Canadian Heritage Patrimoine canadien

Canada

The Canadian Music Industry
2008 Economic Profile

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Abstract

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Music is one of the most popular cultural products among consumers. In the past few years, the digital revolution has led to a significant increase in the demand for music worldwide. This trend can largely be attributed to digital distribution, which makes music content accessible anywhere at anytime and offers consumers more choices and flexibility.

Although music is gaining in popularity, it is also under significant pressure. Pervasive unauthorized downloading presents numerous challenges for the industry, which is diversifying its activities and changing its business models to adapt to new realities. In Canada and abroad, the music industry is attempting to attract music consumers to new offers that capitalize on the full potential of digital technologies.

In 2008, the trade value of music sales in Canada declined by 8% compared to the previous year. This downward trend is consistent with the global decline in trade value. In Canada, digital formats account for 17% of the trade value from sound recording sales, compared to a worldwide average of 21%. The trade value of digital music sales in Canada has seen strong growth between 2006 and 2008, increasing from $34.5 million to $82.4 million.

Overall albums sales in Canada declined by 14% in 2008 to 35.9 million units, of which 32.5 million were physical albums and 3.4 million were digital albums. Albums by Canadian artists saw sales decrease to 5.1 million units while their market share went from a record high of 26.5% in 2007 to 20.7% in 2008.

According to Statistics Canada, profitability for the Canadian sound recording industry grew in 2008. Canadian-controlled record labels experienced an increase in operating revenues; however, their profit margin remained smaller than that of foreign-controlled major labels.

Canadian artists benefited from higher performing rights in 2008 and SOCAN distributed nearly $120 million in royalties to its members.

Within this rapidly evolving industry, consumer habits are also changing. Young Canadians are at the forefront of this change and are shaping tomorrow's music industry. In an effort to outline how behaviours and attitudes toward Canadian music are evolving, the main findings of a 2008 Decima Research study conducted for Canadian Heritage are also presented in this document.

I. The Music Market

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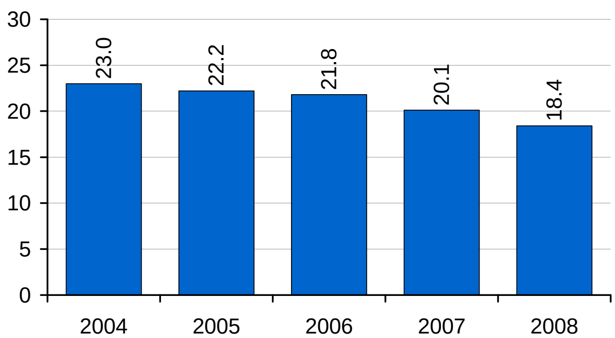
Global Outlook

In 2008, worldwide sales of sound recordings totalled US$18.4 billion in trade value, which is an 8% decline from the previous year[1]. Worldwide sales for recorded music peaked at close to US$26 billion in trade value in 1999, but have since fallen by 31%[2].

Trade Value of Global Recorded Music Sales (US$ Billion)

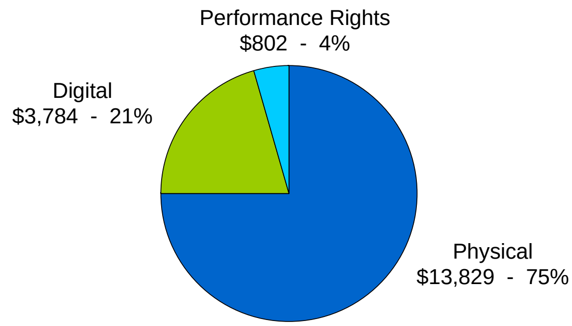


Source: IFPI - Global Recording Industry in Numbers, 2009

Note: Revenues for 2004 to 2007 were re-stated at the 2008 average monthly exchange rate by IFPI. Including digital sales.

The trade value of digital sales worldwide grew by 24% between 2007 and 2008 to reach US$3.8 billion, representing almost 21% of the total value[3]. North America is the largest digital market in the world and accounts for close to half of the global trade value for this format[4].

Trade Value of Global Recorded Music Sales by Sector (US$ Million, 2008)



Source: IFPI - Global Recording Industry in Numbers, 2009

Canada was the sixth largest market in the world for recorded music sales in 2008 and accounted for 2% of the global trade value. Note that the American, Japanese and British markets together accounted for nearly 60% of worldwide sales.

Trade Value of Recorded Music Sales Ranking - 2008

Country	Rank	Value (Million $US)	% of World Market
United States	1	$4,977	27%
Japan	2	$4,109	22%
United Kingdom	3	$1,845	10%
Germany	4	$1,628	9%
France	5	$1,050	6%
Canada	6	$456	2%
Australia	7	$389	2%
Italy	8	$326	2%
Spain	9	$302	2%
Netherlands	10	$272	1%
Top 10 Total		$15,355	83%
World Total		$18,415	100%

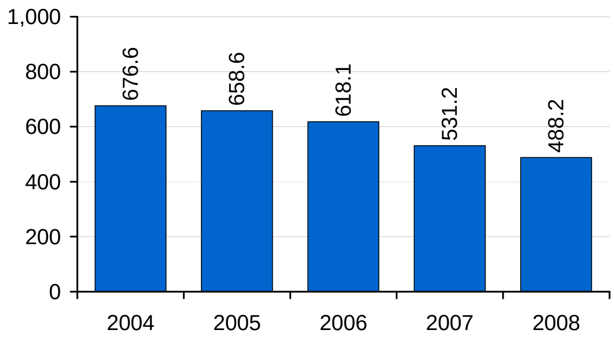
Source: IFPI - Global Recording Industry in Numbers, 2009

The Canadian Music Market

Value of Music Sales

In Canada, recorded music sales totalled $488.2 million in 2008, an 8% decrease from the previous year[5].

