Canadian Heritage Patrimoine canadien

The Canadian Music Industry

2006 Economic Profile

Canada

Note to reader: This document reflects data from the calendar year 2005.

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Overview

This document presents an overview of the evolution of the music industry. It provides a reference point to compare the Canadian music market with the global music industry, and identifies the principal trends affecting the industry's scope and activities.

Worldwide, the music industry is in a state of flux as the digital revolution and its effects reverberate throughout the industry's value chain. Consumption habits are changing and the industry is responding by gradually shifting away from traditional business models and opting for strategies that take advantage of the inherent possibilities of new technologies.

The Canadian music market suffered a setback in 2005 following signs of recovery the year before. The trade value of music sales declined 2.6% in 2005 while album sales fell 5.3% to 56.8 million units, reversing a 3% increase in unit sales in 2004. Despite the decline in sales, other emerging trends point to the relative health of the music industry in Canada.

Sales of Canadian albums led the 2005 decline, falling 10.3% to 7.6 million units. Canadian artists nevertheless are in a stronger position now than five years ago, with unit sales 12.4% higher than in 2001. Foreign artists, by comparison, saw their unit sales grow 6.5% in 2005. However sales of foreign albums remain 15% below 2001 levels.

The year 2005 saw a decline in sales of all physical music formats in the Canadian market, a trend consistent with foreign music markets. The digital track, with sales of 6.7 million units in 2005, was the only format to show growth.

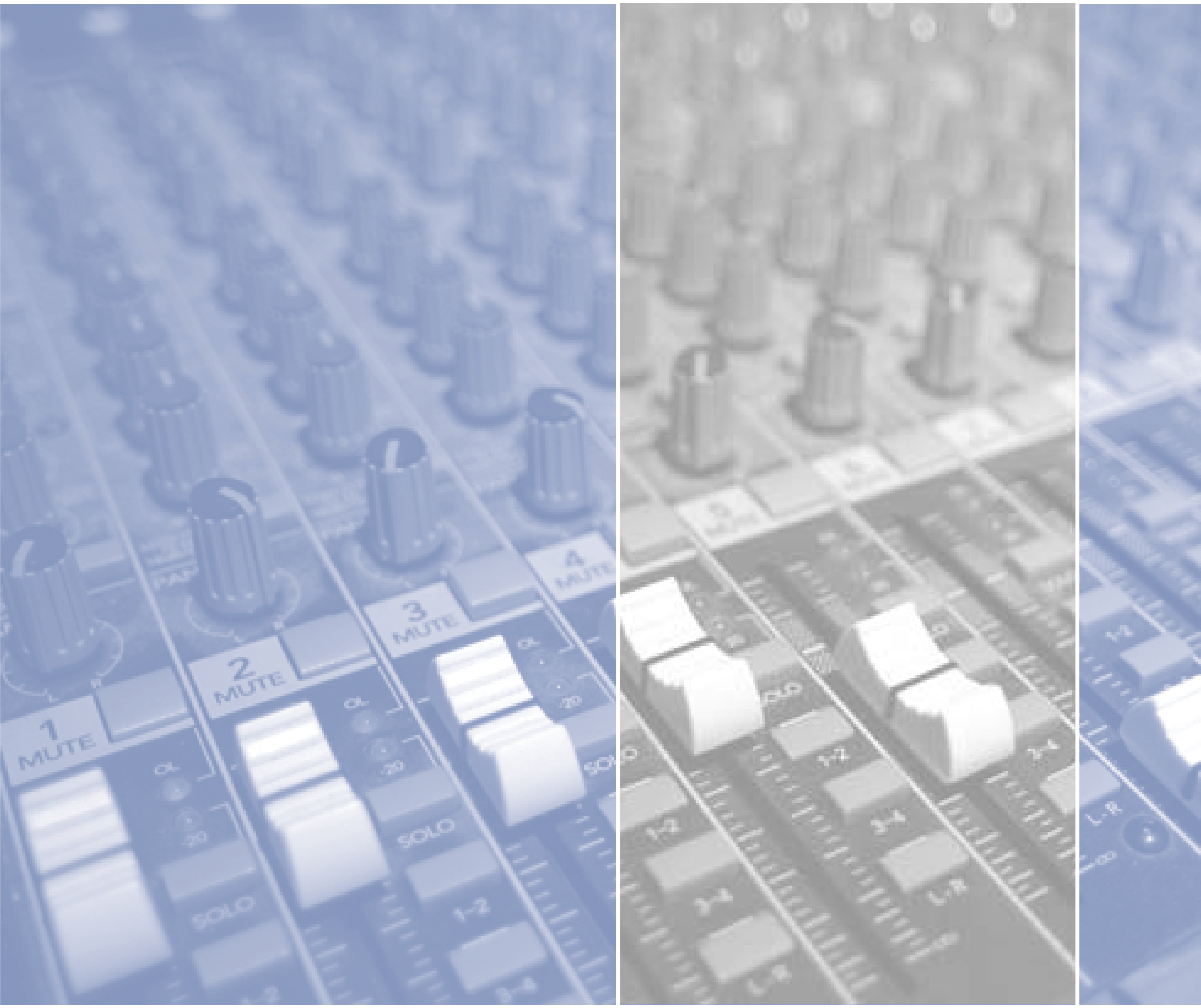
Digital music sales benefited from Canadians' ever increasing access to online services. Just over half of all Canadian households subscribed to high-speed Internet access in 2005, up from 43% in the previous year. In addition, mobile phone subscriptions increased 13.3% in Canada. At the same time, mobile phones themselves are becoming more sophisticated as music players. As mobile and broadband adoption are only predicted to grow, so too are downloads from legitimate suppliers expected to show strong growth through subscriptions to these services. Furthermore, the opportunities presented by new technology may point to potential new revenue streams for Canadian artists.

