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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Tuesday, April 1, 2014**

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**Chair**

**Mr. Gordon Brown**



## Standing Committee on Canadian Heritage

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• (1100)

[English]

**The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)):** Good morning, everyone.

We are going to call this meeting number 16 of the Standing Committee on Canadian Heritage to order. We are currently undertaking a study of the Canadian music industry.

This morning we have, for our first hour, an esteemed panel before us. We have three organizations with us today. First of all, from the Alliance nationale de l'industrie musicale, we have Natalie Bernardin, president, and Benoit Henry, the chief executive officer. From the Songwriters Association of Canada, we have Greg Johnston, vice-president, and Jean-Robert Bisaillon, vice-president. As well, from the Gospel Music Association of Canada, we have Martin Smith, president.

Each group will have, between them, eight minutes.

[Translation]

We will begin with the witnesses from the Alliance nationale de l'industrie musicale. You have eight minutes.

**Mr. Benoit Henry (Chief Executive Officer, Alliance nationale de l'industrie musicale):** Good morning. Thank you for inviting us.

We have three tools that we use to evaluate the status of the music industry in the francophone and Acadian communities, that is to say the francophone minority communities. They are two studies that were conducted in 2001 and 2005 and our own knowledge of the field.

We conducted the 2001 study with funding from the Canada Music Fund. The Alliance nationale de l'industrie musicale, ANIM, had just been established. The study showed that music industry artists and artisans in the official language minority communities were getting very little federal government funding. That caused several problems with respect to the circulation and professionalization of artists and reduced our ability to promote them.

The 2005 study, which was commissioned by the Canada Music Fund, was conducted by Nordicity. That study, which was done five years later, was another attempt to establish an economic profile of the Canadian francophone music industry. According to this second study, there had been a distinct improvement in Canadian francophone artists' access to funding, particularly to Musicaction. That better access had obviously had a positive impact and other indicators had improved.

Natalie will round out the picture by outlining what has happened since 2005.

**Ms. Natalie Bernardin (President, Alliance nationale de l'industrie musicale):** I will provide a brief report on the current situation, as Benoit said.

The Canada Music Fund, through Musicaction in particular, helps provide direct funding for recording projects and marketing projects. That means the promotion and circulation of our artists.

ANIM monitors the allocation of that funding. We are pleased to note that we have managed to obtain funding roughly commensurate with our demographic weight. We are involved in this monitoring effort with Musicaction, working with that agency to try to maintain this level. Musicaction's budget is unfortunately not rising even though music production in the Canadian francophonie and Canada as a whole is increasing, resulting in greater pressure in this area.

We are very pleased and satisfied that the Music Showcase program is being extended. This is a program that enables artists from the Canadian francophonie to circulate in the same way as those from Quebec. Consequently, it is a real success for us because they are circulating now more than ever.

The picture is less positive with regard to the Canada Council for the Arts. With a budget of \$8 million, the francophone communities are not even receiving 1%. That is an approximate statistic for the period from 2007 to 2012.

With respect to industry professionalization, although progress has been made in production in particular, there are still deficiencies, particularly in artist support infrastructure. Artists thus receive little support from professional services. That means management, production and promotion. It also means that limits are being placed on the outreach of artists and their products. This is quite a significant missing link. Associations that provide services to the arts of course play this support role, but in too many cases they lack the resources they need to do it, even though they are meeting industry demand for the moment. This is still a significant missing link in artist support.

With respect to market penetration and development, despite the fact that distribution structures are developing, we are still facing challenges associated with market size, circulation across the country as a whole, which is immense, and the ability to penetrate the Quebec and international markets. This is improving thanks to the Music Showcase program in particular, but the battle is far from won. This is a long-term effort, and we must not give up.

As a result of all this, commercial activities still show poor profitability. This is the new music economy, and it requires new funding sources: sales of products such as CDs, digital and other tracks, fundraising campaigns, the collection of royalties, shows, publishing and so on. All these funding sources help artists live from their music. CD sales or tours alone are no longer enough for artists to live on their music incomes.

As regards promotion, production among Canadian francophone artists is becoming more and more varied in an increasingly segmented market. There is something for everyone. However, these artists remain relatively unknown. Initiatives such as the Gala des prix Trille and the Gala des Éloizes give these artists access to a national platform thanks to Radio-Canada in particular. It is here especially that our arts service organizations and our media can play a major role. With more promotional resources, our organizations and media, such as 100 Nons in Manitoba, Musique Nouveau-Brunswick and APCM in Ontario, offer stability and legitimacy for our artists' work and products. They can rally audiences and inform the general public about artists' new offerings and activities. They are genuine hubs of information and support for the music industry and for these artists with whom we work.

As for strengthening our national organization, ANIM fully plays its role with the help of a single employee. I am always amazed to see how actively involved ANIM is. It carries out numerous projects and plays the roles of analyst, mediator, guide, promoter and so on.

I repeat that the health of our organizations is an essential link in the chain of healthy music production, particularly in the Canadian francophonie.

• (1105)

[English]

**The Chair:** Okay. Thank you very much.

We'll now move to the Songwriters Association of Canada for eight minutes.

**Mr. Greg Johnston (Vice-President, Songwriters Association of Canada):** Good morning. My name is Greg Johnston, and I currently serve as one of two vice-presidents on the board of the Songwriters Association of Canada. On behalf of the S.A.C., I'd like to express our thanks for the invitation and opportunity to speak with you this morning.

The S.A.C. is a registered national arts service organization with approximately 1,500 members dedicated to educating, assisting, and representing Canadian songwriters. An association run by accomplished and active writers, the S.A.C. is committed to the development and recognition of Canadian songwriters by pursuing: their right to benefit from and receive fair compensation for the use of their work; the advancement of the craft and enterprise of songwriting through educational programs, networking opportunities, dissemination of business knowledge, and other services; and the development of activities that allow members to reach out and enjoy the sense of community shared by songwriters.

The board of accomplished songwriter-directors of the S.A.C. is drawn from across Canada. The association works in cooperation with and supports regional associations across the country.

In the context of this committee's work to study the state of the Canadian music industry, I believe it is of great importance to define who we are as songwriters. We are entrepreneurs. We are self-employed. We are artists. Some of us are performers as well, but a great many of us are not. We work mostly behind the scenes utilizing our talent, wisdom, experience, and skill to build the foundation of the music business—the song. Socio-economically we are a diverse community. A great deal of us are, like myself, middle class. We raise families, pay taxes, participate in our communities, and are essential to the music industry.

Canadians are highly successful exporters of music, but it is important to remember that although the record labels and performers are the face of this success, it all starts with a song. Songwriters are in essence the raw material of the industry. I make this point to illustrate the uniqueness of our place within the business. Our challenges, our successes, our needs, and our concerns are better understood when one first recognizes songwriters as a distinct and autonomous sector within the music industry.

We at the S.A.C. also believe it is important to examine the economic influence of the songwriter-publisher, or creator, side of the business as it compares to the record label-performer, or maker, side of the business. In the end, it was probably Mr. Reynolds, former president of Universal Music Canada, who best stated the conundrum when he expressed the view that establishing the relative value of the authors' and performers' contribution in a successful recording was the classic chicken-and-egg situation. He didn't think you could extricate the two to say one was more important than the other.

Recently the S.A.C. has joined the ACCORD group representing almost all Canadian songwriters and publishers through their unions and associations. Research is being carried out on the contribution of the ACCORD community to the Canadian economy, and although the study is incomplete, it is clear that the songwriter contribution is roughly the same as that of the Canadian record labels, both major and independent, according to the CIMA and Music Canada studies.

Considering the current state of the industry, we at the S.A.C. know that the ability of songwriters to earn a living is in jeopardy. Over a decade of escalating unauthorized uses of our works has eroded the royalty stream we rely on almost exclusively as income. The hardest hit will be the songwriting middle class, the group that is undeniably the engine of the sector. Although pundits and experts alike expect new streaming models of music consumption to reach the \$40-billion mark globally within five years, creators must be represented fairly in the value chain. When artists like Zoë Keating are reporting 2013 Spotify earnings of \$808 from 201,402 streams, it becomes apparent that there is still much work to do on the sustainability of the streaming model.

We ask the Government of Canada to support the Songwriters Association of Canada in our efforts to research and establish guidelines for fair compensation for songwriters in regard to new digital models. We must do all that we can to ensure that individual Canadian music creators receive a fair share of the new and growing revenue streams that without our work would not exist.

Jean-Robert.

• (1110)

[*Translation*]

**Mr. Jean-Robert Bisaillon (Vice-President, Songwriters Association of Canada):** Good morning.

My name is Jean-Robert Bisaillon and I am an elected member of the board of directors of the Songwriters Association of Canada. I am co-vice-president together with Greg Johnston.

I too would like to thank the Standing Committee on Canadian Heritage for allowing me to speak as part of its consultations on the Canadian music industry.

To begin with, I will cite one of our joint objectives.

[*English*]

“Ultimately, the Canadian Sound Recording Policy will...adopt a more holistic approach to developing this sector.”

[*Translation*]

For the SAC, this holistic approach is based on the fundamental fact that all links in the industry chain that produces great Canadian music must be valued equally.

We feel that current support measures for singer-songwriters and the royalties we receive from online music providers will ultimately be inadequate to enable us to stay in business. Consequently, for us, a holistic approach means establishing a sustainable industry that can regenerate itself.

New technologies are fabulous. I myself am involved in the software sector. However, they also have very disruptive effects. Our sector has suffered a 40% loss in value since physical music media disappeared. This has disrupted the experience of Canadian consumers without any satisfactory new models being introduced. We are dealing with permanent downloading from iTunes and file-sharing on BitTorrent networks using USB keys and cloud storage. There is also interactive and semi-interactive digital radio and online mobile listening. We are even seeing a return to vinyl. We believe that consumers are completely lost in all this.

One of the objectives of the music industry consultation exercise is to find ways, and I quote:

• (1115)

[*English*]

“To enhance Canadians' access to a diverse range of Canadian music choices through existing and emerging media”.

[*Translation*]

Our music industry, like consumers, does not have access to Canadian music platforms or digital apps created by Canadian tech

start-ups. No one has access to satisfactory new distribution or consumer models.