Trade Value of Recorded Music Sales in Canada (CAN$ Million)



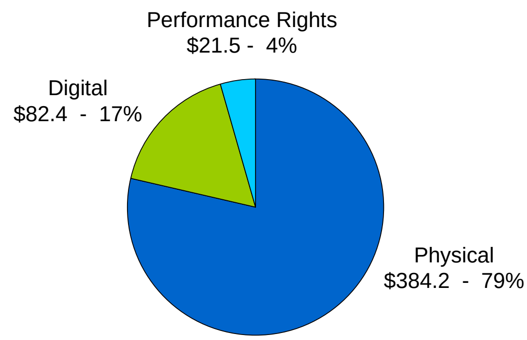
Source: IFPI - Global Recording Industry in Numbers, 2009

Note: Including digital sales as of 2004, and performance rights as of 2006.

Sales of physical formats totalled $384.2 million in trade value in 2008, which is a decrease of 15% from 2007[6].

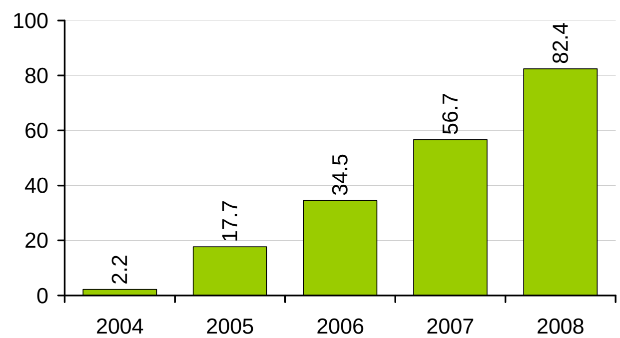
After growth of nearly 65% between 2006 and 2007, the trade value for digital sales rose by 45%, increasing from $56.7 million in 2007 to $82.4 million in 2008. Digital formats accounted for 17% of the trade value from sound recording sales in Canada.

Trade Value of Recorded Music Sales by Sector in Canada (CAN$ Million, 2008)



Source: IFPI - Global Recording Industry in Numbers, 2009

Trade Value of Digital Recorded Music Sales in Canada (CAN$ Million)



Source: IFPI - Global Recording Industry in Numbers, 2009

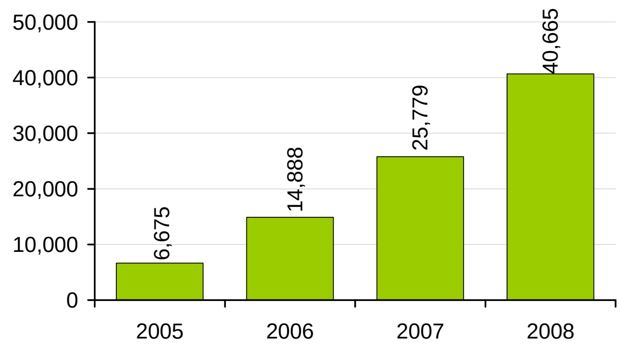
In 2008, individual tracks represented the largest share of digital music sales (35%), followed by ringtones (24%), full-length digital albums (23%) and other formats (18%)[7].

Unit Sales

Unit sales follow similar trends. While sales of physical formats are declining, digital music sales continue to expand. In 2008, 32.5 million physical albums were sold in Canada, down 18% from the previous year[8].

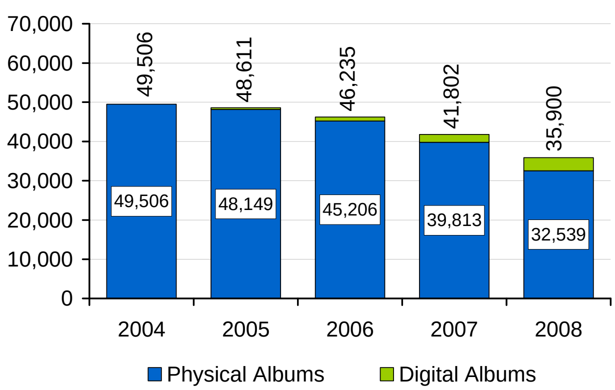
That same year, 3.4 million digital albums were downloaded, while digital track sales reached 40.7 million units according to Nielsen SoundScan Canada. These figures represent increases of 69% and 58%, respectively, from 2007.

Digital Track Sales in Canada (Thousand Units)



Source: Nielsen SoundScan

Album Sales in Canada (Thousand Units)



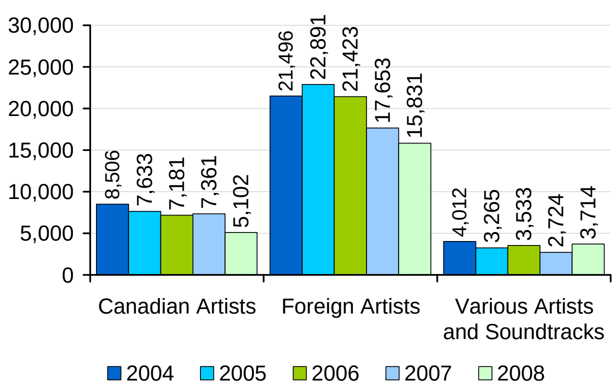
Source: Nielsen SoundScan

In addition to changes in physical and digital sound recording sales trends, the market share of mass merchant outlets and online retailers is increasing at the expense of traditional record stores. In 2008, nearly 42% of albums were sold through online retailers or mass merchants, compared to 29% just four years earlier[9].

Market Share of Canadian Artists

An in-depth study of Nielsen SoundScan's top 2000 chart for Canada was done to determine the domestic market share of Canadian artists[10].