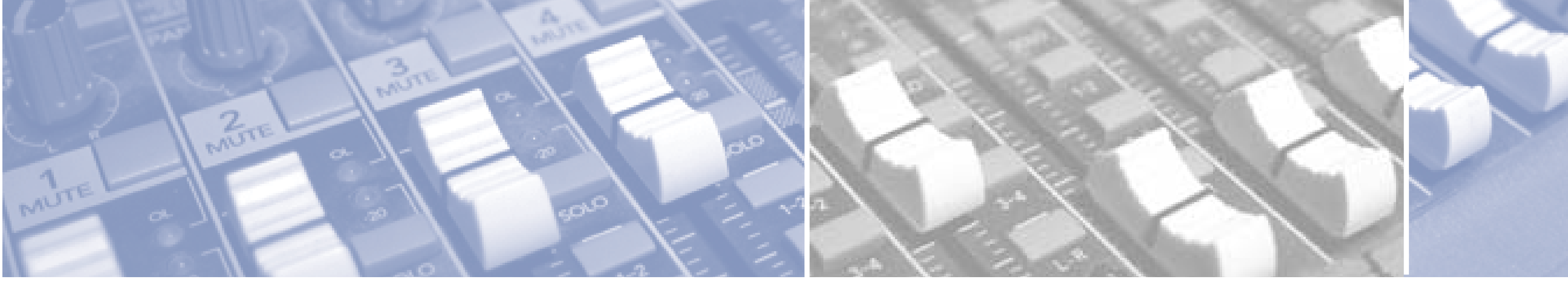
Despite the slow sales in retail, Canadian artists found greater exposure in 2005 for their works in broadcast and other media, as performing rights royalties for writers and composers increased 11.6% from the previous year. The royalties amounted to $57.4 million and were disbursed to 20,811 artists, a record number which is 4.7% higher than the number of recipients in 2004.

Besides presenting music sales and copyright royalties in Canada, this profile also summarizes a 2005 Decima survey of the Canadian music consumer and features salient music industry data from the Statistics Canada 2003 Sound Recording Survey.

No single source offers exhaustive data on all aspects of the Canadian music industry. This profile brings together the most pertinent data from the most widely used sources to present the overall trends in the industry.

I — The Music Market

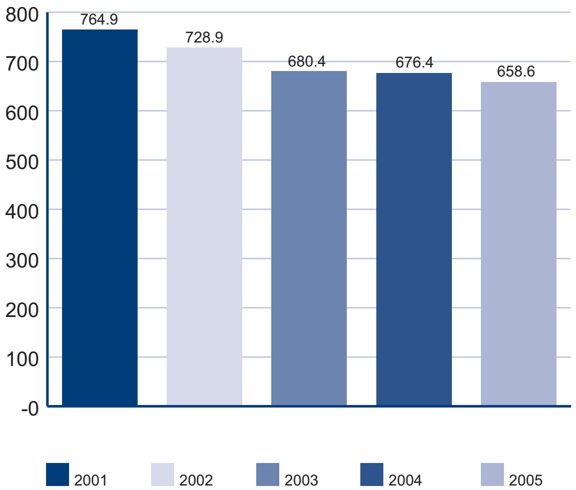




Music Sales

The trade value of sound recordings sold in Canada fell 2.6% in 2005, to $658.6 million from $676.4 million the previous year. Since 2001, the trade value of music sales in Canada has fallen nearly 14%.[1]

Trade Revenues of Recordings in Canada (millions $CAD)

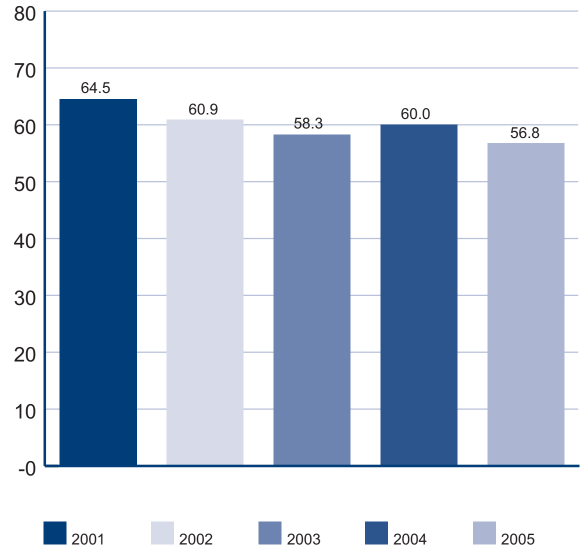


Source: IFPI – Global Recording Industry in Numbers, 2006

Note: Digital sales included from 2004 onwards

Unit sales in Canada, meanwhile, fell 5.3%, from 60 million units in 2004 to 56.8 million in 2005, after posting a gain of nearly 3% in 2004. Between 2001 and 2005, unit sales fell 11.9%

Sales of Recordings in Canada—Units (millions)



Source: IFPI – Global Recording Industry in Numbers, 2006

Note: Full length formats – CD, DVD, LP, Cassette, Minidisc, SACD, DVD-A and VHS

The trade value of global music sales, by comparison, dropped 3.3% in 2005,[2] to $20.8 billion from $21.5 billion the year before. Since 2001, the value of sales has fallen 17.3% globally. The United States continues to rank first with a $7 billion sound recording market. Japan, whose sound recording market had a trade value of $3.7 billion, and the UK, at $2.2 billion, were the second- and third-ranked countries, respectively. In 2005, Canada was ranked 6th in the world for music sales, with a 3% share of the global market.

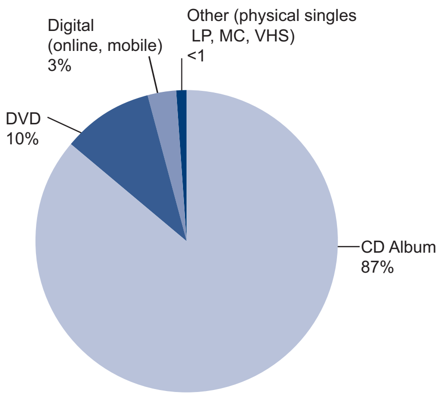
Retail Recorded Music Sales Ranking by Trade Value (2005)

2005 Rank	Country	Value (million $US)	% of World
1	USA	$7,012	34%
2	Japan	$3,718	18%
3	UK	$2,162	10%
4	Germany	$1,458	7%
5	France	$1,248	6%
6	Canada	$544	3%
7	Australia	$440	2%
8	Italy	$429	2%
9	Spain	$369	2%
10	Brazil	$265	1%
Top 10 Total		**$17,645**	**85%**
World Total		**$20,795**	**100%**

Source: IFPI – Global Recording Industry in Numbers, 2006

Note: Figures may not add up precisely due to rounding; Figures include digital sales.