The Songwriters Association of Canada is constantly looking for ways to study and document this situation. Out of our own resources, we funded a study on Canadian peer-to-peer music-sharing practices, that is to say file-sharing. We are currently conducting a study on fair compensation for creators in accordance with effective royalty rates based on digital use. The following statements are taken from that study.

The songwriting model is no longer sustainable. Despite our role as the primary content provider, our revenue share is largely insufficient relative to those of other industries. In streaming radio, our share of costs incurred by the platforms is less than 1%.

As Greg mentioned, we are saying that digital streaming radio industry revenues should increase. Most subscriptions to those services are currently free of charge and generate royalty levels that are tantamount to piracy. Even an increase in paid subscriptions for these services would not help us. Music creators must invariably receive a larger share of the revenue stream.

Several income sources are currently excluded from the calculation of royalties. Please note that contractual advances paid by some labels from certain music platforms are excluded from the calculation, as are revenues from the sale and mining of user data, some ad revenues and gains generated by the issuance of public shares by certain players.

[*English*]

I'm almost done.

[*Translation*]

In order to obtain equal remuneration, we must be able to put transparent reporting processes in place. We believe that music industry businesses could gain a competitive advantage in this area by meeting new transparency requirements.

We would like to test these Canadian music service certification models in cooperation with representatives of the entire industry chain, including content aggregators, high tech start-ups and telecommunications businesses. Songwriters must be able to conduct independent studies and compliance tests specific to their needs.

Lastly, these efforts will help restore consumer confidence in legal online offerings and in the Canadian industry in general.

A holistic frame of reference means, above all, a sustainable music industry ecosystem.

Thank you very much.

**The Chair:** Thank you.

[English]

We'll now move to Martin Smith from the Gospel Music Association of Canada for eight minutes.

**Mr. Martin Smith (President, Gospel Music Association of Canada):** Good morning. Thank you for the opportunity to speak with you today.

My name is Martin Smith, and I'm the president of GMA Canada, also known as the Gospel Music Association of Canada.

Before I drove up here today, I was thinking about the heritage and place of gospel music in our country. It could easily be argued that the heritage of gospel music in Canada predates the formation of our country.

The Christmas hymn *The Huron Carol* was written in 1642 at a mission in Sainte-Marie among the Hurons near present-day Midland, Ontario. The music was based on a traditional French folk song, with the current English lyrics added in 1926. Over the years, the song has been recorded by Bruce Cockburn, Tom Jackson, the Crash Test Dummies, the Canadian Tenors, and non-Canadian artists as diverse as Burl Ives and the Vienna Boys Choir.

*The Huron Carol* may be the first signpost in the journey of gospel music in Canada, but it is just the tip of the iceberg and now represents music that can be heard in every province and territory, and in every conceivable genre: folk, pop, rock, country, jazz, classical, heavy metal, choir, urban rap, quartet, dance, francophone, aboriginal, gospel Caribbean, blues, roots, hymns, and yes, Christmas music. All of these things fall under gospel music.

The sound of gospel music is as diverse as our country. Whether the songs are being played in churches or stadiums, or on the radio or at home, the Canadian gospel music industry is thriving and is part of our country's legacy.

In 1974 the Canadian Gospel Music Association, now known as GMA Canada, was formed. At first the organization was primarily Ontario based and specifically linked to what we call light inspirational and southern gospel music. If you're not familiar with southern gospel music, think four-part harmony quartets with four men wearing the same suit.

Over the decades, GMA Canada has changed to reflect the changes in both the musical styles and the needs of the artists who are our members. Today, GMA Canada exists to serve and celebrate the artists from coast to coast to coast. This is done through our annual artists retreat, the annual Covenant Awards and banquet, various events, workshops and showcases, and the broadcast of the awards program on national TV each fall.

GMA Canada's work is to raise the profile and interaction of gospel music artists, songwriters, producers, promoters, radio stations, distribution, retailers, and churches. The organization is run by a volunteer board of eight women and men who work closely with the greater community to foster the impact and success of Canadian gospel music. As part of that growth and communication with artists across the country, we have introduced many new elements, such as training workshops with industry leaders, the artist songwriting retreat, and a more impactful awards program.

We introduced, for example, the lifetime achievement award that has honoured Canadians such as Tommy Hunter, the Toronto Mass Choir, and also George Beverly Shea, who sang in front of more people in the world than any other artist in history due to his travels with Billy Graham. He was born just down the road in Winchester, Ontario.

We have honoured industry builders, retail giants, groundbreaking artists, and influencers. We added several new categories to recognize music from every community, whether French, English, or aboriginal. We included awards for graphic design for albums, for songwriters, for music videos, and for a whole array of other categories. We created the Canadian Gospel Music Song Hall of Fame to pay tribute to earlier works such as *The Huron Carol*. If you were to look back at the original lyrics of *The Maple Leaf Forever*, or even of our national anthem, you would see that the lyrics are about faith and the aspirations of a nation, and they go hand in hand.

The greater gospel music industry includes 30 full-time radio stations, with twice as many repeaters, in communities as far stretched as Grande Prairie in Alberta, and Mount Pearl in Newfoundland. The country is host to major events such as YC, which is a youth event held in Edmonton, Winnipeg, Langley, and St. John's. The annual event in Edmonton has seen 17,000 young people pack the same stadium that Wayne Gretzky used to call home. There are festivals, conferences, weekend church services, and coffee shops that see the playing of gospel music each week.

Sales of gospel music in Canada exceed over \$10 million annually, including both physical goods and downloads on iTunes and other Internet sources. David C Cook Distribution in Paris, Ontario, distributes the bulk of the music to religious retail stores, but most of the major mainstream record labels also have a roster of gospel artists, including Sony, Universal, and the Warner Music Group.

● (1120)

This income does not count the CCLI report, which collects fees for songs sung in churches each week, the fees for live performances, or other income from radio or television.

Artists, producers, record labels, and distribution are all active in producing significant income, whether it is royalties for a recording or staying in those hotels while they tour the country. The biggest challenge for our community is being able to tap into government funding. Many artists have not been able to receive support from FACTOR, as an example, because our industry is made up mostly of independent artists whose CDs do not sell in HMV or Walmart. Our organization has struggled to gain recognition for our members and receive support for our annual GMA Canada week, which includes those key elements of training, showcasing, and the annual awards program.

Many of our artists have looked southward to record labels based in Nashville or Colorado Springs to find the kind of support they need, but as you can imagine, very few artists are signed to those kinds of deals. GMA Canada, as an umbrella organization representing a significant art form and community, continues to seek both recognition and financial support to allow our artists to grow, learn, train, and mentor the next generation. Whether the song is *The Huron Carol* or something from Tim Neufeld's new album "Trees", which won a Juno Award on the weekend, the gospel music community is a Canadian heritage gem waiting, like most of the country, for spring to arrive and its bud to blossom.

Thank you for your time this morning.

• (1125)

**The Chair:** Great. Thank you very much.

We will now move to the questions.

Mr. Boughen, you have seven minutes.

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

Let me add my voice of welcome to the panel. Thank you for taking time out of your busy schedules, I'm sure, to spend part of the morning with us. We appreciate that.

I'll ask a general question and maybe earmark one of the panel to respond, but other members can feel free to jump in and share their thoughts with us. The questions are pretty generic and pretty wide open.

Greg, you were talking about revenue shortfalls and what can happen or what should happen. Can you expand on that a little bit? What recommendations do you have that would increase the probability of more dollars going to the performers to help them with their careers?

**Mr. Greg Johnston:** That's a great question, and a very complicated one. I don't actually pretend to have all the answers, but I'll give you a couple of examples that you might find interesting.

If you have a million plays of one of your songs on Rhapsody, for instance, that will get you \$11,000. That's a million plays—an extraordinary amount, a bona fide hit. Then we go down to YouTube, where a million plays gets you a whopping \$1,750. This is assuming you wrote the song yourself. If you co-wrote it, then you actually get half that amount.

The problem we're seeing is that these massive, massive global companies are coming in, and basically they're start-ups. They talk to the labels, and the labels licence their entire catalogue, because that's how the service works. If you can't get all the songs, no one will want to use the service. So they licence the entire catalogue, and then there are the provisions where a company like that, if they licence the entire catalogue, doesn't actually have to share the revenue stream, because it's licensed for them as a whole, so a lot of artists don't participate in that at all.

We also have a problem with how they divide up the amount the record labels get and the amount the publisher or the creator side of it gets. We find that we're not participating in this conversation at all when these companies are starting up and they're being allowed to do business.

It's increasingly looking like it's really just not possible for us to function in this environment. There have been a lot of questions on whether there needs to be more regulation on this business or more cooperation with the government. Essentially they're a tech company, and arguably a telecommunications company.

There are a lot of challenges. Right now we just want to bring light to the issue. It's time to have some serious discussions about this, because this type of activity could be the collapse of the creator side of the business. It's very dire.

**Mr. Ray Boughen:** Thanks, Greg.

Martin, how does gospel music fit into that in terms of financial involvement? Is it solid, not so solid, or is there room for improvement?

**Mr. Martin Smith:** It's not solid. That's for sure. The same problems Greg was talking about we would echo, because of course our community represents people who are creating songs and writing them. Not all of them are performers, but their income streams are drying up. They're not selling physical CDs as they used to. At least for our community, they're not getting a whole lot of radio airplay, so there are not as many chances to tap into income.

Record labels are signing fewer and fewer artists. The roster is shrinking down, and of course, from their perspective, that makes sense. They're looking for money too, so for an artist to write songs or for an artist to get out and perform before people, they need support. I would echo what Greg was saying that on the songwriters' side, people are not going to be able to make money from writing songs with this kind of system in place.

**Mr. Ray Boughen:** In your world, Natalie, how does this factor into increasing performance by artists and giving them a chance to excel?

**Ms. Natalie Bernardin:** I also echo what Greg was saying. In our reality, because we're predominantly independent artists—there's co-writing, but we don't have a lot of labels and revenue streams that we have to share—we're probably going to feel it further down the line. You guys will feel it first, because there's that relationship and split of the revenue. But the fact is, if we're not getting our fair share, if the songwriters aren't getting their fair share, there will be a collapse of that creative sector.

