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The Canadian Music Industry

2005 Economic Profile

Canada

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About the 2005 Economic Profile

This document is the second annual economic profile on the Canadian sound recording industry produced by the Department of Canadian Heritage. It provides information on the Canadian and International sound recording markets and music copyright royalties in Canada.

The Department of Canadian Heritage would like to thank Paul Spendlove for writing this profile.

Special mention is also extended to:

- Mary Ann Fulop (Financial Controller, Society of Composers, Authors and Music Publishers of Canada)
- Vanessa Thomas (General Manager, Nielsen Music, Nielsen Home Entertainment)
- Al Mair (President, MHL Communications)
- Jennifer Hardy (Manager of Administration, Canadian Recording Industry Association)

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http://www.pch.gc.ca/pc-ch/pubs/esm-srm_e.cfm

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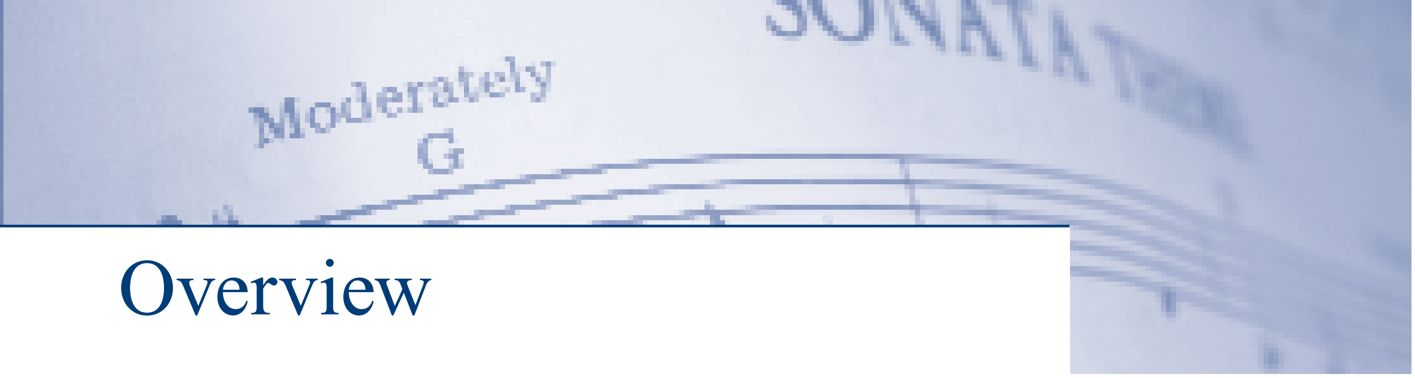


Overview

The Canadian music industry showed signs of a recovery in 2004, as unit sales of sound recordings in Canada increased 3% over the previous year. Canada was one of just three major international markets to show such gains. However, the increase was moderated by widespread discounting in the retail sector, leading to a 4.7% decrease in the dollar value of sound recording sales, the sixth straight year of declining sales.

Despite the overall trend, Canadian artists have seen their sales increase since 2001. Sales of Canadian albums have increased from 6.8 million units in 2001 to 8.5 million in 2004, an increase of 25.3%[1]. In contrast, foreign artists have seen their sales fall 20.2% over the same period. The result is a remarkable increase in Canadian artists' share of sales in Canada from 16% in 2001 to 25% in 2004.

Early sales figures from Canada's emerging digital music market are also encouraging. Three of the four digital music services in Canada report selling 3.9 million individual tracks and 330,000 albums in the first ten months of 2005. Although the latter figure represents just 1% of total album sales over that period, sales are expected to grow as more Canadians purchase digital music players.

Teenage consumers are the most frequent users of digital music services, a 2005 Decima Research survey has found, with 23% of 15 to 20 year olds having bought music in 2004-05 compared with 11% of Canadians overall; teens also continue to be the most likely to download music for free.

The survey also found that 93% of Canadians feel music by Canadian artists to be equal or superior to music by international artists. Again, this opinion varied significantly between age groups, as 21% of 15 to 20 year olds consider Canadian music to be superior compared to 41% of 35 to 54 year olds.

The Canadian Music Industry 2005 Economic Profile includes numerous data sources that identify trends in the industry over the past five years. New sources include Nielsen SoundScan's top 2000 charts and Statistics Canada's 2003 Sound Recording Survey.

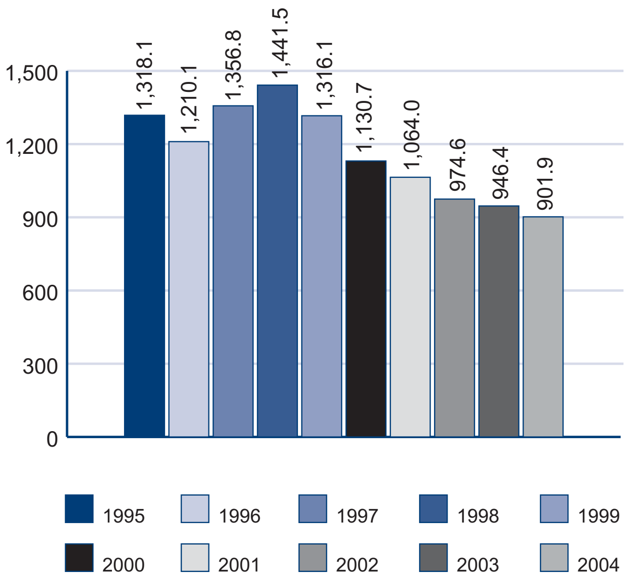
I – Canadian Market

I – Canadian Market

Retail sales of recorded music in Canada fell 4.7%, from $946.4 million in 2003 to $901.9 million in 2004. It was the sixth straight annual decline, and a larger loss than the 2.9% drop from 2002 to 2003. Since 1999, the retail value of the Canadian sound recording market has fallen 31.5%.[2]

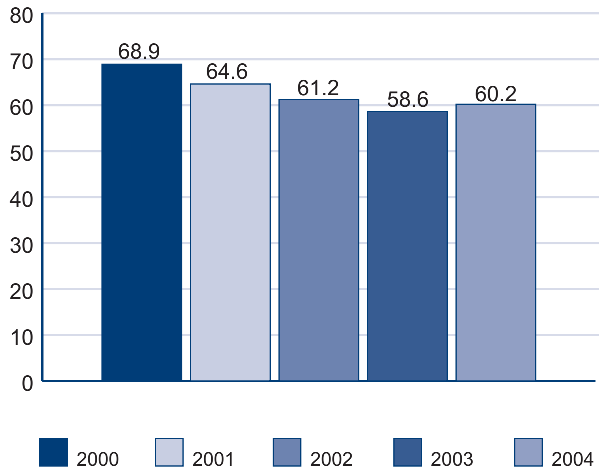
Despite the drop in retail value, overall unit sales for sound recordings in Canada increased by 2.7% last year, from 58.6 million to 60.2 million units. This rise was offset by widespread price discounting by retailers as well as declines in record club sales, trends also evident in the United States.

Retail Sales of Recordings in Canada ($000,000 CAD)



Sources: Music & Copyright magazine, July 7, 2004; IFPI—The Recording Industry in Numbers, 2005

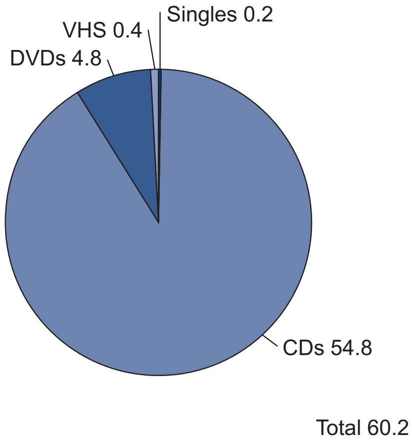
Sales of Recordings in Canada—Units (000,000)



Source: IFPI-The Recording Industry in Numbers, 2005

Sales of compact discs increased 3.2%, from 53.1 million to 54.8 million units, and unit sales of music DVDs rose 20%, from four million to 4.8 million – a modest increase compared to the 150% jump from 2002 to 2003.[3] Conversely, sales of singles fell from 900,000 to 500,000 units, while music VHS tape sales halved, from 800,000 to 400,000, reflecting the mass shift to DVDs.

