08 to \$7.7 million by CBF-funded publishers in 2011-12, representing 0.7% and 1.8% respectively of the total sales recorded by recipients. The proportion of digital book sales by Anglophone publishers increased from 0.8% to 3.1%. For Francophone publishers, the proportion of digital book sales was 1.1% for publishers that received funding in 2011-12 and 0.7% for publishers that received funding in 2007-08. Despite a certain momentum with regard to the creation and provision of digital products as well as an increase in recipients' sales of digital titles, the proportion of digital sales in comparison with publishers' overall revenue remains relatively modest.

Diversity of Canadian-authored titles sold by CBF-funded publishers

The review of the diversity of Canadian-authored titles sold by publishers that received CBF funding, according to the category of book (fiction, textbook, poetry, etc.), is useful in determining the extent to which the program contributes to the consumption of a diverse range of Canadian-authored books. The CBF encourages the consumption of a diversity of Canadian-authored books by requiring its recipients to produce a minimum number of books each year under various categories, including general literature, textbooks and scholarly books. The program collects information from its recipients on the production of books according to the category of book published (children's books, fiction, etc.). However, in order to limit the administrative burden imposed on recipients, the program requires recipients to provide only information related to the categories of titles produced.

Effectiveness of support provided for promotion and marketing

Every year, the CBF supports Canadian publishers in promoting and marketing Canadian-authored books in Canada and abroad. The support provided covers a wide range of eligible activities related to the production, marketing and distribution of Canadian-authored books. The funding provided to publishers is structured so that publishers are free to decide how they will use the amounts received, on the condition that it is used for expenses deemed eligible under the terms and conditions of the program. Recipients may therefore earmark all of the funding they receive from the CBF for the marketing of books by Canadian authors, if they wish to do so. The decision to use their resources for marketing, promotion or other priority activities is left to the discretion of the recipients. As part of the Support for Publishers (SFP) component, the CBF provides core funding to publishers for the production and marketing of Canadian books. The program also provides financial support to publishers that wish to offer internships in technology that emphasize the acquisition and use of skills related to adopting innovative technology strategies for production, marketing and information management.

The CBF also supports organizations and associations of the Canadian book industry in marketing and promoting Canadian-authored books. The funding provided aims to support collective marketing projects that increase the number of opportunities for professional organizations and associations to be able to market and promote Canadian-authored books. As part of the Support for Organizations (SFO) component, the CBF provides funding to organizations and associations in the Canadian book industry in order to support:

- Collective marketing projects that increase the number of opportunities for professional organizations and associations to market and promote Canadian-authored books.
- Collective projects that support the industry in terms of developing the efficiency, expertise and capacity to adapt to constantly evolving technologies.
- Collective professional development projects that will help professionals in the Canadian book industry acquire skills and knowledge of the book industry.

- Internships that provide relevant on-the-job training, thus contributing to the development of the next generation of professionals in the Canadian book industry.

In accordance with the program's performance measurement strategy, data was collected on the funds allocated for the promotion and marketing of books in order to identify the outputs: the number and type of marketing and promotion projects funded. A description of the various CBF components that support the promotion and marketing of Canadian-authored books, as well as information on funding and the number of related projects, is provided in Appendix 4. However, in order to keep the CBF's administrative costs for performance measurement at an acceptable level, the CBF does not compile the data provided by recipients on the use of the funds allocated to them for promotion and marketing purposes. It is therefore difficult to evaluate the extent to which the CBF supported publishers in the promotion and marketing of Canadian-authored titles.

As previously indicated in section 2.2 on the limitations of the evaluation, evaluating the effectiveness of activities intended to promote and market a product or service generally requires collecting data related to the impact of these activities on the volume of sales of the product or service in question. However, in addition to the CBF, recipients have access to various sources of funding to carry out their promotion and marketing activities, and other internal and external factors come into play with regard to the success of a book. Evaluating the effectiveness of the support provided to program recipients for promotion and marketing is therefore a challenge when it comes time to establish causality between the funding allocated by the program and the results obtained in terms of sales. Moreover, it is difficult for recipients, the majority of which are SMEs with limited resources, to conduct the necessary studies to accurately establish the direct and exclusive impact of the funding allocated by the CBF for marketing and promotion on book sales. Measurements designed to calculate the market shares of books by Canadian authors funded through the program were used to determine, indirectly, the scope of the investment under the CBF when it comes to promotion and marketing.

According to most of the key sources interviewed, one of the main challenges that publishers face is the increasingly prevalent practice of marketing books online using methods such as social media, blogs and publisher or author websites. This change requires them to adapt their knowledge and obtain specific expertise in digital technologies in order to contend with an industry in transition. Most of the key informants interviewed pointed out that online and social media promotion and marketing have taken over from traditional marketing in the book industry. "That's where you have to be as a book publisher on today's market; otherwise, you'll be left behind."

Market share of titles by CBF-funded Canadian authors

Comparing the market share of sales of Canadian-authored books funded by the CBF in 2008 and 2010 with all Canadian-authored book sales during the same years makes it possible, to some extent, to evaluate the CBF's contribution to the consumption of Canadian-authored books in Canada and abroad. The contribution of CBF-funded Canadian publishers would represent on average approximately 52% of all sales of Canadian-authored books.

1.7.2.3 Viability of the publishing industry

The CBF contributes to the consolidation of a competitive, strategic and informed Canadian publishing industry. The CBF contributed annually to the viability of approximately 234 publishers across Canada, thus providing Canadians with a variety of Canadian-authored works from all over Canada. The operating profit margin for all CBF recipients remained at approximately 4% over the evaluation period.

The viability of Canada's book publishing industry is one of the CBF's expected results. The following indicators related to this outcome were examined: the number and diversity of publishers in Canada's book industry, the long-term profit margin of Canadian book publishers, and the extent of their participation in new technologies and best practices.

Number and diversity of Canadian book publishers

The number and diversity of Canadian publishers are indicators that enable us to evaluate the vitality of Canada's publishing industry. For a long time, Canada's book sector was composed of foreign companies distributing imported books, while Canadian authors were practically unknown. Prior to the creation of the CBF in 1979, 98% of Canadian publishers were located in Toronto or Montreal, and most relied on the sale of foreign-published books to generate their revenues.³⁴ Since the late 1970s, government support measures at both the federal and provincial levels have played a key role in developing the Canadian book industry, despite the continuing competition from multinational companies. Today, numerous Canadian publishers are established across the country (CBF recipients are located in some 80 cities across all Canadian provinces).

Despite the increased number of Canadian publishers, some major multinational publishers, including Penguin Random House, HarperCollins and Hachette, have a significant presence in a very competitive Canadian market. Currently, Canadian-owned publishers represent 96% of publishers in Canada. The majority of foreign book publishers on the market, such as Random House, HarperCollins and Penguin, were already present in Canada before the passage of the *Investment Canada Act*. The slight decrease in the number of foreign publishers in Canada in recent years is due primarily to mergers and acquisitions of existing firms.³⁵

Foreign publishers publish numerous works by renowned Canadian authors and contribute to the dissemination of Canadian literature, but their main activity remains the distribution of books by foreign authors in Canada. However, Canadian publishers play an essential role in the discovery and publication of a wide range of Canadian authors, given that, overall, Canadian publishers publish the vast majority of new titles by Canadian authors.

There are more than 1,500 publishing houses in Canada whose revenues have remained relatively stable since 2004, representing approximately \$2 billion annually.³⁶ In 2006, of the 293 publishing houses responsible for 95% of operating revenues, 282 were Canadian.³⁷ In 2010, book publishers established in Canada whose publications were primarily English-language titles held the largest share of the total revenues of all publishers established in Canada, at 77.8%. Publishers whose publications were primarily

French-language titles increased their share of these revenues by 1.7% compared to 2008, representing 22.2% of the total revenues of all publishers established in Canada. Ontario and Quebec represented 94.5% of the publishing industry market in Canada.³⁸

According to the program's administrative data, the CBF contributed annually to the viability of approximately 234 publishers across Canada. The number and regional distribution of publishers funded over the five years remained relatively stable.

The primary objective of the CBF is to support small- and medium-sized enterprises operating in the publishing field. In 2008-09, more than 50% of CBF-funded publishers had annual revenues of less than \$1 million. Furthermore, 63% of the CBF-funded publishers in 2008 had been in business for more than 20 years.

By contributing to the viability of Canadian publishers across Canada, the CBF thus helped to provide Canadians with a variety of Canadian-authored works from coast to coast.

Long-term profit margin of Canadian book publishers

A review of the operating profit margin also helps to evaluate the viability of Canadian book publishers.

According to Statistics Canada, from 2008 to 2010 the operating revenues of Canadian-controlled publishers remained relatively stable at \$1.4 billion annually. The operating profit margin reached 12.3% in 2010, compared with 11.4% in 2008.

Comparatively speaking, during the evaluation period, the revenues for all CBF recipients totalled an average of \$667 million annually. However, the profit margin of CBF-funded publishers remained steady at approximately 4% during this same period. The results also indicate that CBF-funded publishers from British Columbia, Quebec and the Atlantic provinces obtained average profit margins of 4.9%, 5.8% and 5.3% respectively during the evaluation period, while publishers in Ontario and the Prairie provinces obtained more modest profit margins of 1.3% and 1.7% respectively.

Extent of participation of Canadian-owned book publishers in new technologies and best practices

Various initiatives support marketing and technological advances in the industry. Funding by the CBF has provided support for the Canadian publishing industry to undertake initiatives such as the following:

eBOUND Canada

Launched in March 2009 as Canadian Publishers Digital Services (CPDS), the digital arm of the Association of Canadian Publishers, eBOUND Canada is a not-for-profit organization dedicated to advancing Canadian publishers' engagement in the digital marketplace regardless of their size or level of expertise. Its growing number of programs includes e-book distribution, digital asset management, conversion services, and professional development. For more information, visit www.eboundcanada.org.

The 49th Shelf

The 49th Shelf is an online discovery and discussion platform for Canadian books. Enabled by broad industry investments in bibliographic data systems and invigorated through active curation and community participation, The 49th Shelf's aims to increase the discoverability of Canadian-authored books and create an authoritative web resource that can serve as a foundation for a range of collective marketing activities for Canadian books. The project is an innovative, digitally based marketing tool that addresses all these challenges and provides new ways of reaching print and e-book readers both in Canada and around the world.

BookNet Canada

BookNet Canada is a non-profit organization that develops technology, standards and education to serve the Canadian book industry. Its mandate is to improve the supply chain for books in Canada by improving the exchange of product data, distribution and inventory management, as well as other methods that support efficient and effective communications and transaction processing for members. Founded in 2002 to address systemic challenges in the industry, BookNet Canada has grown to become the guiding force for efficiency and healthy operation at publishing companies, booksellers, wholesalers, distributors, sales agents and libraries across the country. Industry-led and partially funded by the Department of Canadian Heritage, BookNet Canada is now, as *The Globe and Mail* puts it, "the book industry's supply-chain nerve centre." Some of BookNet Canada fields of activity are:

1. Supply chain technology services to increase accuracy and efficiency in the Canadian supply chain, such as:
 - The BiblioShare suite of services, including metadata aggregation, metadata maintenance and web services (APIs).
 - CataList – A powerful online tool for marketing, selling and ordering books.
 - Electronic Data Interchange (EDI) – Makes sharing orders, shipment notices and invoices fast and easy.
 - SalesData, a national sales tracking service, and Prospector, the retailer tool.
2. Development and maintenance of industry supply chain standards and certification (Onix metadata, identifiers, subject & classification schemes, EDI) so that industry technology can run smoothly and benefit everyone.

Banque de titres de langue française

Created by the Société de gestion de la Banque de titres de langue française (BTLF), Gaspard has been working for the book industry since 2009 by providing stakeholders at all levels of the supply chain (publishers, distributors and booksellers) with an abundance of objective information to facilitate better decision making. Thanks to the participation of numerous retailers, subscribers can at any time throughout the year take the pulse of

the market with its trends, successes and surprises, and thus monitor reader/consumer behaviours. Subscribers can also track the sales of one of their titles from the time it is launched, and thus rapidly obtain an idea of its future performance. A front-of-house management and intelligent analysis tool, with just a few clicks Gaspard provides a description of the Quebec and foreign book market in Canada, broken down into 21 categories and 116 subcategories: ideal for comparison with the rest of the industry.

1.8 Economy and efficiency of resources

The level of resources required to deliver the CBF and CMF programs is deemed reasonable. During the period evaluated, the CBF was successful at containing salary costs with a 5% administrative cost/total budget ratio, while the CMF managed to reduce its salary expenses by 8%. Both programs also significantly reduced their operating and maintenance expenses.

The Government of Canada requires that evaluation supports the following:

- Accountability, through public reporting on results
- Expenditure management
- Management for results
- Policy and program improvement

In order to ensure that evaluations adequately support these uses, evaluations must assess not only a program's relevance and results achievement but also the resources the program uses. Evaluations need to explore issues such as what and how resources were used in the realization of outputs and outcomes, whether the extent of resource utilization was reasonable for the level of outputs and outcomes observed, and whether there are alternatives that would yield the same or similar results (or indeed other results) using the same or a different level of resources.

The assessment of program resource utilization in evaluations of Canadian federal programs is not new. All policies on evaluation, since the first in 1977, have required evaluators to consider some aspect of resource utilization as part of their evaluative assessment.³⁹ This requirement has been articulated over time through evaluation issues such as efficiency and cost-effectiveness. Most recently, the Treasury Board of Canada Secretariat's Directive on the Evaluation Function⁴⁰ outlined a series of five "core issues" to be addressed in evaluations of federal programs. Core Issue 5, Demonstration of Efficiency and Economy, requires that evaluations include an assessment of program resource utilization in relation to the production of outputs and progress toward expected outcomes.

In order to assess the efficiency and economy of the CMF and CBF, the evaluation analyzed the resources devoted specifically to program delivery and workload and relied on the following ratios to assess their efficiency:

- Number of applications processed per full-time equivalent employee
- Processing cost per funding application
- Proportion of administrative costs over total program budget

The CMF and CBF programs rely on different approaches (formula-based or project-based) and different resources (in-house or third-party delivery) to process funding applications. Therefore, caution was exercised when drawing comparisons to ensure their validity.

1.8.1 Program resources and workload

This section looks at the overall resources tied to the delivery of both the CMF and the CBF programs as well as their workload in terms of applications processed during the period evaluated (it should be noted that the analysis of the workload excludes the effort devoted to the second year of multi-year agreements).

A look at the evolution of CMF expenditures during the period from 2007–08 to 2011–12 in terms of operating expenses and grants and contributions (Appendix 9, Table 25) demonstrates that the CMF program’s overall expenses increased by 2% during the period evaluated, mainly driven by a 3% increase in grants and contributions spending. Expenses tied to employees’ salaries, benefits and accommodations decreased by 8%, while operating and maintenance expenses dropped by 64%.

The CBF program’s overall expenses (Appendix 9, Table 24) decreased by 2% during the period evaluated. Expenses tied to employees’ salaries, benefits and accommodations increased by only 4%, while operating and maintenance expenditures dropped by 54%. Grants and contributions expenditures slightly declined by 2%.

1.8.1.1 Use of resources – Salaries

Table 3 below demonstrates the overall salaries for the two programs (including staff salaries for program delivery, policy development and program management) for the period covering fiscal years 2007–08 to 2011–12.

Table 3 – PCH salaries by program

Program	2007–08 (\$)	2008–09 (\$)	2009–10 (\$)	2010–11 (\$)	2011–12 (\$)	Average (\$)	Variance %
CMF (Music)	1, 115,075	1, 045,712	1, 101,750	1, 157,124	1, 028,152	1, 089,562	-7.8%
CBF (Books)	1, 544,614	1, 539,789	1, 581,822	1, 565,668	1, 615,098	1, 569,398	4.6%

Canada Music Fund

For the five years in scope, overall salaries for the CMF averaged \$1.09 million annually and decreased by 7.8% over the five-year period. The decrease in salary expenses is attributed to a reduction of 3.8 FTEs during this period.

Canada Book Fund

Salaries for the CBF over the five years averaged close to \$1.6 million annually. The envelope increased slightly over the period evaluated, with a total increase of 4.6% and

an average increase of 1.1% annually. There have been no major reductions in FTEs during the five-year period.