• (1130)

**Mr. Ray Boughen:** I guess one of the questions is what tools songwriters and composers need to break into the music industry. If we go back to square one, is there some way that young people can get into the industry? Are there some tools they need to get in? How does that work?

[Translation]

**Mr. Benoit Henry:** I would like to clarify one point.

In our language, when we say "the Canadian francophonie", that is shorthand for the official language minority communities. The Canadian francophonie is a shorter expression that we use to avoid referring to francophones outside Quebec. It is not very pleasant for us to define ourselves in those terms.

That being said, the music industry crisis that Mr. Bisailon described earlier—we are not talking about the new music economy here—has not hurt just the artists. When the Alliance nationale de l'industrie musicale was established in 2001, there were enormous numbers of complaints in the francophone and Acadian communities. Access to funding was virtually impossible. You can state the figures in absolute terms or as percentages, but artists in the Canadian francophone communities barely received \$200,000 in 2001. Ten years later, however, the figure was more like \$1.3 million at Musicaction, for example.

So this means that there has been some catching up. For a long time, we said we had a lot of catching up to do, but we have stopped saying that because we do not want to catch up to a model that is exploding or collapsing.

On the other hand, we have clearly experienced both growth and consolidation in our communities as a result of available funding. For example, under Musicaction's Music Showcases program, which is funded under the roadmap for official languages, we are now able to obtain 15% of available funding. Francophones outside Quebec, who represent 15% of francophones in Canada, are receiving an appropriate percentage.

Many agencies and organizations in our network are funded through official language support programs, which foster the emergence of new artists. Those programs play an important role in that they help artists become professional, promote themselves and develop markets. Natalie talked about the 100 Nons agency in Manitoba. There is also APCM in Ontario and Musique NB in New Brunswick.

**The Chair:** Thank you.

[English]

We'll move now to Mr. Kennedy and then Ms. Mathysen for seven minutes.

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

Good morning and thanks very much for coming. I'm enjoying these stories although they're a bit hard. I think the industry is in a period of transition.

I was a musician for about 10 years, and my brother is currently in a band touring around Europe, so we often discuss how artists who have decided to make this a profession make a living at this now.

When I was playing music, the thing was to get a deal with a big record company, and CDs were just coming onto the market. That was the old model. Now with my brother playing, when he puts a CD out, within 10 seconds it's up on the torrents, the streams, and he has no way of capturing revenue. So they get it from selling other products.

I'm just wondering if you can answer perhaps two questions, and maybe think about mid-career artists or artists who are just emerging as full-time musicians and how they make their money. How do you think the government might support the development of products other than recordings?

Thanks, Mr. Chair.

•(1135)

[Translation]

**Mr. Jean-Robert Bisailon:** To answer your question on how the government might support the development of other products besides music itself, I would say that Musicaction, for example, has made a significant shift by supporting performance activities associated with sound recordings. It has become clear that live activities generate a lot of revenue, which is an excellent thing.

We also mentioned that FACTOR and Musicaction are doing a very good job of helping launch careers, and I do not think that can be questioned. However, we are seeing well-established, very prominent industry players slowing down and declining in size. This is where things are becoming worrisome.

I do not think we can really support other types of products derived from music to offset losses resulting from the disappearance of actual CDs. We have lost a major product and will not get it back. The only thing we can do is rebalance revenue streams so that the entire chain can benefit from the wealth because the wealth is there.

Equipment suppliers, tech businesses and Internet service providers are currently capturing a large part of the wealth generated by digital music. In accordance with the concept of fair trade music, those businesses should be told that, if they still want to benefit downstream from this Canadian content that they like so much and that enables them to make profits, they will have to support the chain upstream or else the system will collapse.

**Ms. Natalie Bernardin:** I entirely agree with what Jean-Robert said. Revenue sources must be diversified in the new music economy.

Where the government has a greater role to play is with respect to allocation rights. The right players must be brought to the table so that Canada can establish a viable model.

[English]

**Mr. Greg Johnston:** Maybe I can jump in here. I think there are a couple of things we need to talk about here. I think the Musicaction and FACTOR have been very successful programs and they're an excellent way for someone to get into the industry. They're also a very good way for small businesses to get into the industry. They really add a lot to the economy and specifically the music economy. So first of all, I'd like to say that those are all very successful programs.

We would like to see the balance maybe shift a little so that the creator side could participate in those moneys a little bit more than the maker side, because we feel as though the labels and the indies and the performers have greater access. There's more funding available to them.



The thing is that no one is paying me to be a songwriter. They don't buy my songs. If a band or an artist wants to use my song, my publishing company allows them to do so. There's a licence in effect. I get paid only if it's played on the radio or if someone sells a physical unit of it. So someone has to buy it on iTunes or they have to buy a disc. That's the only way I get paid. I don't go on tour with them. I'm way too old. I don't sell any T-shirts. All of those other tertiary parts of the music business, I'm not allowed to participate in them. There are a lot of guys and girls like me out there who just do the writing part, so this is really difficult especially for just the creator side. Any way we can help the creator side of the business keeps the business a little more in balance. Right now, it's a lot out of balance.

I just wanted to make it clear how we actually do make our money. Every disc not bought, every album downloaded off the Internet for nothing is just some pennies that I don't get anymore. That's how the situation works.

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

Thank you for being here. This has been quite an education for me, because I'm not terribly familiar with the music industry.

I keep hearing some repeated themes. Some of them disturb me very much.

Mr. Johnston, you've said twice, in a couple of different ways, that the ability of songwriters to earn a living is in jeopardy and that there could be a collapse in terms of the creator side of music. From my perspective, that's pretty much the end. If people can no longer do the creative part because they're starving, because they can't possibly do it and make a living, it seems to me that we're in real jeopardy.

What I keep hearing—and I think this may be a concrete recommendation that should be part of our report—is that there needs to be a collaborative effort. Government needs to take the lead, and we need to bring all the parties to the table: the creators, the producers, the marketers, and the providers, the Internet providers and streamers. We need to bring the parties to the table and work out a system whereby everyone benefits, where the creative process can continue, because it would seem to me that these Internet providers, the streamers, are not going to fare very well if those creators aren't there to provide that incredible product.

I'm wondering if you could comment on that and if that makes sense in terms of the kind of recommendation that I think is emerging from the discussion we've been having.

• (1140)

**Mr. Greg Johnston:** I'd like to say first off that over the last 10 years I think there has always been a lot of finger pointing: you're to blame, you're to blame, and you're to blame. I think that the more collaborative an approach we can have, the better. I would look at the ISPs as our friends, as providing one of the most incredible distribution systems the world has ever seen.

I think a collaborative approach with the ISPs...and yes, a lot of people use the ISPs to get our content. Maybe there are some more regulatory things that can be discussed about access to certain sites through your ISP provider, but I don't want to have a finger-pointing game. I think it's really important to look at this on a systemic level.

That's why, for the S.A.C., I think we feel that one of the most important things we're doing right now is researching this. We want to do studies. We want to figure out how much money this stuff is worth so that we can talk to an ISP and say, "We think this is what this is worth." We can go to a streamer like Spotify or Pandora and simply say to them, "You know what? This is an unacceptable royalty rate, and really we think you're just starting a business that you're going to take to an IPO as fast as you can, and you're going to cash out all your stocks." There really isn't—

**The Chair:** I hate to cut you off, but we're well past the time.

I want to thank Ms. Mathysen and Mr. Stewart.

[*Translation*]

Now we will hear from Mr. Dion. You have seven minutes.

**Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.):** Thank you, Mr. Chair.

Thank you for being here today. Your speeches go to the heart of the problem.

Allow me to describe to you how other speakers before you presented the matter. Some of them are highly influential in the field. They said that the world had changed and that they had to adapt and sell t-shirts and their image and that that was how they succeeded. They noted that many people were succeeding and that there was no observable decline in creativity in the music industry.

That is one message that we have received, and I would like to give you the opportunity to respond to that.

**Mr. Jean-Robert Bisailon:** The problem is that we may ultimately see a decline in supply. Today's easy access to digital is beyond comparison with anything we have ever known. That must not have the reverse effect of reducing the supply of Canadian content and cultural diversity.

**Hon. Stéphane Dion:** Are we seeing that kind of decline in supply?

**Mr. Jean-Robert Bisailon:** I do not have any figures to give you on that subject. That is one of the reasons why we are conducting studies and need to conduct more.

When we question people in the field and those who write music every day or are trying to break through, the logic is all too often one of "winner take all". Supply is definitely declining and shrinking in favour of very mainstream products, but that is not what music is.

**Hon. Stéphane Dion:** You have not given us a lot of figures, particularly Mr. Bisailon and Mr. Johnston.

I believe the committee would be more informed if you could provide us with copies of your presentations.

• (1145)

[English]

Mr. Johnston said that we are here to highlight this issue. We need to go beyond that now. You have an opportunity to come with very specific recommendations to the committee, which the committee will formulate for the government, about what you call the new balance that you want to see between creators and makers. How can that be done? We need to know your views about that.

**Mr. Greg Johnston:** We have a very specific request for that. We think it needs to be studied. We need money to do research and that's what we're doing now. This takes economists; this takes data. It all takes a lot of resources and we're a small organization. Any support that we can get from the government to further research these issues...because these issues need to be decided upon in an intelligent and informed way.

**Hon. Stéphane Dion:** In the meantime, are there any changes you would like to see in federal policy?

[Translation]

**Mr. Jean-Robert Bisailon:** If I may add one point on this research aspect, we are really saying that there is a need to establish certification for certain types of online products being offered and for certain partners in the economic chain.

We eventually want to certify certain types of products sold online and certain players in the industry chain in order to stimulate competition and to ensure that the authors of the proposals most respectful of the economic chain and all rights holders and parties in the economic chain have a chance to do business successfully.

We think the option that should be favoured should be to establish certification processes, but, as you know, that that is quite a complex task. We have options, but we are not prepared to state them at this time, although we are quite advanced in the process.

**Hon. Stéphane Dion:** This is a global problem.

Can we learn from what is going on elsewhere? Are any countries managing this better than we are?

**Mr. Jean-Robert Bisailon:** Not at the moment.

One thing is certain, however, and that is that this proposal to create a fair music environment is being extremely well received by all songwriter associations around the world. We are currently working with ESCA, the European Composer and Songwriter Alliance, with CIAM, which is an international association, and with Latin America and the United States through an association called the Music Creators of North America. So we are clearly establishing an international front on this issue of fair music certification. We can hope that Canada will be a forerunner on this front.