2004 Retail Sales of Recordings in Canada—by Format—Units (000,000)

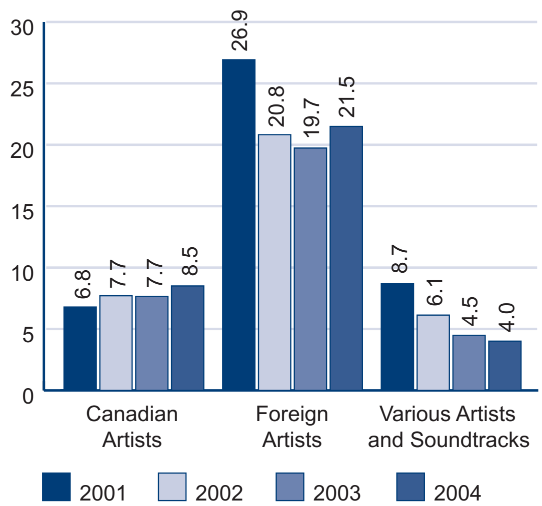


Source: IFPI—The Recording Industry in Numbers, 2005
Note: 3 singles = 1 album

As of November 6, 2005, year-to-date sales figures show unit sales of sound recordings are 0.3% lower than the same period in 2004.[4] According to experts, the Canadian sound recording market is not expected to rebound until at least 2006.[5]

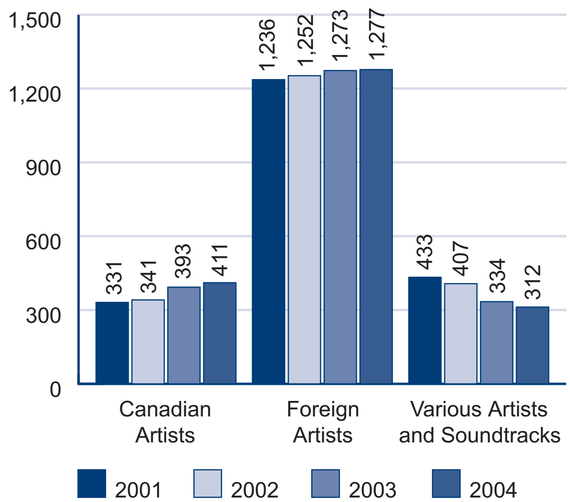
Top 2000 Albums in Canada

Nielsen SoundScan Top 2000—Album Sales in Canada by Artist Nationality—Units (000,000)



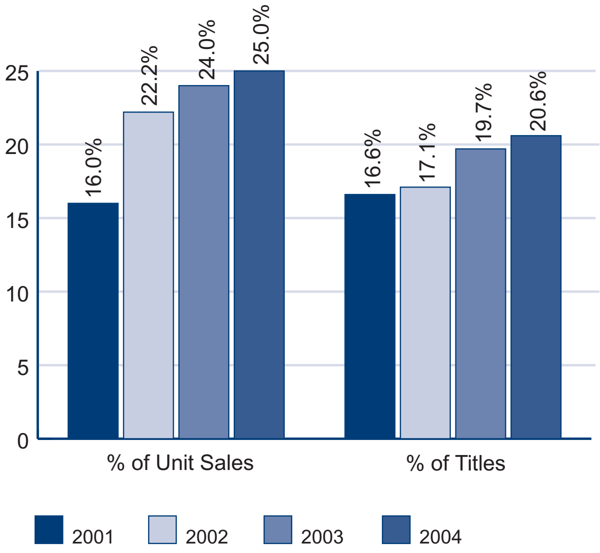
Source: Nielsen SoundScan

Nielsen SoundScan Top 2000—Album Sales in Canada by Artist Nationality—Titles



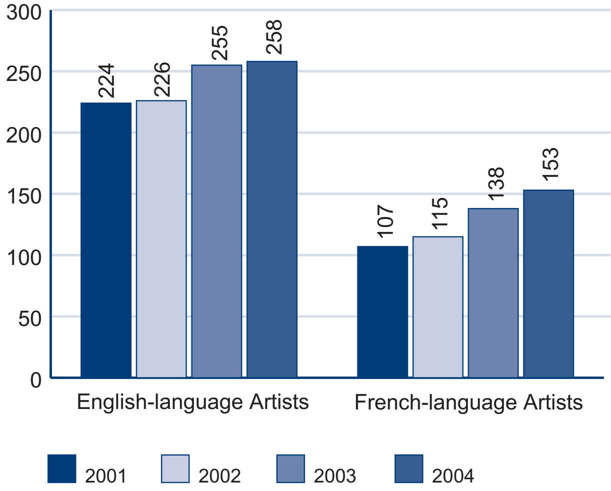
Source: Nielsen SoundScan

Nielsen SoundScan Top 2000—Market Share of Canadian Artists Sales in Canada



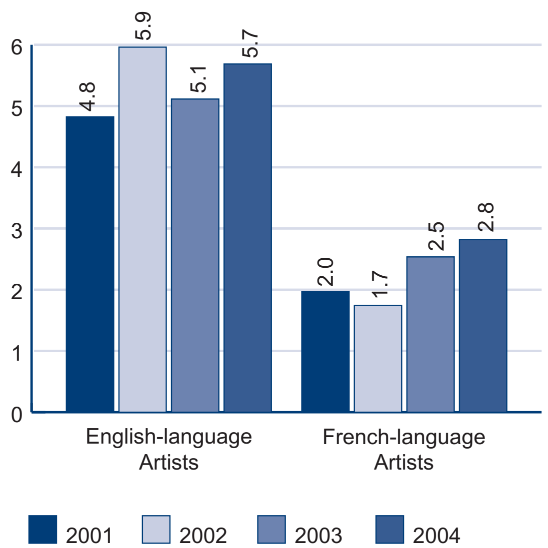
Source: Nielsen SoundScan

Nielsen SoundScan Top 2000—Sales of Canadian Albums in Canada by Language—Titles



Source: Nielsen SoundScan

Nielsen SoundScan Top 2000-Sales of Canadian Albums in Canada by Language—Units (000,000)



Source: Nielsen SoundScan

An analysis of Nielsen SoundScan top 2000 charts from 2001 to 2004 provides a detailed snapshot of the Canadian music market and shows an impressive growth of Canadian artists' album sales over the past four years[6].

Despite a decline in sales in the top 2000 from 42.4 million units in 2001 to 34 million in 2004, there was a 6.7% increase in 2004 over 2003, when 31.9 million units were sold. Sales of albums by Canadian artists showed even greater growth, rising 11.2% from 2003 to 2004 – an increase seen in both English- and French-language recordings.

From 2001 to 2004, Canadian artists have seen their share of sales of the top 2000 albums grow from 16% to 25% (6.8 million to 8.5 million units) and their number of albums in the chart increase from 16.6% to 20.6% (331 to 411).

Canadian French-language artists, in particular, have seen a significant increase in their share of album sales. Of the 411 Canadian albums in 2004, 153, or 37%, were French, up from a 32.3% share in 2001. Similarly, sales of Canadian French-language albums have increased from 2 million to 2.8 million units over the same period, accounting for one third of Canadian album sales in the top 2000 in 2004.

The increased share of album sales by Canadian artists at the top of the charts is equally impressive. While sales of the top 200 albums dropped from 22 million in 2001 to 17.2 million units in 2004, sales of Canadian albums in the top 200 increased from 3.3 million in 2001 to 5.2 million units in 2004. This represents an increase from 15.1% to 30.1% in Canadian artists' share of total album sales in the top 200.

Downloading and New Technologies

Sales of digital music downloads are not yet accounted for in official annual sales results. Nielsen SoundScan only began collecting information on the sales of digital music downloads in February 2005 and to date only captures data from three of the four providers in Canada, Puretracks, Napster.ca and iTunes.ca. (The fourth is Archambault's Zik.ca.) From February 9 to November 6, 2005, Canadians purchased just over 330,000 albums and close to 4.9 million individual tracks from the three services. The album-specific downloads represent about 1% of year-to-date album sales in Canada; while sales of individual tracks are significant compared with retail sales of just 500,000 singles in 2004.

Rising sales of digital music players (with a current market penetration of 2%) suggests the market for music downloads can only grow. While free downloading still thrives in Canada via peer-to-peer networks, survey results indicate that younger music fans are buying music online, a trend that bodes well for both download services and the Canadian music industry in the years to come[7].