Top 2000 Album Chart
Album Sales in Canada by Artist Nationality (Thousand Units)

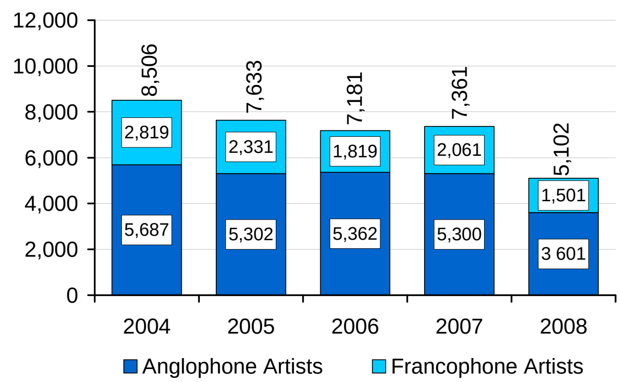


Source: Nielsen SoundScan

After experiencing an increase to nearly 7.4 million units sold in 2007, albums by Canadian artists in the top 2000 declined by 31% in 2008 to 5.1 million units.

Sales of albums by foreign artists in the top 2000 dropped to 15.8 million units (-10%) between 2007 and 2008, while sales of soundtracks and other compilation albums increased to 3.7 million units (+36%) in the same period.

Top 2000 Album Chart
Sales of Canadian Albums by Language (Thousand Units)



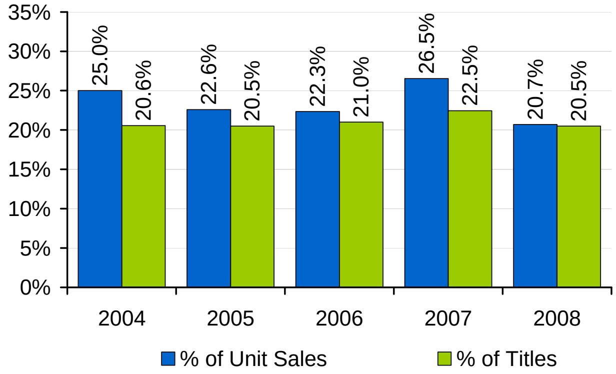
Source: Nielsen SoundScan

Compared to the previous year, sales of Canadian albums dropped significantly in 2008 for English-language (-32%) and French-language (-27%) artists alike.

Canadian artists' share of the top 2000 album sales dropped from 26.5% in 2007 to 20.7% the following year.

This decline can be partly attributed to the strong performance of top-selling Canadian artists in 2007. That year, the market share of albums by Canadian artists in the top 2000 reached an all-time high, thanks to strong sales of albums by artists such as Michael Bublé, Céline Dion, Avril Lavigne and Nelly Furtado.

Top 2000 Album Chart – Market Share of Canadian Albums



Source: Nielsen SoundScan

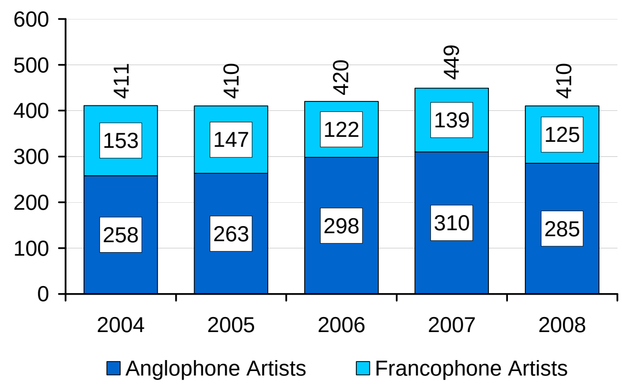
In 2008, a total of 410 albums by Canadian artists ranked among the top 2000 albums sold in Canada, which is a 9% decline from 2007. The decline in Canadian artists' share of unique titles was not as significant as the decline in their share of unit sales.

It is worth noting that the top 200 albums typically generate almost half of all album sales on the Nielsen SoundScan top 2000 chart. In other words, 10% of the albums on this chart produce 50% of total unit sales.

Given that fewer top-selling Canadian artists released albums in 2008, we note that the drop in Canadian album sales occurred almost entirely in the first 200 spots of the Nielsen SoundScan top 2000 chart.

Slightly less than a third – or 125 – of the 410 albums by Canadian artists in the top 2000 chart were by Francophone artists.

Top 2000 Album Chart – Canadian Titles by Language



Source: Nielsen SoundScan

Finally, it is worth noting that the average per title sales for albums by Canadian artists was similar to those of foreign artists, at 12,445 and 12,685 units, respectively.[11].

Downloads of Music by Canadian Artists

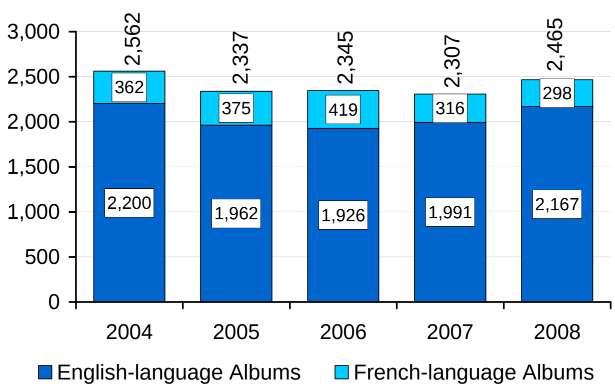
Nielsen SoundScan also compiles a chart of the 2000 best-selling digital tracks in Canada. An analysis of that chart indicates that digital tracks by Canadian artists generated 13% of all sales in the top 2000 digital tracks in Canada in 2008[12].

That same year, albums by Canadian artists generated 12.8% of sales in the top 100 digital albums, according to Nielsen SoundScan[13].

New Releases

Canadian artists released 2,465 new albums in 2008, which is 158 more than the previous year[14]. This increase is mainly in the number of English-language albums released that year. There were 2,167 English-language titles released in 2008, which is an increase of 176 albums from 2007. French-language artists released 298 albums in 2008, slightly fewer than the previous year.

New Albums Released by Canadian Artists According to Language



Source: CMID and SOPROQ

Nearly half of the new album releases by Canadian artists in 2008 were in the pop/rock category. Jazz and blues albums accounted for the second-largest genre, with 16.8% of new releases[15].