[English]

**Mr. Martin Smith:** I just want to add that the destruction of the music industry is further along than we think it is. I want to give you a statistic. In 1974 there were 31 different number one songs on the billboard chart. In 2013 there were 12.

You think, "Well, what does that have to do with anything?" The songs got better. They lasted in number one longer.

If you actually watch the statistics from the seventies on down, every year, there are fewer and fewer songs charting. Fewer and fewer songs in the public space. The cream is doing really well, but the middle and lower are really taking a beating, where there's no way for them to get to that point of being Arcade Fire.

**Hon. Stéphane Dion:** Please send these stats to the committee because it's key for us.

**Mr. Martin Smith:** Yes, that's not a problem.

It's a real and tangible difference in the industry over time. Shania Twain sold 10 million copies of three albums in a row. The last person to do that, over the last I don't know how many years, is Adele. One person in the whole industry reached that mark.

Yes, there are artists doing very well, but the bottom is doing very poorly. Whether that's a songwriter or an artist, they are not able to get into the industry as easily as they could and those rising up is just a small portion of the number of artists that are out there.

[Translation]

**Mr. Benoit Henry:** If we want Canadians to continue listening to our own music, to listen to each other and to acknowledge each other through it, we must maintain a series of tools that will help us deal with a largely internationalized music market. I say "internationalized", not "Americanized".

If we want to maintain our position in our own country and internationally, we need a Canada Council that is strong, that supports creation and promotion. We need programs, like Musicaction, that support marketing. We need programs like the Canada Arts Presentation Fund, which supports presentation. We need a series of measures. What is currently lacking is international support.

The entire world may be interested in Canadian production. In our case, a lot of work remains to be done, as we recently saw at a number of fairs. In short, a whole series of existing measures must be consolidated and others implemented.

**Hon. Stéphane Dion:** Thank you.

• (1150)

[English]

**The Chair:** We'll now move to Mr. Falk for seven minutes.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chairman.

Thank you all for coming here this morning and providing testimony to our committee.

Mr. Smith, true to the nature of your industry, you've provided a little ray of hope, or light, to the whole music industry. You made a comment that the industry is thriving. I'd like you to extrapolate a little bit more on that.

But you also made a comment that many of your artists, songwriters, find it difficult to access support from FACTOR. I'd like to have a better understanding of why they can't access that support.

**Mr. Martin Smith:** Our particular industry is I guess probably thriving in the sense that we have, as an organization, brought people together and taught them how to go from A to B. That wasn't really in existence for a lot of these artists before. They are finding out that they can get radio airplay, and there's an income stream there. They can play a song on TV, and there's an income stream there. These are things that a lot of them didn't even know about. There's where we're seeing some real growth.

I'm sorry, what was the second part of the question?

**Mr. Ted Falk:** You also indicated that many of your artists, songwriters and musicians, are not able to access funding through FACTOR.

**Mr. Martin Smith:** Right. A lot of that came from the fact that when they would approach FACTOR, there were certain rules in place, notably distribution, or where your album was being distributed. If you're not in HMV, you're not in Walmart, you're not with a record label, it doesn't get recognized.

There are some exceptions. Steve Bell out of Winnipeg is an artist who managed to get FACTOR funding, but a lot of that was not happening for artists and still isn't. We're having a tough time as an organization getting funding for our event, where we're bringing people from across the country to learn and be taught fundamentals, and to sit at the feet of people who've gone before them. It's very tough to get recognized and get funding for it, and I think that would help our particular organization and help our artists grow.

Our organization is facing a lot of the same problems these folks are facing. It's just that perhaps we've seen some growth because we've taken steps to inform and educate people. But yes, a FACTOR grant would be great.

**Mr. Ted Falk:** Our government is investing \$25 million annually in the music industry. From your perspective, and I'll open it up to the other presenters as well, where do you think our government could best spend that money? What would provide you the best traction?

**Mr. Martin Smith:** I think new and developing and middle-level artists need the most help to pursue their careers. I would echo the need for songwriters as well. They sometimes get missed in that equation. Some of them are just songwriters. They're not in front of people performing.

So I think those two areas could probably use the greatest assistance.

**Mr. Ted Falk:** To the others, where would you like to see our government investing funds?

**Mr. Greg Johnston:** We lost the creators' assistance program, which was part of that funding. That was hard for a lot of the songwriter organizations. We're still recovering from that. We provided a lot of programming and a lot of events for up-and-coming songwriters, to teach them skills. We're doing a lot less of that now.

To be honest, at this point, we just think the creator side needs to be more present and more represented within the funding. I think the funding has made some real success stories. Even for some higher-level artists who have been able to participate in those fundings, it's really brought them to an international market. It's done an excellent job.

I have an article here from the *Post* that for every dollar a Canadian band gets from federal and provincial governments, they contribute \$1.22 to the economy. I think that says that we're doing well, but I will echo it again. We need to do some research and we need to do it quick. We have to figure out how to stop the hemorrhaging of this business and try to take some proactive steps.

We're doing a lot of research now. We have accessed different sources of funding for that, but the more we can access, the better we can have a solution for everyone in the sector. We're not looking for a solution just for songwriters. We're looking for a solution for the sector too. We want the labels to do well. We want the publishers to do well. They're all part of the puzzle. If the artist doesn't do well, then they're not going to sell their record and I'm not going to get my 0.3¢. I want the artists to do really well too, and the record labels. It creates a whole healthy environment.

•(1155)

**Mr. Jean-Robert Bisailon:** There used to be a program called [Translation]

the Support to Sector Associations Program, SSAP.

[English]

That program used to give out money to associations to carry out studies. But we also have to be careful when we speak about studies. Sometimes we see something like a big document that stays on the shelf, but nowadays you can do studies that are much more proactive than that. You can do studies with other bodies of the industry and try to test pilot projects, for example. This, for us, is a way of researching solutions, through pilot projects.

I think there's definitely a way to support and try to innovate by supporting more research.

**Mr. Ted Falk:** For you as a songwriter, is there an industry standard that sets how much you get for writing a song when it's sold or when it's played? Or is that something you negotiate? How does that work?

**Mr. Greg Johnston:** Yes, in every country there's a—they're called mechanical rates, and those are based on units sold. It's formulated to the country, and they're all within a relative range. We've worked with those rates for many years. It's not an issue we're talking about on a physical unit sold, like a disc. We've all been happy with that. It's worked for us for years. We've been happy with the rates we get from performance rates for radio play and for TV play.

People stopped buying CDs, so then we have nothing left, and then they went to streaming, and they decided to make up one of the worst rates that we just can't...it's not a tolerable rate. It's not a business model.

**The Chair:** Thank you.

[Translation]

Mr. Nantel, you have the floor for three minutes.

**Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP):** Thank you, Mr. Chair.

First of all, I want to thank our witnesses for coming to meet with us today. I believe all committee members appreciate the information you are giving them. These are, in many cases, complex issues that we do not know very much about. Your contribution is of enormous help to us.

You all talked about issues regarding the visibility of Canadian music, but especially you, Mr. Bisailon. Like some of you, I attended the Juno Awards ceremony last weekend. It is always stimulating to see our culture doing well and being enthusiastically received. As you said so well, Mr. Smith, things are going well at the top, but not so well in the middle or at the bottom.

I met some people from the Centre culturel franco-manitobain, in particular Ms. Molin, who told me how important events such as Coup de coeur francophone and programs like "Pour un soir seulement" are and how they help create a critical mass. These are issues that must be considered.

Earlier we tried to determine whether it was possible to take specific action. I believe you are recommending that we conduct studies soon to find a solution and draw international comparisons. This is not a simple matter, even on that scale. Creators are fighting the same battle virtually everywhere.

I was at the Governor General's residence yesterday when the Glenn Gould prize was awarded to Robert Lepage. His only message was a request that the government once again support the international visibility of our creators.

I want to tell you that I find this concept of fair trade certification very exciting. Fair trade coffee is now part of our lives, somewhat like recycling paper. No one thought about it 20 years ago. Today the word "fair" is an additional factor in our purchasing decisions. A month ago, Deezer announced a kind of Canadian subscription. We are pleased to have achieved that visibility.

You are right to ask what measures can be taken to assist you in responding to this monopoly that has been established. This is a bit of a throwback to the 1950s. At that time, big companies had set rates that were viable for them over the long term based on volume and shareholder deals. However, it is totally inapplicable to independent businesses.

What can we do to help you in this regard?

• (1200)

**Mr. Jean-Robert Bisailon:** There is no simple answer to that. Digital is shaking up and completely transforming relationships between creators and the entire economic chain, which ends with the consumer. We won't be able to put our finger directly on the solution today. We would like to do so, but that will not be possible.

However, there are a lot of potential solutions, and we must have the intellectual discipline to examine them. I can cite a number of them. Consider, for example, the entire metadata problem. Accounting has been a crucial problem from the beginning of the history of music. Reports have always been complex and hard to understand. Today, with the number of micro-transactions that take place, the players' financial statements are absolutely impossible to understand.

Measures can be implemented, particularly based on the ISO standards of the International Standards Organization. Some ISO standards could help us identify and more accurately describe content circulating on networks and record their value more accurately. That is one of the options that should be explored. There are many others.

[English]

**The Chair:** All right, thank you very much. That's going to have to be it.

I want to thank our panellists for your contribution to our study. If you have any further contributions, please send them to us in writing, and I know that there were some questions for follow-up, so thank you very much.

We're going to briefly suspend to bring in our new panel.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1205)

**The Chair:** Good afternoon, everyone. We'll call the meeting back to order. We have a new panel who has joined us.

We have from Volu.me, Shawn Cooper, president and co-founder; from SiriusXM Canada, Andréanne Sasseville, director, Canadian content development and industry relations, as well as Paul Cunningham, vice-president; and by video conference from Toronto, Ontario, from Songza, we have Vanessa Thomas, who is the managing director.

We will start with Shawn Cooper from Volu.me for eight minutes.

You have the floor.

**Mr. Shawn Cooper (President and Co-Founder, Volu.me):** Thank you, Mr. Chair, for inviting me to meet with your committee.