New Recordings Released by Canadian Artists

New Albums Released by Canadian Artists—by Language

	2000	2001	2002	2003	2004
French-language	205	237	240	224	165
English-language	1,360	1,539	1,994	2,164	1,888
Total	1,565	1,776	2,234	2,388	2,053

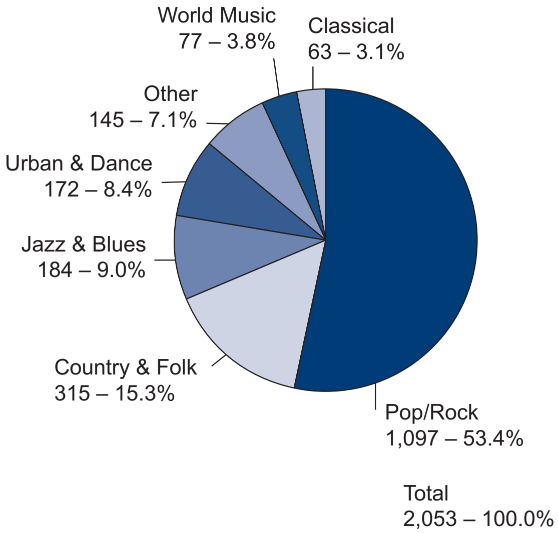
Source: CMID & SOPROQ

Between 2000 and 2003, the number of new Canadian albums released per year increased almost 53%, from 1,565 to 2,388[8]. Growth was led by English-language albums, which jumped almost 60% between 2000 and 2003, from 1,360 to 2,164, respectively. The number of English-language releases grew steadily in that time, averaging 17% more new releases per year.[9] The number of French-language releases, meanwhile, has varied between 200 and 240 new albums per year; the 224 albums released in 2003 were down from the previous year's high of 240, but still represented a 9% increase from 2000.[10]

Breakdown by Genre-Releases and Sales

The number of Canadian releases for 2004 is not final. Nevertheless, the 2,053 albums show a breakdown by genre that is consistent with previous years.[11] As usual, rock and pop albums led Canadian releases in 2004, accounting for 53.4% of new releases. Country and folk recordings had a 15.3% share, followed by jazz and blues (9%), urban and dance (8.4%), world music (3.8%) and classical (3.1%). Albums in other genres accounted for 7.1% of new releases.

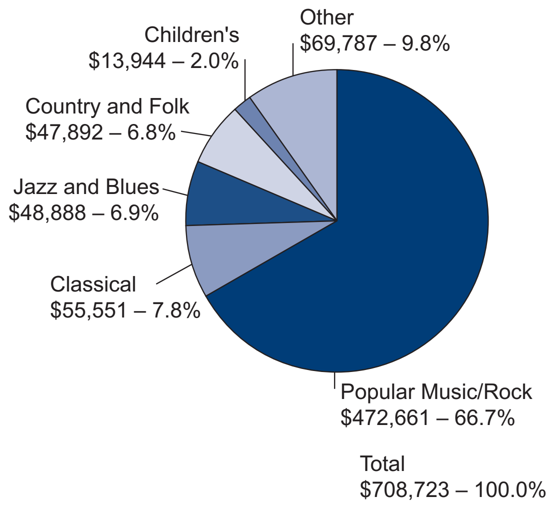
New Albums Released by Canadian Artists (2004)—No. of Recordings



Source: CMID & SOPROQ

The 2003 Statistics Canada Sound Recording Survey provides a breakdown of sales of Canadian recordings by genre. Sales of popular music and rock recordings accounted for 66.7% of the $709 million in total sales in 2003, falling 24.1% between 2000 and 2003, from $623 million to $473 million. Classical recordings accounted for 7.8% of total sales, jazz and blues for 6.9%, country and folk albums for 6.8%, children's records for 2% and other categories for 9.8%.

Revenue From Sales of Recordings by Genre



Source: Statistics Canada, Sound Recording Survey 2003

Where Music Sells

Urban centres dominate music sales, with 15 metropolitan areas accounting for more than 70% of albums sold in Canada.[12] Toronto is the top music market, with almost 7.8 million units sold last year, representing a 15.6% share of national sales. Montréal is a close second, with 7.5 million units sold for a 15.1% share. The next biggest markets, Vancouver and Calgary, have 8% and 5.2% shares, respectively.

2004 Sound Recording Unit Sales—Top 15 Canadian Metropolitan Areas

	Unit Sales (000)	% of Total Unit Sales
1 Toronto	7,762	15.6%
2 Montréal	7,546	15.1%
3 Vancouver	3,974	8.0%
4 Calgary	2,612	5.2%
5 Edmonton	2,525	5.1%
6 Québec	2,078	4.2%
7 Ottawa	1,900	3.8%
8 Hamilton	1,437	2.9%
9 Winnipeg	1,301	2.6%
10 London	982	2.0%
11 Halifax	913	1.8%
12 Kitchener	909	1.8%
13 St.Catharines—Niagara	536	1.1%
14 Gatineau	534	1.1%
15 Sherbrooke	494	1.0%
Rest of Canada	14,398	28.9%

Source: Nielsen SoundScan

Ontario and Quebec lead provincial sales by a wide margin, with a respective share of 37.2% and 26.1%. Alberta and British Columbia follow with shares of 13% and 12.8% respectively.[13]

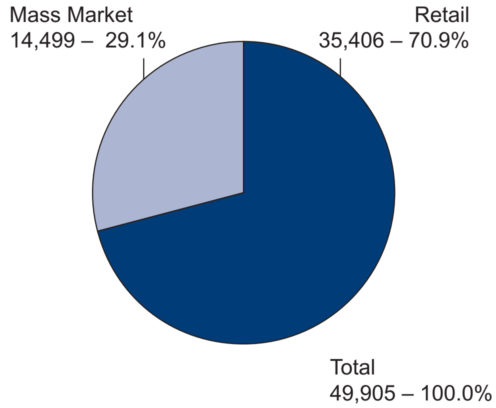
2004 Sound Recording Unit Sales—by Province

	Unit Sales (000)	% of Total Unit Sales
Ontario	18,545	37.2%
Quebec	13,027	26.1%
Alberta	6,467	13.0%
British Columbia	6,378	12.8%
Atlantic (NL,PE,NS)	1,940	3.9%
Manitoba	1,449	2.9%
Saskatchewan	1,241	2.5%
New Brunswick	858	1.7%
Total	49,905	

Source: Nielsen SoundScan

While traditional music retail stores continue to be the preferred retail outlet for Canadian consumers, mass-market retailers represent a significant source of sales of sound recordings.[14] In 2004, big-box retailers such as Wal-Mart and Future Shop accounted for 29.1% of album sales in Canada, or 14.5 million units sold, with the balance, 35.4 million units, represented by traditional music retail stores[15].

2004 Sound Recording Unit Sales in Canada—by Store Type



Source: Nielsen SoundScan

Gold and Platinum Records and Other CRIA Certifications Statistics

The Canadian Recording Industry Association (CRIA) awarded gold (50,000 units sold), platinum (100,000 units) or diamond album (1,000,000 units) status to 76 releases in 2004, representing the works of 59 artists[16]. This list includes 40 gold records (a five-year high), 35 platinum records, and one diamond album. Nearly half of the albums certified were released in 2004.

Canadian Artists Canadian Album Certification Awards (CRIA)

	Gold	Platinum	Diamond	Total	Artists
1999	27	41	3	71	56
2000	29	29	2	60	51
2001	24	24	1	49	40
2002	35	35	1	71	54
2003	27	14	1	42	35
2004	40	35	1	76	59

Source: PCH compilation of CRIA data

Of the 2004 releases, the top sellers were Shania Twain's *Greatest Hits* (six times platinum), Céline Dion's *One Heart* (three times platinum) and Avril Lavigne's *Under My Skin* (three times platinum). Other platinum certifications included Diana Krall for *The Girl in the Other Room* (two times platinum), Eric Lapointe for *Coupable*, and The Tragically Hip for *In Between Evolution* (both one time platinum). Gold records among 2004 releases were almost evenly split between French and English albums, including Isabelle Boulay (*Tout un jour*), Laurence Jalbert (*Ses plus grands succès*), Sarah Harmer (*All Of Our Names*), and K-OS (*Joyful Rebellion*).

Canadian Companies

Number of Reporting Sound Recording Companies

		1998	2000	2003
Categories	Total	280	331	300
Control	Canadian	263	315	287
	Foreign	17	16	13
Revenue Categories	<$50K	142	183	140
	$50K-$100K	25	29	34
	$100K-$1M	72	78	87
	>$1M	41	41	39
Region	Atlantic	13	15	16
	Quebec	88	125	128
	Ontario	113	120	105
	Prairies	22	27	20
	British Columbia	42	41	29
	Territories	2	3	2

Source: Statistics Canada, Sound Recording Survey 2003

Number of Full-time Employees at Reporting Sound Recording Companies

		1998	2000	2003
Categories	Total	2,711	2,591	2,281
Control	Canadian	460	578	681
	Foreign	2,251	2,013	1,600
Revenue Categories	<$100K	47	62	64
	$100K-$1M	125	130	182
	>$1M	2,539	2,399	2,035
Region	Quebec	592	639	607
	Ontario	1,981	1,804	1,562
	British Columbia	112	115	79
	Rest of Canada	26	33	33

Source: Statistics Canada, Sound Recording Survey 2003

Profit Margin of Reporting Sound Recording Companies

		1998	2000	2003
Categories	**Total**	14.3	11.9	2.6
Control	Canadian	8.3	7.1	0.5
	Foreign	15.2	12.7	3.2
Revenue Categories	<$100K	-21.3	-44.8	-13.2
	$100K-$1M	6.9	8.0	4.7
	>$1M	14.7	12.4	2.7

Source: Statistics Canada, Sound Recording Survey 2003

The number of Canadian music companies included in the Statistics Canada Sound Recording Survey decreased between 2000 and 2003. Overall profit margins and number of full-time employees in the industry also fell in the same period. Small employment gains at Canadian-controlled companies provided some of the good news in the 2003 survey.