1.8.1.2 Use of resources – Number of employees

Table 4 below shows the number of full-time equivalent employees tied to the two programs in scope for the period covering 2007–08 to 2011–12.

Table 4 – PCH Full-time equivalents (FTEs)

Program	2007–08	2008–09	2009–10	2010–11	2011–12	Average	Variance
CMF (Music)	15.00	13.29	12.93	13.50	11.22	13.19	(3.78)
CBF (Books)	22.91	21.45	23.29	22.30	21.97	22.38	(0.94)

Canada Music Fund

The total full-time equivalents for the CMF varied from a high of 15 in 2007 to a low of 11.2 in 2011–12. The net reduction of 3.8 FTEs over the five-year period was due to various internal exercises to reduce operating expenditures as well as an internal reorganization following the reductions made under the Government of Canada’s Deficit Reduction Action Plan (DRAP).

It is important to note that the majority of FTEs for the CMF are assigned to policy advice, industry monitoring, performance measurement and program development. This last business line includes the oversight of CMF third-party administrators in accordance with the terms and conditions of the contribution agreements, annual assessments of the ME component’s eligibility criteria, preparation of the ME component’s application guides and forms, meetings with stakeholders to provide updates on program performance, and support to the CMF program delivery team.

For the period reviewed, the average number of FTEs directly involved in CMF program delivery decreased from 4.9 to 2.6 FTEs, for an average of 3.9 FTEs. Those FTEs were responsible for the implementation and delivery of all ME subcomponents as well as the management of monthly payments to third-party administrators.

The low level of FTEs assigned to program delivery is due to the fact that three of the five CMF components—Creators’ Assistance, New Musical Works and Collective Initiatives—are delivered by third parties.

Since February 2012, the Book Policy and Programs Directorate has been responsible for administering the Aid to Canadian Sound Recording Firms and the Aid to Canadian Music Publishing Firms subcomponents of the CMF’s Music Entrepreneur component, for the Music Policy and Programs Directorate.

Canada Book Fund

The total number of FTEs for the CBF has remained fairly consistent over the five years reviewed. On average, total FTEs were 22.38. Throughout the years, approximately 16 FTEs have been dedicated to the direct delivery of the CBF’s two program components:

- Support for Publishers, which uses a formula-based funding approach that relies on performance indicators (production, sales, etc.) to determine the level of funding allocated to each applicant; and
- Support for Organizations, which provides funding for projects based on their merit, level of risk, and alignment with the program's priorities and objectives.

1.8.1.3 Processing workload of new funding applications

This section aims to provide a brief description of how funding applications are processed and to demonstrate the evolution of the amount of workload tied to the CMF and the CBF programs in terms of applications processed during the period evaluated.⁴¹

Description of the process tied to the processing of new funding applications

For program components administered internally, the CMF and the CBF programs rely on two approaches to process applications and allocate funding, namely, a formula-based approach or a project merit-based approach. While both approaches initially require a thorough analysis of an applicants' submission to determine if it meets the program's eligibility criteria, the project merit-based approach also requires a thorough analysis of various other criteria to determine whether or not a project will be recommended for funding and how much funding will be recommended for a project. These criteria include the following:

- Demonstration that the project meets the objectives of the program
- Demonstration that the applicant has the capacity to undertake the project
- Level of risk of the project

For the CBF's Support for Organizations component, projects are further assessed based on the following aspects:

- Demonstrated industry need for the project
- Degree to which a previously supported project demonstrates improved or sustained results
- Scope of the project with respect to language, region, participation, strategic alliances, etc.
- Commercial impact of the project on the Canadian book industry, including clarity of expected results and performance measures
- Degree to which the project demonstrates collective efficiencies and partnerships with other industry stakeholders
- Degree to which a project has assistance or financial commitments from other sources
- Justification of the budget in terms of the scale of the project

Once eligibility for funding has been established, the level of funding to be allocated needs to be determined.

The formula-based approach relies on the applicant's unit sales to set the amount of funding that can be provided. It should be noted that the CMF's formula-based approach differs from the one used by the CBF since it needs to consider the applicants' last three years of sales data instead of a single year which, in turn, increases the level of analysis required to determine the level of funding that can be allocated.

Despite these variations in the formula-based approach, the project merit-based funding approach requires more time and analysis since the amount of information that accompanies the application requires greater analytical assessment on how the project aligns with the program's objective.

Workload tied to the processing of new funding applications

A review of the total number of applications processed by PCH staff assigned to program delivery was conducted for the three components evaluated, that is, the CMF's Music Entrepreneur component as well as the CBF's Support for Publishers and Support for Organizations components. As demonstrated in Table 26 in Appendix 9, the number of applications processed varies considerably from one program component to the other.⁴²

Canada Music Fund

The Aid to Canadian Sound Recording Firms subcomponent of the CMF's ME component, which has 79% of the component's total budget, uses a formula-based approach to establish the level of financial support to be provided to established Canadian record labels. The Aid to Canadian Music Publishing Firms and the Aid to Canadian Music Industry National Service Organizations subcomponents of the CMF's ME component rely on a project-based approach to determine the amount of funding that can be allocated. The funding applications received every year for these subcomponents come from applicants who, for the most part, are recurring recipients.

Over the course of the five-year period covered by the evaluation, the ME component processed a total of 233 applications, including applications received from 2007–08 to 2009–10 for the former Support to Sector Associations (SSA) component. On average, 47 applications were processed annually over the five-year period. The annual number of applications processed decreased slightly over that period, going from 52 in 2007–08 to 41 in 2011–12. Two main factors contributed to this decrease:

- The budget of the SSA component was amalgamated, as of April 1, 2010, with the Collective Initiatives, Creators' Assistance and Music Entrepreneur components. Consequently, seven of the nine applicants that had requested funding through the SSA component in 2009–10 were redirected to one of these three aforementioned components.
- The number of applications to the Aid to Canadian Music Publishing Firms subcomponent of the ME component dropped in the year following its launch in 2007–08, as fewer companies applied for funding once they became more familiar with the program's eligibility criteria.

Canada Book Fund

A total of 1,320 applications have been processed under the CBF's Support for Publishers component for the same five-year period, for an average of 264 per year. The number of applications steadily increased during that period, going from 237 in 2007–08 to 293 in 2011–12.

The CBF's Support for Organizations component, which is a project-based component, has processed a total of 742 applications for the five years under scope, for an average of 148 per year. The number of applications has decreased considerably over the five-year period, from 289 applications in 2007–08 to 73 applications in 2011–12. As noted previously, this is mainly due to the partial elimination of the Supply Chain Initiative (SCI) component in 2007–08⁴³ and, to a lesser degree, a reorganization of the application process where multiple applications have been consolidated and many have been converted to multi-year agreements, hence reducing the total volume of applications while increasing their individual complexity. These changes have had the benefit of reducing the volume of CBF files working their way through the PCH administration system, contributing to efficiencies at that level.

1.8.2 Efficiency of program delivery – In-house delivery

This section describes the results of the financial analysis performed to assess whether PCH internal resources dedicated to the delivery of the two programs are being used economically to maximize the achievement of program outputs and outcomes.

1.8.2.1 *Number of new funding applications processed per PCH full-time equivalent employee*

The evaluation looked at the number of grant and contribution applications processed by PCH FTEs for each program component managed internally. The FTEs represent only the FTEs identified by the programs as being directly involved in program delivery. Those activities include:

- Receipt and assessment of applications
- Determination of the funding amount that can be provided
- Release of payments to eligible applicants
- Monitoring of recipients' compliance with funded activities and financial reporting requirements
- Communications with applicants and potential applicants regarding eligibility criteria, eligible expenses, reporting requirements, etc.

Canada Music Fund

The three ME subcomponents together processed a total of 61 applications per FTE for the five years under review, for an annual average of 12 applications per FTE. The assessment process for this component is very directed, with specific criteria and one deadline per year for each subcomponent. While these deadlines are dispersed throughout the year, as to maximize the operations of the FTEs, the applications for each subcomponent must be assessed in a short period of time. The Aid to Canadian Music

Publishing Firms subcomponent provides contributions of up to \$50,000, while the Aid to Canadian Sound Recording Firms subcomponent requires more rigorous scrutiny of recipients' financial viability given that recipients can receive contributions of between \$200,000 and \$650,000.

Canada Book Fund

Over the past five years, the CBF's Support for Publishers component, mainly a formula-based component,⁴⁴ processed a total of 197 applications per FTE, for an average of 39 applications per FTE annually. In contrast, the CBF's Support for Organizations component, a project-based component, processed a total of 82 applications per FTE over the past five years, or an average of 16 applications per FTE annually. The number of applications per FTE has decreased year over year, in part due to the fact that the Supply Chain Initiative component was partially cancelled in 2007–08. In addition, a reorganization of the application process was conducted through which multiple applications were consolidated, reducing the total number of applications processed and, by extension, the number of applications processed per FTE. This reorganization not only allowed the program to reduce burden on funding applicants but also introduced efficiencies, since fewer files are moving through each step of the process within the Department while the same level of funding is provided with the same range of activity supported. However, as the complexity of funding applications has increased, a smaller number of applications can be processed per FTE under this component because the analysis of applications involving multiple projects requires greater scrutiny and due diligence.

1.8.2.2 Processing cost of new funding applications – In-house delivery

The evaluation also examined the direct cost per application processed for the three components managed internally at PCH by the programs. The direct costs include only the salaries and O&M expenses for the resources directly involved in the delivery of the program components.

Canada Music Fund

The average processing costs per application for the CMF's Music Entrepreneur component was \$6,661 for the five-year period covering 2007–08 to 2011–12. The processing cost per application decreased by 19% from \$6,762 to \$5,493 over this period. This decrease in the cost per application is mainly due to the reduction in the number of FTEs assigned to the delivery of the ME component that took place in 2011–12. The decrease in the number of FTEs has been countered by a reduction in the number of applications processed over the years, dropping from 52 to 41.

Canada Book Fund

The processing cost per application for the CBF's Support for Publishers component decreased from a maximum of \$2,041 in 2007–08 to \$1,881 in 2011–12, for an average of \$1,969 during the same period. The decrease in cost per application is mainly due to the fact that the number of applications processed increased over the years from 237 to 293, with no corresponding significant increase in labour resources. The increase in the number of applications is attributable to some project-based application processing being shifted over to employees who had formerly worked only on formula-based applications as part of a program reorganization in 2010–11. The program staggered the analysis periods for applications (formula-based applications are processed during the spring and fall seasons, while project-based applications are handled in the remaining months of the year) in order to mitigate the impact of the additional workload on employees.

The processing cost per application for the CBF's Support for Organizations component rose from \$2,167 in 2007–08 to \$8,271 in 2011–12 (282% increase), for an average cost of \$4,984 for the five years evaluated. As mentioned previously, the number of applications for Support for Organizations has reduced considerably throughout the years, from 289 to 73, due to the elimination of the Supply Chain component⁴⁵ and a reorganization of the application process, with no corresponding significant decrease in labour resources. The reorganization of the application process involved combining multiple application forms into one single application form which, in turn, reduced the burden on funding applicants but also increased the complexity of processing and analyzing the applications. As noted, the consolidation of activities into more complex funding has had an impact on the per-application resource requirements.

1.8.3 Efficiency of program delivery – In-house delivery vs. third-party delivery

This section describes the results of the analysis performed to assess and compare program delivery approaches, focusing on costs of third-party delivery versus in-house program delivery.

As mentioned previously, the CMF uses third-party delivery organizations to administer the Creators' Assistance, New Musical Works and Collective Initiatives components. Since the CMF's Music Diversity component was cancelled in 2010, and given that the Canadian Music Memories component represented only 2% of the CMF's grants and contributions expenses over the five-year period, those two components were excluded from the analysis. While the CBF also uses a third-party organization (LCB) to deliver a portion of its program, the evaluation did not include LCB in the CBF's efficiency analysis because the amount involved is relatively small in comparison to the CBF's total budget (4%).

The largest number of applications processed over the five-year period is for the CMF's Creators' Assistance, New Musical Works, and Collective Initiative components which are project-based and managed by third-party administrators. For the period covering 2007–08 to 2011–12, a total of 22,692 applications were processed by third-party administrators, for an average of 4,538 applications per year. These applications are

project-based and largely comprise smaller amounts funded directly to smaller entrepreneurs, artists' managers and artists. This represents 99% of total applications received for the CMF and 59% of the CMF's grants and contributions expenses over the five-year period.

The average direct cost of applications processed by CMF third-party administrators was \$715 throughout the five-year period under review. Although components managed by third parties on behalf of the CMF are project-based and represent the majority of all CMF applications received, the third parties' average application processing cost is lower than all the components managed internally at PCH, including formula-based funding components. The lower average direct cost of applications processed by CMF third-party administrators can in part be attributed to the fact that the average size of contributions made by third-party administrators is 4 to 50 times lower than the amounts awarded under components managed internally at PCH. This in turn usually requires fewer resources dedicated to the analysis and monitoring of funded project files, since the level of risk and complexity is significantly lower. Both the CMF and the CBF are continuously looking for opportunities to improve their efficiency. As mentioned earlier, the CMF improved its efficiency in recent years by reducing expenses tied to employees' salaries, benefits and accommodations by 8%, while the CMF and the CBF were able to reduce their operating and maintenance expenses by 64% and 54% respectively.

1.8.4 Efficiency of program delivery – Proportion of administrative costs

The proportion of administrative costs over the program's total expenses is a common indicator used by the federal government to assess the efficiency of its programs. This includes the overall implementation and management of the program as well as development and monitoring of policies, provision of strategic advice, research and reporting on industry trends, measurement of program performance, oversight and interfacing with third-party administrators, monitoring of contribution agreements, budget allocation, development of program guidelines and application guides, and participation in program audits and evaluations.

Over the years, the CMF ratio of administrative cost to total program expenses⁴⁶ has gone from 12.83% in 2007–08 to 11.64% in 2011–12, with an annual average of 12.42%.

As for the CBF, the ratio of administrative cost⁴⁷ to total program expenses remained fairly stable, reaching a high 4.82% and a low of 4.58%, with an annual average of 4.69%.

The higher ratio for the CMF is mainly due to the fact that the high volume of files processed (4,560 files processed annually, of which a majority are project-based files) requires significantly more resources. Therefore, using the proportion of administrative costs over the programs' total budget as an efficiency indicator must be interpreted with caution, especially for grants and contributions programs that allocate high numbers of low-value funding amounts.

1.8.5 Duplication with other programs

The evaluation looked at whether duplication existed in terms of the financial support offered by the CMF and the CBF.

Canada Music Fund

Federal assistance to the Canadian music industry is provided by two main sources, each one with different yet related objectives: the Canada Music Fund (CMF) and the Canada Council for the Arts (CCA). The CMF supports music entrepreneurs and Canadian artists in carrying out activities related to the production and marketing of sound recordings, national and international tours, digital distribution, music publishing, awards presentations, and international trade. The CCA's Music Section focuses on the development of artistically driven Canadian music created, performed, produced and disseminated by professional Canadian artists and arts organizations expressing Canadian cultural, creative and intellectual diversity for the benefit of the Canadian and international public. Where the CMF primarily supports mainstream music, the CCA puts emphasis on artistic considerations such as creativity, free expression and experimentation—considerations that deviate from the more conventional criteria of so-called commercial music formats. As a result, the CCA primarily supports specialty music genres, for example, contemporary classical music and electro-acoustic music. The separate yet complementary mandates of the two organizations strive to improve Canadians' access to a diverse range of Canadian musical works by increasing the number of opportunities open to Canadian artists and cultural entrepreneurs and by ensuring that Canadian artists and music entrepreneurs have the skills, knowledge and means to succeed. The evaluation looked at whether the funding offered by the CMF and the CCA overlapped, and found that there was no duplication.

Various provincial and territorial programs also exist to support the music industry. However, it should be noted that the Northwest Territories and Nunavut do not have any programs that seek to help the music industry. Thus, the CMF provides financial support nationally to a variety of Canadian artists, regardless of origin.

Canada Book Fund

Federal assistance to the Canadian book industry is provided by two main sources, each one with different yet related objectives: the Canada Book Fund (CBF) and the Canada Council for the Arts (CCA). The separate yet complementary mandates of the two organizations support the publication of books by Canadian authors.

The objective of the CBF is to ensure access to a diverse range of books by Canadian authors in Canada and abroad by supporting the production and marketing of Canadian authors' works in all genres. CCA encourages and promotes the enjoyment and production of works of art by rewarding excellence in the creation and distribution of the literary work by publishers and organizations.