Breakdown of Canadian Album Releases by Genre

Genre	2008
Pop/rock	47.1%
Jazz & Blues	16.8%
Urban & Dance	11.1%
Classical	10.1%
Country & Folk	6.4%
World Music	4.7%
Others	3.9%

Source: CMID & SOPROQ

Industry

According to Statistics Canada[16], the Canadian sound recording industry grew its profitability between 2006 and 2008. While operating revenues dropped by almost 13% to $619 million, a more significant drop in operating expenditures ($538 million, -16%), resulted in a profit margin increase for the sound recording industry. Over that period, profit margins went from 9.6% to 13.1%.

Operating revenue for Canadian-controlled labels increased between 2006 and 2008 (24%). Consequently, their share of overall industry revenue went from 21% in 2006 to 29% in 2008.

However, Canadian-controlled labels reported increasing operating expenses, while those of foreign-controlled firms are declining. As a result, Canadian-controlled labels experienced a lower increase in their profit margin between 2006 and 2008 than their foreign-controlled counterparts.

Financial Statistics for the Sound Recording Industry

		Total	Canadian Control	Foreign Control
Operating Revenue				
(Thousands)	2006	$710,715	$143,234	$545,807
(Thousands)	2007	$673,651	$177,735	$481,088
(Thousands)	2008	$619,444	$177,150	$427,303
Profit Margin				
	2006	9.6%	4.3%	11.2%
	2007	11.4%	5.2%	14.0%
	2008	13.1%	5.8%	16.3%

Source: Statistics Canada, March 2010
Note: Data related to origin are yielded from the survey portion, and their total differ from industry totals which are supplemented using administrative sources.

According to the most recent data from Statistics Canada, Canadian-controlled companies maintained their revenue from sales of recordings by Canadian artists, whereas foreign-controlled firms saw their revenue from sales of recordings by Canadian artists decline by 16%[17].

Canadian-controlled labels produced 82% of new Canadian recordings and generated 63% of revenue from the sale of albums by Canadian artists. Over half of their sales revenue, or 52%, was from recordings by Canadian artists.

In contrast, sales of recordings by Canadian artists accounted for only 11% of sales revenue for foreign-controlled firms. Yet, these same firms captured the highest share of the Canadian industry's total revenue (71% in 2008).

Certifications

In 2008, the Canadian Recording Industry Association (CRIA) announced changes to its certification program to reflect changes in music consumption patterns. For albums released after May 1, 2008, the sales levels required for gold or platinum certification in Canada are now 40,000 and 80,000 units, respectively.

In 2008, CRIA[18] awarded 41 gold or platinum certifications to albums by 35 different Canadian artists.

The best-selling multi-platinum albums in Canada included *Dark Horse* by Nickelback, which was certified three times platinum in November 2008, the month of its Canadian release. *Call Me Irresponsible* by Michael Bublé and *The Reminder* by Feist were also certified multi-platinum by CRIA in 2008.

Other Canadian platinum albums included The Lost Fingers' *Lost in the 80's*, Simple Plan's self-title album, Hedley's *Famous Last Words*, Sylvain Cossette's *70's Vol. 2*, and Marie-Élaine Thibert's *Un jour Noël.*

Gold certifications went to albums such as *Love at the End of the World* by Sam Roberts, *Fortune's Favor* by Great Big Sea, *Duos de la tendresse* by Dan Bigras and *Les saisons s'tassent* by Kaïn.

Also, Kreesha Turner's song "Don't Call Me Baby" was certified platinum by CRIA's digital certification program for reaching 40,000 downloads in Canada.

Several Canadian artists' albums were also recognized internationally for their sales levels.

It's Time by Michael Bublé was certified in the United States[19] (three times platinum) and in the United Kingdom[20] (two times platinum). The album was also certified gold by the Syndicat national de l'édition phonographique (SNEP) for its sales in France[21].

Céline Dion's album *Taking Chances* was awarded platinum certification in the United States and the United Kingdom, as were Nickelback's *Dark Horse* and *All the Right Reasons*[22] albums, respectively.

Nos lendemains by Isabelle Boulay was certified gold by the SNEP the month of its release in France. Six weeks after its release in France, *Allo c'est moi* by Lynda Lemay was also certified gold.

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II. Consumers

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This section outlines the main findings of a 2008 Decima Research survey conducted for Canadian Heritage[23]. One of the objectives of the study, of Canadians aged 15 and older, was to assess the consumption of music. A similar study was conducted in 2005, allowing for results to be compared in certain cases.

Technology Adoption

A whole range of new methods for accessing music were made available to consumers in the past decade: pay audio services, satellite radio, wireless mobile services, streaming over the Internet and digital downloads. These innovations enhance the music experience, increase the diversity of services offered and provide consumers with more flexibility and control over how they access and listen to music.

According to Decima, in 2008, over seven out of ten Canadians had high-speed Internet access at home, at work or elsewhere. About three out of four Canadians indicated that they owned or had access to a cellular telephone, while nearly three out of five (56%) owned or had a portable digital player available to them. Young Canadians generally had higher rates of access and, in some cases, there was nearly universal access within their age group. By contrast, access to new technologies was lower in Quebec compared to the average rates for the country as a whole.

Access to Technology Equipments by Region (Canadians Aged 15 and Over)

Equipments	Total	Quebec	Rest Of Canada
CD/DVD Player	95%	90%	96%
Computeur	86%	78%	89%
Cell Phone	74%	58%	79%
High Speed Internet	71%	59%	75%
CD/DVD Burner	66%	61%	68%
Portable Digital Music Player	56%	43%	60%
Gaming Console	39%	36%	40%

Source: Decima Survey, 2008
Question: Do you own or have access to the following, either at home, at work or elsewhere?

Access to Technology Equipments by Age (Canadians Aged 15 and Over)

Equipments	15 - 19	20 - 34	35 - 49	50 plus
CD/DVD Player	96%	98%	98%	91%
Computeur	95%	93%	94%	76%
Cell Phone	80%	73%	87%	64%
High Speed Internet	87%	79%	82%	56%
CD/DVD Burner	84%	78%	72%	53%
Portable Digital Music Player	94%	72%	67%	33%
Gaming Console	79%	58%	50%	16%

Source: Decima Survey, 2008
Question: Do you own or have access to the following, either at home, at work or elsewhere?