First off, my name is Shawn Cooper, and I'm the president and co-founder of a company called Volu.me. We work with artists, and Canadian artists specifically, such as Hedley, Tegan and Sara, The Sheepdogs, and Sloan. We power their mobile applications, so we build native iPhone, Android, and BlackBerry apps that pull in all of their content from their various sources online and make sure that everything is live in the artist's app all the time.

I welcome this opportunity to help explain some of the ways in which technology is playing a pivotal role in the creation, distribution, and consumption of Canadian music content, while equally offering two suggestions on how the federal government could better aid in the funding of a music technology platform such as Volu.me.

The typical consumer of Canadian music content in 2014 carries an always-connected smartphone with them from the moment they wake up in the morning until the moment they go to bed at night. As a people, we've never been more connected or up to date in history.

With this new always-connected mindset have come greater expectations for intimacy with the musicians we listen to. It's no longer enough for an artist to simply write and release music for a fan to listen to. A fan wants a much deeper connection with an artist, expecting a window into their day-to-day lives and engagement on a level that is unprecedented.

Being a successful and bill-paying musician today requires fan development—the concept that you have to work to acquire your fans initially, followed by keeping the relationship with them alive and strong between album releases. An artist who fails to engage in fan development between album release cycles has little chance of being successful in the next album release cycle, because everyone who cared is no longer listening.

Without technology platforms, which enable these talented musicians to connect direct to fans on a scalable level, they would have little hope of successfully developing or monetizing their fan bases today. Building the technology platforms that help enable these musicians can often be much more complicated and expensive to develop and support than one might imagine. Today's platforms such as Volu.me are dynamic and ever-changing due to the way that they interconnect with other platforms, operating systems, or content distribution channels.

Unfortunately, this means that you can't just build, launch, and forget them, expecting them to just keep functioning. Even after initial development and launch, their operations often remain resource intensive, with developers required in an ongoing manner to keep up with changes in the other ecosystems the platform is connected to.

Easily the most expensive cost in creating and operating a music platform is that of development staff payroll. Your development team is going to make or break your ability to successfully solve and execute on a market problem. Unfortunately, with developers in high demand, often at very high salaries, it can be difficult for the Canadian music technology start-ups to attract or keep skilled developers, especially when competing against U.S.-based companies for Canadian talent.

Being able to get a platform like Volu.me to market can often include upfront costs in the hundreds of thousands to millions of dollars. Further to this, in the case of music platforms specifically, a projected break-even point on operating revenues is typically not possible or probable until you scale your users to a pretty massive level.

This makes music platforms, while very much required and leveraged by the Canadian music industry, a rather risky and often initially money-losing venture to create. Because of this, building out a music platform typically requires raising investment capital. This usually leaves entrepreneurs with two options: raise money in Canada or raise money in the U.S. Raising money in Canada typically means a smaller overall deal evaluation, as well as a reduced possible investor pool due to the limited number of venture capital institutions in Canada versus the U.S. Unfortunately, this often sees Canadian music platforms move south of the border just as they start to get momentum, due to a lack—again—of institutional funding in Canada as it relates to music technology ventures.

In leveraging programs made possible by Canadian Heritage, such as the collective initiatives program administered by FACTOR, along with having raised private investment capital from Canadian angel investors and music industry veterans, we've been fortunate enough to be able to fund the ongoing development of Volu.me based out of Toronto.

It is our recommendation that the collective initiatives program administered by FACTOR and Musicaction see their project timelines and budgets for technology-based projects increased to better reflect the actual budgets and timelines required to build music technology platforms that matter. Seeing an increase in project funding levels that could support several full-time developers on a project for a 12-month project timeline would enable Canadians to build the music platforms that our musicians need and could leverage worldwide.

Further to this, it is our recommendation that a grant program be set up to investment-match in Canadian music technology companies who manage to raise institutional funding. By this, what I mean is that if a Canadian tech start-up can go out and convince an institutional investor, such as a venture capital firm, to invest their own funds into a music platform, the federal government should use this vote of confidence on the investor's part as a barometer to the calibre of the project team and idea. Such investment-matching on the part of the federal government would make keeping music platforms and the jobs they create in Canada a much more viable long-term option, while equally ensuring that Canadian musicians are at the forefront of leveraging technology to further their musical careers.

• (1210)

I thank the committee for its time and look forward to answering any questions.

**The Chair:** Thank you very much.

We'll now move to SiriusXM. We have Andréanne Sasseville and Paul Cunningham for eight minutes.

[*Translation*]

**Ms. Andréanne Sasseville (Director, Canadian Content Development and Industry Relations, SiriusXM Canada):** Thank you, Mr. Chair.

It is really a pleasure to be here with you today and to speak with the committee.

I listened attentively to the remarks by Mr. Cooper and Mr. Bisailon and those of all the speakers. Everyone should hear what these people have to say. I think we could learn a great deal from it.

My name is Andréanne Sasseville and I am director of Canadian Content Development and Industry Relations at SiriusXM Canada.

[*English*]

Joining me today is Paul Cunningham, senior vice-president of marketing and sales for SiriusXM Canada.

Since the launch of satellite radio in Canada back in 2005, SiriusXM Canada and the satellite radio category have matured to a viable and sustainable business while offering Canadians more choice and diversity in their daily audio entertainment. Prior to and since the merger of both Sirius Canada and XM Canada in 2011, our efforts to consistently deliver the best in music and entertainment brands and exclusive content to our customers has resonated with the Canadian consumer. This is evidenced by a 90-plus per cent customer satisfaction rate and our subscriber growth is now up to 2.4 million Canadians.

We have clearly helped to fill a gap in providing Canadians the content they want and are looking for. This is especially true when it comes to generating and providing Canadian content to our customers. We are developing over 120,000 hours of Canadian programming every year and provide access to this programming not only to major Canadian regions but equal access to rural and remote areas with limited radio operations. We are providing increased diversity and a wide variety of programming choices, 11 genres, available to all Canadians and exposure to homegrown talent across North America.

SiriusXM is committed to being one of the top broadcasters of independent music in Canada, and since our launch in 2005 we've played a leading role in helping emerging English and French Canadian artists grow their audiences both in Canada and in the U.S. Outside of our broadcasts SiriusXM Canada is also at the forefront in providing increased exposure and financial support for Canadian musicians and spoken word artists, particularly where new and emerging artists are concerned.

SiriusXM Canada, through its subscription business model, has contributed more than \$75 million directly to artists through copyright and royalty fees as a result of our continued commitment to leverage the platform for the airplay of Canadian content. As well, our contributions to developing and promoting Canadian artists and our investment in music education and the cultural infrastructure required to provide this promotion are very strong. Canadian content development contributions are approaching this year \$70 million since we began operating in Canada. This year only, we're talking about \$11 million that will have been invested in CCD funding with a large portion of that investment going to institutions like FACTOR and Musicaction.

These institutional contributions, however, do not necessarily provide the best opportunity for artists, and that is our view. Where we are seeing greater success is in the development of programs that provide targeted and direct impact to artists' careers, impact where we can actually build a direct relationship with the artists. The proportion of institutional investments we support limit our opportunities to develop more grassroots initiatives that provide direct impact to Canadian artists. We could be doing much more together as an industry.

Whether it's providing exposure to emerging bands on movie screens across the country, showcasing emerging artists at events and festivals year round, all genres, or giving bands a chance to shine in front of one of our largest TV audiences at the Grey Cup halftime show, SiriusXM's innovation in funding these initiatives and others like them are providing direct results.

●(1215)

[*Translation*]

For those more used to Quebec television, a program is available to new artists who are exposed to a French audience across Canada. New artists are thus being given the opportunity to be seen and known.

[*English*]

There is definitely no shortage to promotions and initiatives that we can develop that impact artists directly, vastly enhancing and building a measurable trajectory for their careers. I recently had the pleasure of joining Minister Glover in Winnipeg during the Juno Awards week last Friday. We were at a local school and helped to present a music education grant through MusiCounts, an organization that we have supported for many years now and have contributed over \$1 million to. We presented to over 1,600 students and shared the news of this important grant alongside Canadian band The Trews.

This is just one of hundreds of initiatives we take part in to support our industry, and one example out of many that provide music into classrooms to help get today's young and talented musicians and aspiring Canadian artists onto the airwaves and our playlists of tomorrow.

Part of the maturing business has been to adapt to a radical change in the industry landscape. The many different ways in which Canadians are now consuming content today continues to shift and is complex. In order to continue to provide a sustainable platform for Canadian voices, we must introduce continued innovation and a level playing field from which listeners and artists alike would benefit. This is an important and vital step in ensuring that the opportunities for Canadian artists are abundant in the midst of this radical change in the ways Canadians consume music.

Broadcasters must adapt to this ever-changing environment to succeed. This is a given, but adapting within an unfair competitive environment is rife with implications affecting both the artist and the consumer. I did mention earlier a continued investment to the industry. The \$11 million SiriusXM Canada invests annually is sharply contrasted with the less than \$7.3 million investment from all commercial radio licensees combined per year.

We also must remain competitive with respect to unregulated music streaming services entering the Canadian market. Internet and mobile streaming companies currently pay nothing toward the Canadian industry related to artist awareness and growth, nor do they currently have any requirements to feature Canadian content or any other means that would aid the discovery of new music.

SiriusXM Canada dedicates millions of dollars and commits its platform every year to programs and initiatives designed to provide support and exposure to up-and-coming Canadian artists and especially to music education. There is clearly an opportunity for shared responsibility here. Without federal regulation and parity throughout commercial radio, satellite radio, streaming services, and other content-delivery methods, the Canadian consumer will begin to see a reduction in choice and talent, and the exposure potential of a vibrant industry will not be realized.

This is an exciting time for the music industry. There is great opportunity amidst the changing music landscape, and we do remain very hopeful that we can continue to support everything we're discussing here today. We welcome the opportunity to further work with the committee to explore these areas and to help develop with our industry colleagues an immediate strategy related to all our concerns.

• (1220)

[*Translation*]

Thank you very much for the time you have allotted me.

Once again, I will be pleased to answer your questions and to speak with you.

[*English*]

**The Chair:** Thank you very much.

We will now go to Toronto, to Vanessa Thomas from Songza.

Welcome. You have eight minutes.