According to Statistics Canada, the number of music companies in Canada fell from 331 in 2000 to 300 in 2003[17], almost entirely attributable to companies with annual revenues less than $50,000 (183 in 2000 compared with 140 in 2003). The number of companies reporting revenues greater than $50,000, however, increased from 148 in 2000 to 160 in 2003.

In the same period, full-time employment in the Canadian sound recording industry decreased 12%, from 2,591 employees in 2000 to 2,281 in 2003. However, the drop in full-time employment was limited entirely to companies reporting revenues greater than $1 million, which saw full-time employment down from 2,399 in 2000 to 2,035 in 2003. Companies with revenues under $1 million, on the other hand, reported 246 full-time employees in 2003, up from 192 in 2000.

Similarly, Canadian-controlled companies reported having more full-time staff in 2003, with 681 in 2003 compared to 578 in 2000. Foreign-controlled firms saw the number of full-time staff decrease 20.5% from 2,013 in 2000 to 1,600 in 2003.

The number of freelancers working in the industry however, increased, from 555 in 2000 to 647 in 2003. Part-time employment marginally decreased in the same period, from 159 employees in 2000 to 150 in 2003.

Between 2000 and 2003, the Canadian sound recording industry's overall profit margin decreased from 11.9% in 2000 to 2.6% in 2003. Despite a nearly 26% jump in revenues at Canadian-controlled companies, a larger increase in expenses resulted in a group profit margin of 0.5% in 2003, down from 7.1% in 2000. Foreign-controlled firms, meanwhile, saw their profit margin fall from 12.7% in 2000 to 3.2% in 2003[18].

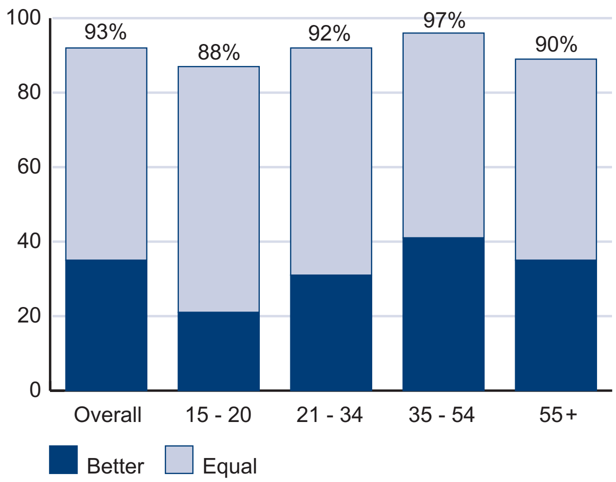
II – Canadian Music Consumers

II – Canadian Music Consumers

A 2005 survey by Decima Research, commissioned by the Department of Canadian Heritage, provides insight into the listening and spending habits of Canadian music consumers, revealing different behaviour between the generations[19]. The survey also shows that Canadians' appreciation for Canadian artists remains high, with 93% of respondents saying that music by Canadian artists is better than or equal to music by foreign artists, a result found in previous polls.[20]

More specifically, the survey found that 35% of the general population considers the quality of music by Canadian artists to be better than the music of foreign artists, while 57% considers it to be equal. Those opinions vary by age group: Canadians between 35 and 54 were the most enthusiastic, with 41% saying Canadian music is better and 55% saying it is equal to that of foreign artists. By contrast, just 21% of 15 to 20-year-olds considered Canadian music to be superior, though only 12% of this age group considered Canadian music to be inferior to international music.[21]

Perceptions of Quality of Canadian Music



Base: All respondents (n=2,002)
Note: Figures may not add up precisely due to rounding.
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

Listening Habits

Canadian teenagers also have very different music listening habits than their elders. Although respondents aged 15 to 20 tend to listen to more music than the older age groups – about 26.8 hours per week, compared with the overall average of 18.8 hours – they were least likely to listen to music on the radio, at only 5.8 hours per week, compared with the average 8.2 hours.[22] Paradoxically, those aged 55 and older, while responsible for close to a third of all music purchases in Canada,[23] listen to music less than other age groups, at an average of 13.1 hours per week.

Teens were also far more likely to listen to music via Internet, at 4.8 hours per week, than the next-closest group, 21 to 34-year-olds, at 2.5 hours. This trend looks likely to continue, as another recent study revealed Canadians aged 18 to 34 spend more time per week on the Internet than they do watching television.[24]

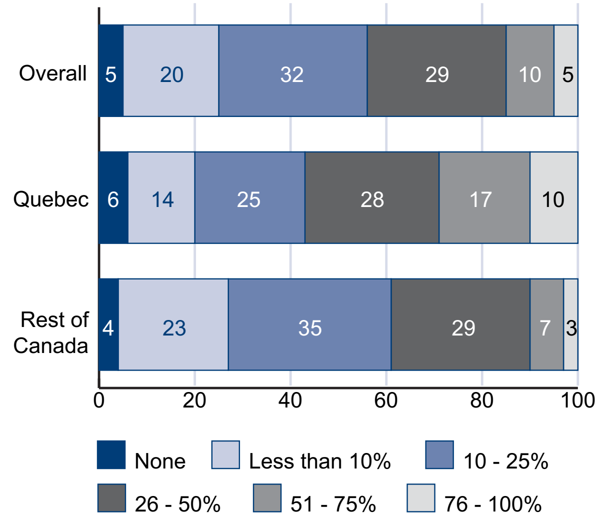
Average Number of Hours Spent Listening to Music Per Week

	Overall	15 - 20	21 - 34	35 - 54	55+
Radio	8.2	5.8	8.3	9.7	6.9
CDs, MP3s, Cassettes	6.9	12.8	8.7	6.7	3.7
Television	2.2	3.5	2.1	1.9	2.3
Internet	1.4	4.8	2.5	0.7	0.3
Total	18.8	26.8	21.5	19.1	13.1

Base: All respondents (n=2,002)
Note: Figures may not add up precisely due to rounding.
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

Ninety-five percent of Canadians listen to music by Canadian artists. For 15% of the general population, Canadian music accounts for more than half of their music listening.[25] Listening to Canadian music is higher in Quebec, where 27% of respondents indicated that Canadian music accounts for more than half of the time spent listening to music, compared to 10% in the rest of Canada.

Time Spent Listening to Canadian Music Compared to Total Listening



Base: Respondents that listen to music (n=1,978)
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

Purchasing Habits

Among music listeners (at least one hour per week in any medium), 87% purchased at least one CD in the past year, either for themselves or for someone else.[26] About three quarters of these CD buyers purchased at least one Canadian CD last year, with just over one half purchasing between one and five CDs.

Total CDs Purchased

	Total CDs	Canadian CDs
None	13%	26%
1 to 5	32%	52%
6 to 10	25%	12%
11 to 20	18%	5%
21 to 30	6%	1%
More than 30	6%	1%

Base: Respondents that listen to music (n=1,978)
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

Comparatively, 41% reported to have purchased a music DVD in the past year.[27] Among those who did, 16% had purchased one or two, 14% purchased three to five and 7% purchased six to 10 music DVDs. A small proportion, 5%, purchased 11 or more music DVDs over the past year.

Total Music DVDs Purchased

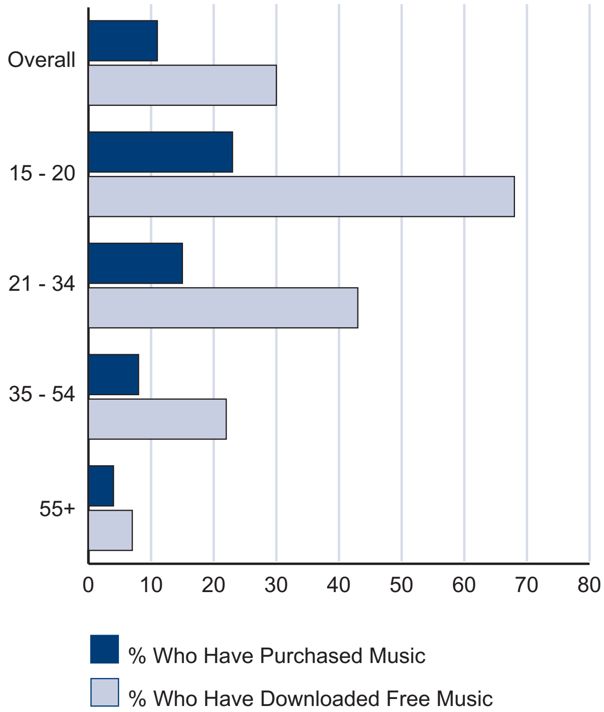
	Overall
None	58%
1 to 2	16%
3 to 5	14%
6 to 10	7%
11 or more	5%

Base: Respondents that listen to music (n=1,978)
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

Music from the Internet

Despite the growth of legal online music services over the past year, free downloads outpaced online sales of music files by a wide margin among all age groups. Among respondents with Internet access, 30% said they downloaded free music tracks, compared with 11% who bought tracks online.[28] Teenagers are the top downloaders, with 68% of those aged 15 to 20 saying they downloaded tracks for free last year and 23% making at least one online purchase.