Format Value Split (trade) %



Source: IFPI – Global Recording Industry in Numbers, 2006

Sales of compact discs in Canada fell 4.2% in 2005, to 52.5 million units from 54.8 million the year before; CD sales are down 13.5% since 2001. Sales of music DVDs, which had shown tremendous growth between 2001 (900,000 units) and 2004 (4.8 million), fell back to 4.2 million in 2005, a 12.5% decrease. Sales in all other physical formats were almost negligible, totaling just 100,000 units in 2005.[3]

Canadian albums made up 25% of the top 100 albums sold in mass merchant outlets, and 22% of the top 100 albums sold in retail.[4] Mass merchant outlets accounted for 31.2% of albums sales in Canada, while traditional music retail stores represented 68.8%[5].

Digital Downloads

As the physical formats decline, the digital track is poised for strong growth, with sales of individual tracks in Canada reaching at least 6.7 million units in 2005, and digital album downloads surpassing 462,000 units, according to Nielsen SoundScan Canada.[6]

Online music services currently include subscription services, like Napster, which offer tracks for download on a temporary basis,[7] and online "stores," like Puretracks, Zik.ca and iTunes, that sell digital music files outright as either individual tracks or as albums. An analysis of the top albums sold in Canada suggests that domestic acts benefit more from sales of digital albums than digital tracks.

Of the top 100 albums sold through Canadian online retailers in 2005, 29% of the titles were albums by Canadian artists.[8] Digital track sales, on the other hand, were skewed towards foreign artists, with recordings by Canadian artists representing just 14.5% of the top 200 digital tracks.

Figures for global sales of digital tracks, available for 2004 and 2005, show strong growth led by the U.S. market—though not enough to compensate for the drop in global CD sales.

Downloads of digital tracks reached 419 million units worldwide in 2005, a 169% increase from 2004. Track downloads in the United States alone reached 353 million units in 2005, or 84% of the global market. The International Federation of Phonographic Industry (IFPI) puts the trade value of all paid global downloads at US$1.1 billion in 2005, a 300% increase over the previous year.[9]

Despite this growth, the IFPI reports that global music piracy remains a concern. It estimates that 37% of all CD purchases are pirate copies, and puts their value at US$ 4.5 billion[10]. It also estimates that 20 billion songs were downloaded for free worldwide.[11]

Still, the ongoing boom in broadband and mobile technology bodes well for the digital music market. Just over half of all Canadian households, or 6.4 million households, subscribed to high-speed Internet access in 2005, up from 43% in the previous year. This is only expected to increase, as broadband Internet as of 2005 had the potential to reach 98% of urban and 74% of rural households in Canada.[12]

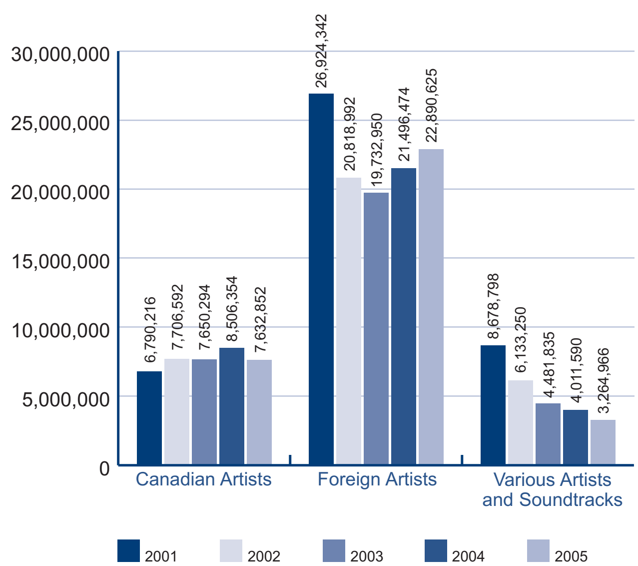
The number of mobile phone subscribers in Canada, meanwhile, grew 13.3% to 17 million in 2005.[13] Mobile phones may one day rival portable digital devices such as the iPod, as consumers increasingly adopt both mobile handsets with music capability and 3G networks—the mobile equivalent of broadband.[14] A lower risk of piracy than online[15] and flexible payment options are other attractive features of the medium.

Market Share of Canadian Artists

Nielsen SoundScan Canada's top 2000 chart is considered a good proxy for measuring the overall market share of Canadian artists[16]. The 2000 top-selling albums in Canada lost ground slightly in 2005, with sales of 33.8 million units compared with 34 million the previous year, a 0.7% decline, according to Nielsen SoundScan Canada.[17]

Following an increase in sales in 2004, albums by Canadian artists in the top 2000 fell 10.3%, from 8.5 million units to 7.6 million. Canadians' share of the top 2000 sales declined from 25% in 2004 to 22.6% in 2005. This can be partly attributed to the absence of new albums by Canada's top-selling artists, such as Shania Twain, Céline Dion and Avril Lavigne. Sales of foreign artists in the top 2000, by comparison, rose 6.5% in 2005, to 22.9 million units.