The evaluation looked at whether any duplication existed in terms of the financial support provided by the CBF and CCA, and found that there was no overlapping in the vast majority of activities funded by these two entities. However, despite the presence of a memorandum of understanding between the CBF and CCA specifically to limit duplication and despite these two organizations' willingness to operate on the basis of separate mandates, the evaluation revealed the presence of duplication in the funding of some activities, more specifically in the funding of industry associations and organizations. For example, 30 of the 46 organizations that received funding from the

CBF in 2011–12 through the Promotion and Marketing sub-component of the Support for Organizations component also received CCA funding through its Grants for Literary Arts Promotion program. Of those 30 organizations, 16 received funding as part of complementary activities related to book fairs and literary festivals. Note that the overlap represented only 3% of the CBF's total budget envelope to support the Canadian book industry in 2011–12.

Various provincial and territorial programs support the book publishing industry. However, we note that Prince Edward Island recently discontinued its book publishing assistance program. The Northwest Territories and Nunavut do not have programs that support the book publishing industry. The CBF therefore offers financial support nationally to a wide range of publishers of Canadian authors' books regardless of province or territory.

1.8.6 Conclusion on CMF and CBF economy and efficiency

In light of the above findings, the level of resources required to deliver the CMF and the CBF programs is deemed reasonable. During the period under evaluation, both programs have been successful at containing salary costs and significantly reducing their operating and maintenance expenses.

There has been a decrease in the funding application processing cost for the CMF's Music Entrepreneur component and the CBF's Support for Publishers' component, while there has been an increase in the funding application processing cost for the CBF's Support for Organizations component during the period evaluated. The cost to process CMF funding applications is also significantly lower when handled by third parties.

Although there are other programs dedicated to supporting the book and music industries, the vast majority of the activities funded by those programs are complimentary to the CMF and the CBF. Duplication in the use of resources has been negligible.

4. Conclusion

Relevance

The relevance of the CBF and the CMF has been clearly demonstrated. Both programs ensure access to a substantially diverse range of Canadian cultural content in Canada and abroad. This access allows for the development and assertion of Canadian culture, participation in Canada's economic development and its expansion abroad. Moreover, the government has repeatedly underscored the importance of creativity and cultural innovation for Canada's economic future, and expressed its support for cultural industries. The federal government fully assumes its roles and responsibilities by contributing to the promotion and expansion of Canadian cultural industries, involving a variety of artists with different backgrounds and a variety of Canadian works in these industries. Similarly, the Government of Canada's contribution to cultural industries enables it to fulfill its responsibilities with regard to the promotion of both official languages while supporting access to cultural content for official language minority communities across Canada.

Performance – Effectiveness

Despite the limitations of the evaluation, the CMF and the CBF have achieved their expected results overall. The programs contribute to the creation and consumption of a diversity of books by Canadian authors and musical works by Canadian artists, and to the viability of Canada's music and book publishing industries. The level of resources necessary to implement the CMF and the CBF is deemed reasonable.

Canada Music Fund

The evaluation found that the CMF contributed to the creation of new albums presenting a diverse range of Canadian music choices through investments in musical creators and entrepreneurs and support for marketing and opportunities to showcase musical creations. During the period evaluated, 2,687 new albums featuring linguistic, regional and musical diversity were produced with support from the ME, NMW and CMD components of the CMF.

The CMF contributed to making accessible for consumption a diverse range of Canadian music choices in Canada and abroad. The total sales of albums eligible for program funding produced by ME Component recipients was close to 10.5 million units during the evaluation period. Structural transformations, including the change of medium (physical to digital), certainly had a negative impact on the sales of physical albums in Canada, but the downturn in the number of albums sold in Canada that was experienced by CMF recipients was nonetheless two times less (-8.3%) compared to the decrease in the number of albums sold in Canada for the Canadian industry as whole (-19.75%), and there was actually a 9.4% increase in the number of albums sold abroad. The extent of these sales shows that new albums were made available to the public and were purchased.

The current conditions of the music industry, the technological changes affecting it, and the changes observed in sound recording production methods and in artist promotion have made sound recording firms vulnerable. This was seen, among other areas, in the significant drop in revenues and in the repeated operating deficits of a majority of recipient sound recording firms. However, considering the average percentage in operating profits and considering that a majority of recipient sound recording firms generated operating deficits, we can deduce that some recipients, in contrast, achieved substantial profits. The situation for the music publishing industry is different. Recipients' revenues doubled during the period reviewed, but there were low median annual operating profits and low average annual operating profits, again underscoring the effect of structural changes within the industry. In either case, the future of recipients of these components of the music industry is difficult to foresee. This situation requires the CMF to monitor developments in the music industry very closely to ensure that the program directions remain relevant.

The evaluation found that the CMF achieved its expected results overall. However, challenges reporting on the achievement of expected program results linked to the creation of a diverse range of Canadian music choices, accessibility for consumption and the financial viability of recipients in the NMW and the former CMD components limited the ability to fully evaluate the achievement of the CMF's expected results. Certain data on the language of expression of music produced and on the album sales and operating

profit margins of the recipients of these two components could not be provided because the program's current performance measurement strategy does not require it to collect this sort of information. Although the expected results set out in the terms and conditions of the CMF program apply to the program overall, the indicators contained in the program's current performance measurement strategy allow the three expected results mentioned earlier to be measured based on the performance of recipients in the ME component, which supports the largest sound recording firms. Consequently, partial information about the language of artistic expression and the absence of data on album sales and operating profit margins for the recipients supported by the NMW component and the former CMD component have limited the ability to fully evaluate the achievement of the CMF's expected results.

Canada Book Fund

The evaluation found that the CBF contributed to the creation of a diverse range of books by Canadian authors during the evaluation period. From 2007–08 to 2011–12, publishers who received support from the CBF published more than 30,000 new literary works of all genres, in both English (41%) and French (57%). The growing popularity of tablets and electronic readers in recent years has led to a growing demand for digitally formatted books. Publishers who received funding from the CBF have responded to the advent of digital books by increasing the number of titles available in digital format.

The CBF has supported Canadian book industry organizations and associations and publishers in the marketing and promotion of books by Canadian authors. Most of the key informants interviewed indicated that one of the main challenges publishers face is the increasingly prevalent place of online book marketing using methods such as social media, blogs, and publisher and author websites. Most of the key informants indicated that marketing and promotion online and through social media have taken the place of traditional marketing in the book industry.

The CBF contributed to the consumption of a diverse range of Canadian-authored books. Sales for Canadian publishers that received funding from the CBF represent approximately 21% of all sales in the book publishing industry in Canada, totalling \$2.2 billion over the evaluation period. Although the proportion of recipients producing publications in digital format more than doubled during the evaluation period, reaching 53%, the proportion of the recipients' digital book sales in 2012 reached 1.8%,⁴⁸ whereas the industry average in Canada was about 10%. The publication of books in digital format and the marketing of these works in an extremely competitive and constantly changing virtual environment pose a major challenge for CBF recipients who then need to adapt their knowledge and obtain specific expertise in digital technologies in order to contend with an industry in transition.

The CBF also contributed to the viability of a diverse range of small- and medium-sized enterprises working in the book publishing field, providing annual support to approximately 233 of the 293 Canadian publishers responsible for 95% of sales in Canada's book publishing industry, thus helping to provide Canadians with a variety of Canadian-authored works from all over the country. The operating profit of CBF-funded publishers remained at approximately 4% over the evaluation period, while that of Canada's book publishing industry was approximately 11% during the same period.

Performance – Efficiency and cost-effectiveness

The level of resources necessary to implement the CMF and the CBF is deemed reasonable. During the period evaluated, the CBF successfully contained salary costs while the CMF managed to reduce its salary expenses by 8%. Both programs also significantly reduced their operating and maintenance expenses.

5. Recommendations

The evaluation examined the extent to which the expected results of the CMF, as stated in its terms and conditions, were achieved overall. Despite the limitations of the evaluation, the CMF has achieved its expected results overall. However, challenges reporting on the achievement of expected program results linked to the creation of a diverse range of Canadian music choices, accessibility for consumption and the financial viability of recipients in the NMW and the former CMD components limited the ability to fully evaluate the achievement of the results expected of the CMF. Certain data on the language of expression of musical works produced, album sales and the operating profit margins of the recipients in these two components were not available because the program's current performance measurement strategy does not require it to collect this information. Although the expected results set out in the terms and conditions of the CMF program apply to the program overall, the indicators contained in the program's current performance measurement strategy state that the three expected results mentioned earlier are to be measured based on the performance of recipients in the ME component, which supports the larger sound recording firms. Consequently, partial information about the language of artistic expression and the absence of data on the album sales and operating profit margins of the recipients supported by the NMW component and the former CMD component have limited the ability to fully evaluate the achievement of the CMF's expected results for the period evaluated. The performance measurement framework for the Canada Music Fund as presented in the PCH Program Activity Architecture (PAA) was reviewed in 2012–13. More specifically, the expected result linked to the viability of the portion of the Canadian music industry funded by the CMF no longer appears in the PCH 2014–15 PAA approved by Treasury Board.

Recommendation 1: To enable the CMF to gather information it needs to demonstrate the level of achievement of expected results on an annual and five-year basis, it is recommended that the program review its performance measurement strategy so that it also gathers information from:

- All ME component recipients on:
 - the language of artistic expression of each album produced with program support
- All NMW component recipients on:
 - the language of artistic expression of each album produced with program support
 - sales (in dollars and in units) of musical works produced with program support

The era of digitization has brought major changes to the way citizens all over the world consume cultural goods, and the book industry is no exception to this marked trend. The growing popularity of tablets and electronic readers in recent years has generated a greater demand for books in electronic format. Although the proportion of recipients producing publications in digital format more than doubled during the evaluated period, reaching 53%, the proportion of digital book sales by recipients in 2012 was 1.8%,⁴⁹ whereas the industry average in Canada was about 10%. Most of the key informants interviewed indicated that one of the main challenges publishers face is the increasingly prevalent practice of marketing books online through social media, blogs and publisher and author websites. Producing books in digital format and marketing them in an extremely competitive and perpetually changing virtual environment is a major challenge for CBF recipients who, in return, need to adapt their knowledge and obtain specific expertise in digital technologies in order to contend with an industry in transition.

Well-capitalized multinational companies that made significant investments in the development, promotion and marketing of digital products captured one third of the book market in Canada, including the digital book market. It should be noted, however, that the gap in the proportion of digital book sales in Canada and sales by CBF recipients is not in itself an anomaly but is representative of an ongoing challenge that is central to the activities of businesses in Canada's book publishing industry.

The CBF provides annual support to Canadian publishers for the production, promotion and marketing of books by Canadian authors in print and digital format in Canada and abroad. The support provided covers a wide range of eligible activities related to the production, marketing and distribution of books by Canadian authors. The funding provided to publishers is structured in such a way that the publishers are free to decide how they will use the amounts received, on condition that it is used for expenses deemed eligible under the terms and conditions of the program. Recipients may therefore earmark all of the funding they receive from the CBF for the marketing of books by Canadian authors, if they wish to do so. The decision to use their resources for marketing, production or other priority activities is left to the discretion of the recipients. The CBF also provides financial support to publishers who wish to offer internships in technology that emphasize the acquisition and use of skills related to adopting innovative technology strategies for production, marketing and information management.

The CBF supports organizations and associations in the Canadian book industry for the marketing and promotion of books by Canadian authors. The purpose of this support is to encourage collective marketing projects that generate more opportunities for the professional associations and organizations to market and promote books by Canadian authors.

The digitization of books nevertheless represents a major challenge for CBF recipients, primarily SMEs, in terms of the following:

- Reducing the gap in digital sales observed between CBF recipients and multinational companies.
- Marketing and promoting digital books, giving visibility in an extremely competitive and perpetually changing virtual environment.

Recommendation 2: To ensure that the Canadian Book Fund continues to fulfil its role as a major lever in a competitive Canadian publishing industry in transition and to enable Canadian publishers to continue to provide readers in Canada and abroad with access to a diverse range of books by Canadian authors, it is recommended that the program give CBF recipients support that further encourages the production, marketing and sale of digital books based on the growth and changes observed in the market regarding digital content.

6. Management response and action plan

Recommendation 1: Accepted

The Music Policy and Programs Directorate will review the Canada Music Fund's performance measurement strategy in order to strengthen its ability to report on the Music Entrepreneur and New Musical Works components annually and in future evaluations, showcasing the full reach of the program.

The language of all albums which receive support for production will be collected for the Music Entrepreneur and New Musical Works components.

The program will measure the sales (in dollars and in units) of albums which received production support through the New Musical Works component by determining the most targeted and cost-effective data source.

These refreshed indicators will be included in the program's Performance Measurement, Evaluation and Risk Strategy, to be updated by fall 2014.

Implementation schedule

Performance Measurement, Evaluation and Risk Strategy to be updated by fall 2014.

Responsibility

Deputy Director General, Cultural Industries Branch

Recommendation 2: Accepted

The program has long supported the Canadian book industry's efforts to adapt to change, having provided dedicated support for technology-focused activities since 2001. As digital books continue to become more predominant, it will be important for the achievement of the CBF's objectives to ensure that the e-book market includes Canadian choices and that these choices can find their audience in Canada and abroad.

In the context of the program's renewal, we will look at opportunities to complement existing support for digital publishing in order to encourage greater production, marketing and sales of digital books, taking into consideration developments in the evolving market for digital content.

Implementation schedule

Propose amendments to program guidelines for the CBF as of fall 2014.

Responsibility

Deputy Director General, Cultural Industries Branch

Appendix 1 – Logic models

EXPECTED RESULTS AS PER CBF LOGIC MODEL

For the period from 2007–08 to 2009–10	For the period from 2010–11 to 2011–12	
Expected results for the BPIDP as in the 2005 (RMAF/RBAF) are:	Expected results as in the terms and conditions approved in 2009.	Expected results as in the Performance Measurement, Evaluation and Risk Strategy (PMERS, 2012)
<p><i>Immediate outcomes</i></p> <p>A strong, diverse population of Canadian-owned publishers across all regions of Canada.</p> <p>Enhanced professional skills and industry knowledge.</p> <p>Adoption of new technologies for a more efficient and effective Canadian book supply chain.</p> <p>Collective and individual promotional opportunities for Canadian books and authors in Canada and abroad.</p>	Canadian-authored books are produced by CBF recipients.	<p>A broad range of Canadian-owned publishers invest in ongoing publishing operations.</p> <p>Marketing initiatives build demand for Canadian-authored books.</p> <p>Collective projects foster technological innovation and encourage the adoption of best practices industry-wide.</p>
<p><i>Intermediate outcomes</i></p> <p>Production of Canadian-authored titles.</p> <p>Development of a diverse range of Canadian books and authors.</p> <p>A competitive, strategic and informed Canadian book industry.</p> <p>Increased awareness of Canadian-authored books in Canada and abroad.</p>	The portion of Canadian-authored book publishing industry supported by the CBF is sustainable.	Readers everywhere have access to a broad range of Canadian-authored books.
<p><i>Ultimate outcomes</i></p> <p>Increased access to a diverse range of Canadian-authored books in Canada and abroad.</p>	Canadian-authored books supported by the CBF are accessible in Canada and abroad.	Readers everywhere consume a broad range of Canadian-authored books.