Downloading Music From the Internet



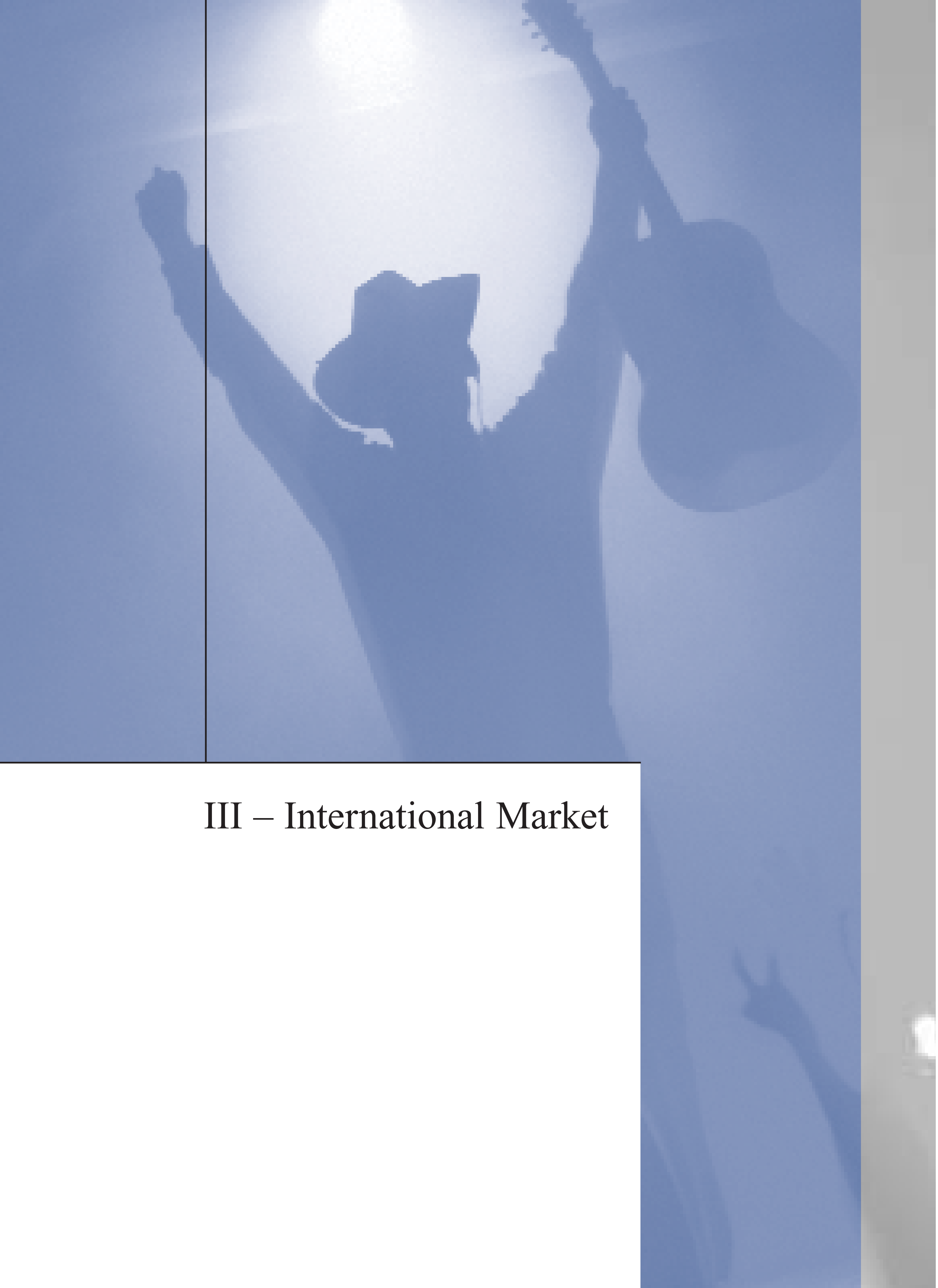
Note: Respondents that access the Internet (n=1,602)
Source: Canadian Film and Music Opinion Study, Decima Research, 2005

While 64% of Canadians own a cell phone, ringtones have yet to gain the popularity they have in Europe. Only 13% of Canadians who own a cell phone purchased ringtones last year, typically purchasing five or less.[29] Fifteen to 20-year-olds were again the most enthusiastic, with almost one third of respondents having bought at least one ringtone in the past year.

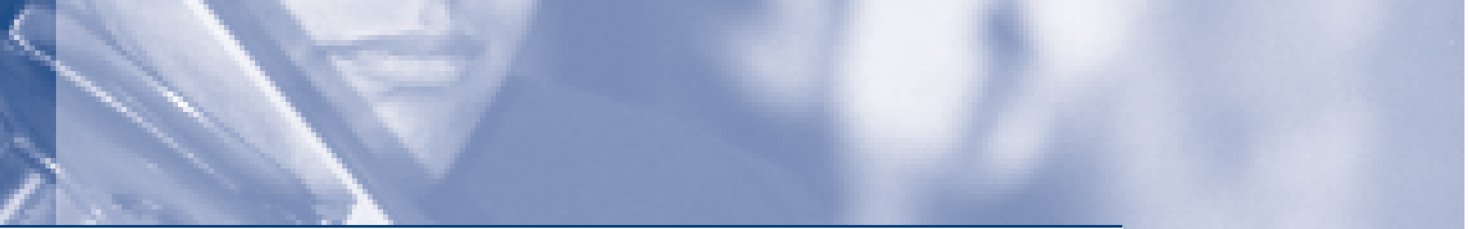
Live Music Performances

Two thirds of Canadians saw live music performances last year, with 46% attending one to five concerts, 11% attending six to 10, and 11% attending more than 10 concerts.[30] Performances by Canadian artists made up approximately three quarters of all concerts attended.

Around 29% of concert attendees bought CDs or DVDs at the shows and 19% bought other concert-related merchandise.[31] The average amount of money spent on CDs or DVDs was $25, slightly less than the average $29 spent on other merchandise.



III – International Market

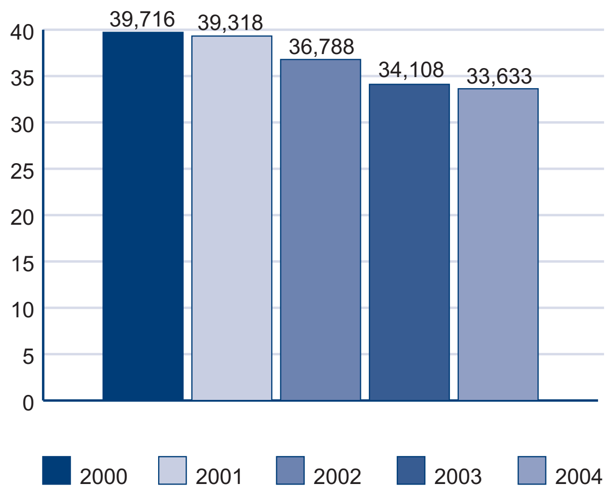


III – International Market

World Sales and Market Trends

The world recording market's retail value declined 1.3% in 2004, to $33.6 billion[32], according to the International Federation of the Phonographic Industry (IFPI)[33]. Of the top 10 sound recording markets in the world, only three – Canada, the United Kingdom (UK), and the United States (US) – showed an increase in unit sales. And only the US, representing 36% of the world sound recording market, showed an increase in dollar value of sales in 2004[34].

World Retail Value—Recorded Music Sales—Constant US Dollars ($000,000)



Source: IFPI—The Recording Industry in Numbers, 2005

The UK saw a 3% increase in unit sales offset by a 1.6% decline in value. Japan, which accounts for 15% of world sound recording sales, saw sales decline 1.8%, an improvement from the 9.2% decline reported in 2003. European countries once again showed the biggest declines of the top 10 markets, led by France (down 14.8%) and Spain (down 12.5%).