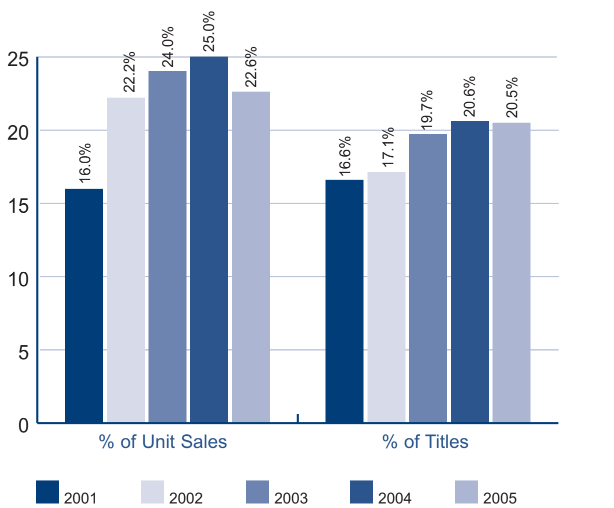
Nielsen SoundScan Top 2000—Album Sales in Canada by Artist Nationality—Units



Source: Nielsen SoundScan

Note: Canadian Heritage determines the nationality and linguistic profile of artists.

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

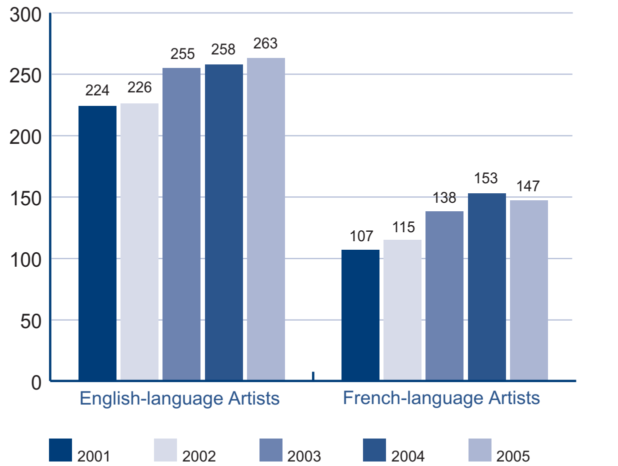


Source: Nielsen SoundScan

Note: Canadian Heritage determines the nationality and linguistic profile of artists.

Despite the drop in sales, Canadians' share of titles in the 2005 charts stayed steady at 20.5%, with 410 Canadian albums in the top 2000, only one fewer than in 2004. This included 263 titles by English-language artists, five more than the previous year, and 147 albums by francophone artists, six fewer than in 2004. French-language Canadian artists saw unit sales fall 17.3%, from 2.8 million in 2004 to 2.3 million in 2005. Sales of albums by English-language Canadian artists fell 6.8%, from 5.7 million to 5.3 million units.

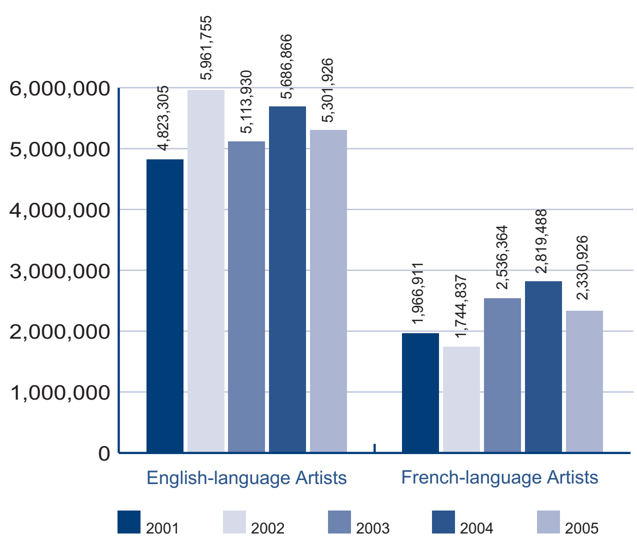
Nielsen SoundScan Top 2000—Sales of Canadian Albums in Canada by Language—Titles



Source: Nielsen SoundScan

Note: Canadian Heritage determines the nationality and linguistic profile of artists.

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

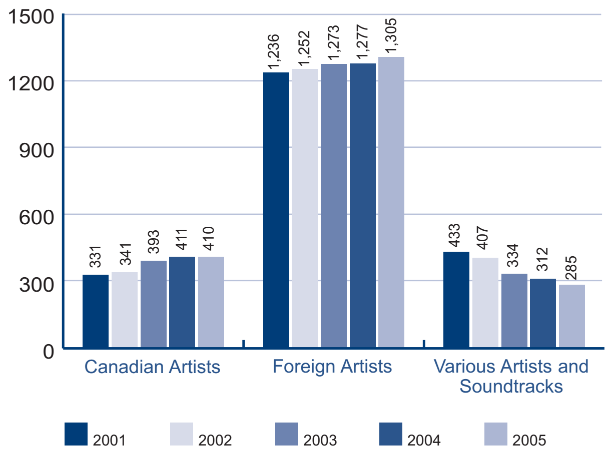


Source: Nielsen SoundScan

Note: Canadian Heritage determines the nationality and linguistic profile of artists.

Since 2001, unit sales of the annual top 2000 albums have fallen 20.3%. Despite this, sales of Canadian albums have grown 12.4% over those five years, compared with a 15% drop in sales by foreign artists. In addition, there has been a 62.4% drop in sales of soundtrack albums and compilation from various artists, which fell from 8.7 million units in 2001 to 3.3 million in 2005.

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



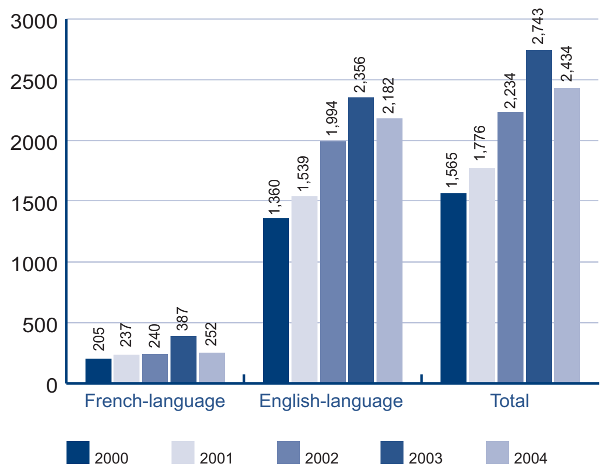
Source: Nielsen SoundScan

Note: Canadian Heritage determines the nationality and linguistic profile of artists.