EXPECTED RESULTS AS PER CMF LOGIC MODEL

For the period from 2007-08 to 2009-10	For the period from 2010-11 to 2011-12	
Expected results as in the 2005 required official documentation.	Expected results as in the terms and conditions approved in 2009.	Expected results as in the Performance Measurement, Evaluation and Risk Strategy (PMERS, 2011)
<p><i>Immediate outcomes</i></p> <p>Existing Canadian musical works are acquired and preserved.</p> <p>Canadian music enterprises build their skills and capacity.</p> <p>Seminars, workshops, concerts, industry events—targeted to a range of creators, artists, entrepreneurs and audiences—take place.</p> <p>New Canadian music is produced and distributed.</p> <p>Sector associations build their capacity to serve artists and enterprises.</p>	<p>A range of Canadian music is created and produced by Canada Music Fund recipients.</p>	<p>Collective projects build skills and knowledge and modernize music industry infrastructure.</p> <p>Canadian music entrepreneurs build and maintain the capacity to develop Canadian creators and artists.</p> <p>A range of Canadian music is produced by CMF recipients.</p> <p>Marketing initiatives and performances are organized to help connect Canadian artists and music with Canadian and international audiences.</p> <p>Existing Canadian musical works are acquired and preserved.</p>
<p><i>Intermediate outcomes</i></p> <p>Virtual communities and networks (informal and formal) of creators, artists and entrepreneurs will be strengthened and/or created.</p> <p>Exchanges of ideas and information among these groups are assumed to enhance creative processes and help forge creative and business partnerships.</p> <p>New audiences in Canada and abroad become aware of Canadian music and Canadian artists, sparking interest in and demand for Canadian music.</p> <p>A broader range of Canadian musical recordings, reflecting high production values and the diversity of Canadian music are produced.</p> <p>Public policies and public programs become better adapted to the goal of creating greater access for Canadians to a diverse range of</p>	<p>The portion of the Canadian-owned music industry supported by the CMF is sustainable.</p>	<p>The portion of the Canadian-owned music industry targeted by the CMF is sustainable.</p> <p>Canadian music supported by the CMF is accessed in Canada and abroad.</p>

<p>Canadian musical choices.</p> <p>Canadian music artists and creators build their technical and artistic skills.</p>		
<p><i>Ultimate outcomes</i></p> <p>Economic viability of Canadian music industry is strengthened.</p> <p>The careers of Canadian music artists and creators are enhanced.</p> <p>Canadian’s access to a diverse range of musical choices is enhanced.</p>	<p>Canadian music supported by the Canada Music Fund is accessible in Canada and abroad.</p>	<p>Maintained or increased access to a broad range of Canadian music.</p>

Appendix 2 – Evaluation strategy

Relevance		
<i>Issue #1 Continued need for the program</i>		
Questions	Indicators	Data collection methods
<p>1. To what extent is there a demonstrated need for the programs?</p> <p>2. To what extent is there a demonstrated need to provide continued investment through the programs?</p> <p>3. Are the programs responsive to the demonstrated needs?</p>	<p>Challenges and opportunities facing the Canadian book and music industries</p> <p>Financial challenges met by the Canadian book and music industries</p> <p>Potential impact(s) on stakeholders (including Canadian citizens) if programs were scaled back or terminated</p> <p>Degree of alignment between the identified needs and the programs' (a) objectives, (b) design, (c) funding levels, and (d) funding mechanisms</p>	<ul style="list-style-type: none"> • Literature review • Document and file review • Key informant interviews • Expert panel • Survey of recipients and other stakeholders
<i>Issue #2 Alignment with government priorities</i>		
<p>1. To what extent are the programs' objectives and expected results aligned with federal government priorities?</p> <p>2. To what extent are the programs' objectives and expected results aligned with PCH strategic objectives?</p>	<ul style="list-style-type: none"> • Extent to which program objectives and expected results are linked to federal government priorities • Extent to which program objectives and expected results support departmental strategic objectives (PAA) 	<ul style="list-style-type: none"> • Literature review • Document review (Speech from the Throne, budget commitments, ministerial speeches, etc.)
<i>Issue #3 Alignment with federal roles and responsibilities</i>		
<p>1. Is the delivery of these programs an appropriate role or responsibility for the federal government?</p>	<p>Evidence of the appropriateness and legitimacy of the role and responsibilities of the federal government in the program's areas</p>	<ul style="list-style-type: none"> • Literature review • Document and file review • Key informant interviews

Performance (effectiveness, efficiency and economy)		
<p><i>Issue #4 Achievement of expected outcomes</i> <i>Note: This section addresses evaluation questions based on a synthesis of various performance measurement documents which contain greater detail and further indicators. Please consult the following: BPIDP RMAF-RBAF, CBF PMERS (2012), CMF RMAF-RBAF, CMF PMERS, etc.</i></p>		
<p>1. Have the programs supported the creation of a broad range of Canadian-authored books and Canadian musical choices? (CREATION)</p>	<ul style="list-style-type: none"> • Number of new products (Canadian-authored titles/MEC eligible albums/NMW album production projects) created with program support • Breadth of new products (Canadian-authored titles/new Canadian musical works) produced with program support by language, region, genre, digital or print/physical album, and market segment • Industry perspectives on the program's capacity to support the achievement of this objective 	<ul style="list-style-type: none"> • Literature review • Document, file and internal data review • Survey of recipients and other stakeholders • Industry Canada reports and statistics • Key informant interviews • Expert panel
<p>2. Have the programs contributed to the consumption of a broad range of Canadian-authored books and Canadian musical choices in Canada and abroad? (ACCESS)</p>	<ul style="list-style-type: none"> • Long-term trend of domestic and export sales of Canadian-authored books published by CBF recipients and of eligible albums released by MEC recipients • Long-term market share of CMF-supported artists and albums on Canada's top 2000 sales chart • Attendance at CMF-supported tours/concerts • Viewership of CMF-supported award shows • Evidence of the effectiveness of the level and focus of support for marketing and promotion • Industry perspectives on the program's capacity to support the achievement of this objective 	<ul style="list-style-type: none"> • Literature review • Document, file and internal data review • Survey of recipients and other stakeholders • Key informant interviews • Industry Canada reports and statistics • Expert panel

<p>3. Have the programs contributed to the viability of the Canadian music and book publishing industries?</p>	<ul style="list-style-type: none"> • Long-term number and diversity of book publishers and musical entrepreneurs operating • Long-term profit margin of Canadian-owned book publishers, music publishers and music labels • Extent of participation of Canadian-owned book publishers and music entrepreneurs in new technologies and best practices • Degree to which programs are promoting innovation and partnerships (public/private, inter- and intra-industry) • Industry perspectives on the program’s capacity to support the achievement of this objective 	<ul style="list-style-type: none"> • Literature review • Document, file and internal data review • Key informant interviews • Survey of recipients and other stakeholders • Expert panel
<p><i>Issue #5 Demonstration of efficiency and economy</i></p>		
<p>1. Are the resources dedicated to programs being used economically and efficiently to maximize achievement of outcomes?</p>	<ul style="list-style-type: none"> • Program resources and costs • Cost breakdown by components • Administrative costs vs. total costs • Number of FTEs • Planned vs. utilized financial resources • Program delivery costs (i.e. costs per file) • Program delivery costs compared to outcomes • Program delivery costs compared to other similar programs • Extent to which programs and/or program components duplicate or complement one another or other programs delivered through other organizations or orders of government • Optimal use of the three programs’ human and financial administrative resources • Optimal efficiency of the three programs’ delivery processes (e.g. project vs. formula funding vs. third-party delivery) 	<ul style="list-style-type: none"> • Document, file and internal data review • Financial information • Key informant interviews

<p>2. Are there alternative approaches to achieving similar results?</p>	<ul style="list-style-type: none"> • Evidence of more cost-effective alternative approaches to meet program objectives (programs, delivery mechanisms at PCH or at other federal departments or at the municipal, provincial/territorial, national or international levels) • Evidence of efficiency gains through merger of program delivery for the three programs 	<ul style="list-style-type: none"> • Key informant interviews • File review • Literature review
<i>Issue #6 Others</i>		
<p>1. Do the CBF and the CMF meet the requirements of section 41 of the <i>Official Languages Act</i>?</p>	<ul style="list-style-type: none"> • Distribution of funding to official-language minority communities • Perspectives of recipients in official-language minority communities 	<ul style="list-style-type: none"> • Document, file and internal data review • Key informant interviews
<p>2. Is an adequate performance measurement strategy in place to account for programs results?</p>	<ul style="list-style-type: none"> • Current monitoring processes and use of performance information • Adequacy of performance measurement indicators, mechanisms and systems in place 	<ul style="list-style-type: none"> • Document, file and internal data review • Key informant interviews
<p>3. Do the programs have any unexpected results?</p>	<ul style="list-style-type: none"> • Evidence of positive and negative program results (e.g., professionalization of industries, barriers to innovation, dependencies) 	<ul style="list-style-type: none"> • Document, file and internal data review • Key informant interviews • Survey of recipients and other stakeholders

Appendix 3 – Groups of interviewees consulted

Interviews were conducted with 46 people, including:

- 19 former and current staff members of the CBF and the CMF programs and directorates
- 20 representatives of organizations funded by the programs
- 3 representatives of associations related to the music industry
- 4 representatives of third parties responsible for the implementation of certain components or subcomponents of the programs

Appendix 4 – Description of support provided by the CBF for promotion and marketing

Given that the program underwent a major overhaul during its renewal in 2010, the description of the support provided for promotion and marketing during the evaluation period is divided into two separate parts.

2007–08 to 2009–10

Support for the promotion and marketing of Canadian books here and abroad, before the program overhaul in 2010, was provided via three components, namely, *Aid to Publishers* (AP), *Collective Initiatives* (CI) and *International Marketing Assistance* (IMA).

Aid to Publishers (AP): This component, considered the cornerstone of the CBF with an annual budget allowance of \$26.5 million, supports approximately 234 publishers each year in the creation and publication of a variety of Canadian-authored titles. This funding also enables publishers to engage in promotion and marketing activities aimed at promoting and marketing the titles they published with CBF support. However, in order to limit the recipients' administrative burden, the CBF does not compile data on the use of the funds granted to recipients, including use for promotion and marketing purposes. It is therefore difficult to evaluate to what extent the AP Component supported publishers in the promotion and marketing of Canadian-authored titles. Moreover, during the program renewal in 2010, this component was fully renewed under the *Support for Publishers* component, as a subcomponent called *Publishing Support*.

Collective Initiatives (CI): The CI component supported a variety of formative projects for the industry in the areas of marketing and promotion. A large part of the funding was granted to sectoral associations and organizations in the industry as part of various promotional initiatives, such as book fairs, literary festivals, promotional catalogues, etc. The average annual funding earmarked for the CI component for promotional and marketing activities was \$2,063,845, supporting an average of 69 projects per year from 2007–08 to 2009–10. Since the program overhaul in 2010, funding for similar initiatives has been granted under the *Marketing and Promotion* subcomponent of the *Support for Organizations* component.

International Marketing Assistance (IMA): This component supported Canadian publishers in the development of their exports, trade and international partnerships through a range of services including financial assistance, promotion, research, professional development and a collective presence at key international book fairs. Livres Canada Books (LCB), a third party, managed this component on behalf of PCH. This component was implemented through the following initiatives:

- The *Export Marketing Assistance Program (EMAP)* supported Canadian publishers in their efforts to increase and enhance their international sales and expand their presence in new foreign markets. Canadian export publishers received an average of \$3,178,166 annually through 138 eligible applications. In 2010, the administration of this program was transferred to PCH and merged with the *Publishing Support* subcomponent of the *Support for Publishers* component.
- The *Foreign Rights Marketing Assistance Program (FRMAP)* provided financial assistance to Canadian publishers, enabling them to make an average of 993 trips abroad annually to bolster copyright and title sales and to participate in international book fairs, particularly in London, Beijing and Frankfurt. Each year, Canadian export publishers received an average of \$724,900 through 153 eligible applications.
- The *Mentoring Program* helped publishers wanting to get involved in exporting Canadian-authored books to become familiar with the export market and activities and to apply this knowledge to implement business strategies that target international markets. The Mentoring Program provided an average of \$16,982 annually to eight publishers over the course of the period.

Lastly, LCB also provides a range of assistance services to publishers, such as coordination of the Canada stand for Canadian publishers at various international book fairs; the publication of catalogues, pamphlets and study reports to help Canadian publishers promote their books on the international stage; and the delivery of professional development workshops and seminars.

2010–11 to 2011–12

Following the program renewal, support for promotion and marketing was structured under the *Publishing Support* subcomponent of the *Support for Publishers (SFP)* component and the *Marketing* subcomponent of the *Support for Organizations (SFO)* component.

The *Publishing Support* subcomponent helps Canadian publishers in the production, marketing and distribution of Canadian-authored books. When administration of the LCB's EMAP, which provided an average of \$3,178,166 in annual funding, was transferred to PCH, Canadian publishers were able to receive increased funding for

promotion and marketing activities abroad, via the *Publishing Support* subcomponent. As a result, from 2010–11 to 2011–12, an average of \$3,117,949 was provided to 131 Canadian publishers each year for promotion and marketing activities.

The SFO component helps organizations and associations in Canada’s book industry with two objectives in mind, one of which is to market Canadian-authored books in order to increase the demand for and sales of these books in Canada and abroad.

- The *Marketing and Promotion* subcomponent of the SFO component supports the collective projects of professional organizations and associations for building opportunities to market and promote Canadian-authored books in order to develop new markets in Canada and abroad. For 2010–11 and 2011–12, an annual average of \$2,079,424 was granted to recipients, funding an average of 59 projects each year.⁵⁰

LCB, with funding from PCH, continues to administer the FRMAP and the Mentoring Program in order to offer support services to publishers for the promotion and marketing of Canadian books abroad. Moreover, LCB adapted its services in order to help publishers understand and seize new exportation opportunities in the digital era. From 2010 to 2012, LCB awarded an average of \$750,552 annually to Canadian export publishers via the FRMAP, distributed among 150 eligible applications. Through the Mentoring Program, an average of \$13,000 was awarded annually to six publishers in 2010–11 and to seven publishers in 2011–12.

Appendix 5 – The Canadian music industry

Profile of the music industry in Canada

Canada's music industry comprises various stakeholders that work together to provide consumers with a value-added product through the creation and distribution of musical content in a variety of formats and through support for new artists on the market. The value chain of the music industry includes various stages of development, and the level of participation by recording firms varies. Music and lyrics are first composed and are then published so that they are available to and can be played by artists with the support of recording labels, music publishing firms and artists' managers, among others. Below is a brief overview of Canada's music industry.

Economic benefits

- The Canadian music industry generates, on average, economic benefits totalling nearly \$3 billion a year:
 - Recordings (retail) = \$560 million⁵¹
 - Live performances = \$455 million⁵²
 - Commercial radio = \$1.6 billion (in advertising revenue)⁵³
 - Performing rights = \$142 million (to songwriters/composers and music publishers)⁵⁴
- Revenue from sound recording sales in Canada dropped by 46% between 2001 and 2012, even when sales of digital content and subscription services are included.⁵⁵
- The Canadian music industry contributes to other major economic sectors, such as tourism (festivals, tours, awards ceremonies), the entertainment industry (film and television, video games, software, Internet) and advertising (radio, television, Web).

Jobs

- The sound recording and concert sectors alone employ over 10,000 people.⁵⁶
- There are over 30,000 professional Canadian songwriters/composers.⁵⁷

Industry value chain

Activities of key industry stakeholders

- Recording labels: Specialize in the production, manufacturing and marketing of sound recordings.
- Music publishers: Support the development of songwriters and composers and maximize the use of music in as many mediums as possible, such as films, video games, television, Internet and advertising.
- Artists' managers: Organize tours, deal with copyright issues and negotiate contracts.
- Physical distributors: Deliver products to retailers, purchase advertising space and ensure that products have optimal placement in stores.
- Digital distributors and aggregators: Market content on a variety of digital platforms.

- Retailers: Traditional record stores have lost market share to digital retailers such as iTunes and bog box stores such as Walmart and Costco. In 2012, 64% of all albums sold in Canada were purchased through these non-traditional retailers, compared to 42% in 2008.⁵⁸

Canadian sound recording firms

- They produce 87% of all new recordings by Canadian artists.⁵⁹
- They generate 79% of all sales of recordings by Canadian artists.⁶⁰
- Their revenues represent 29% of industry revenues in Canada.⁶¹
- They rely mainly on the sale of recordings by Canadian artists (52% of their total sales).⁶²

Canadian artists and creators

- The market share in Canada of recordings by Canadian artists rose from 16% in 2001 to 26% in 2012, peaking at 28% in 2011. The market share of Canadian artists is higher in Quebec (47.7% in 2011).⁶³
- The royalties received by Canadian songwriters/composers for the public presentation of their musical work nearly doubled between 2001 (\$39.9M) and 2011 (\$73M).⁶⁴

Digital music

- In 2012, digital music represented 51% of all unit sales of recordings in Canada and 47% of revenues on the sale of recordings.⁶⁵
- In 2012, nearly 90% of Canadians aged 18 to 24 indicated that they discovered their new music on YouTube and 70% of them found it on social media, such as Facebook and Twitter.⁶⁶

International stage

- Canada is the third largest exporter of musical talent in the world.⁶⁷
- Royalties collected abroad for the songwriters/composers and publishers of Canadian music rose by 38% between 2001 and 2011, reaching \$45.6M.⁶⁸

Canadian private broadcasters

- Canadian private broadcasters are required to make financial contributions for the development of Canadian content under CRTC regulatory processes. (See information bulletin: Canadian Talent Development Contributions.)