**Ms. Vanessa Thomas (Managing Director, Canada, Songza):** Thank you very much.

I'm so sorry I can't be there in person. I had a CTV appearance this morning and couldn't get a flight out.

I'm Vanessa Thomas, managing director of Songza Canada. I'm very happy to be asked to speak today about the ever-increasing world of digital music in Canada.

Songza came to Canada in August 2012. We actually opened our physical offices in October 2013. Prior to opening the offices we grew organically to 2.4 million monthly unique users. We are presently at 2.7 million monthly active uniques. We are a music streaming service. We consider ourselves a lifestyle enhancement company where we provide playlists to the user based on their activity or their mood at that time of the day.

It's wonderful to live in a country where the government supports music. I welcome this opportunity to discuss how the money is spent and how digital services are going to become even bigger players in years to come. As radio becomes more narrow in their formats, which is happening, and the record labels reduce their marketing and promotion budgets, the digital platforms will become increasingly important to showcase emerging Canadian talent on a North American platform. We are not restricted by formats and can send good emerging talent into 1,800 different playlists within Songza.

We have good infrastructure in this country with our broadband services, yet we lag in our services in this space. The growth of streaming music content is far behind the U.S. Our revenues for

streaming were only 7% of the market last year whereas the U.S. reported recently that 21% of their revenues were from digital and streaming.

Why is Canada behind the U.S. and other countries in the development of music streaming services? One reason is that the regulatory framework in Canada doesn't foster innovation. The rate-setting process through the Copyright Board takes far too long, up to four to five years for an industry where business models are changing rapidly.

It's hard to build a business model without certainty as to how much you have to pay for the main inputs to your business. This certainly holds true for investors investing in these businesses. That's why Songza came to an agreement with Re:Sound—the organization that represents recording musicians and record companies—that allowed Songza to launch in Canada with certainty on those rates without having to wait years for a decision from the Copyright Board.

Services like Songza want to be able to use our platform for years to come, as we are now, to showcase emerging Canadian talent to North America that may not get exposure on regular terrestrial radio. However, the environment is not built to let digital companies thrive and succeed. The streaming services in countries with the most equitable streaming rights are challenged with building a business due to the cost of content. Canada continues to be among the most challenging countries in which to strike digital rights agreements with the publishers. This challenge has dissuaded many entities from actually operating in Canada, and in the end, it is the artists who suffer from that lack of exposure.

Digital companies cannot receive funding from the Canada Music Fund or FACTOR to help grow their businesses. There are no funds available within this space. Streaming music companies are paying more per stream in royalties than we are actually making in revenue, even with dedicated sales teams, at this early stage of our development.

Governmental incentives are often rooted in tax credits. Start-ups typically run large losses in the early years, which makes the tax credit of little or no value. However, digital music services' most significant cost is artist, label, and publisher royalties. If Canada were to develop a structure to provide subsidies for the payment of these royalties, it could both fuel technical advancement in new digital music services and distribution models, and also provide needed financial support for the creators and the performers. A subsidy approach is really a win-win for all interested parties.

Additional subsidies or incentives could be helpful to start-ups who create offices on the ground in Canada for purposes of localizing their services, both in regard to Canadian music repertoire in supporting the artist and Internet radio advertising of local Canadian businesses. Canadian ownership of the service as a whole shouldn't be the sole criteria in determining eligibility for grants, subsidies, and awards, to the extent the business operations in Canada are indeed focused on developing the domestic market, creating local employment, and breaking Canadian artists within their platform.

In summary, the government could help with marketing efforts for the pure music services to expand our reach, help with start-up funding grants for those new business models and change the criteria for those qualifications, provide tax breaks on the business costs of running a dedicated Canadian office, learn and understand the digital growth in Canada and support this digital innovation, and look outside of our boundaries to see what's happening in other countries. Accelerating the rate-setting process through the Copyright Board is essential.

• (1225)

Songza is a pure music service that is truly interested in music as an endeavour. We opened a Canadian office to further integrate into the fabric of the Canadian culture and promote Canadian artists. We hired a well-known industry veteran, Alan Cross, to head up our Canadian curation, and hired Canadian creators to create situations involving Canadian culture and artists.

Many streaming services are only having success as they are tied to a multinational, where the focus is not necessarily on music but other ventures. We are focused on local repertoire and are committed to supporting Canadian culture and artists. One example of this is the band Hey Ocean!, a Canadian band that we actually broke within our platform on Songza. The social media that came from that really propelled them to their first success.

I'm very excited to answer any questions. Thank you very much.

**The Chair:** Thank you very much.

We'll now move to questions and we'll start with Mr. Weston.

Please do not forget our panellist who is here by video conference.

Mr. Weston, you have the floor.

[*Translation*]

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you, Mr. Chair.

Ms. Sasseville, I may soon be tuning in to SiriusXM to listen to music at home when I have a lot of guests. I like what you offer.

[*English*]

I want to respond to Mr. Cooper.

You described a situation where the customer in your business, the client, is attached to the performer in ways unprecedented, that the supporters have digital access from morning till night and expect incredible access and good communication from the performer. I'm trying to think of some other profession that is analogous to that. Oh, that's us.

**Mr. Shawn Cooper:** Absolutely.

**Mr. John Weston:** We recognize what you're talking about, but it's a very interesting description.

I would appreciate it if I could ask all of you—Ms. Thomas and the ones who are here today—to think of two or three ways that government can improve support of the Canadian artist that don't involve subsidies. That's an obvious one.

It's clear when you come before us that would be top of mind, but maybe there are lower-hanging fruit. What are things we might not think about, or that our minister might not think about, that you can suggest that isn't purely fiscal?

Why don't we start with you, Mr. Cooper, and try to be brief.

**Mr. Shawn Cooper:** One of the most valuable things that I've had starting companies or working in the music industry has really been the mentors and the people who have sort of done that business before.

If the government was to try to work with a lot of these senior music industry people, senior technology people in this country, a lot of them are very open to helping out on mentoring, open to getting involved in that type of stuff. The knowledge that we have in some of those people is invaluable. We should be trying to get some of that out of them before they leave the industry as they retire and get older.

**Mr. John Weston:** What would the government's role be in that?

**Mr. Shawn Cooper:** I would guess more the matchmaking part of it. It's hard, obviously. I've been lucky to the point where I've been able to call and email people who should never accept my email in any way, and they've taken 30 minutes out to sit down with me.

I can honestly say that's probably done more for my companies and the artists who we work with than going to college, or any of that. Just getting to talk to the right people. Unfortunately, they don't always answer emails and stuff, so if the government could help play matchmaker a little bit, I could see very much benefit in that.

**Mr. John Weston:** Ms. Sasseville.

**Ms. Andréanne Sasseville:** In French or in English...?

[*Translation*]

**Mr. John Weston:** As you wish.

[*English*]

**Ms. Andréanne Sasseville:** I might go both ways.

**Mr. John Weston:** You can do either really well.



**Ms. Andr anne Sasseville:** I love what Shawn is saying. I think the mentoring part is very important. If I may I'll give a few examples of how SiriusXM Canada has established that through our discretionary CCD funding over the past nine years. We've used those funds. We've tried to balance it three ways and that's in speaking with a lot of people in the music industry where the smaller festivals need support. Then we pretty much put together our own programs that we felt were also needed, and music education is another one.

If you want to nurture your culture, you have to start literally when they're six, seven, eight years old and through schools. So we've pretty much teared it up in those three themes within our investments. Within festivals, through our discretionary fund we've elected to sit down individually with every one of them when we sponsor or when we help and ask what their needs are. What have they realized within their community, their region?

I'll give you a perfect example, le Festival en chanson de Petite-Vall e, which is in Gasp sie, came to the table and said what they needed were bursaries for the participants who come here to have a singer-songwriter atelier for 10 days. They can't pay to get here. We need bursaries for that. Then we need a bursary to send them into a studio and work with a renowned producer, someone who has experience, to mentor them through the process. We said, "Fantastic. We'll put half our funding to your festival for that and the other half for all the production needs of the festival."

So I think entities and broadcasters who are licensed in this country need to have the autonomy, the ability, and take the time to sit down with every party they're working with and establish the specific needs.

• (1230)

**Mr. John Weston:** What's the government's role in that?

**Ms. Andr anne Sasseville:** Probably to regulate all that. As a broadcaster in Canada we take the responsibility for doing it and we've taken huge pride in doing it, but we don't all do. We don't all have those Canadian requirements.

**Mr. John Weston:** Thank you.

Ms. Thomas.

**Ms. Vanessa Thomas:** As you requested I'm doing this with the filter of without monetary support, but if everyone could take the personal initiative to understand this digital music growth in Canada, understand the platforms, download the apps, look at how it is integrating with the Canadian culture and with the Canadian artists, and the platform it's allowing the Canadian artists to flourish on.... We do not have the limitations of formats. We represent all formats. We can come up with Canadian situations. Burton Cummings just did an entire "A Road Trip Through Canada" playlist for us with all his favourite artists on the playlist. He created it himself.

I think speeding up the Copyright Board. That doesn't cost any money. We really need to focus on.... The digital space changes every three weeks and with a period of four to five years to get a resolution, you can't function in that environment as a company or as an investor looking to invest in those kinds of companies.

As terrestrial radio gets narrower and limitations are put on it to get narrower in the formats, again the spillover will go to the digital

platform to showcase these Canadian artists. So understanding the space, looking at other countries and seeing how they've developed and grown, the percentage of revenues going to artists in our country versus other countries is very important knowledge to have when making all of these decisions.

[Translation]

**Mr. John Weston:** You mentioned education. What can the federal government do to help schoolchildren learn more about Canadian artists?

**Ms. Andr anne Sasseville:** A number of associations and organizations, including MusiCounts, are already in place. What MusiCounts does, and what is probably the best way to do it, is it awards grants to schools.

Students are present when the grants are awarded, and time is taken to introduce them to a Canadian artist. That artist has a chance to speak with the students, regardless of his or her musical style. The students are directly exposed to that type of music and given a chance to meet an artist following his or her performance. I think that is fundamentally important.

We also explain the complexity of the music industry and today's culture. There are so many ways to access culture that young people probably have no idea what that represents. The best way to do it is to provide it to them through very specific programs. We also present artists who tell them about their experience.