New Recordings Released by Canadian Artists

Canadian artists released 2,434 albums in 2004, 309 fewer than the previous year, an 11.3% drop.[18] The number of French-language albums released fell by 135 titles, or 35%, to 252 in 2004, while the number of English-language releases dropped by 174, or 7.4%, to 2,182. Despite this lowered output, the five-year trend still shows 55.5% more Canadian albums released in 2004 than in 2000.

New Albums Released by Canadian Artists—by Language



Source: CMID & SOPROQ

Breakdown of Releases by Genre

A breakdown by genre of the 2,434 albums released in 2004 shows an increase in albums that defy easy classification. New albums in the "Other" category had a 8.5% share of total new releases in 2004, compared with a 5.2% share the year before. Jazz and Blues, and Classical albums were the only other growth categories, with a 9.4% and 4.6% share of releases respectively, compared with 7.0% and 3.1% the year before. All other categories, while down slightly, maintained the same proportion of representation as in recent years.

New Albums Released by Canadian Artists (2004)

Genre	No. of Recordings	% of Total
Pop/rock	1,255	51.6%
Country & Folk	343	14.1%
Jazz & Blues	228	9.4%
Urban & Dance	207	8.5%
Other	206	8.5%
Classical	112	4.6%
World Music	83	3.4%
Total	**2,434**	**100.0%**

Source: CMID & SOPROQ

Gold and Platinum Records and Other CRIA Certifications Statistics

The Canadian Recording Industry Association (CRIA) awarded gold (50,000 units sold) or platinum album status (100,000 units) to 64 releases in 2005, representing the works of 53 Canadian artists. No Canadian recordings that year were accorded diamond status (1,000,000 units sold).

Top certifications went to Simple Plan for *Still Not Getting Any...* and Glass Tiger's *Diamond Sun*, (both three times platinum) as well as Kalan Porter's *219 Days*, Blue Rodeo's *Greatest Hits – Volume 1* and Diana Krall's *Christmas Songs* (all two times platinum).

Other platinum albums included *Funeral* by Arcade Fire, *Parce Qu'on Vient de Loin* by Corneille and *En Famille* by Mes Aïeux. Gold certifications went to such albums as Bedouin Soundclash's *Sounding A Mosaic*, Feist's *Let It Die*, Passe-Partout's *Vingt ans ça se fête* and Keshia Chanté's eponymous album.

Canadian Artists Canadian Album Certification Awards (CRIA)

	Gold	Platinum	Diamond	Total	Unique 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
2005	38	26	0	64	53

Source: PCH compilation of CRIA data

Note: Only the highest certification given to an album in a given year is included.

Gold = 50,000 units; Platinum = 100,000 units; Diamond = 1 million units

Canadian Music on the International Scene

Ten Canadian albums, representing the work of five artists, received certifications in 2005 from the Recording Industry Association of America. Awarded albums include two Michael Bublé albums, including *It's Time*, both platinum; three Nickelback albums, including *Silver Side Up*; and two Céline Dion albums, including *These Are Special Times*. In 2004, US certifications went to 19 Canadian albums, representing 14 artists.

Canadian Artists US Album Certification Awards (RIAA)

	Gold	Platinum	Total	Unique 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
2005	1	9	10	5

Source: PCH compilation of RIAA data

Note: Only the highest certification given to an album in a given year is included.

Gold = 500,000 units; Platinum = 1 million units

In the UK, five albums by four Canadian artists received gold certifications in 2005 (representing sales of 100,000 units), with none receiving platinum status (300,000 units). The British Phonographic Industry (BPI) honoured, among others, *Funeral* by the Arcade Fire, *Rock Swings* by Paul Anka, and *Anthology* by Bryan Adams. In France, le *Syndicat National de l'édition Phonographique* (SNEP) awarded certifications to eight albums by eight Canadian artists, including *Reviens* by Garou (double platinum, or 600,000 units), *On ne change pas* by Céline Dion, *La good life* by K'maro (double gold, or 200,000 units) and *Let it die* by Feist.

Canadian Artists UK Album Certification Awards (BPI)

	Gold	Platinum	Total	Unique 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
2005	5	0	5	4

Source: PCH compilation of BPI data

Note: Only the highest certification given to an album in a given year is included.

Gold = 100,000 units; Platinum = 300,000 units

Canadian Artists France Album Certification Awards (SNEP)

	Gold	Platinum	Total	Unique 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
2005	6	2	8	8

Source: PCH compilation of SNEP data

Note: Only the highest certification given to an album in a given year is included.

Gold = 75,000 units; Platinum = 200,000 units; Diamond = 750,000 units

II — Consumers and Industry

Consumer

Young Canadians aged 15 to 20 are driving the music industry, leading the way on music purchasing and listening over the Internet while keeping up with traditional music purchasing (CDs), according to a 2005 Decima survey commissioned by the Department of Canadian Heritage. Canadians aged 35 to 54, the survey also found, purchased the same average number of Canadian albums as their younger cohorts, despite professing a greater enthusiasm for Canadian artists.

Listening habits

Decima found that radio continues to dominate Canadians' music listening, though it is losing ground to the Internet among younger Canadians. Overall, Canadians listened to music on the radio in 2005 an average of 8.2 hours per week, about 44% of the average 18.8 hours of total music listening per week. Canadians aged 35 to 54 listen to music on the radio the most, at 9.7 hours per week, contrasted with 5.8 hours per week among 15 to 20-year-olds.

Still, teens far exceeded other age groups for total music listening, at 26.8 hours per week, but spread their listening out between radio (5.8 hours), CD/mp3 listening (12.8 hours), television (3.5 hours) and the Internet (4.8 hours). The Internet was barely a factor in the music listening habits of Canadians over the age of 35.[19] (Overall music listening drops off sharply for the oldest group, ages 55 and older.)

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)

Source: Canadian Film and Music Opinion Study, Decima Research, 2005.

Note: Figures may not add up precisely due to rounding.