Evolution of Canada's music industry

During the review period, the Canadian music industry was 70% controlled by four major players: EMI Group,⁶⁹ Universal Music Group, Sony Music Entertainment and Warner Music Group. These groups usually propose a range of services to musical artists and are involved in multiples ways in the careers of artists. Other groups, often known as

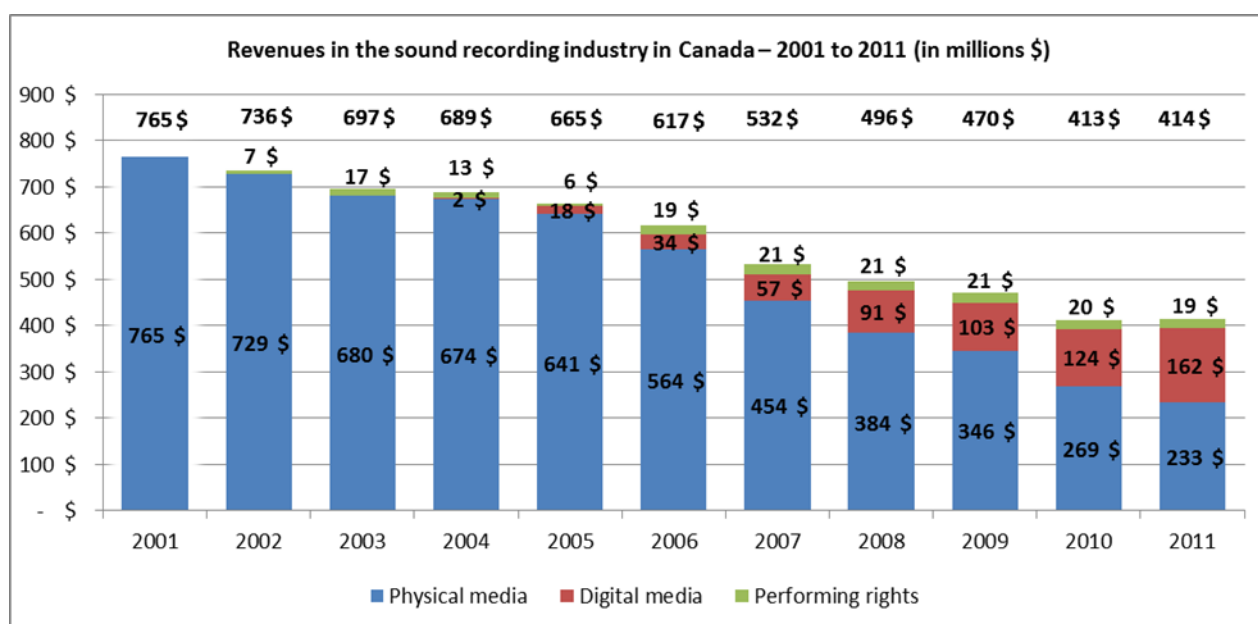
“indies,” are record labels whose services are sometimes limited to musical recording, but which may also offer varying services to musical artists including, for example, career management, sound recording, and the production or duplication of CDs. It should also be noted that an increasing number of artists benefit from digital and Web recording tools available for personal computers to produce, record, duplicate and distribute their musical works. Table 2 provides a brief overview of the presence and role of Canadian sound recording firms in Canada and the four major foreign players mentioned above.

Table 1: Profile of sound recording firms in Canada

Canadian-Controlled Firms	Foreign-Controlled Firms
<ul style="list-style-type: none"> • Produce 87% of new recordings by Canadian artists and account for 79% of total sales of recordings by Canadian artists in the industry (Statistics Canada, 2011) • Garner only 29% of total industry sales in Canada (Statistics Canada, 2011) • Recordings by Canadian artists represent 52% of sales of recordings (Statistics Canada, 2011) • Rely mainly on multinationals for distribution (except in Quebec) • Limited production, promotional and marketing budgets • Limited catalogue restricts revenue opportunities • A failed launch has a serious impact on the viability of the firm. 	<ul style="list-style-type: none"> • Produce only 13% of new recordings by Canadian artists and garner 21% of total sales of recordings by Canadian artists in the industry (Statistics Canada, 2011). • Garner 71% of total industry sales in Canada (Statistics Canada, 2011). • Recordings by Canadian artists represent 7% of sales abroad (Statistics Canada, 2011). • Control distribution in Canada to a large extent (except in Quebec). • Have large production, promotion and marketing budgets. • Revenues earned on a substantial and diversified catalogue. • Greater capacity to absorb losses on projects.

Technological changes, and more specifically, the transition to digital distribution, have had a significant impact on the Canadian music and recording industries. These major structural changes have had a negative impact on revenues in the sound recording industry.

Graph 1: Revenues in the sound recording industry in Canada – 2001 to 2011 (in millions \$)



Source: International Federation of the Phonographic Industry

As shown in Graph 1, from 2001 to 2011, annual revenues for the sound recording industry in Canada dropped from \$765 million to \$414 million—a 45.9% decrease. Although revenues from digital distribution have been rising since 2004, this increase has not compensated for the drop in revenues from the distribution of music on physical media. These decreased revenues are the result of a large drop in album sales on compact disk and consumption based on the unit purchase of digital tracks rather than the sale of albums.

During the period assessed—from 2007 to 2011—total revenues from the sale of sound recordings fell by 22.5%. Even though revenues from the distribution of digital music have nearly tripled during this period, reaching 39% of total revenues in 2011, this increase has been unable to compensate for the loss of revenues in the distribution of music on physical media. However, one segment of the music industry—Canadian music publishers—saw a 24.0% increase in revenues, reaching \$152.1 million in 2011, compared to \$122.9 million in 2007.⁷⁰

The transformation in the music industry is also marked by the change in the number of music pieces or albums sold. Between 2007 and 2011, the number of recordings sold (compact disks and digital files combined) rose from 71.5 million units to 119.5 million units, for an increase of 67.0%. An increase of 190.3% in the number of recordings on digital media sold contributed widely to this growth, whereas the number of recordings on physical media saw a drop of 39.1% during this period.

Table 2: Number of music recordings sold by media type from 2007 to 2011⁷¹

	2007	2008	2009	2010	2011
Compact discs	38,785,393	n.d.	33,817,113	n.d.	23,601,644
Digital files	32,751,499	n.d.	67,592,934	n.d.	95,066,146
Total	71,536,892	n.d.	101,410,047	n.d.	119,467,337

Issues, challenges and opportunities for the music industry in Canada

The music industry around the world has undergone profound changes and the Canadian industry has not been spared this substantial trend. The decrease in sales on physical media continues. Conversely, sales on digital media continue to grow, although they do not compensate for the loss of revenues earned from sales on physical media.

A report on a study on the Canadian music industry⁷² conducted in 2013 by the Canadian Independent Music Association showed that concert tours have never been as essential for numerous artists and independent music firms, which currently represent about 15% of all revenues generated. A trend persists as consumer spending habits are redirected to the purchase of concert tickets at the expense of purchasing music on physical media. The sale of promotional merchandise, although still marginal, has become an increasingly significant source of revenues.

The study also showed that a number of firms have expanded their offer of services as an opportunity to increase their revenues, and this diversification goes well beyond their traditional role. Firms increasingly play the role of label, publisher and artist manager. Where some firms have benefited from their own resources and skills to offer new services, others have had to make strategic investments in recruiting staff and establishing infrastructures to keep pace.

The study shows that, during this time, marketing and promotional activities have shifted from traditional media to new mass media. As such, some funds previously earmarked for marketing and promotion on printed static media have been redirected to online interactive media. However, these new activities require much more time and attention by artists and firms in order to manage their presence and various campaigns on digital media to generate and maintain public interest.

Lastly, the study revealed that the reduction in expenses of foreign firms in the Canadian music market has demanded a greater contribution by Canadian artists and independent firms to absorb a larger part of the costs of marketing and promotion. Now assuming a larger part of the risk associated with artist development, artists and their managers must make substantial investments in concert tours and marketing via social media.

In short, the technological changes, and more specifically, the transition to digital distribution, have had a significant impact on the music and recording industries in Canada. These major structural changes have had a negative impact on sound recording industry revenues. The current situation reveals an industry undergoing transition and whose future contains some uncertainty. It is a situation made more complex by the digital era, but one that offers new opportunities to Canadian entrepreneurs.

Appendix 6 – Canada’s book industry

Profile of the book industry in Canada

For a long time, Canada’s book industry was comprised of foreign enterprises distributing imported books, while Canadian authors were practically unknown. Before the creation of the CBF in 1979, 98% of Canadian publishers were located in Toronto or Montreal, and most relied on the sale of foreign-published books to generate their revenues.⁷³ Since the late 1970s, federal and provincial government support measures have played a key role in the development of Canada’s book industry, despite continuing competition from multinational companies.

The Canadian book industry encompasses a wide array of stakeholders, from the creator to the consumer, including authors, agents, editors, wholesalers, distributors, retailers, champions of books such as librarians and literary critics, readers and others. Here is a brief overview of the three key activity areas of this industry.

Publishing

Canada’s book industry includes more than 21,000 full-time authors⁷⁴ who produce close to 10,000 new Canadian-authored books⁷⁵ and generate more than \$2 billion in sales each year.⁷⁶

Canada’s book publishing sector is characterized by the following:

- The presence of more than 1,500 publishers, 300 of whom generate 95% of sales in the sector.⁷⁷
- Canadian book publishing firms, most of which are small- and medium-sized enterprises generating annual revenues of less than \$5 million with low profit margins and operating in a high-risk environment with limited access to financial capital and competition with multinational companies.
- Operating revenues primarily (69.8%) from Canadian-controlled firms.⁷⁸
- Operating revenues primarily from Quebec (29.9%) and Ontario (64.6%).⁷⁹
- The hiring of nearly 9,000 salaried employees annually.⁸⁰
- The presence of major multinational publishing firms essentially focussed on the English Canada market, representing 3.75% of publishers active in Canada⁸¹ and generating 30.2% of industry sales.⁸²

The competitive context in which Canadian publishers are evolving is influenced by various factors. Canadian-owned book publishing firms must overcome the challenge presented by competition with large-cap multinational publishing programs in Canada, not only for clients but also for authors.

Distribution and wholesaling

In Canada, books are distributed by wholesalers and distributors that manage various intermediate functions, including sales, marketing, inventory management, storage and order processing. These enterprises offer various levels of service based on the needs of publishers and retailers. Currently, there are more than 50 distributors of books and wholesalers in Canada; however, a considerable commercial volume is concentrated in a small number of enterprises.⁸³ In the English-language market, all four of the largest distributors are foreign-owned.⁸⁴ A large number of small Canadian-owned publishing firms provide their own distribution. In Quebec, the sector is very concentrated, and the owners are primarily Canadian.⁸⁵

Retail sales

Canada has more than 3,000 book stores, including retail chains, independent book stores and used book stores. A national chain (Chapters Indigo) holds 44% of the national English-language retail book sales market, and two major regional chains (Archambault and Renaud-Bray) hold a similar market share overall in book sales in Quebec.⁸⁶ Independent book stores represent approximately 20% of the entire Canadian market.

Two new business models have emerged in Canada over the last few years. One consists of non-traditional retail points (other than book stores), which represented around 20% of the market in 2006. Book sales may be auxiliary to the main product offered by these businesses but, in some cases, the size of the businesses means they have become major book retailers. Wal-Mart and Costco are two such examples; it is estimated that in 2006, the two chains represented approximately 10% of the Canadian retail book sales market. The second new business model is online retail sales, which, including online sales by chains, represented approximately 8% of the market in 2006.⁸⁷

The retail book sales sector in Quebec is shaped by provincial laws designed in particular to guarantee the accessibility of Quebec titles and to establish operational standards applicable to the entire industry. The province approves retailers that meet these requirements. The resulting benefits are substantial, as public facilities such as libraries and schools must procure all their books directly from approved book stores in their region. Only Canadian book stores, and mainly those established in Quebec, can obtain approval.

Evolution of the Canadian book industry

Canada's book industry has seen considerable growth. Forty years ago, 98% of book publishers were located in Toronto and Montreal.⁸⁸ Today, numerous Canadian publishers are established across the country (CBF recipients are located in some 80 cities across all Canadian provinces). Despite the increased number of Canadian publishers, some major multinational publishers, including Penguin Random House, HarperCollins and Hachette, have a significant presence in a very competitive market. Foreign publishers publish numerous works by renowned Canadian authors and contribute to the dissemination of Canadian literature, but their main activity remains the distribution of books by foreign authors in Canada. Therefore, Canadian publishers play an essential role

in the discovery and publication of a wide range of Canadian authors. As shown in Table 1, books by Canadian authors are published mainly by small- and medium-sized Canadian enterprises in the country's publishing industry. Overall, they contribute to the publication of 77% of new titles by Canadian authors.

Table 1: Profile of book publishers in Canada

	Number of Firms	Sales in Canada	Publication of Books by Canadian Authors
Canadian publishers	96%	53%	77%
Multinational publishers	4%	47%	23%

(Source: Statistics Canada, *Book Publishers*, 2004, 2006, 2010)

The consumption patterns of Canadians in terms of reading have also changed in recent years. Research conducted on behalf of PCH in 2010 on Canadians' cultural habits revealed the following:

- More than 75% of Canadians read books.⁸⁹
- 10% of the population aged 15 and older read at least one book a week⁹⁰ and 21.1% to 21.6% of people in the same age group read at least one book monthly and quarterly, respectively.⁹¹
- Nearly 15% of people living in Canada read at least one book every six months.⁹²

A more recent study by Statistics Canada, published in 2011, revealed that Canadians (men and women) spend more than 20% of their leisure time reading books, magazines, reviews and newspapers.⁹³ Furthermore, between 1992 and 2010, the number of book readers grew, from 14.2 million people to more than 21.3 million, an increase of 7 million readers (49.5%). This growth rate is greater than the country's population growth, which was around 32%.⁹⁴

A public opinion survey conducted in 2012 on behalf of PCH showed that one third of Canadians read digital books,⁹⁵ 21% of whom do so on a regular basis.⁹⁶ Of these readers, 37% use an e-reader, 31% a computer, 28% a tablet and 10% a smart phone.⁹⁷ Nearly half of these readers download their digital books for free, while 40% of them obtain books via the library or share them with friends. Lastly, readers also use digital sales platforms (28% use Amazon, 27% Kobo, 25% Apple iBookstore).⁹⁸

These new consumer habits have led book publishers to incorporate them into the products they sell.⁹⁹ Current consumer trends suggest that digital books are an alternative to printed books, not a replacement. According to research, this fact can be easily verified in reality, because readers of digital books also read an abundance of printed books.¹⁰⁰

There is no longitudinal study on the evolution of Canadian consumers' digital book reading habits. However, New York's Book Industry Study Group conducted a four-year study on the habits of U.S. consumers with regard to digital books.¹⁰¹ The key findings of that study are as follows:

- The lower price is the main reason consumers prefer to purchase digital books rather than printed books.¹⁰²

- Fiction and mystery digital books have seen the most rapid growth, with more than 60% of consumer digital sales.¹⁰³
- When potential buyers start to purchase digital books, their interest in continuing to purchase this type of book increases significantly in the future.¹⁰⁴
- More than half of digital book readers have increased their use of apps in order to gain quicker access to digital books.¹⁰⁵
- One third of digital book readers no longer buys books in large stores, while the same number has increased purchases on Internet sites such as Amazon.com (which attracts 70% of digital book purchasers).¹⁰⁶
- Digital book readers read more than 24 books in 2011, while those reading printed books read about 15.¹⁰⁷

Therefore, while printed book sales decreased, digital book sales increased relatively significantly at the same time. However, this is not an indication that the print publishing industry is on the decline.¹⁰⁸

Issues, challenges and opportunities for Canada's book industry

Book digitization

Canada's book industry is facing considerable challenges with regard to its capacity to remain competitive in the medium and long term (high value of Canadian dollar, which makes it difficult to sell Canadian books in the United States; varying sales from one firm to another; unpredictable book market with results that fluctuate year after year; and the small size of the Canadian book market compared to those in the United States and Europe,¹⁰⁹ etc.), but one in particular was identified: the emergence of e-books. In essence, although it has not yet seen its predicted spectacular growth, sales in the digital book industry increased from US\$6 million in 2002 to US\$31.7 million in 2007.¹¹⁰ Techniques aimed at making the digital book industry profitable are not fully developed, meaning that merchants are not yet able to draw maximum profit from them.¹¹¹ However, the increased marketing of digital tablets and their increased use by consumers suggests that this is an industry in full development. The digitization of books and the issue of copyright also pose an increasingly significant challenge for publishing firms that have difficulty controlling the circulation of their works on the Internet.¹¹² Adapting to the digital environment means increased operating costs for Canadian publishers, while access to capital remains limited.