[English]

**Mr. John Weston:** Do I have time? No.

[Translation]

**The Chair:** I am sorry, Mr. Weston, but your time is up.

Mr. Nantel, you have the floor. You have seven minutes.

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

Thank you all for being here this morning. This is very important for us and we appreciate the time you are giving us.

Good morning, Ms. Thomas.

I want to show some enthusiasm about the fact the SiriusXM people are here. I don't want to take too much time for my introduction as too often happens.

When you entered the market, Andr  di Cesare was doing programming work for you in Montreal and headed up the team there. I remember that the record industry took a cautious view of satellite radio at the time. You have clearly done exceptionally well, first of all by improving your business's performance and visibility. Your support is also remarkable.

How has your revenue grown? How is your company doing?

•(1235)

[English]

**Mr. Paul Cunningham (Vice-President, SiriusXM Canada):** Financially we've grown the business dramatically over the last eight years. We have about \$280 million of revenue. I think we have an EBITA of approximately \$68 million for the last year. We've made it profitable and we've worked hard at it.

To answer the question you had of what the government can do, if you put out a fair and equal playing field when it comes to Canadian content and the Canadian CCD rules to everybody, everybody should be able to survive in that environment. If you can't make money, then raise your price. We offer a service today that's \$15.99. If you want to get Internet you pay \$4 more a month if you're an existing subscriber. If you're a stand-alone subscriber you would pay \$15.99. We do that because we have to be profitable. We're a publicly traded company and we need to grow. We've done that within the guidelines of Canadian content and also contributing over \$70 million in CCD funding in the last eight years.

[Translation]

**Mr. Pierre Nantel:** Mr. Cunningham, I would like everyone here to know the following.

You raise the profile of Canadian artists around the world in the same way the Volu.me people try to do it for Canadian artists on the new platforms that reach out to the entire world beyond our borders. French-speaking Quebec artists who happen to have access to a potential market are obviously a special case. They may represent a small percentage, but this is an enormous market, as in Illinois, for example.

That is what we must ultimately aim for. I was going to ask Mr. Cooper what he thought of the National Film Board's initiative to embed its own app on Samsung or LG television sets; I don't know which it is.

Earlier people told us there were no simple solutions. However, some very promising things are in the offing, such as what you are doing.

Do you believe the NFB has played its cards right?

[English]

**Mr. Shawn Cooper:** The thing to mention about apps is basically that they're only as effective as the user who wants to use the app and how engaged they get with the app. One of the questions we get often is from record labels that come to us and they want to put out a record label app that has all of their artists from within their roster. Right away we drew a line in the sand saying, no, we wouldn't do that. The reason for this is that artists' relationships with their fans are considered very precious to them. An artist doesn't want to send their fan to a place where they're going up against other artists. They can go down other rabbit holes.

I think the same thing, unfortunately, doesn't work for a lot of like the National Film Board apps and stuff like that, because they failed to really engage the end user to make the app a part of their lives. If you simply install an app once and you put it on your phone and then you forget about it, most apps are going to fail to call you back into the app. So some of the ways with artists that we try to get around

that are we look at the context of the person. So say I'm in Ottawa today. If The Sheepdogs announce a concert that's within 300 kilometres of me right now, I'm going to get a push notification specifically about the ticketing for that specific event, whereas if I was in Vancouver I wouldn't get bothered with that information. Unfortunately, if you don't have those handles to really engage the end user, the app dies often on the tree.

**Mr. Pierre Nantel:** This is so fresh and technological and new. It's very pertinent for us to hear.

I wanted to ask a question because we've been mentioning level playing fields.

So to Ms. Thomas, when you are asking for a quicker response from the Copyright Board, etc., I think that if the IFPI reports we've been hearing about are right, we are talking about the fact that in the business almost 80% of song consumption will go through streaming. So what is that level playing field according to you?

I've seen actually.... I referred to Songza, to Deezer on this French initiative that they have—I'm sorry, it is your initiative. So it's great for visibility, but what about this contribution to support Canadian artists money-wise?

•(1240)

**Ms. Vanessa Thomas:** Are you referring to Canadian content regulation or...? I'm unclear on the question.

**Mr. Pierre Nantel:** Canadian content.

**Ms. Vanessa Thomas:** Right. At this point if we took out all the Canadian-only playlists within our system, I think at least 10% of our roster is Canadian content only, Canadian playlists, supporting Canadian artists.

Obviously, we are dedicated and committed to being here. We have opened an office here. We have hired an entire staff here and curators to get into the emerging Canadian artists across all formats. We're working very closely with CIMA and the record labels to make sure we're uncovering all of that talent.

As to a level playing field, I can't really speak to that in terms of regulation or Canadian content rules or percentages. I'm sure we're at the percentage we're supposed to be. However, if that's what everybody considers a level playing field, then I'm sure our company would be happy to play in that.

In terms of the lag with the Copyright Board you referenced, a level playing field in line with other countries that can turn those regulations around in 12 months, so you can actually have predictability in building your business and having your investors invest in your business to grow, I think, would help. That's more of a global playing field.

**Mr. Pierre Nantel:** That's exactly it: investing, taking all the opportunities as satellite radio has done. If we want our artists and our culture to be part of this new phenomenon, we need to address it and invest our full attention on making sure everybody's happy, and making good money, and that there's good exposure for our artists.

Thank you.

**Ms. Vanessa Thomas:** True, and in terms of investing in particular initiatives with the music industry, we are supporting all of the festivals by creating curated playlists for the festivals and pushing that content out with Festival d'été, with Luminato, with North by Northeast, and various other ones this year, particularly around the music festivals from east to west and in Quebec.

So in terms of supporting content, we're doing that at this point, but we're four months in on a Canadian office. We'll get more ingrained in the music counts, I know, and I'm hoping to be on the CARAS board next year.

**Mr. Pierre Nantel:** Good start.

[*Translation*]

**The Chair:** Thank you very much.

Mr. Dion, you have the floor for seven minutes.

**Hon. Stéphane Dion:** Thank you, Mr. Chair.

[*English*]

Madame Thomas, Mr. Cooper, Madame Sasseville, Mr. Cunningham, thank you so much for being with us.

I'll ask you to participate in a little exercise. All of you spoke very fast. In reading your text, you had a lot to say. What was interesting was all of you came with recommendations.

May I ask you to repeat only your recommendations, listing them by priority and saying if they will be costly or not for the government to do so?

Mr. Cooper, you may start.

**Mr. Shawn Cooper:** The first recommendation I had was more so just a change, an update, on how the FACTOR and Musicaction collective initiative programs work. Right now the maximum per program application is essentially \$50,000 that's matched by our company. We receive \$50,000 from FACTOR, and we match that with another \$50,000 on our part.

The problem with that is it has helped us to augment our development, but realistically, without private investment from angel investors, industry veterans, we would have never been able to build what we have built.

The second part is simply on the matching for venture capital funding. We have a lack of venture capital in this country. We keep losing awesome technology platforms to the U.S. because they are forced to go there to receive the funding they need at scale. If the government could come in and essentially match when a Canadian venture capital firm is investing in a technology in music, specifically platform, it's a good way to vet essentially market acceptance for the product based on what the VC is willing to put in with their own money.

**Hon. Stéphane Dion:** [*Inaudible—Editor*]...is more costly in the first stage.

**Mr. Shawn Cooper:** One hundred per cent.

**Hon. Stéphane Dion:** Do you have an idea how they cost it?

**Mr. Shawn Cooper:** Realistically we wouldn't be talking about a lot of companies per year. There are maybe three to five serious music platforms in Canada that are raising venture capital level

money per year. So you are already going to weed out a lot of the smaller applications. Realistically you're going to be getting asked for \$500,000 to \$750,000. The average series A for a company is typically between about \$1 million and \$1.5 million.

**Hon. Stéphane Dion:** Thank you for these two recommendations.

Madame Sasseville and Monsieur Cunningham.

**Mr. Paul Cunningham:** As I stated earlier, what we would like to see is a level playing field from a regulatory and a CCD standpoint and to have it all equal across all different sources of music content in Canada. By doing that it allows us to continue to support Canadian music and also be able to compete with everybody within the marketplace.

● (1245)

**Hon. Stéphane Dion:** Do you have an idea how it may be done?

**Mr. Paul Cunningham:** I'm not an expert on that in terms of how we're going to do it if it comes to regulating online or how we would regulate it across. I know that's more the CRTC.... I really can't answer that today. I just know that it's one of the recommendations we see. We should all be operating on the same playing field—especially the new digital online services—supporting Canadian talent, and having the same regulatory guidelines that terrestrial radio has today and that we have.

The other thing we want to talk a little more about is investing in the artists. With the change in the environment, what it really comes down to is that the days of distribution or of record companies being able to distribute an artist and sell CDs are gone. An artist is lucky to sell 20,000 CDs—a name brand artist—so that area in that distribution is gone for them.

What they're really needing is some way of being marketed better within the marketplace. They're needing genres of music that allow them to be played within the genre of where they're successful, whether that's folk or some of the other genres that are out there. We need to be able to find innovative ways to go out and market and promote those people.

We're very proud of the amount of money we've spent and how we've spent our CCD money in terms of trying to do those things. I'll use Cineplex and what Andréanne does for us.... That's an opportunity for new and emerging artists to get out in front of a whole brand-new group of people and actually be exposed to them. They wouldn't be able to do that in any other way.

To your point, Shawn, earlier on, you can have an app, but if people don't know about it or don't use it, it's never going to expose you.

We've been very proud of the way that we've gone out to try to promote talent out there. We've done it differently from a FACTOR or a Musicaction. What we believe is that we should be allowed to continue to do that and to find innovative ways to go out and really promote artists. I think we have a long track record of success in doing that.

We don't feel that institutional groups that have been out there for a long time have necessarily been progressive enough for change. They're built more on the produce-a-CD type of approach. We believe that we must have a new and innovative approach, and that's going out and actually talking to our customers as well about the new and emerging artists.

**Hon. Stéphane Dion:** Thank you very much.

Madame Thomas...?