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.[20] On average, Quebec residents listen to Canadian music more than other Canadians, with 27% of Quebec respondents indicating 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

	None	Less than 10%	10-25%	26-50%	51-75%	76-100%
Overall	5%	20%	32%	29%	10%	5%
Quebec	6%	14%	25%	28%	7%	10%
Rest of Canada	4%	23%	35%	29%	7%	3%

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.[21] 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%

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 purchasing was almost equal among age groups, with music listeners aged 15 through 54 all purchasing an average of 10 to 11 CDs in the previous year, dropping to 7 CDs for those over 55.

In 2005, despite positive trends in the purchasing of digital tracks over the Internet, paid downloads were overshadowed by free music sharing, the survey found. Among respondents with Internet access, 30% said they downloaded free music tracks, compared with 11% who bought tracks online.[22] Teenagers are the top downloaders, with 68% of those aged 15 to 20 saying they downloaded tracks for free in 2004-2005, and 23% making at least one online purchase.[23]

Downloading Music From the Internet

	% Who Have Purchased Music	% Who Have Downloaded Free Music
Overall	11%	30%
15-20	23%	68%
21-34	15%	43%
35-54	8%	22%
55+	4%	7%

Base: Respondents that access the internet. (n=1,602)

Source: Canadian Film and Music Opinion Study, Decima Research, 2005.

Enthusiasm for Canadian artists

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.[24]

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.[25]

Perceptions of Quality of Canadian Music

	Better	Equal	Not as good	Better or Equal
Overall	35%	57%	7%	93%
15-20	21%	66%	12%	88%
21-34	31%	61%	8%	92%
35-54	41%	55%	3%	97%
55+	35%	54%	10%	90%

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

Industry

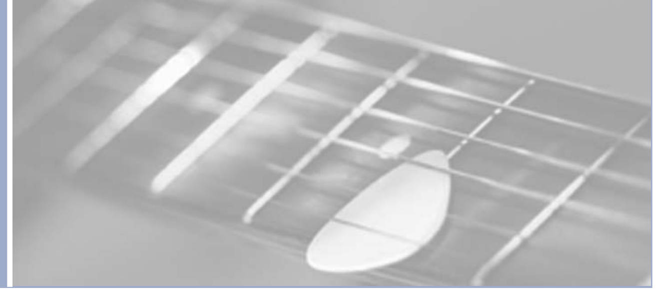
The number of Canadian music companies included in the Statistics Canada Sound Recording Survey decreased between 2000 and 2003. Overall profit margins and number of full-time employees in the industry also fell in the same period. Small employment gains at Canadian-controlled companies provided some 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,[26] 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.

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 Colombia	42	41	29
	Territories	2	3	2

Source: Statistics Canada, Sound Recording Survey 2003



Between 2000 and 2003, the overall profit margin of the Canadian music industry 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[27].

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

In the same period, full-time employment in the Canadian music 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.

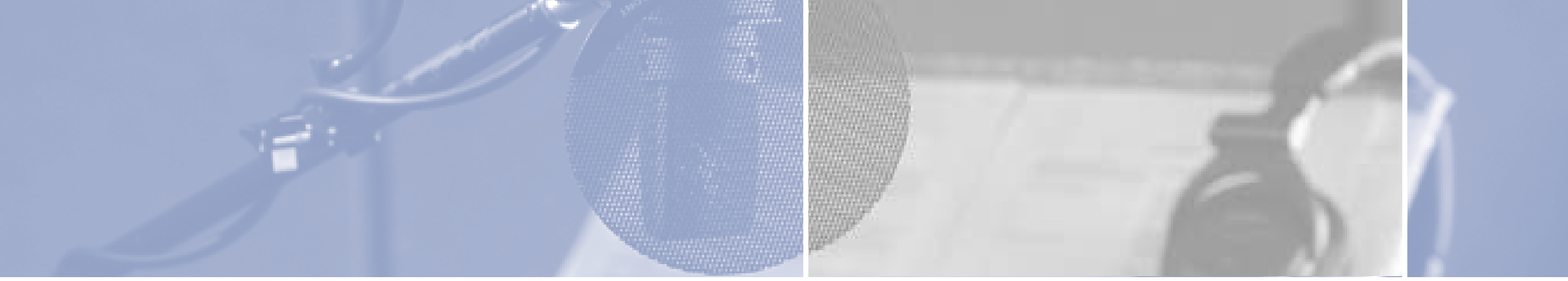
The number of freelancers working in the industry increased, from 555 in 2000 to 647 in 2003. Part-time employment marginally decreased in the same period, from 159 employees in 2000 to 150 in 2003.

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
	BC	112	115	79
	ROC	26	33	33

Source: Statistics Canada, Sound Recording Survey 2003

III — Music Copyright Royalties in Canada



Music Writing and Publishing in Canada

Music publishers work closely with songwriters and composers 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 commercial use of the work.

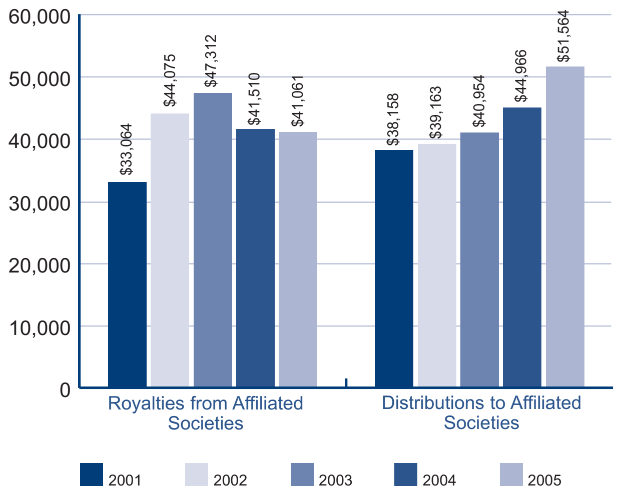
The main sources of copyright revenue in Canada for songwriters and publishers are performing rights, mechanical rights and private copying fees.