Lastly, the advent of digital technology also offers new opportunities for Canadian publishers. The opportunity for them to increase the volume of their print book sales in Canada and abroad remains limited, given the small size of the Canadian market and export-related difficulties. However, the consumption of digital books in other countries is increasing rapidly, thus providing an opportunity to increase revenues of Canadian publishers and the Canadian-authored book market.

Promotion and marketing

Books are being marketed more and more using social media, blogs and the websites of publishers or authors. Because of these new approaches, the publishing infrastructure and

knowledge needs to adapt; this in turn requires specific new technical expertise to enable the industry to transition to the digital era. The lack of standards for digital book production accentuates this challenge by requiring publishers to digitize their books in several formats, thus complicating the marketing of books without allowing for additional costs.

Retail market

A decrease in the number of retailers, including the closure of many small book stores and the merger of large chains such as Chapters/Indigo has presented a challenge for Canadian publishers:

- The smallest publishers often produce regional print runs of their publications that are traditionally distributed and promoted by small book stores. However, large distribution channels require larger volumes that small publishers cannot offer.
- Large retail chains' decisions to sell a book or not is often made remotely and do not consider specialty books as often as smaller retailers do.
- Small book stores were promoters and purchasers of books.
- The fact that books cannot be displayed in book stores affects the "discovery" and diversity of books, thus changing the nature and model of book sales.
- Major retailers can purchase books in bulk in order to sell them at reduced prices, which the smaller publishers and retailers are unable to do.
- There is less square footage, particularly in major retailers, dedicated to book sales, and an increasing amount of space devoted to other merchandise. For example, some key informers indicated that the major retailers such as Chapters/Indigo devote up to 40% of their shelf space to decorations, candles and toys. Indigo's 2013 annual report confirms this trend: "To ensure that the offerings in our physical stores are rich and compelling, the Company continues to adjust and expand its product mix, underlining Indigo's commitment to becoming the premier year-round gifting destination in Canada. The Company's main growth categories are paper, toys and gift products such as home and fashion accessories. This has been achieved through a reduction in floor space allotted to books, given the erosion of physical book sales, as well as our ability to carry fewer on-hand quantities of books as a result of a more timely and efficient replenishment process."¹¹³

In short, the current situation reveals an industry in transition whose future is somewhat uncertain. This situation is made even more complex by the relatively rapid development of the digital book industry which, at the same time, offers new opportunities to Canadian publishers.

Appendix 7 – Tables and graphs – Canada Music Fund

Table 1: CMF annual grants and contributions budget by component

CMF G&Cs - BUDGET	2007-08	2008-09	2009-10	2010-11	2011-12
New Musical Works	10,446,974	10,446,974	10,446,974	10,446,974	10,446,974
Creators' Assistance	906,561	906,561	906,561	1,044,254	1,044,254
Support to Sector Associations	558,148	600,000	568,148		
ME – National Service Organizations				1,007,500	1,007,500
Canadian Music Memories	510,000	510,000	360,000	360,000	360,000
Collective Initiatives	1,830,563	1,830,563	2,830,563	3,765,275	3,934,715
ME - Labels	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
ME - Publishers	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Canadian Music Diversity	1,356,250	1,356,250	1,356,250	0	0
Total	25,108,496	25,150,348	25,968,496	26,124,003	26,293,443

Source: Administrative program data

Table 2: CMF funding component, administrator and primary recipient

CMF funding component	Administrator	Primary recipient
<p>Music Entrepreneur helps to ensure that established Canadian music entrepreneurs and national service organizations build a strong, sustainable industry capable of contributing to the Canadian musical experience over the long term through a diverse range of compelling Canadian choices, reflecting regional and cultural diversity and Canada’s two official languages.</p>	<p>Music Policy and Programs Directorate (MPPD), Cultural Industries Branch¹¹⁴</p>	<p>Canadian record labels, music publishers and music industry national service organizations</p>
<p>New Musical Works invests in Canadian music creators, artists and entrepreneurs by funding the production of recordings, music videos, as well as marketing, touring and showcasing opportunities.</p>	<p>FACTOR and MUSICACTION</p>	<p>Canadian artists, record labels and managers</p>
<p>Collective Initiatives helps create opportunities for Canadian music artists, creators and music entrepreneurs to gain greater profile at home and abroad. It is targeted to not-for-profit organizations as well as Canadian music entrepreneurs and technology firms and supports music conferences, awards shows, music showcases, and digital market development initiatives that enhance the accessibility of Canadian music on evolving platforms.</p>	<p>FACTOR and MUSICACTION</p>	<p>Canadian not-for-profit organizations, or associations or corporations owned and controlled by Canadians</p>
<p>Creators’ Assistance¹¹⁵ funds projects implemented by Canadian not-for-profit music sector organizations and associations related to the craft or business of song writing, the creative process, and the marketing of musical works. The activities related to this component ended in March 2013.</p>	<p>SOCAN Foundation</p>	<p>Professional associations from the Canadian music industry that represent Canadian creators</p>
<p>Canadian Music Memories supports initiatives by Library and Archives of Canada (LAC) related to the acquisition, preservation and storage of, as well as access to, Canadian musical works. It also supports efforts aimed at raising Canadians’ awareness of Canada’s recorded musical heritage.</p>	<p>Library and Archives Canada</p>	<p>Library and Archives Canada</p>

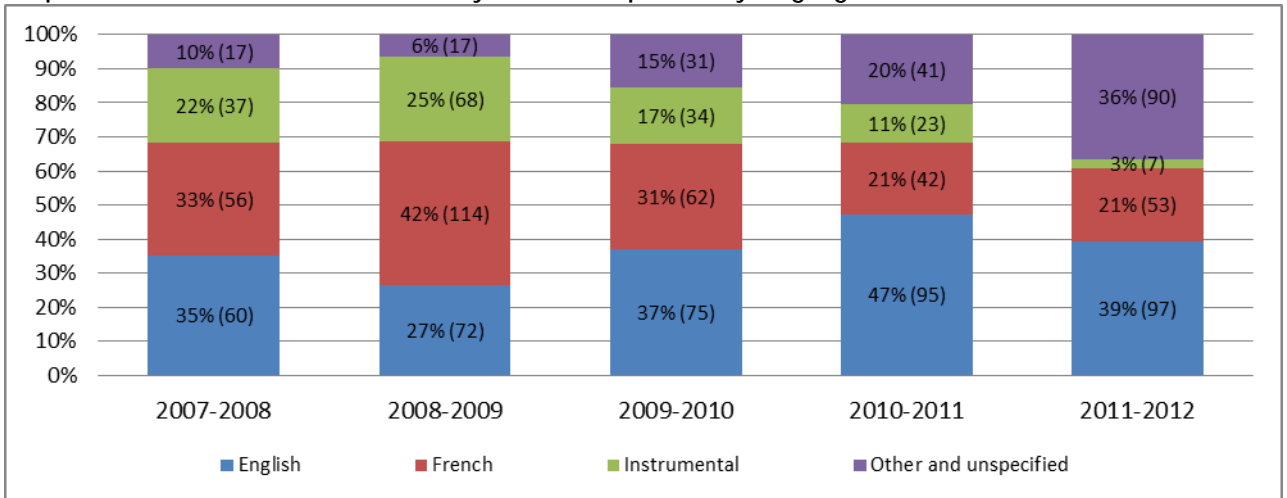
Source: Administrative program data

Table 3: Number of albums funded by the CMF¹¹⁶

Component	2007– 08	2008– 09	2009– 10	2010– 11	2011– 12	Total (n)	Total (%)
Music Entrepreneurs	170	271	202	201	247	1091	41%
New Musical Works ¹¹⁷	226	249	235	277	294	1281	48%
Canadian Music Diversity	100	104	111	-	-	315	12%
Total	496	624	548	478	541	2687	100%

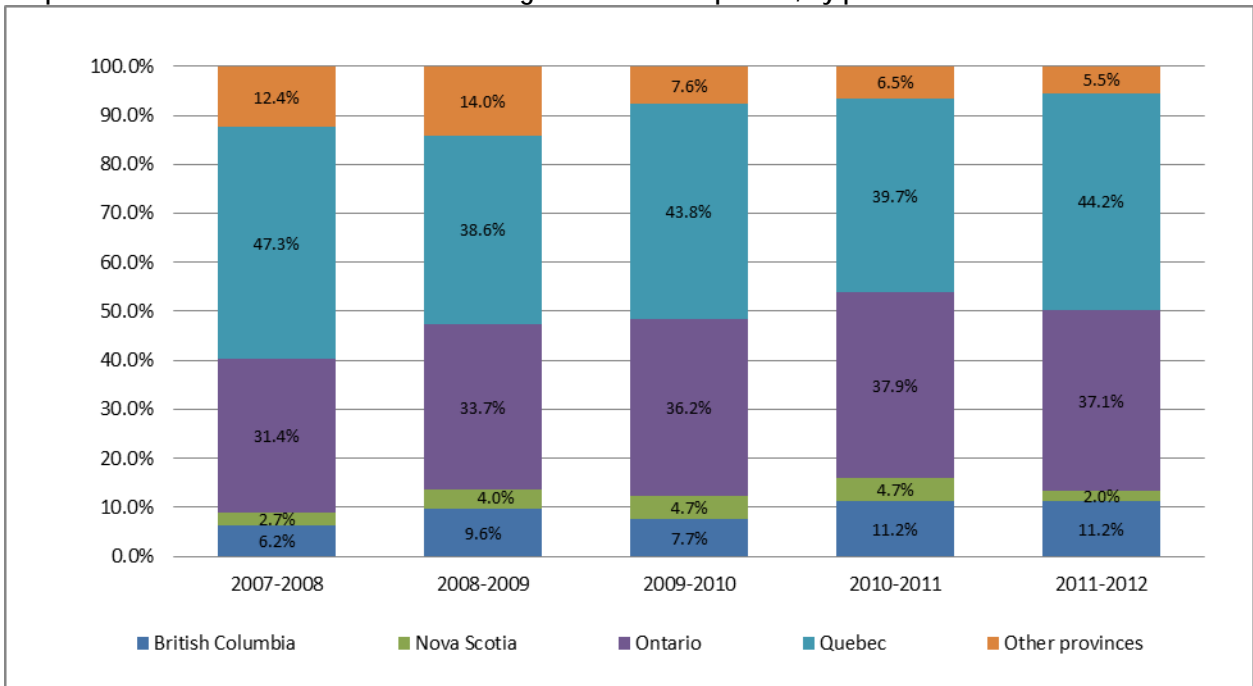
Source: Administrative program data

Graph 1: Distribution of albums funded by the ME component, by language, 2007-08 to 2011-12¹¹⁸



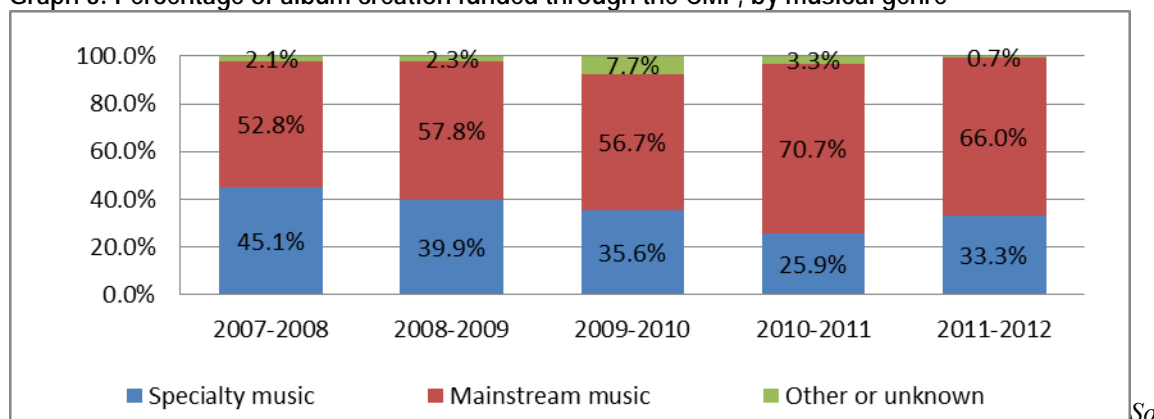
Source: Administrative program data

Graph 2: Distribution of albums funded through the NMW component, by province¹¹⁹



Source: Administrative program data

Graph 3: Percentage of album creation funded through the CMF, by musical genre



Source: Administrative program data

Table 4: Sound recording firms recipients of ME component funding, by province

	2007-08	2008-09	2009-10	2010-11	2011-12
British Columbia	2	2	2	2	2
Ontario	4	5	7	6	7
Quebec	16	18	15	15	14
Total	22	25	24	23	23

Source: Administrative program data

Table 5: National unit and export sales of albums produced by ME component recipients¹²⁰

Sales and variations	Year of reference 2006-07	2007-08	2008-09	2009-10	2010-11	Total from 2007-08 to 2010-11
National sales of eligible albums	1,809,060	1,541,434	1,868,858	1,731,047	1,493,508	6,634,847
Variation in national sales of eligible albums compared to 2006-07		-14.8%	3.3%	-4.3%	-17.4%	-8.3%
Export sales of eligible albums	875,668	906,284	914,594	1,078,325	933,193	3,832,396
Variation in export sales of eligible albums compared to 2006-07		3.5%	4.4%	23.1%	6.6%	9.4%
Total	2,684,728	2,447,718	2,783,452	2,809,372	2,426,701	10,467,243
Total variation compared to 2006-07		-8.8%	3.7%	4.6%	-9.6%	-2.5%

Source: Administrative program data

Table 6: Unit sales of albums produced by ME component recipients and total album sales in Canada ¹²¹

	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Unit sales of eligible albums produced by ME component recipients	1,809,060	1,541,434	1,868,858	1,731,047	1,493,508	6,634,847
Percentage of variation in unit sales of eligible albums produced by ME component recipients in comparison with 2006-07 (ME)		-14.8%	3.3%	-4.3%	-17.4%	-8.3%
Unit albums sales in Canada	41,802,000	35,900,000	35,134,000	31,359,000	31,867,000	134,260,000
Percentage of variation in unit albums sales in Canada in comparison with 2006-07 (Canada)		-14.1%	-16.0%	-25.0%	-23.8%	-19.7%

Source: Administrative program data

Table 7: Market shares of CMF-funded Canadian albums and artists on Canada's top 2000 chart

	2008	2009	2010	2011	2012
Market share of albums by CMF-funded Canadian artists on Canada's top 2000 chart.	6.8%	9.4%	N.D.	9.3%	9.0%
Market share of Canadian artists that received CMF funding during their career on Canada's top 2000 chart	13.7%	15.9%	N.D.	16.4%	14.7%

Table 8: Market share of Canadian albums and artists on Canada's top 2000 chart¹²²

	2008	2009	2010	2011	2012
Market share of albums by Canadian artists on Canada's top 2000 chart	20.7	26.2	26.9	27.5	25.8
Proportion of albums by Canadian artists on Canada's top 2000 chart	20.5	23.4	26.6	24.9	24.6

Source: Administrative program data

Table 9: Audiences of award galas funded by the CMF (in millions of viewers)¹²³

	2008	2009	2010	2011	2012
JUNO Awards audience	1.5	1.2	1.6	2.4	1.6
ADISQ audience	1.6	0.9	1.2	1.4	1.2

Source: Administrative program data

Table 10: Activities for the acquisition and preservation of existing musical works (LAC)¹²⁴

Activity	2007-08	2008-09	2009-10	2010-11	Total
Legal deposit (sound and music video recording)	3,929	4,590	4,783	4,156	17,458
Ordering of currently released foreign Canadian content	1,873	1,498	560	499	4,430
Ordering of retrospective sound recordings	3,637	2,100	700	1,200	7,637
Number of Canadian musical works preserved	444	317	ND	ND	761