Retail Recorded Music Sales Ranking by Value (2004)

2004 Rank	Country	Value – ($000,000 US)	% of World	Unit Change from 2003	Value Change
1	USA	12,153	36.2%	2.6%	2.6%
2	Japan	5,168	15.4%	-1.7%	-1.8%
3	UK	3,509	10.4%	3.0%	-1.6%
4	Germany	2,149	6.4%	-1.4%	-4.2%
5	France	1,979	5.9%	-9.1%	-14.8%
6	Australia	717	2.1%	-6.1%	-6.1%
7	Canada	694	2.1%	2.9%	-4.7%
8	Italy	653	1.9%	-11.7%	-7.9%
9	Spain	573	1.7%	-17.1%	-12.5%
10	Netherlands	508	1.5%	-4.2%	-7.4%
Top 10		28,102	83.6%		

Source: IFPI—The Recording Industry in Numbers, 2005

The value of CD sales declined 0.9% worldwide in 2004, with singles and cassettes down 15.6% and 35.4% respectively.[35] Music DVDs continued to sell strongly, despite a leveling off of the exceptional growth of recent years. Overall music DVD sales grew 23.1%. The United States, with 22% of the music DVD market, increased sales by 52%.

The digital music market has expanded rapidly, with more than 300 services worldwide by mid-2005, compared with 60 at the start of 2004.[36] Sales of single tracks in the US, the UK, Germany and France reached 180 million in the first half of 2005, more than three times the 57 million downloads of the first half of 2004. And while free downloading continues, the number of music files available on peer-to-peer networks has remained more or less static despite a steady increase in broadband penetration. As well, a number of surveys suggest that the number of users of pay services now equals or exceeds that of peer-to-peer networks.[37]

The Canadian Music Industry on the International Scene

As noted in the *Music Copyright Royalties in Canada* section of this report, international royalties for Canadian artists diminished last year. Nevertheless, an increased number of certifications in two of the three largest international markets prove that Canadian artists continue to maintain a high global profile.

In the United States, Canadian artists received 11 gold and eight platinum certifications last year, a total of 19 certifications for 14 artists, up from the previous years' 18 certifications. Shania Twain, Sarah McLachlan, Avril Lavigne and Nickelback continued their platinum runs, while gold albums included Finger Eleven's self-titled album, Terri Clark for *Greatest Hits 1994-2004*, and Rush's *Rush in Rio*.

Canadian Artists US Album Certification Awards (RIAA)

	Gold	Platinum	Total	Artists
2000	6	5	11	9
2001	7	8	15	12
2002	4	9	13	11
2003	7	11	18	13
2004	11	8	19	14

Source: PCH compilation of RIAA data

Canadians received eight gold and three platinum certifications from the British Phonographic Industry for a total of 11 certifications in the United Kingdom, a six-year high. Albums receiving recognition included a mix of old reissues (Joni Mitchell's *Court and Spark*, gold, and Neil Young's *After the Goldrush*, two times platinum) and recent releases (Avril Lavigne's *Under My Skin*, platinum, and Nelly Furtado's *Folklore*, gold).

Canadian Artists UK Album Certification Awards (BPI)

	Gold	Platinum	Total	Artists
2000	0	2	2	2
2001	0	1	1	1
2002	1	9	10	8
2003	2	5	7	6
2004	8	3	11	10

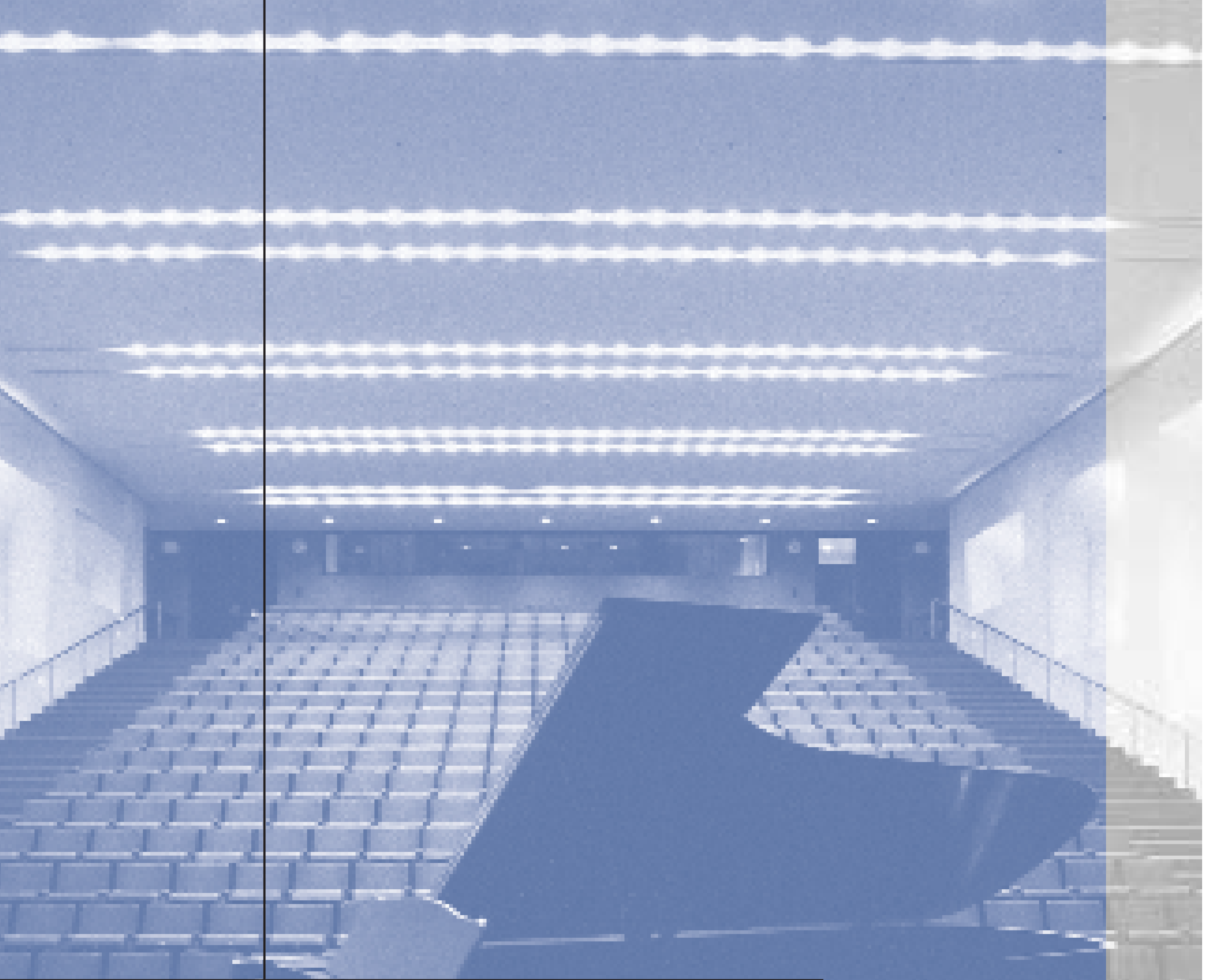
Source: PCH compilation of BPI data

Certifications from France's music industry association, SNEP, dropped from 2003's high of 14 to nine in 2004. Canadian artists included Lara Fabian for *En toute intimité* (platinum), Isabelle Boulay for *Tout un jour* (two times gold), and Roch Voisine for *Je te serai fidèle* (two times gold).

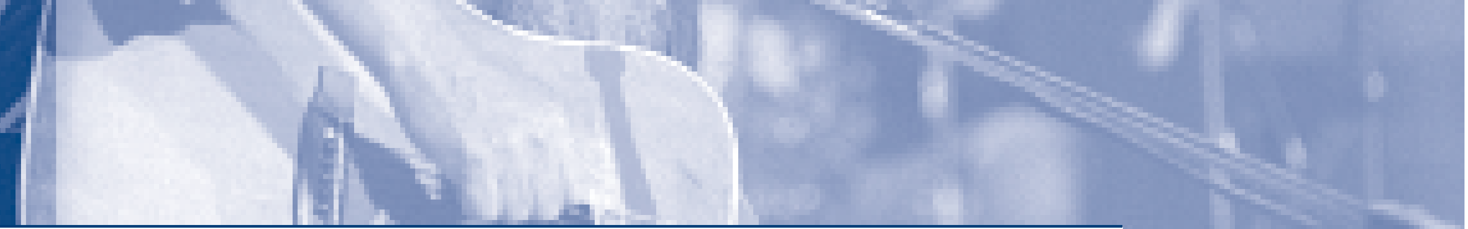
Canadian Artists France Album Certification Awards (SNEP)

	Gold	Platinum	Total	Artists
2000	3	4	7	6
2001	2	9	11	7
2002	5	7	12	8
2003	3	11	14	7
2004	6	3	9	9

Source: PCH compilation of SNEP data



IV – Music Copyright Royalties in Canada



IV – Music Copyright Royalties in Canada

Music Writing and Publishing in Canada

Music publishers work closely with writers to promote their songs. In a typical publishing agreement, the songwriter assigns ownership and control of a copyright protected musical work to the publisher, who in turn earns a percentage of the income derived from the work's commercial use.