Performing Rights

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) acts on behalf of songwriters, composers and their publishers to collect license 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 distributed $157.6 million to members and affiliated international organizations in 2005, a 12% increase over 2004 distributions of $140 million.[28] Total revenue from international affiliated societies (e.g. ASCAP and BMI in the United States), representing the largest source of royalties for SOCAN, fell slightly to $41 million from $41.5 million in 2004.

SOCAN Distributions to and Royalties from Affiliated Societies (000)



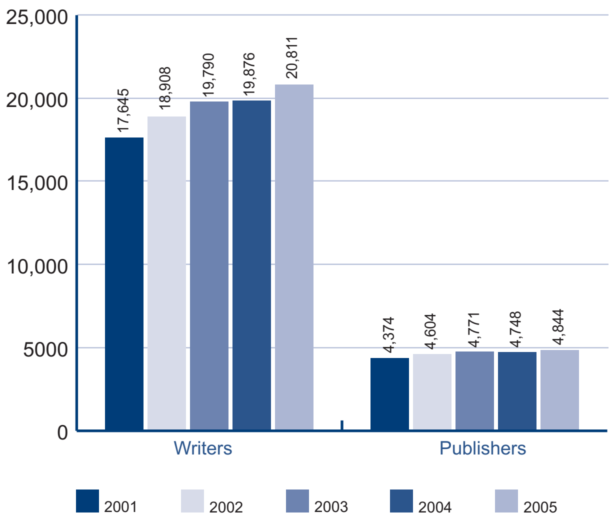
Source: SOCAN

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

The number of Canadian writers and composers receiving performance royalties increased in 2005, rising 4.7% to 20,811. Disbursements to this group rose 11.6%, to $57.4 million from $51.4 million the previous year.

The number of publishers receiving royalties rose 2% to 4,844, with disbursements rising 11.4% to $48.6 million. Total disbursements to members (writers and publishers) topped $106 million, up from $95 million in 2004. This double-digit increase follows a 1.4% decline in disbursements to members in 2004. Since 2001, disbursements to members have increase nearly 40%.

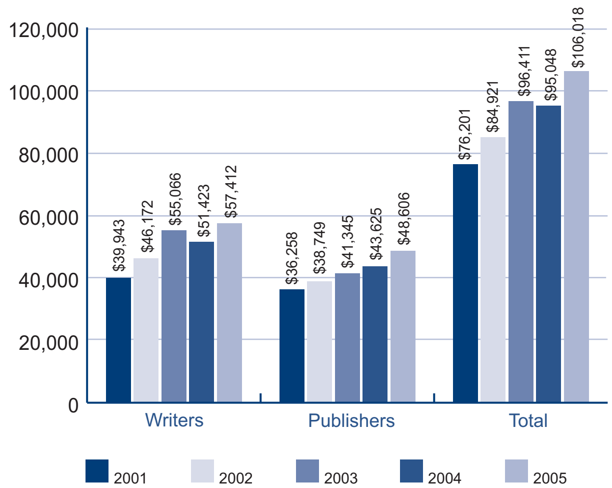
Number of Writers and Publishers Receiving Royalties from SOCAN



Source: SOCAN

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

SOCAN Royalties (000)

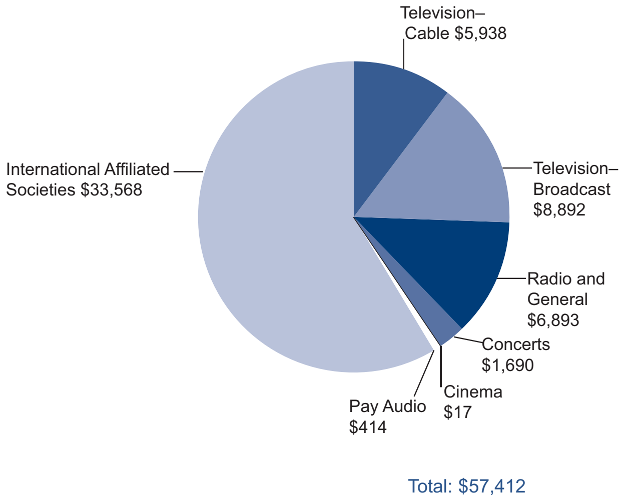


Source: SOCAN

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

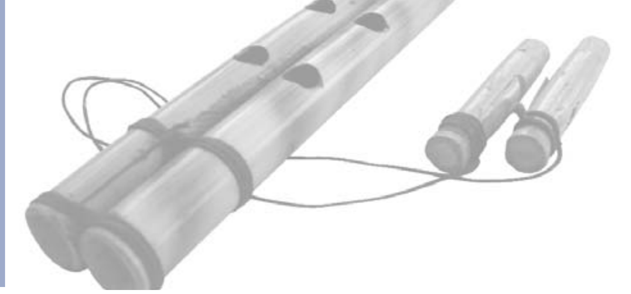
Writers saw growth in royalties from all sources in 2005, led by a 40% jump in revenues from cable television, from $4.2 million to $5.9 million. Writers' royalties from international affiliated societies increased 9.2% in 2005 to $33.6 million, a partial recovery from a nearly 15% drop from 2003 to 2004. Royalties from radio, concerts and pay audio sources were all up 12% in 2005, while royalties from broadcast television saw 6.2% growth.

SOCAN Writers' Royalties by Distribution Pool, 2005 (000)



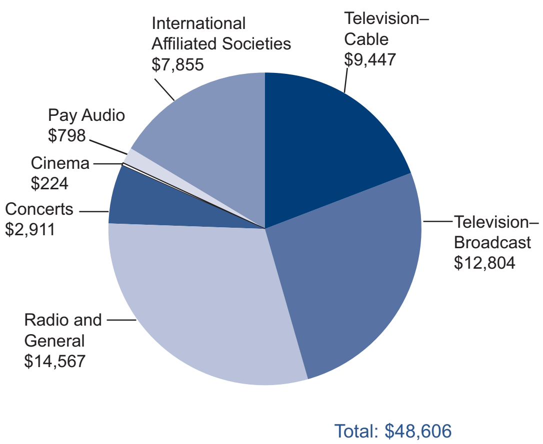
Source: SOCAN

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



The music publisher members of SOCAN saw growth in royalties from their key sources—radio (up 8.6%) and broadcast television (6.4%)—plus a nearly 45% growth in cable television royalties. Publishers' royalties from international affiliates, however, fell 4.2% in 2005 to $7.9 million.