Access to high-speed Internet has literally transformed the online activities of Canadians, with a growing number using the Internet for entertainment. According to a 2007 Canadian Internet Project (CIP) study, downloading and streaming music, videos, movies, radio and television were on the rise. In most cases, youth indicated they engaged in these activities twice as much as all users as a whole[24].

According to the same study, music downloads and online listening were the most popular forms of online entertainment among Internet users (56%). About nine out of ten (86%) youth aged 12 to 17 indicated they engaged in these activities, and more than half of them did so at least every week.

Music Consumption

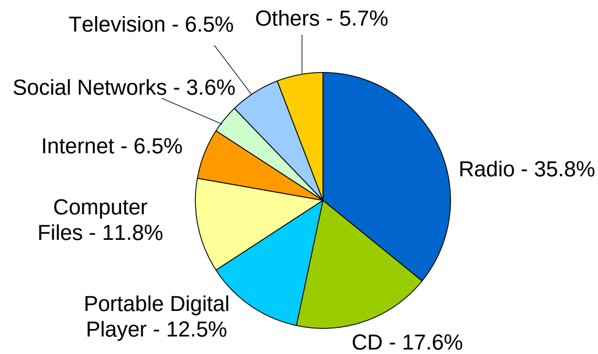
Young Canadians aged 15 to 19 are at the forefront when it comes to music consumption, especially in terms of digital access. In this segment of the population, new ways of accessing music content have superseded traditional means, in certain instances.

Listening Habits

In 2008, Canadians said they spent over 27 hours per week listening to music, a considerable increase from 2005, when the Decima study estimated weekly listening to be about 19 hours per week. Overall, Canadians felt that approximately one-fifth (22%) of their listening time was devoted entirely to this activity.

Although Canadians continued to prefer traditional radio when listening to music, this platform accounted for a smaller portion of their time spent listening to music each week.

Breakdown of Weekly Time Spent Listening to Music (in percentage) by Platform (Canadians Aged 15 and Over)



Source: Decima Survey, 2008
Question: How many hours in an average week do you spend listening to music on…?

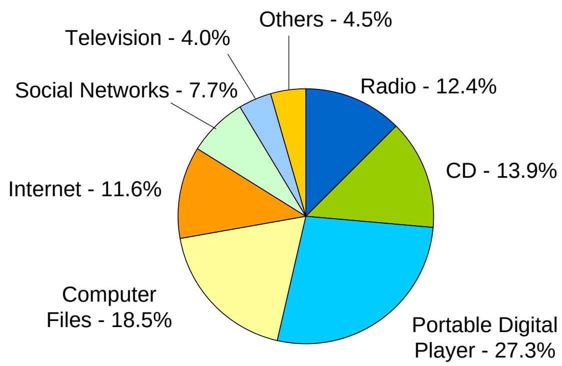
In 2008, radio occupied a little over one third of Canadians' average music listening time every week, compared to 44% in 2005. One quarter of the time devoted to listening to music every week was with portable digital players or music files saved on the computer.

Canadians spent about five hours per week, or 18% of total music listening per week, listening to music on CDs. On average, one hour in ten was spent listening to music on the Internet, including music on social networking sites such as Facebook and MySpace.

When it comes to young Canadians aged 15 to 19, nearly half of the time devoted to music listening every week was with portable digital players or music files saved on the computer. The Internet and social networking sites made up nearly 20% of the hours this group spent listening to music, followed by CDs (14%).

Young people were increasingly turning away from traditional radio, which accounted for scarcely more than one-tenth (12%) of the hours they devote to listening to music each week.

Breakdown of Weekly Time Spent Listening to Music (in percentage) by Platform (Canadians Aged 15 to 19)



Source: Decima Survey, 2008
Question: How many hours in an average week do you spend listening to music on…?

Lastly, music by Canadian artists accounted for nearly one-third (30%) of the music that Canadians listened to. In Quebec, music by Canadian artists accounted for 40% of the overall music listening time. Music by Canadian artists was generally more popular among adults (aged 20 and over) than young people (aged 15 to 19).

Discovering New Music

Traditional radio continues to be the source Canadians most often turn to for discovering new music. About two-thirds (65%) of respondents stated they discovered music through traditional radio and nearly one-half indicated it was their main source. However, this is a decline from 2005, when 75% of Canadians relied on radio as their main source for discovering new music.

Young people aged 15 to 19 primarily discovered new music through word of mouth (37%). Compared to the rest of the population, they were also more inclined to use social networking sites and other Web sites or blogs (18%) instead of traditional radio (14%) to discover new music.

Music Purchasing

In 2008, more than three out of four (77%) Canadians indicated they purchased at least one music CD in the previous year. This proportion was high among all age groups; particularly Canadians aged 35 to 49 (84%)[25].

On average, 40% of Canadians purchased at least one music DVD in the previous 12 months. This proportion was 51% among youth aged 15 to 19.

Approximately one in five (22%) Canadians with Internet access indicated they paid to download tracks from the Internet over the last year. Youth were more likely than older Canadians to pay for tracks online, with 57% of Canadians aged 15 to 19 indicating they did so over the last 12 months. The purchase of digital tracks was less widespread in Quebec (14%) than in the rest of Canada (24%).

The purchase of the downloaded version of full albums was less frequent, with only one in eight (13%) Internet users indicating they did so in the past year. However, this proportion rises to almost 40% among Canadians aged 15 to 19. Similarly, 16% of cell phone users indicated they downloaded ringtones, compared to more than half of cell phone users aged 15 to 19.

Music Purchases by Region (Canadians Aged 15 and Over)

Purchases	Total	Quebec	Rest Of Canada
Music CDs	77%	78%	77%
Music DVDs	40%	43%	40%
Full albums paid and downloaded from Internet	13%	10%	14%
Single songs paid and downloaded from Internet	22%	14%	24%
Ringtones	16%	13%	16%

Source: Decima Survey, 2008
Question: How many...did you purchase in the past year, either for your own use or for someone else?