The main sources of copyright revenue in Canada for songwriters and publishers are performing rights, mechanical rights and private copying. According to a study of the Canadian music publishing industry undertaken by Paul Audley & Associates Ltd. and Circum Network Inc., in 2004 the four main Canadian copyright collectives took in over $290 million in copyright royalties, which included $200 million in performing rights, $50 million in mechanical rights, and $40 million collected from blank media.

Canadian Copyright Collectives

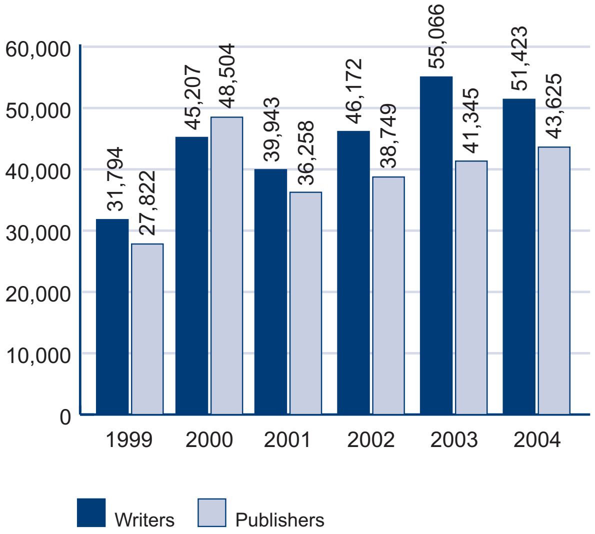
SOCAN

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) acts on behalf of songwriters, composers and their publishers to collect licence fees from users of copyright protected music in Canada (for the performance of the works) and distribute these fees to its members in the form of royalties. SOCAN also works with international affiliated societies to distribute royalties to foreign artists, creators and publishers and collect international revenues for Canadian artists creators and publishers.

SOCAN's total funds available for distribution to members in 2004 totaled $182.1 million, an increase of nearly 20% from 2003. Total revenues for the organization reached $213.3 million, 18% higher than the previous year.

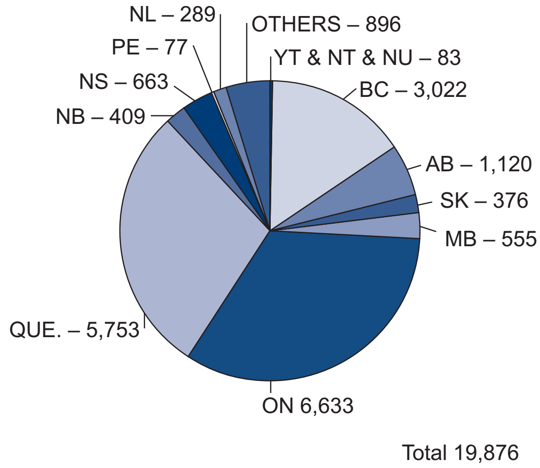
The number of Canadian songwriters receiving royalties in 2004 was higher than ever. Last year, 19,876 writers received royalties, up 0.4% from the previous year, while the total royalties they received slipped 6.6% to $51.4 million. Conversely, the number of publishers receiving royalties shrank by 0.5% while their total royalties grew 5.5% to $43.6 million. Overall, the total amount of royalties SOCAN paid out to members last year fell 1.4%, from $96.4 million to just over $95 million[38].

SOCAN Royalties ($000)



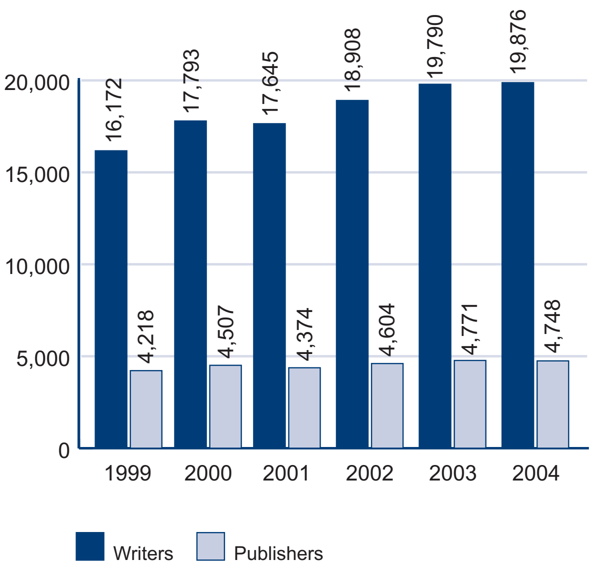
Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

No. of Writers which Received Royalties from SOCAN, 2004



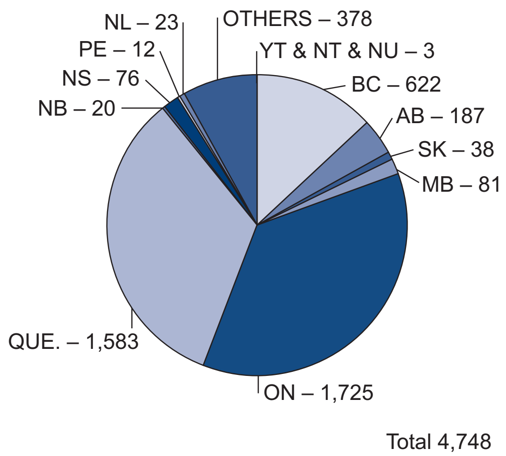
Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

No. of Writers and Publishers Receiving Royalties from SOCAN



Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

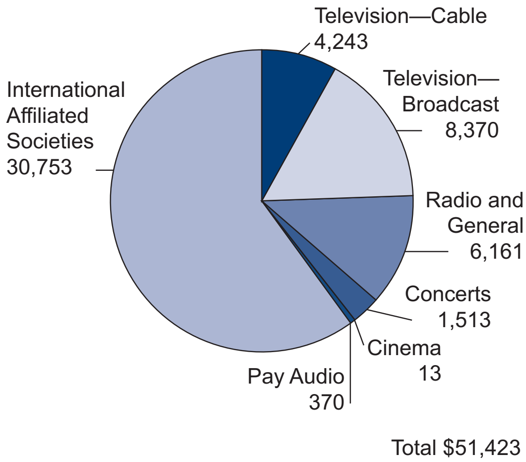
No. of Publishers which Received Royalties from SOCAN, 2004



Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

Although songwriters benefited from a rise in royalties from domestic sources, these were not enough to offset a nearly 15% drop in royalties from international affiliated societies, from $36 million to $30.7 million. Broadcast television was the largest domestic source at $8.4 million – an 11% jump from the previous year – followed by radio ($6.2 million) and cable television ($4.2 million). Songwriter royalties from concerts posted a healthy 23.5% rise, to $1.5 million. The contribution from pay audio increased from $302,000 to $370,000.

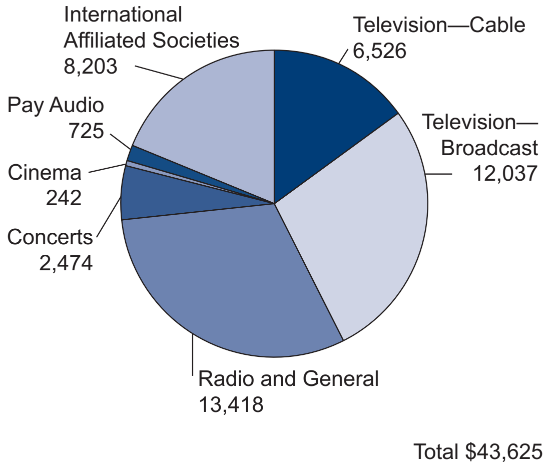
SOCAN Writers' Royalties by Distribution Pool, 2004 ($000)



Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

For publishers, radio again proved the largest source of royalties, at $13.4 million, or a 30% share of the pool. This was followed by broadcast television ($12 million), international sources ($8.2 million) and cable television ($6.5 million). Live music royalties showed the biggest proportionate increase from the year before, rising almost 50% to $2.5 million.