**Ms. Vanessa Thomas:** I have a few points, including help with the marketing efforts for the pure music services, which we consider ourselves to be, in that we're not tied to a multinational whose focus is not about music, and help with start-up funding grants for the new business models and changing the criteria for qualification, which does include being a Canadian-owned business. If it's a Canadian office of an American company that is committed, with various criteria, to the domestic market, I think there should be some window of opportunity there. Another point is potential tax breaks on the business costs of running a dedicated Canadian office.

Learning and understanding, as I was mentioning before, is so important. The personal education on the digital growth in Canada and supporting the education around that, be it in the schools...I didn't get to speak to that earlier, but introducing music, digital music, different platforms, and satellite radio.... There are all kinds of things that we can introduce to our children, who will eventually teach it back to us, because they're much better at doing that.

Finally, there is accelerating the rate-setting process through the Copyright Board.

**Hon. Stéphane Dion:** Why is the process slower in Canada than in the U.S.?

**Ms. Vanessa Thomas:** Honestly, I don't know. There are various levels they have to go through. The first round was a two-year process, and we've been waiting over 18 months for a decision. I don't know why.

**Hon. Stéphane Dion:** Do I have one minute? Okay.

I would like to ask you if you all agree with the recommendations of the others.

**A voice:** Yes.

**A voice:** If we all agree with the recommendations of...?

**Hon. Stéphane Dion:** Of Mr. Cooper and Madam Thomas.

**Mr. Shawn Cooper:** Of each other.

**Mr. Paul Cunningham:** I don't necessarily agree with Madam Thomas, but everybody has their own opinion in terms of expressing it.

**Hon. Stéphane Dion:** You have no opinion? Or do you think—

Yes, Madam Thomas.

**Ms. Vanessa Thomas:** I'm sorry to interrupt.

I also don't necessarily agree with all of Mr. Cunningham's either, so we can choose to disagree and have our own opinions.

● (1250)

**Mr. Paul Cunningham:** Just for the record, we are a Canadian-owned business.

But again, I just think it has to be a level playing field. You know, we have to charge for content. We have to pay artists. Having free streaming or something out there today is not going to trickle down to artists. People have to pay for content, and you have to be able to have a sound business model that pays the artists at the end of the day.

While I agree that we're slow with the regulatory in terms of understanding what we have to pay, at the end of the day we still have to pay those. So whether you accrue for it or you don't, you have to pay it, and we've paid over \$75 million in royalties and \$70 million in CCD.

**The Chair:** You have 15 seconds, Ms. Thomas.

**Ms. Vanessa Thomas:** Thank you.

We certainly deal with Re:Sound and we do pay a lot every single month, as we should, to the artists who are the basis of our business. So that is certainly not....

But I'm saying for the barrier to entry to other companies to grow the digital space, which is a place to showcase—where it's all about the artist and providing them space to showcase their talent.... The digital space is growing and it's growing worldwide and we can't stop it so we need to just support it a little bit more.

**The Chair:** Thank you.

We're going to move to Mr. Dykstra for seven minutes.

**Mr. Rick Dykstra (St. Catharines, CPC):** I just want to continue this conversation because I'm trying to make a determination as to where you two disagree. Maybe you could outline. Vanessa, maybe you could give me Paul's perspective on this and, Paul, you could give me Vanessa's perspective on this.

I'd really like to find out exactly where we disagree here because, Paul, you identified the core root of what my concern is, that artists are not getting paid for the creativity and the work that they're doing. I want to make a determination as to what direction we need to move here.

**Mr. Paul Cunningham:** Let me be clear, I absolutely agree that Songza pays the royalties for their artists at the current rate that they're set by Re:Sound. I'm sure that operating in Canada they're paying the royalties at the streaming rate today, so I'm not disagreeing with her that the company is not paying royalties. They absolutely are.

**Mr. Rick Dykstra:** No, no. That's not my point. My point is that you two have a fundamental disagreement in philosophy and I'm trying to identify exactly what that is.

I'm just asking if you could —

**Ms. Vanessa Thomas:** I think I know what it is.

I think that Mr. Cunningham believes that our business model needs to be subscription-based. Our company has a subscription model, but it's not the main revenue generator for us, which is native advertising and integrating brands into our model. That's how Songza differentiates itself from other streaming companies. That is the model that the owners and co-founders have found works quite well for us as a differentiator. That is not the model we have; that's the model they have.

I believe that he also believes that we need to have a percentage of Can con within our system. I totally agree. I'm sure we're there. That is fine. We are here because we want to commit to emerging Canadian artists. I don't think that's a big barrier here. Those are the two take-aways that I have from listening to what he had to say.

**Mr. Paul Cunningham:** What I'm basically saying is that we're regulated for content and also for CCD contributions under the Broadcasting Act. I'm just asking that—the same as terrestrial radio—online services are regulated, or fall under the same guidelines as terrestrial radio and satellite radio.

**Mr. Rick Dykstra:** Vanessa, do you have a problem with that?

**Ms. Vanessa Thomas:** I don't have a problem with that because I believe we're probably over that already. So I don't. The model that we have—

**Ms. Andréanne Sasseville:** Perhaps, Vanessa, I'm not sure if you do have the numbers, but for satellite radio all of our Canadian-produced channels have 85%, if not 100%, Canadian content. Twenty-five percent of that is new music and 40% is emerging on every channel. That's what we're regulated to today, which is even more than terrestrial radio itself.

So, we're absolutely in agreement with you, 100%. If you guys are willing and able to do this, hurray. All artists are going to be living off their music and off we go. Let's celebrate.

**Mr. Rick Dykstra:** I appreciate this dialogue actually. It doesn't happen very often we can actually dialogue like this.

Vanessa, the chair mentioned that we have difficulty sometimes remembering our folks who are coming to us from TV or video. We're not having any trouble remembering you at all, so that's great.

**Voices:** Oh, oh!

• (1255)

**Ms. Vanessa Thomas:** Fantastic. I appreciate that.

**Mr. Rick Dykstra:** A lot of this is about the potential and a lot of times my questions have come from or are about Canadian content. One of the suggestions I've begun to hear over the last couple of weeks just from people who have been paying attention to this study and commenting on it is the whole concept of Canadian content, but elaborating on that or making it even more specific to say "from a local perspective".

Andréanne, you mentioned the fact that you do Canadian content, local content, across North America. So it struck me as to say that's not really.... How do you actually say that sentence and actually mean it?

From this perspective, I wanted to get all of your opinions on how we could in fact say—whether it's radio, whether it's streaming, whether it's through satellite radio—that in a particular area where

you're being heard, that you actually promote even more from a local Canadian content perspective.

So local emerging bands, individuals, artists, have an opportunity to get more than just a chance hearing with a potential producer. They actually are able to have their voice, if you will, their creative work heard on local radio so that we would have a small percentage of content ensure that anyone who is playing locally actually would be heard locally.

**Mr. Paul Cunningham:** First of all, we're regulated such that from the local standpoint, in terms of local content, we can't necessarily have local content, per se, on satellite radio.

I'll let Andréanne talk a little bit about how we promote local bands through the CCD expenditures and through concerts and getting them on air through our Canadian music services.

**Ms. Andréanne Sasseville:** Sir, I just want to make sure I understand the question very clearly. You're asking me how we get local content. What's your definition of "local content"?

**Mr. Rick Dykstra:** We should push—let's say within a 300-kilometre radius—this radio station, or whatever station we happen to be listening to, to say that there needs to be some form of a narrow definition of what local content is, what Canadian content is.

That way, we give local artists the opportunity to be heard in their local area versus just hoping that they might be heard as a percentage of Canadian content.

• (1300)

**Ms. Andréanne Sasseville:** That's a very good question. It's also extremely complex. I'm not sure I'll have the right answer for you, but let me just go over what we have tried to do.

Obviously our channels are programmed per genre. We don't discriminate or benefit from having local artists or specific artists. An artist is an artist. We go with the genre or with the programming we have.

But out of the Canadian content development activities or initiatives that we have put together, we don't necessarily go out and pick festivals that are all in urban centres—the jazz festivals, FrancoFolies de Montréal, North by Northeast, and Canadian Music Week that are in either Montreal or Toronto. We will go out of that realm, more than 200 kilometres out, whether it's the Festival de musique émergente in Rouyn-Noranda, northern Quebec, or in Gaspé. We focus on ensuring that some of their local talent is featured on our programming as well as in the initiatives we do.

That's how we've gone about it.

**Mr. Rick Dykstra:** Shawn.

**Mr. Shawn Cooper:** We're actually on the opposite side of it. I would say we do more for artists in music export than we do on helping them locally.

Artists are usually pretty good at getting people in their area to know about them and at getting friends to come out to shows. The successful artists are the ones who are really part of the community at that point. People know the artist's name or whatever.

A little bit over half of our installs are actually worldwide. A lot of that has to do with the fact that we do support iPhone, Android, and BlackBerry, with BlackBerry making up most of our Latin America and Southeast Asia installs.

So I don't really know how to answer you properly in that I don't think that we really help artists on a local level. We help them on the mass market level. One thing we do, however, is that in the same way a fan who has a show happening near them gets a push notification about an event, the artist, using their phone or computer, can log in and do a back-end system that lets them specifically target in certain radiuses.

Let's say an artist is playing in Ottawa tonight and tickets aren't really selling that well. They can actually jump onto their iPhone and send out a push notification only to fans within two kilometres of the venue, saying "Hey, we're doing sound check; come by", or "We're down the street grabbing lunch; come say hi", and that type of thing. Again, it's trying to make the personal relationship with their super-fans.

**The Chair:** Thank you very much.

We're out of time—

**Ms. Vanessa Thomas:** Can I answer that question, just very quickly? We are doing some local stuff.

**The Chair:** Sure. I'll give you 10 seconds.

**Ms. Vanessa Thomas:** On the festival playlists, we are dealing with them outside of Montreal and Toronto as well: Ottawa blues; one we're working on for a B.C. summer festival; one in P.E.I.; and the Festival d'été in Quebec City, which has Canadian artists from all over.

We also do celebrity curation with a lot of artists, especially ones who are touring across Canada for the summer. They are curating their own touring playlists for us within the system, so we can geo-target those playlists to specific areas of the country.

**The Chair:** All right. Thank you very much.

Thank you to our witnesses. Thank you for your contribution to our study. If you have any further contributions that you can send to us in writing, we would appreciate those.

Thanks for coming.

The meeting is adjourned.

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