Music Purchases by Age (Canadians Aged 15 and Over)

Purchases	15 - 19	20 - 34	35 - 49	50 plus
Music CDs	81%	81%	84%	71%
Music DVDs	51%	34%	43%	40%
Full albums paid and downloaded from Internet	38%	18%	11%	5%
Single songs paid and downloaded from Internet	57%	26%	22%	9%
Ringtones	52%	25%	13%	2%

Source: Decima Survey, 2008
Question: How many...did you purchase in the past year, either for your own use or for someone else?

One third of music CDs purchased by Canadians in the last year was by Canadian artists (34%). This figure was 29% for music DVDs. Internet users indicated that approximately one-quarter of the full albums (27%) and individual tracks (25%) they purchased online last year were by Canadian artists, while this proportion was slightly lower for ringtones (18%). As for listening habits, the purchase of music by Canadian artists was generally higher among Quebec respondents and lower among youth aged 15 to 19.

Unpaid Downloads

Among Canadians who owned a computer, slightly more than one quarter indicated they downloaded music without paying in the previous 12 months. This proportion was three out of five (59%) among teenagers aged 15 to 19, and two out of five among Canadians aged 20 to 34. By contrast, fewer than 10% of individuals aged 50 and over reported having downloaded music without paying.

The most common way to download unpaid music was through peer-to-peer file sharing networks (58%).

Live Performances

Three out of five Canadians attended at least one musical performance over the past year. On average, Canadians attended five performances in this period and a significant portion (58%) of these performances featured Canadian artists.

Slightly less than half (48%) of Canadians who attended at least one musical performance in the last year reported purchasing CDs or music videos during these events, for an average value of $27 per performance. About one third of them also bought other types of items, with an average value of $38.50 per purchase.

Ease of Finding Canadian Music

Approximately three out of four (77%) Canadians stated that it was easy to find music by Canadian artists in stores. This percentage was even higher among Quebec respondents (87%).

Among Canadians with Internet access, fewer than half (47%) indicated that it was easy for them to find music by Canadian artists online. Around 70% of youth aged 15 to 19, who were more likely to purchase music online, indicated that they could easily find music by Canadian artists online. By contrast, fewer than 30% of Canadians aged 50 and over with Internet access indicated that they could easily find Canadian artists online[26].

Attitudes Towards Canadian Music

The Decima survey conducted for Canadian Heritage also sought to assess Canadians' attitudes toward Canadian music, as well as their perception of its quality.

Nearly nine out of ten Canadians agreed that listening to music contributed to their quality of life, and a similar proportion (89%) agreed that it is important that Canadians have access to music by Canadian artists[27]. Also, the majority (71%) of them believed that it was important to buy music by Canadian artists.

Most Canadians believed they were familiar with Canadian artists; around seven out of ten stated that they were very familiar (19%) or somewhat familiar (51%) with them.

Lastly, 90% of Canadians felt that the quality of music by Canadian artists was better or equal to that of foreign artists.

Attitudes Towards Canadian Music (Canadians Aged 15 and Over)

Statements / Questions	In Agreement
Listening to music contributes to my quality of life	86%
It is important that Canadians have access to music by Canadian artists	89%
It is important to buy music by Canadian artists.	71%
	Good Knowledge
How familiar are you with Canadian music artists?	70%
	Equal or Better Quality
How would you rate the quality of music by Canadian artists as compared to foreign artists?	90%

Source: Decima Survey, 2008

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III. Music Copyright in Canada

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Copyright policies and statutes are intended to provide legal recognition and protection of the economic and moral rights of creators, while considering the needs of users. The scope of copyright has changed over time to keep pace with technological development and contemporary social concepts. Properly designed copyright protection is essential to the development of cultural content and to the growth of a knowledge-based economy.

The administration of music copyright is generally done through collective societies, which administer the rights of numerous copyright holders. These bodies can grant permission for the use of their works and specify any attached conditions. They collect royalties from users of copyright protected musical works. Then they distribute the royalties to the holders that they represent, such as songwriters, composers, performers, music publishers and producers of sound recordings.

Collective administration of copyright is common in Canada. The main sources of revenue for copyright holders are public performance rights, royalties from private copying and mechanical reproduction rights[28].

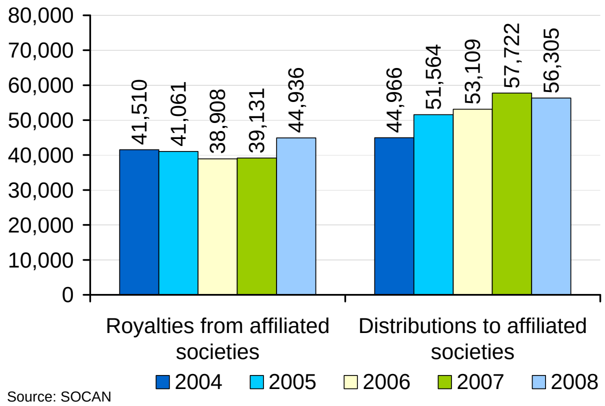
Performing Rights

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) administers public performance rights in musical works on behalf of Canadian music creators and publishers, as well as affiliated societies representing foreign songwriters, composers and publishers. SOCAN ensures that its members are compensated when their musical works are performed on the radio, on television, on stage or in public venues.

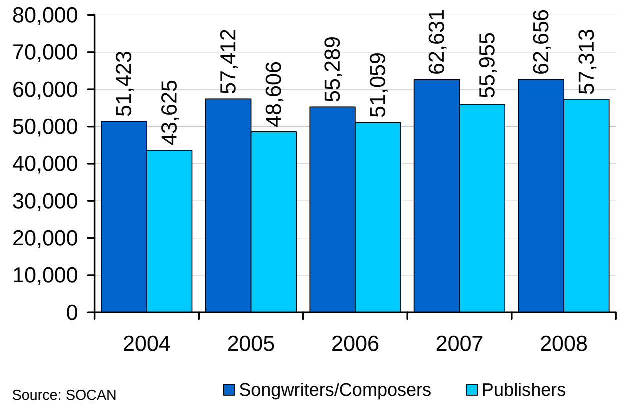
Total revenues[29] from international affiliated organizations such as ASCAP[30] and BMI[31] in the United States represent the main source of royalties for SOCAN. These revenues increased from $39.1 million in 2007 to $44.9 million in 2008.