SOCAN Publishers' Royalties by Distribution Pool, 2005 (000)



Source: SOCAN

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

Private Copying Rights

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 morein length, CD-R, CD-RW, CD-R Audio, CD-RW Audio and MiniDisc.

In 2005, the CPCC distributed $31 million to rights holders from total revenue of $35 million. To date, the organization has distributed more than $92 million of the $145 million in private copying royalties collected between 2000 and 2005.[29]

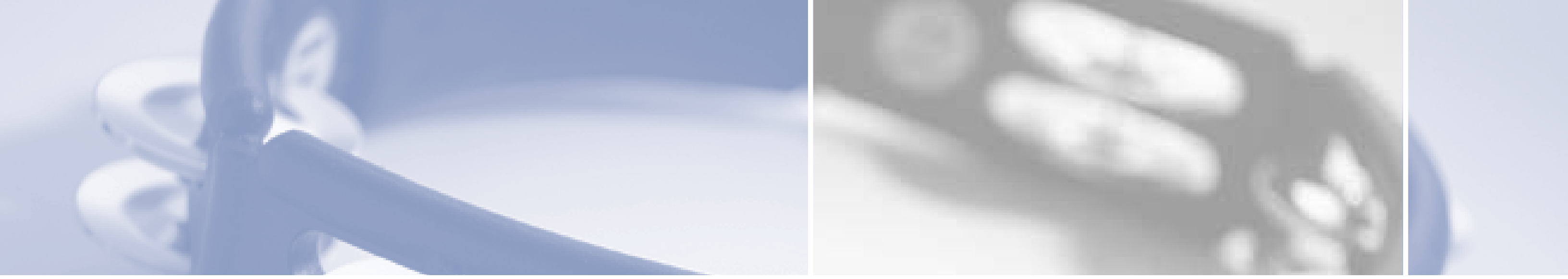
Mechanical Rights

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 the *Société du droit de reproduction des auteurs, compositeurs et éditeurs du Canada* (SODRAC). The CMRRA distributes royalties exclusively to publishers, while SODRAC pays royalties separately to authors and publishers.

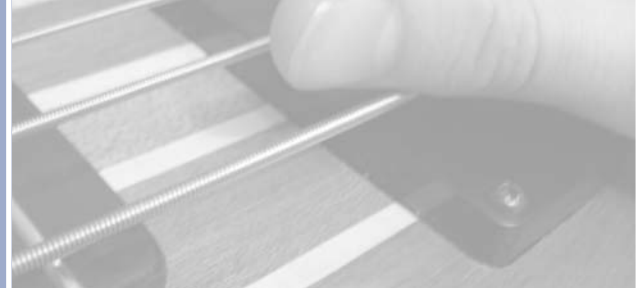
Between 2000 and 2005, CMRRA royalties associated with mechanical licenses dropped 32%, from $50.3 million in 2000 to $34.1 million in 2005.[30] Revenues from SODRAC (excluding private copying and commercial radio royalties) rose from $10.5 million in 1999-2000 to $16.6 million in 2004-2005.[31]

SODRAC and the 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.[32]

IV — Notes



1. IFPI, 2006 Global Recording Industry in Numbers. IFPI's 2005 figures are based on the trade rather than the retail prices of recorded music product, a move designed to increase reporting accuracy. Figures from 2004 onwards include digital downloads.
2. Numbers in this profile may be off slightly due to rounding.
3. IFPI, p. 24.
4. Nielsen SoundScan 2005 Year End Sales – Top 100 chart (Mass Merch and Retail). Canadian Heritage determines the nationality and linguistic profile of artists.
5. Nielsen SoundScan Canada – MarketWatch Week 52, 2006.
6. Nielsen SoundScan Canada – MarketWatch Week 52, 2006. Nielsen digital sales figures include results from three Canadian online vendors: Puretracks, iTunes and Napster. Please note that Zik.ca is not tracked by SoundScan. Digital download sales data is less reliable prior to 2005.
7. Napster users can keep digital tracks on their computer as long as they maintain a subscription to the service.
8. Nielsen SoundScan 2005 Year End Sales. The top 100 online albums represent around 29% of all digital album sales.
9. Music & Copyright magazine. Issue 313. February 1, 2006. p. 11.
10. Value in pirate music prices.
11. IFPI, pg. 9.
12. CRTC Telecommunications Monitoring Report, July 2006, p. 51.
13. CRTC, p. iv.
14. IFPI, p. 11.
15. Music downloads to mobile phones are primarily offered through legitimate services that require payment before the file is transferred.
16. The Top 2000 represents 69.5% of total sales reported by Nielsen SoundScan. Canadian Heritage determines the nationality and linguistic profile of artists in the Top 2000.
17. Top 2000 sales are comprised of LPs, Cassettes, CDs, DVDs and digital downloads.
18. Source: The Canadian Music Industry Database (CMID) and *la Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Québec* (SOPROQ). Part of the increase in CMID numbers may be due to the improvements by CMID in tracking methods.
19. Canadian Film and Music Opinion Study, Decima Research, p. 68
20. Decima, p. 72.
21. Decima, p. 82.
22. "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.
23. Decima, p. 86.
24. The Canadian Music Industry: 2004 Economic Profile, p. 19. Figures may not add up precisely due to rounding.
25. Decima, p. 86.



26. 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.

27. 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 $157.6 million, 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 $2.6 million in 1998 to an unprecedented $75.3 million in 2000.

28. Figures provided by SOCAN. Distribution figures exclude any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions. Differences in numbers between the annual economic profiles may be due to inclusion or exclusion of arrears.

29. Figures from Financial Highlights section of CPCC web site, *http://cpcc.ca/english/finHighlights.htm* (Accessed March 17, 2007).

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

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

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