Source: Administrative program data

Table 11: Revenue, average and median operating profit/loss of ME component¹²⁵ recipients and average operating profit of Canadian-controlled sound recording firms as well as foreign firms

Program fiscal year	2007–08	2008–09	2009–10	2010–11	2011–12
Median revenue of ME component recipients (sound recording firms)	\$8,062,724	\$7,513,041	\$9,357,579	\$7,504,182	\$3,920,547
Median operating profit of ME component recipients (sound recording firms)	5.0%	-3.8%	0.9%	-3.9%	-1.6%
Average operating profit of ME component recipients (sound recording firms)	5.2%	4.1%	5.4%	3.2%	5.1%
Calendar year	2007	2008	2009	2010	2011
Average operating profit of Canadian-controlled sound recording firms ¹²⁶	6.7%	5.8%	6.5%	5.9%	5.6%
Average operating profit of Canadian-controlled sound recording firms ¹²⁷	14.0%	16.3%	19.2%	12.9%	14.6%

Source: Administrative program data

Table 12: Revenue, average and median operating profit/loss of ME component recipients (publishing firms)¹²⁸

Year	2007–08	2008–09	2009–10	2010–11	2011–12
Income ¹²⁹	6,704,776	8,326,412	8,897,226	8,992,796	11,211,638
Median profit margin ¹³⁰	1.8%	-0.1%	4.3%	0.4%	3.8%
Average profit margin ¹³¹	-0.4%	5.6%	2.7%	-2.1%	2.2%

Source: Administrative program data

Table 13: Average operating profit in Canada's music publishing industry¹³²

Year	2007	2008	2009	2010	2011
Average operating profit in Canada's music publishing industry	11.1%	7.3%	10.0%	10.3%	10.3%

Source: Administrative program data

Table 14: Number of albums funded through MUSICACTION, by language of expression

	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Average	Share
French	58	60	64	76	91	349	70	73%
Other	36	29	22	20	22	129	26	27%
Unknown	1	0	0	0	0	1	0	0%
Total	95	89	86	96	113	479	96	100%

Source: Administrative program data

Table 15: Number of projects aimed at supporting the marketing and promotion of Canadian sound recordings and artists at home and abroad, through the NMW and CI components

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
FACTOR – NMW						
Marketing projects in Canada and abroad	156	239	252	238	264	1,149
Touring and showcase projects in Canada	195	253	282	298	260	1,288
Touring and showcase projects abroad	254	288	305	160	278	1,285
MUSICACTION – NMW						
Marketing, touring and showcase projects in Canada	103	163	173	171	174	784
Marketing, touring and showcase projects abroad	25	55	50	48	79	257
FACTOR /MUSICATION – CI						
Marketing projects abroad	N.D.	N.D.	N.D.	32	35	67

Source: Administrative program data

Appendix 8 – Tables and graphs – Canada Book Fund

Table 16: Number of new Canadian titles produced with CBF support

Canada Book Fund	2007–08	2008–09	2009–10	2010–11	2011–12	Total
Canadian publishers supported	230	235	232	235	237	N/A
Authors supported ¹³³	-	3,500	3,500	4,000	4,000	N/A
New authors supported ¹³⁴	1,000	1,000	1,000	1,000	1,000	5,000
New titles produced	5,672	5,325	6,032	6,500	6,500	30,029
Average of new titles by publisher	25	23	26	28	27	26

Source: Administrative program data

Table 17: Number of new Canadian titles by commercial category

Commercial categories	2009–10	2010–11	2011–12	Total	%
Children's fiction (including poetry)	1,268	1,385	1,341	3,994	21%
Children's non-fiction	480	419	438	1,337	7%
Adult fiction (including poetry)	798	861	851	2,510	13%
Adult non-fiction	1,850	1,963	1,964	5,777	30%
Scholarly	529	541	538	1,608	8%
Teaching (primary and secondary)	1,025	1,089	1,139	3,253	17%
Teaching (CEGEP and post-secondary)	175	231	178	584	3%
Unidentified	0	1	1	2	0%
All categories	6,125	6,490	6,450	19,065	100%

Source: Administrative program data

Table 18: Canadian and provincial spending per capita on books (except for textbooks) in current dollars for 2008

	Spending per capita on books (except for textbooks)
British Columbia	\$47
Alberta	\$52
Saskatchewan	\$40
Manitoba	\$42
Ontario	\$41
Quebec	\$41
New Brunswick	\$36
Nova Scotia	\$35
Prince Edward Island	\$36
Newfoundland & Labrador	\$31
Canada	\$43

Source: Hill Strategies, *Consumer Spending on Culture in Canada, Provinces and 12 Metropolitan Areas*, 2008

Table 19: Sales of Canadian-authored titles by CBF-funded publishers (in thousands of dollars)

	2007-08	2008-09	2009-10	2010-11	2011-12	Total	%
Domestic sales	334,546	337,034	341,337	336,925	332,845	1,682,687	78%
Export sales	94,000	94,154	93,998	104,462	98,666	485,279	22%
Total	428,546	431,188	435,335	441,387	431,510	2,167,966	100%

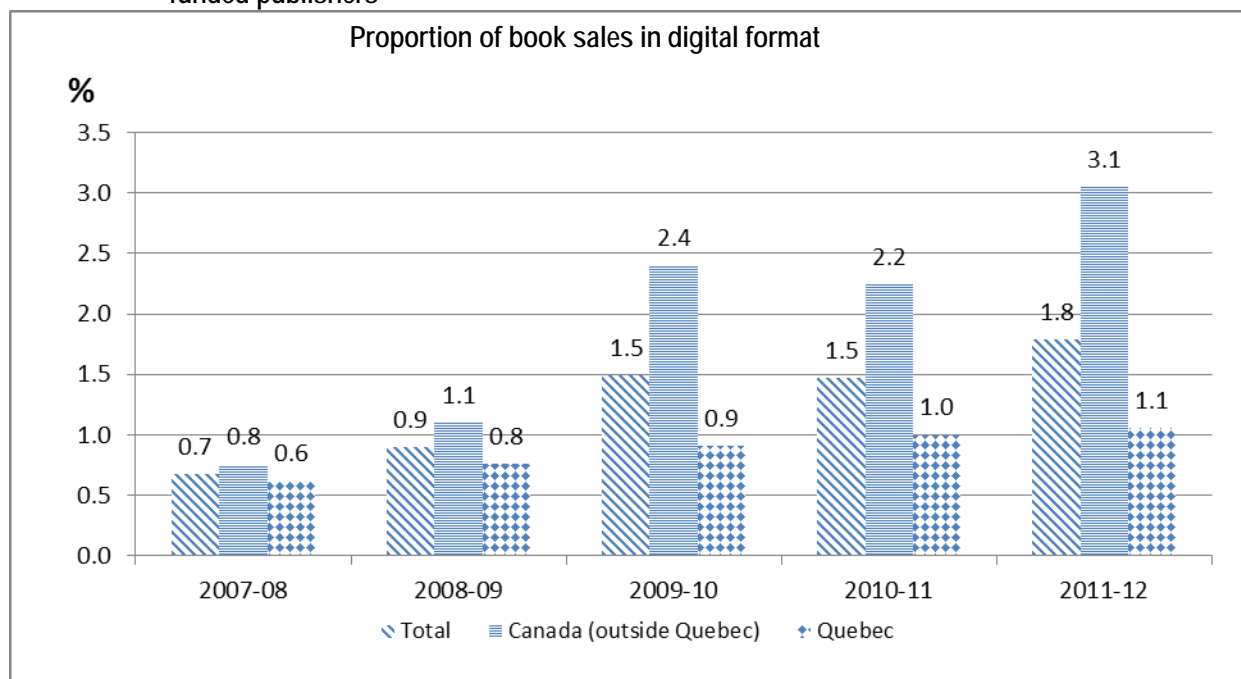
Source: Administrative program data

Table 20: Operating revenues related to the sale of Canadian-authored titles (in thousands of dollars)

	2008	2010	Total
Publishers based in Canada	834,35	844,47	1 678,82
CBF-funded Canadian publishers	431,19	441,39	872,58

Source: Administrative program data and Statistics Canada data¹³³

Graph 4: Proportion of revenues from the sale of Canadian-authored titles in digital format by CBF-funded publishers



Source: Administrative program data

Table 21: Average annual number of funded publishers and contributions in millions of dollars granted, by region, from 2007-08 to 2011-12

	British Columbia		Prairies and Northern Region		Ontario		Quebec		Atlantic		Total
	Count	%	Count	%	Count	%	Count	%	Count	%	
Publishers	26	11%	25	11%	64	27%	105	45%	14	6%	234
Contributions \$M	12.5	9%	11.5	8%	37.2	27%	75.1	54%	3.6	3%	140.0

Source: CBF administrative data

Table 22: Publishers funded in 2008 according to share of revenues and years in existence

Publishers funded			Publishers' number of years in existence				
Share of revenues (\$)	Number	Share	10 +	11 to 20	21 to 30	31 to 40	41 +
149,999 and under	13	6%	1	5	6	1	0
150,000 to 499,999	69	29%	11	25	13	17	3
500,000 to 999,999	42	18%	1	15	13	9	4
1,000,000 to 2,999,999	59	25%	3	15	13	19	9
3,000,000 and over	52	22%	3	9	15	13	12

Source: CBF administrative data

Table 23: Profit margin of CBF-supported publishers

	2007-08	2008-09	2009-10	2010-11	2011-12	Marge de profit moyenne	Moyenne d'éditeurs financés
Pacific	7.6%	1.4%	4.4%	4.5%	2.2%	4.9%	26
Prairies	1.8%	2.8%	3.3%	4.0%	-4.1%	1.7%	25
Ontario	0.0%	1.1%	1.0%	2.4%	2.2%	1.3%	64
Quebec	6.4%	6.4%	6.4%	4.6%	5.2%	5.8%	105
Atlantic	6.1%	6.9%	2.4%	6.3%	4.6%	5.3%	14
Total	4.3%	4.0%	4.2%	3.9%	3.5%	4.0%	234

Source: Administrative CBF program data from 2007-08 to 2011-12

Appendix 9 – Tables and graphs – Resource efficiency and savings

Table 24: Canada Book Fund – Actual expenses

	2007–08	2008–09	2009–10	2010–11	2011–12	Total
Operating expenditures						
Employee salaries	1,544,614	1,539,789	1,581,822	1,565,668	1,615,098	7,846,991
Employee benefits ¹³⁶	308,923	307,958	316,364	313,134	323,020	1,569,398
Operating and maintenance	238,236	220,276	202,514	94,915	108,413	864,354
Subtotal	2,091,773	2,068,023	2,100,700	1,973,717	2,046,531	10,280,744
Grants and contributions						
Grants	0	0	0	405,003	729,254	1,134,257
Contributions	36,817,639	36,206,767	36,001,249	35,178,926	35,308,145	179,512,726
Subtotal	36,817,639	36,206,767	36,001,249	35,583,929	36,037,399	180,646,983
Total resources	38,909,412	38,274,790	38,101,949	37,557,646	38,083,930	190,927,726

Source: Administrative program data

Table 25: Canada Music Fund – Actual expenses

	2007–08	2008–09	2009–10	2010–11	2011–12	Total
Operating expenditures						
Employee salaries	1,115,074	1,045,711	1,101,750	1,157,124	1,028,152	5,447,811
Employee benefits	223,015	209,142	220,350	231,425	205,630	1,089,562
Operating and maintenance	312,233	338,464	279,139	201,511	111,700	1,243,047
Subtotal	1,650,322	1,593,317	1,601,239	1,590,060	1,345,482	7,780,420
Grants and contributions						
Grants	0	0	0	0	0	0
Contributions	25,296,060	26,629,589	27,066,881	26,151,186	26,072,582	131,216,298
Subtotal	25,296,060	26,629,589	27,066,881	26,151,186	26,072,582	131,216,298
Total resources	26,946,382	28,222,906	28,668,120	27,741,246	27,418,064	138,996,718

Source: Administrative program data

Table 26: New funding applications processed at PCH¹³⁷

	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Average
CMF (Music)							
Music Entrepreneur	52	54	46	40	41	233	47
CBF (Books)							
Support for Publishers	237	240	261	289	293	1,320	264
Support for Organizations	289	159	135	86	73	742	148

Source: Administrative program data

Table 27: New funding applications processed by FTE at PCH

	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Average
CMF (Music)							
Music Entrepreneur	11	13	12	9	16	61	12
CBF (Books)							
Support for Publishers	38	43	37	39	40	197	39
Support for Organizations	29	22	14	10	8	82	16

Source: Administrative program data

Table 28: Direct cost per new funding application processed – Components delivered by PCH

	2007-08	2008-09	2009-10	2010-11	2011-12	Average
CMF (Music)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Music Entrepreneur	6,762	5,699	6,614	8,739	5,493	6,661
CBF (Books)						
Support for Publishers	2,041	1,983	2,016	1,924	1,881	1,969
Support for Organizations	2,167	3,148	4,803	6,528	8,271	4,984

Source: Administrative program data

Table 29: New funding applications processed – CMF components delivered by third parties

	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Average
CMF (Music)							
Third-party delivered	3,941	4,442	5,016	4,262	5,031	22,692	4,538

Source: Administrative program data

Table 30: Total direct cost by application – Third-party delivered

	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Project-based funding	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Third-party delivered	693	673	678	927	604	715

Source: Administrative program data

Table 31: Administrative cost¹³⁸ over total expenses

Program	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	Average (%)
CMF	12.83%	12.67%	12.66%	12.32%	11.64%	12.42%
CBF	4.58%	4.63%	4.82%	4.64%	4.79%	4.69%

Source: Administrative program data

Explanatory notes and bibliography

- ¹ The percentage of recipients' e-book sales reported in 2012 is based on sales recorded in 2009-10.
- ² A maximum of \$2 million of a total budget of \$27.6 million in 2010-11 was identified to be used for grants in lieu of contributions. This \$2-million allowance was specifically approved for the Music Entrepreneur component. The CMF has not used that authority to date.
- ³ Canadian Heritage and Quorus Consultant Group. (2012). *Canadian Books, Film, Music and Periodicals Public Opinion Survey*.
- ⁴ Idem
- ⁵ *Speech from the Throne to Open the First Session of the 40th Parliament of Canada*. <http://www.pco-bcp.gc.ca/index.asp?lang=eng&page=information&sub=publications&doc=aarchives/sft-ddt/2008-eng.htm>
- ⁶ Department of Finance. *Canada's Economic Action Plan*. <http://www.budget.gc.ca/2009/plan/bpc3e-eng.html>
- ⁷ From Creators to Audience – New Policy Directions for Canadian Sound Recording (June 2001). <http://www.pch.gc.ca/eng/1289312410707/1289312410708>. Retrieved on October 31, 2013.
- ⁸ Statistics Canada, Sound Recording and Music Publishing (87F0008X), 2011.
- ⁹ According to the Canadian Music Industry Database (CMID) and the Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Québec (SOPROQ), an average of 2,395 albums were released annually by Canadian artists between 2004 and 2009. This figure includes all music albums by Canadian artists at major and independent labels, as well as independent artists who do not belong to a label. In reality, the percentage may be slightly lower since some artists applied for funding under the former CMD component for the creation of an album that could also have been done under the NMW component. The elimination of the former CMD component was intended, in part, to avoid this type of duplication.
- ¹⁰ Calculated using data from the annual reports of the Canada Council for the Arts from 2007-08 to 2009-10.
- ¹¹ Calculated using data from the Music Policy and Programs Directorate (MPPD) database: *FACTOR and MUSICTION: Albums by province*.
- ¹² These averages are calculated by the evaluation team using figures from the MPPD database for each of the years covered by the evaluation.
- ¹³ FACTOR: 2011-12 Annual Report, page 9.
- ¹⁴ Ibid
- ¹⁵ There is no national data on the album sales of Canadian artists only.
- ¹⁶ Government of Canada (n.d.) Bulletin SoundScan. Analysis of unit sales data of sound recordings in Canada for 2012. Canadian Heritage, Music Policy and Programs Directorate.
- ¹⁷ The national library collection is assembled through legal deposit and becomes the record of the nation's published heritage.
- ¹⁸ The Canada Music Fund's performance measurement framework as presented in PCH's Program Alignment Architecture (PAA) was reviewed in 2012-13. Specifically, the expected result related to the viability of the portion of the Canadian music industry funded by the CMF no longer appears in the 2014-15 approved PCH PAA .
- ¹⁹ Between 2007-08 and 2011-12, a maximum of 13 publishing houses received funding every year and 5 received funding during the entire period.
- ²⁰ Between 2007-08 and 2011-12, a maximum of 22 independent labels received funding every year and 15 received funding during the entire period.
- ²¹ Among Canadian-controlled sound recording firms, there are recording firms that receive funding through the CMF. The results of the first group are therefore indirectly affected by the results of the second group.
- ²² Statistics Canada, The Daily, Friday, June 30, 2006.
- ²³ Book Publishers Survey, Statistics Canada, 2004.
- ²⁴ Book Publishers Survey, Statistics Canada, 2004
- ²⁵ Program administrative data. It should be noted that this number does not include published new titles by Canadian authors that were not eligible for program funding (data on new titles by Canadian authors that

were not eligible for program funding is not available for 2003-04). The figure provided therefore somewhat underestimates the total number of new titles by Canadian authors published by CBF recipients.