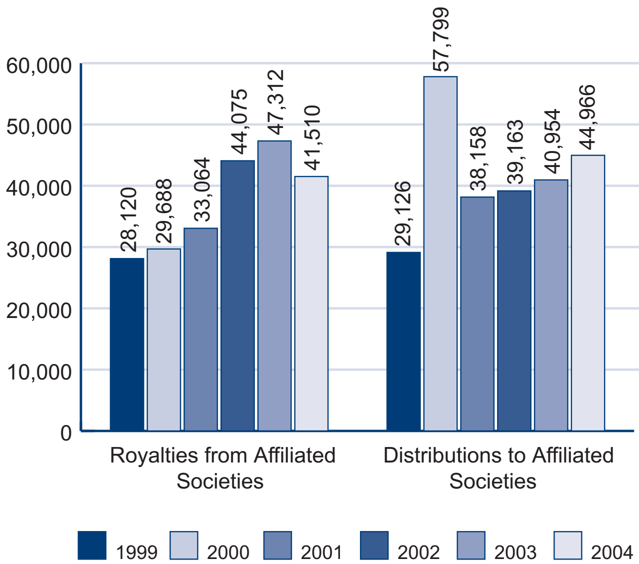
SOCAN Publishers' Royalties by Distribution Pool, 2004 ($000)



Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

Canadian songwriters and publishers saw fewer royalties in 2004 from their biggest international markets[39]. The United States, contributing 38.5% of international royalties, paid just under $16 million in royalties in 2004, 17% less than the previous year, and continuing a downward trend from a high of almost $22 million in 2002. France's contribution dropped almost 21% in 2004, from $8.9 million to $7.1 million, and Canadians earned 6.6% less from United Kingdom (UK) sources, at $4.3 million, than the year before. Both France and the UK had shown a double-digit increase in royalties to Canadians in 2003.

SOCAN Distributions to and Royalties from Affiliated Societies ($000)



Source: SOCAN
Note: Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

International Revenue from Affiliated Societies—2004 (000)

	2003	2004	% of Total (2004)
USA	$19,265	$15,998	38.5%
France	$8,917	$7,079	17.1%
UK	$4,572	$4,272	10.3%
Germany	$2,464	$2,519	6.1%
Italy	$2,005	$1,706	4.1%
Netherlands	$1,311	$1,648	4.0%
Other	$8,778	$8,288	20.0%
TOTAL	$47,312	$41,510	100.0%

Source: SOCAN

CMRRA and SODRAC

Mechanical Rights compensate composers, authors, songwriters and publishers when their songs are recorded, legally downloaded, or used in film, television programs or commercials. The two main but not exclusive collectives operating in Canada are the Canadian Mechanical Reproduction Rights Society (CMRRA) and Société du droit de reproduction des auteurs, compositeurs et éditeurs du Canada (SODRAC). CMRRA distributes royalties exclusively to publishers, while SODRAC pays royalties separately to authors and publishers.

CMRRA's royalties associated with mechanical licences have dropped 32% from $50,306,835 in fiscal year 2000 to $34,129,659 in fiscal year 2005.[40] SODRAC's revenues (excluding private copying and commercial radio royalties) rose from $10.5 million in 1999-2000 to $16.6 million in the fiscal year 2004-05.[41]

SODRAC and CMRRA incorporated CMRRA-SODRAC Inc (CSI) in 2002 for the purpose of collecting through a single entity the tariffs each society had filed for commercial radio stations. The amount collected by CSI rose from $5.3 million in 2001 to $6.7 million in 2004.[42]

CPCC

The Canadian Private Copying Collective (CPCC) is the non-profit agency charged with collecting and distributing private copying royalties. The types of media currently subject to private copying royalties and associated rates are audiocassettes of 40 minutes or more in length, CD-R, CD-RW, CD-R Audio, CD-RW Audio and MiniDisc.[43] Authors and publishers currently receive 66% of the royalties distributed by CPCC, and recording artists and record companies receive 34%.

The levy has generated $114 million in royalty revenue for all eligible rights holders in recorded music from 2000 through 2004. Distribution is currently ongoing for the $78.6 million in total royalties generated from 2000 to 2003. Of this amount, 60%, or $47.5 million, has already been distributed. Distribution of the $35.6 million in royalties generated for rights holders from levies collected in 2004 will begin as soon as all data relevant to making an accurate distribution become available.[44] CMRRA, SODRAC and SOCAN are all members of CPCC. CPCC royalties are distributed to authors and publishers through these three collectives.

Notes

1 Nielsen SoundScan—top 2000 albums in Canada-2001-2004.

2 IFPI—The Recording Industry in Numbers, 2005, p. 23.

3 IFPI—The Recording Industry in Numbers, 2005, p. 23.

4 Nielsen SoundScan MarketWatch, November 6, 2005.

5 PricewaterhouseCoopers, Wilkofsky Gruen Associates from Music & Copyright magazine, July 21, 2004.

6 Please note that the International Federation of the Phonographic Industry (IFPI) and Nielsen SoundScan have different data collection methodologies. For 2004, Nielsen SoundScan reports total sound recording unit sales in Canada of 49.9 million, while IFPI reports recorded music sales of CDs in Canada of 54.8 million units. Thus, the sales of the top 2000 albums of 2004 represent 68.1% of total Nielsen SoundScan sales and 62% of CD sales reported by IFPI.

7 As shown in the latest survey of music consumers from Decima Research, detailed in the next section of this profile, *Canadian Music Consumers*.

8 Tracking album releases is an ongoing process, with numbers being revised over time as the various releases by hundreds of labels become accounted for. The current release count for 2004, 2,053 albums, is a preliminary result. Please note that release numbers from 2000 to 2003 are different from those found in the Canadian Music Industry 2004 Economic Profile, due to additional titles being added to the CMID and SOPROQ databases.

9 Canadian Music Industry Database (CMID).

10 Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Quebec (SOPROQ).

11 CMID and SOPROQ.

12 Nielsen SoundScan.

13 Nielsen SoundScan.

14 Nielsen SoundScan.

15 The list of retail stores reporting to Nielsen – including Archambault, HMV, Music World, CD Warehouse, and others – does not include many small, independent music stores throughout Canada. Online music stores, such as HMV.com (powered by Amazon) and MapleMusic.com, are included with retail sales.

16 To eliminate duplication, only the highest certification awarded by CRIA in 2004 to any given album was included in this assessment. Please note that "unique artists" excludes compilations of "various artists."

17 The Statistics Canada 2003 Sound Recording Survey was sent to 700 companies, with 300 responding, compared with 331 respondents in 2000. The 2003 survey was released on October 26, 2005.

18 While total industry "Profits Before Tax" increased steadily from 1991 to 1998 and the industry profit margin in 1998 was 14.3%, 2000 saw profits drop 16% to $157.6M, and the profit margin fall to 11.9%. This can largely be attributed to an increase in interest payments made by foreign-controlled companies, which surged from $2.6M in 1998 to an unprecedented $75.3M in 2000.

19 A total of 2,002 interviews were conducted within Canada's general population aged 15 and older.

20 The Canadian Music Industry: 2004 Economic Profile, p. 19. Figures may not add up precisely due to rounding.

21 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 66.

22 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 70.

23 The Canadian Music Industry: 2004 Economic Profile, p. 19.

24 Online News and Information Seeking: What the Future Holds, Ipsos Reid Research, 2005.

25 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 72.

26 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 82.

27 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 85.

28 "Downloading for free" includes both illegal downloads off peer-to-peer networks as well as tracks given away legitimately by artists and record companies on the Web.

29 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 89.

30 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 94.

31 Canadian Film and Music Opinion Study, Decima Research, 2005, p. 96.

32 IFPI does not include digital music sales because there is no comprehensive data concerning the format. One estimate calculates the global sale of 250 million individual tracks in 2004; adding these sales would reduce the global loss in retail value to, at most, 0.5% in constant dollars. (Music & Copyright, March 30, 2005, p. 1.)

33 Due to recent volatility in the exchange rate of the US dollar, the IFPI no longer uses current dollars as a measure of market growth and decline.

34 IFPI's figures come with a number of caveats. The Recording Industry Association of America's practice of supplying sales numbers to IFPI at their list price and not their actual trade value, ignoring widespread discounting, suggests US market growth was below the 2.6% reported, which would also deepen the losses of the world market. (Music & Copyright, March 30, 2005, p. 1.)

35 IFPI—The Recording Industry in Numbers, 2005, p. 18.

36 IFPI—The Recording Industry in Numbers, 2005, p. 15.

37 IFPI—The Recording Industry in Numbers, 2005, p. 19.

38 SOCAN's distribution fund numbers used in this report do not include any special cable arrears, pay audio arrears, cable overhead rates or private copy distributions.

39 This decline was largely due to a strong Canadian dollar compared to the US dollar and fewer international performances.

40 A Statistical Profile of the Canadian Music Industry, Paul Audley & Associates Ltd. and Circum Network Inc., 2005.

41 A Statistical Profile of the Canadian Music Industry, Paul Audley & Associates Ltd. and Circum Network Inc., 2005.

42 A Statistical Profile of the Canadian Music Industry, Paul Audley & Associates Ltd. and Circum Network Inc., 2005.

43 A Statistical Profile of the Canadian Music Industry, Paul Audley & Associates Ltd. and Circum Network Inc., 2005.

44 A Statistical Profile of the Canadian Music Industry, Paul Audley & Associates Ltd. and Circum Network Inc., 2005.