Royalties paid by SOCAN to its members and affiliated international societies in 2008 totalled $176.3 million, a figure comparable to the previous year. Over two thirds of these royalties, or $120 million, was paid to songwriters, composers and publishers of Canadian music.

SOCAN Royalties Paid to or Received from Affiliated Societies (Thousand $)



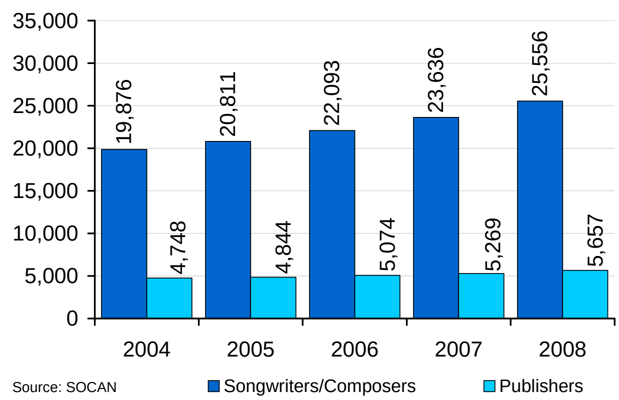
SOCAN Royalties Paid to Songwriters, Composers and Publishers (Thousand $)



After a slight downturn in 2006, royalties paid to songwriters and composers increased by 13% in 2007 and remained steady in 2008, for a total of $62.7 millions. The number of Canadian songwriters and composers receiving public performance royalties continued to grow and totalled 25,556 in 2008. That same year, 5,657 music publishers shared over $57 million in royalties. The number of publishers receiving royalties in 2008 grew by 7% over the previous year and the amount of royalties collected also increased slightly (2%).

Since 2004, royalties paid to members increased by 26%. The number of copyright holders receiving compensation has also increased steadily since 2004.

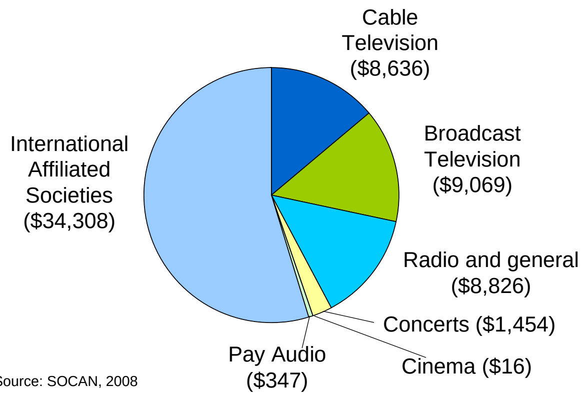
Number of Songwriters, Composers and Publishers Receiving Royalties from SOCAN



Royalties distributed to songwriters and composers for the use of their works in cinema, concerts, cable television, radio and general licences all rose in 2008, which included a 13% increase for cable television alone. Royalties from broadcast television and affiliated international societies decreased slightly compared to 2007. Because of a change in the rate, royalties from pay audio services declined by 23% in 2008[32].

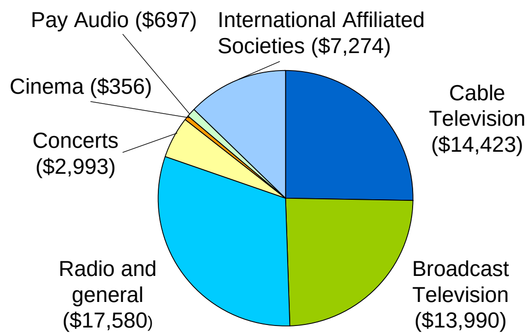
Royalties from cable television are becoming more important to music publishers. They increased by 17% between 2007 and 2008 and represented the highest growth in monetary value. The main source of royalties for music publishers remains radio and general licences, which increased by 7% in 2008[33]. The royalties that SOCAN paid to publishers decreased for all other sources in 2008, other than royalties from cinema (+51%).

SOCAN Songwriters and Composers' Royalties by Distribution Pool (Thousand $)



Source: SOCAN, 2008

SOCAN Publishers' Royalties by Distribution Pool (Thousand $)



Source: SOCAN, 2008

Private Copying Rights

The Canadian Private Copying Collective (CPCC) is a non-profit agency charged with collecting and distributing royalties associated with the private copying of musical works for personal use. The private copying regime, which was established to address the widespread practice of reproducing sound recordings for private use, covers three major areas: 1) it legalizes the private copying of sound recordings on specific audio media; 2) it compensates copyright holders; 3) it collects a royalty from importers of blank media that are normally used for copying music for private use.

Media currently subject to these royalties and their applicable rates are audiocassettes of at least 40 minutes in length, CD-Rs, CD-RWs, audio CD-Rs, audio CD-RWs and Mini Disks.

In 2008, out of a total of $29.3 million in revenues, the CPCC distributed $27.6 million to the collectives that represent copyright holders such as songwriters, composers, performers and producers of sound recordings. To date, the organization has distributed more than $173 million of the $234 million in royalties that it collected between 2000 and 2008[34].

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IV. Notes

[1] International Federation of the Phonographic Industry (IFPI), *Recording Industry in Numbers 2009*. Data are based on the wholesale value of sound recordings and not their retail value. The wholesale value represents recording company revenues after the deduction of discounts, deliveries and taxes. Trends over a number of years are presented in US dollars, set at the 2008 rate. Local historic currencies are converted to US dollars by the IFPI using the 2008 exchange rate. The IFPI now includes certain performance royalties in calculating the overall value of audio recordings. The value of digital sales is included in data starting in 2004.