²⁶ CBF administrative data. The same level of detail for years 2007-08 and 2008-09 is not available.

²⁷ To encourage official-language minority publishers and Aboriginal publishers, the minimum sales volume required to be met in order to be eligible for funding is set at \$30,000 rather than \$50,000.

²⁸ BookNet Canada "The Canadian Book Consumer 2012: Annual Report."

²⁹ It should be noted that the data provided by Booknet Canada focuses solely on the adult Anglophone readership whose primary source of reading is trade books and very few textbooks or reference books, although these nonetheless make up a significant share of the book publishing market.

³⁰ According to an article published on October 30, 2013, by Josée Lapointe in *La Presse* daily newspaper. (Retrieved on October 31, 2013) http://www.lapresse.ca/arts/livres/201310/30/01-4705240-romans-numeriques-vendus-sur-internet-ecosysteme-en-peril.php?utm_categorieinterne=traficdrivers&utm_contenuinterne=cyberpresse_B9_arts_244_accueil_PO_S1

³¹ This figure includes textbooks.

³² Hill Strategies Research Inc., *Consumer Spending on Culture in 2008 in Canada, the Provinces and 12 Municipal Regions*, Ottawa, Report prepared on behalf of the Department of Canadian Heritage, 2010.

³³ Quebec is the province where the cultural industries receive the most government support. Quebec's Ministère de la Culture et des Communications, the Ministère de l'Éducation, the Conseil des arts et des lettres du Québec and the Société de développement des entreprises culturelles du Québec are a few of the province's government organizations involved in promoting the writing, publishing and music sector. See: Canadian Heritage, *The Book Market in Quebec*, online:

<http://www.pch.gc.ca/eng/1290026005970/1290026005972>; Statistics Canada (2007) *Economic Contribution of the Culture Sector to Canada's Provinces*, Ottawa, Statistics Canada.

³⁴ Canadian Publishers Directory, Quill & Quire, 1967

³⁵ Investing in the Future of Canadian Books: Review of the *Revised Foreign Investment Policy in Book Publishing and Distribution*. Canadian Heritage, July 2010.

³⁶ Book Publishers Survey, Statistics Canada, 2004.

³⁷ Book Publishers Survey, Statistics Canada, 2006.

³⁸ Book Publishers Survey, Statistics Canada, 2010.

³⁹ It should be noted that Canadian federal government departments were undertaking program evaluation activities prior to the launch of this first policy on evaluation (Aucoin, 2005). The 1977 policy, however, marked the first significant commitment to the use of evaluation as a tool for program improvement and decision making across the federal government.

⁴⁰ Hereafter, unless otherwise indicated, all references to the *Directive on the Evaluation Function* and the *Policy on Evaluation* refer to the Treasury Board *Policy on Evaluation* that came into effect on April 1, 2009.

⁴¹ It should be noted that the number of new applications processed does not represent the totality of the number of cases handled by the programs in each year as a part of the contribution agreements managed by the programs are multi-year agreements.

⁴² The Support for Publishers and Support for Organizations components were introduced with the CBF's renewal and rebranding in 2010-11. Data related to earlier years has been grouped in a generally comparable manner to allow for a longitudinal analysis but was necessarily simplified due to the complexities of program reorganization during the scope of the evaluation.

⁴³ Prior to 2007-08, the CBF's Supply Chain component consisted of two subcomponents. The first subcomponent provided small amounts of money to a large number of publishers while the second subcomponent offered project funding to publishers and organizations mainly for internships and technologic infrastructure. The first subcomponent was eliminated after 2007-08.

⁴⁴ A relatively small amount of the funding applications received every year for the Support for Publishers component includes projects. Those applications are assessed using a merit-based approach rather than a formula-based approach.

⁴⁵ The eliminated funding stream accounted for well over 100 applications per year through 2007-08. These applications, however, were effectively formula-based and required comparatively little analysis, meaning that the actual impact of their elimination was not as significant as the numbers might suggest.

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- ⁴⁶ Note that the CMF's administrative costs over total expenses ratio was calculated taking into consideration the CMF's financial contribution to third parties' administrative fees. Since the CMF's Music Diversity component was cancelled in 2010, and given that the Canadian Music Memories component represented only 2% of the CMF's grants and contributions expenses over the five-year period, those two components were excluded from the analysis.
- ⁴⁷ While the CBF also uses a third-party organization (LCB) to deliver a portion of its program, the evaluation did not include LCB administrative costs in the CBF's administrative costs since this amount is relatively small.
- ⁴⁸ The percentage of the recipients' digital book sales in 2012 is based on sales reported in 2009–10.
- ⁴⁹ The percentage of digital book sales reported by the recipients in 2012 is based on 2009–10 sales figures.
- ⁵⁰ The decreased number of contributions earmarked for associations and organizations following the overhaul of the CBF can be attributed mainly to the amalgamation of certain funding application forms into one single form.
- ⁵¹ International Federation of the Phonographic Industry. The Recorded Music Market in 2012.
- ⁵² Economic Impact Analysis of the Sound Recording Industry in Canada, Music Canada, 2012.
- ⁵³ CRTC Communications Monitoring Report, September 2012.
- ⁵⁴ Society of Composers, Authors and Music Publishers of Canada (SOCAN), 2012.
- ⁵⁵ International Federation of the Photographic Industry, The Recorded Music Market in 2012.
- ⁵⁶ Economic Impact Analysis of the Sound Recording Industry in Canada, Music Canada, 2012.
- ⁵⁷ Society of Composers, Authors and Music Publishers of Canada (SOCAN), 2012.
- ⁵⁸ Nielsen SoundScan, 2012.
- ⁵⁹ Statistics Canada, Sound Recording and Music Publishing (87F0008X), 2011.
- ⁶⁰ *Ibid*
- ⁶¹ *Ibid*
- ⁶² *Ibid*
- ⁶³ Nielsen SoundScan Top 2000 charts data.
- ⁶⁴ Society of Composers, Authors and Music Publishers of Canada (SOCAN), 2012.
- ⁶⁵ International Federation of the Phonographic Industry, The Recorded Music Market in 2012.
- ⁶⁶ Canadian Books, Film, Periodicals and Music Opinion Survey, 2012, Quorus Consulting Group prepared for the Department of Canadian Heritage
- ⁶⁷ Canada Abroad 2012, Larry Leblanc prepared for the Department of Canadian Heritage, 2013.
- ⁶⁸ Society of Composers, Authors and Music Publishers of Canada (SOCAN), 2012.
- ⁶⁹ In November 2011, EMI Group was divided and sold to Universal Music Group and Sony ATV, a Sony Corp. Michael Jackson Estate group. MusicCanada: Economic Impact Analysis of the Sound Recording Industry in Canada, 2012. Page 1.
- ⁷⁰ Statistics Canada (2012) Table 361-0005 Sound recording and music publishing, summary statistics, by North American Industry Classification System (NAICS), annually.
- ⁷¹ Electronic music files include individual songs and albums.
- ⁷² Canadian Independent Music Association (2013). Sound Analysis – An examination of the Canadian Independent Music Industry. <http://www.cimamusic.ca/sound-analysis-canadian-indie-music-sector-hits-the-right-economic-note/>, viewed April 28, 2014.
- ⁷³ Canadian Publishers Directory, Quill & Quire, 1967
- ⁷⁴ A Statistical Profile of Artists in Canada, Hill Strategies (based on 2001 Census data), 2004
- ⁷⁵ *Ibid*
- ⁷⁶ Statistics Canada, 2010, Book Publishers
- ⁷⁷ Statistics Canada, 2004, Book Publishers
- ⁷⁸ Statistics Canada, 2010, Book Publishers
- ⁷⁹ Statistics Canada, 2010, Book Publishers
- ⁸⁰ Statistics Canada, 2004, Book Publishers
- ⁸¹ Statistics Canada, 2006, Book Publishers
- ⁸² Statistics Canada, 2010, Book Publishers
- ⁸³ Book distribution in English Canada, Turner-Riggs, 2008.
- ⁸⁴ *Ibid*

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- ⁸⁵ *The Diffusion and Distribution of French-Language Books in Canada*, Édinova, 2008
- ⁸⁶ *The Book Retail Sector in Canada*, Turner-Riggs, 2007.
- ⁸⁷ *The Book Retail Sector in Canada*, Turner-Riggs, 2007.
- ⁸⁸ Canadian Publishers Directory, Quill & Quire, 1967.
- ⁸⁹ Hill Strategies Research Inc., *Canadians' Arts, Culture and Heritage Activities in 2010*, Ottawa. Report prepared for the Department of Canadian Heritage, 2010.
- ⁹⁰ Ibid
- ⁹¹ Ibid
- ⁹² Ibid
- ⁹³ Statistics Canada (2011) *General Social Survey – 2010 Overview of the Time Use of Canadians*, Canada, Statistics Canada.
- ⁹⁴ Hill Strategies Research Inc., supra note 14. Another study conducted by Hill Strategies Research Inc. for Canadian Heritage and other partners showed that Canadians spent more than \$1.4 billion buying books in 2008. See: Hill Strategies Research Inc., report prepared for the Department of Canadian Heritage, 2010.
- ⁹⁵ A digital publication is a digital version of a book, including an audio version, which can be sold through the Internet or any other non-physical way, such as wireless networks.
- ⁹⁶ Canadian Heritage, (2013) *Canadian Books, Film, Music and Periodicals Public Opinion Survey*, Ottawa, Department of Canadian Heritage. Prepared for the Department of Canadian Heritage by Quorus Consulting Group.
- ⁹⁷ Ibid. The total share exceeds 100% because some readers indicated they used more than one type of device to read digital books.
- ⁹⁸ Ibid. It should be noted that Canadians discover new books by word of mouth (69%) or through large book store chains (60%). Similarly, Canadians' choice of reading is influenced by best-seller charts (46%) and critically acclaimed work (46%).
- ⁹⁹ Carreiro, Erin *Electronic Books: How Digital Devices and Supplementary New Technologies are Changing the Face of the Publishing Industry*, **Safe Creative**, October 26, 2010 (Online publication).
- ¹⁰⁰ Ibid
- ¹⁰¹ Book Industry Study Group (2009-20013) *Consumer Attitudes Toward E-Book Reading*, New York, Book Industry Study Group. See also: Sedgwick, Donald 'Digital Disruption' Are Competitive Forces in the Book Publishing Marketplace contributing to the utility Maximization of Consumers' Purchasing and Price Options for Ebooks? An Analysis of Emerging Economic Models, Master Thesis, Saint-Mary's University, Halifax, Nova Scotia, September 2012
- ¹⁰² Ibid. A total of 65% of respondents in the study indicate that have completely set aside printed books for digital books, mainly owing to the ease of access and price.
- ¹⁰³ Ibid
- ¹⁰⁴ Ibid
- ¹⁰⁵ Ibid
- ¹⁰⁶ Ibid
- ¹⁰⁷ Ibid
- ¹⁰⁸ [Note] It is important to note that the *Book Industry Study Group* (BISG) found that these trends are very volatile and can change from one month to the next. According to Angela Bole, Executive Director of the BISG, "The e-book market is developing very quickly, with consumer attitudes and behaviour changing over the course of months, rather than years." Ibid.
- ¹⁰⁹ Williams, Anne Leigh, (2011) *Canadian Publishing 2011: Challenges and Changes*, Canada.
- ¹¹⁰ Ibid
- ¹¹¹ Ibid
- ¹¹² *Association of Canadian Publishers, (2007), The Impact of Digitization on the Book Industry, Toronto, A report prepared by Diane Davy, Castledale Inc.*
- ¹¹³ Annual Report for the 52-week period ended March 2013. *Indigo* (page viewed on December 8, 2013) <http://www.chapters.indigo.ca/investor-relations/corporate-documents/?langtype=4105>.
- ¹¹⁴ Since February 2012, the Book Policy and Programs Directorate administers for the Music Policy and Programs Directorate two subcomponents of the CMF's Music Entrepreneur: Aid to Canadian Sound Recording Firms and Aid to Canadian Music Publishing Firms.

¹¹⁵ As announced in Budget 2012, the Creator's Assistance component has been eliminated as of April 2013.

¹¹⁶ The data in Table 7 is gleaned from the CMF database and deals with album projects funded and completed.

¹¹⁷ As mentioned earlier, a portion of the funding granted through FACTOR and MUSICACTION comes from the Canadian Content Development Funds, an initiative of Canada's Private Radio Broadcasters.

¹¹⁸ According to data provided by the MPPD, 73.4 % of applications to the CCA for funding under the former CMD component were made in English and 26.6% were made in French.

¹¹⁹ This graph is based on data provided by the CMF and take into account album projects that were completed.

¹²⁰ Data in this table is gleaned from the MPPD database. Data for 2011–12 was not available at the time of writing the evaluation report.

¹²¹ Data in this table is gleaned from the MPPD database. Data for 2011–12 was not available at the time of writing the evaluation report.

¹²² Government of Canada (n.d.) SoundScan Chart. Analysis of unit sales data for sound recordings in Canada for 2012. Canadian Heritage, Music Policy and Programs Directorate.

¹²³ Administrative program data.

¹²⁴ Administrative program data.

¹²⁵ Administrative program data.

¹²⁶ Statistics Canada (2007-2008-2009-2010-2011) Sound Recording and Music Publishing. Catalogue no. 87F0008X for data on the portion of the sound recording industry controlled by Canadians and data on the portion of the sound recording industry controlled by foreign companies.

¹²⁷ Ibid

¹²⁸ Administrative program data.

¹²⁹ Seven companies which submitted applications each year from 2009-10 to 2013-14. All but two of these companies received funding in 2007–08 and 2008–09. The other five received funding in every program year.

¹³⁰ Data derived from program year for companies which received funds two years prior. Thus for companies that received funds in 2010–11, their application from 2012–13, which contains 2010–11 data, was used. The number of companies fluctuates depending on total recipients in the funding year and those that applied to the program two years later.

¹³¹ Seven companies which submitted applications each year from 2009–10 to 2013–14. All but two of these companies received funding in 2007–08 and 2008–09. The other five received funding in every program.

¹³² Statistics Canada (2007-2008-2009-2010-2011) Sound Recording and Music Publishing. Catalogue no. 87F0008X for data on the portion of the sound recording industry controlled by Canadians and data on the portion of the sound recording industry controlled by foreign companies.

¹³³ The number of authors supported is approximate and rounded.

¹³⁴ The number of new authors supported is approximate and rounded.

¹³⁵ Data from Statistics Canada are gleaned from the 2008 and 2010 calendar years, whereas program data reflects the recipients' activities over the 2008–09 and 2010–11 financial years of the program.

¹³⁶ Data on actual expenses tied to employee benefits are not available at the program level. As per budgeting approach used to determine required resources for employee benefits, actual expenses have been estimated at 20% of total employee salary expenses.

¹³⁷ The numbers shown represent the applications processed directly by PCH staff and do not include the applications for program components that are managed by third-party delivery organizations, such as the CMF's New Musical Works, Collective Initiatives and Creators' Assistance components and the CBF's International Marketing Assistance subcomponent of the Support for Organizations component.

¹³⁸ Data on actual expenses of employees' benefits and accommodations are not available and thus were not included in the calculation of the program's administrative costs over total program budget ratio.