[2] IFPI. Trade revenues for 1999 were set at the 2008 rate by Canadian Heritage to calculate the percentage gap.

[3] According to IFPI, digital formats generated US$3.050 billion in revenues in 2007, whereas physical formats generated US$16.350 billion.

[4] IFPI, *Recording Industry in Numbers 2009*, page 85. While the United States accounts for 47.1% of global trade revenues from digital sales, Canada represents 2% of these revenues.

[5] IFPI, *Recording Industry in Numbers 2009*. Unlike global data, Canadian market data are expressed in current dollars. The value of digital sales as of 2004 is included. Certain performance royalties are included in the calculation of Canadian sales as of 2006 only.

[6] According to the IFPI, physical formats produced CAN$453.7 million in trade revenues (wholesale value) in 2007.

[7] IFPI, *Recording Industry in Numbers 2009.* Subscriptions (11%) and others (7%).

[8] Physical albums include CDs, DVDs, LPs and Cassettes. Note that Nielsen SoundScan data published in this profile may vary from unit sales data appearing in the Canadian Music Industry: 2006 Economic Profile, which presented unit sales according to the IFPI collection method, which is different from that used by Nielsen SoundScan.

[9] SoundScan, year-end data, 2004 to 2008. Includes sales of digital albums.

[10] Canadian Heritage determines the nationality and linguistic profile of artists whose albums appear on the Nielsen SoundScan top 2000. Unit sales of albums in the top 2000 represented 67% of total unit sales in the Canadian market in 2008 according to Nielsen SoundScan. The top 2000 list includes sales of digital albums.

[11] In 2008, 410 albums by Canadian artists were on the Nielsen SoundScan top 2000 chart, generating total sales of 5.102 million units (average sales of 12,445 units). The 1,248 albums by foreign artists on this chart produced sales of 15.831 million units (average sales of 12,685 units).

[12] Canadian Heritage determines the nationality and linguistic profile of artists whose digital tracks appear on the Nielsen SoundScan top 2000 tracks chart. Unit sales of tracks in this top 2000 chart represented 43% of all digital track sales in 2008 according to Nielsen SoundScan.

[13] Note that the top 100 digital albums represented less than 20% of total digital album sales. Caution must be used when interpreting the digital album share of Canadian artists derived from this chart.

[14] Sources: *Canadian Music Industry Database* (CMID) and Quebec Collective Society for the Rights of Makers of Sound and Video Recordings (SOPROQ). Because the inventory of new albums is constantly changing, data are revised as the new releases of hundreds of recording companies are taken into account. Thus, the results for a given year may vary slightly in comparison with a previous publication. At the time of the publication, the 2008 preliminary data showed over 2,465 new albums.

[15] Canadian Heritage sets out results by genre, which may vary between the two data sources (CMID and SOPROQ).

[16] Since 2005, Statistics Canada has been using a new method for collecting the financial and operational data required to produce statistics on the Canadian sound recording industry. Collected data are now partly based on a business sample, which represents 95% of total industry revenue. In addition, the sample surveyed varies every other year, which means that some data cannot be monitored on an annual basis. Similarly, it is no longer possible to compare data collected prior to 2005 to data collected using the new methodology.

[17] Statistics Canada collects this type of data every other year. Data were only available for the 2005 and 2007 reporting period when this report was published.

[18] In 2008, some certifications were granted according to previous sales level requirements (gold=50,000; platinum=100,000) while other certifications were based on the new requirements (gold=40,000, platinum=80,000).

[19] In the United States, certifications are granted by the Recording Industry Association of America according to the total number of copies being distributed. Gold certification = 500,000 units, platinum certifications = 1,000,000 units.

[20] In the United Kingdom, certifications are issued by the British Phonographic Industry (BPI). Gold certification = 100,000 units, platinum certification = 300,000 units.

[21] Gold certification = 75,000 units.

[22] *Dark Horse* was certified in the United States the month following its release while *All the Right Reasons*, released in 2005, was certified twice platinum in the United Kingdom.

[23] Decima Research Centre, *Attitudes and Behaviours Towards Canadian Music 2008*, Public Opinion Survey conducted with 1505 Canadians aged 15 and older. Phone interviews conducted from June 24 to July 15, 2008. Report available at : http://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/canadian_heritage/2008/008-08-e/report.pdf

[24] *Canadian Internet Project*, 2007. All study results are available at http://www.canadianinternetproject.ca/en/publications.htm

[25] While all respondents were surveyed on their music CDs and DVDs purchases, only those who had Internet access were asked questions on paid downloads of full albums and individual tracks. Only those respondents owning a cell phone were asked questions on the purchase of ringtones.

[26] These percentages are calculated based on all Canadians with Internet access. Thus, they include a portion of Internet users who do not make online purchases; this portion may vary from one demographic group to another.

[27] Includes respondents who stated “agree” or “strongly agree”.

[28] 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 Agency (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.

The amounts of royalties for mechanical rights are not available for public dissemination. It is however possible to refer to 2005 data published in a special study and summarized in the Canadian Music Industry: 2006 Economic Profile available upon request.

[29] Excludes any special cable arrears, pay audio arrears, cable overhead rates and private copy distributions.

[30] American Society of Composers, Authors and Publishers

[31] Broadcast Music Incorporated

[32] SOCAN writers' royalties by distribution pool in 2007 (000): television-cable ($7,618), television-broadcast ($9,294), radio and general ($8,601), concerts ($1,387), cinema ($15), pay audio ($451), international affiliated societies ($35,265).

[33] SOCAN publishers' royalties by distribution pool in 2007 (000): television-cable ($12,311), television-broadcast ($14,327), radio and general ($16,476), concerts ($3,860), cinema ($236), pay audio ($872), international affiliated societies ($7,873).

[34] Data from the "Financial Highlights" section on the CPCC web site, http://cpcc.ca/english/finHighlights.htm (referenced November 9, 2009).