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Chair

Mr. Gordon Brown

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•(1100)

[English]

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

I am going to call to order meeting number 17 of the Standing Committee on Canadian Heritage. Today we are continuing our study of the Canadian music industry.

We are honoured to have a number of witnesses in our first hour.

From the Canadian Academy of Recording Arts and Sciences, also known as CARAS, we have Allan Reid, director, MusiCounts. We also have a Juno award-winning artist with us, Brett Kissel, along with his manager, Louis O'Reilly.

We'd like to hear from Mr. Reid first, for eight minutes.

Mr. Reid, you have the floor.

Mr. Allan Reid (Director, MusiCounts, Canadian Academy of Recording Arts and Sciences): Mr. Chair, thank you very much for inviting me to take part in this presentation to your committee today on behalf of CARAS, MusiCounts, and the Juno Awards.

The Canadian music industry is a billion dollar a year business encompassing sound recordings, songwriting, publishing, management, and live performances, and it employs thousands of Canadians.

There has been significant turmoil in the music industry over the past 10 years due to the change in how Canadians consume music. The media formats have changed from physical to digital, from radio and television to online, and in many cases from paid to free.

There has been a large decrease in revenues in the music industry due to these changes. In order to support change in this business model, one of the most important things we do is provide exposure to the incredible music talent this country has to offer through showcasing, social media, broadcasts, online streaming, and building a foundation for talent through music education in our schools.

CARAS, a non-profit organization, showcases Canadian musical talent through the Juno Awards broadcast, and year round through cultural events and partnerships with community organizations. The mandate of CARAS is to promote and celebrate Canadian music and artists. It is critical that we continue to preserve, protect, and support high-quality programming like the Juno Awards to share with Canada and the world the immense talent this country has to offer.

Over the last decade the Juno Awards have travelled across Canada. We have been engaging the entire country in Canadian

music as we award 41 different Junos in all genres of music, including pop, jazz, classical, francophone, aboriginal, and country, just to name a few, which truly encompass Canada's national spectrum of culture and musical diversity.

The economic impact has been over \$10 million in each city the Juno Awards has visited, providing a substantial boost to local businesses, including hotels, convention centres, restaurants, transportation, and music venues. In the past 10 years there has been over \$100 million in economic impact to Canada.

However, federal funding through FACTOR, Canada's private radio broadcasters, and the Department of Canadian Heritage's Canada Music Fund for the Juno Awards has remained stagnant for the last four years. While production and operating costs for the Juno Awards continue to grow, the proportion that is funded by FACTOR has decreased. For example, over the past 10 years FACTOR funding for the Juno Awards has gone from about 10% of production and operating costs to less than 4% now.

In order to succeed, we must receive funding from the federal government that grows in proportion to the ever-increasing cost of producing the broadcast, as well as the cost of the initiatives that promote and showcase Canadian artists and their music. This need is based on several factors: the increase in costs associated with adapting to technological change and maintaining a very comprehensive and cutting-edge media strategy; the increase in travel costs for artists and talent to participate in the broadcast; the increase in broadcast production costs; the decrease in funding available from private record labels that have significantly contributed in the past but can no longer sustain the level of support due to declining revenues; and the potential decrease in broadcasters' contributions due to their business realities.

Most importantly, though, we must ensure that we continue to create musical talent in Canada to support the music industry and keep our culture of music alive within all Canadians. One of the key strategies that will foster this foundation is music education. Every artist had to start somewhere, and for many, the first opportunity was in the classroom.

MusiCounts is Canada's music education charity associated with CARAS and the Juno Awards. We believe that regardless of socio-economic circumstances or cultural background, every child deserves the opportunity to learn how to play an instrument. For the last 17 years, MusiCounts has awarded nearly \$7 million in grants and scholarships right across the country to help support music education in our schools and communities.

In a perfect world we wouldn't need to exist, but unfortunately school cutbacks have put music education at risk. All too often, music and other arts programs are the first to be cut, and unfortunately, they're not seen as core curriculum. We believe this must change. Last year MusiCounts received approximately \$5 million in funding requests alone to help support music education, but unfortunately, the need far outweighs what we can provide.

Many studies have shown the benefits of learning to play a musical instrument. Music education nourishes self esteem. It teaches team work and discipline. It keeps students engaged, and it helps create a respectful community.

But it's not just about nurturing the next Juno Award winners. It's about creating better citizens and a stronger workforce equipped for the digital economy.

• (1105)

Commander Chris Hadfield spoke at one of our events about the role music played in making him a better astronaut. President Bill Clinton was once quoted as saying that he would not have become president if he hadn't taken music classes from grade 7 to grade 12. Of course, we all know how our own Prime Minister likes to play music, as well. But perhaps the most basic reason that we believe every child must have a music education is that music is an important part of the fabric of our society. Every human culture uses music to express their ideals.

Music Canada's report on the music industry, "The Next Big Bang," illustrates very well the numerous benefits of music education and makes a very strong case for better support from all levels of government. In this study, Music Canada cites music education as the first of five key pillars that will help reinvigorate the music industry in the digital age.

Music is a sometimes overlooked but still important foundational component both in preparing workers with the necessary skills to take part in the digital and creative economies and in attracting and retaining them in vibrant cultural scenes. The importance of music to our economy is without doubt.

Now MusiCounts has also been impacted due to changes within the music industry. The record labels, once our main contributor but still a very strong supporter, have had to cut back their annual contributions. We now have to reach far beyond the music industry for funding.

Just over a week ago at the Juno Awards in Winnipeg, I had the pleasure of taking part in the Minister of Canadian Heritage and Official Language's round table, where Graham Henderson of Music Canada actually introduced a very interesting concept. For years the federal government has supported the physical well-being of our nation through the ParticipAction program. What if we actually worked together to create a program that encouraged Canadians to

reap the benefits of music education, a music ParticipAction program of sorts that gives people the same support, tools, and motivation as that for physical activities? For many students who may not be athletic or socially active, we like to say that music can be the great equalizer. A program like this could enlighten our nation to the benefits of music education in the same capacity that ParticipAction has.

I've spent 25 years in the music business as the head of artists and repertoire at major record companies. I was a general manager for an independent record company. I currently manage artists and producers. I've had the good fortune to sign some great artists, people like Jann Arden, Sam Roberts, and Hedley. I'm actually even married to an artist, so I know very much how music can change a life and in some cases even save a life. Now in my new role at MusiCounts, I find myself in the incredibly rewarding position of actually seeding talent by putting instruments in the hands of kids who need it most.

There's a direct line from music education to inspiration, to motivation, to choosing a career in music, to writing, composing, and recording, to achieving success and celebration, be it at the Juno Awards or international acclaim. It's a continuum of musical dedication, creation, and celebration.

I truly believe that an investment in music is an investment in the future of Canada.

Thank you very much.

• (1110)

The Chair: Thank you very much.

We'll now move to Mr. Kissel and his manager, Mr. O'Reilly. Between you, you have eight minutes. We'll go to questions later.

Mr. Brett Kissel (As an Individual): Good morning, everybody and committee members.

My name is Brett Kissel. I feel very privileged to be speaking and sharing my insight on the state of the Canadian music industry with all of you. As you begin your review on the vibrant music community we have in this country, I would like to offer some suggestions, ideas, concerns, and basic comments, hopefully to enhance what we have to offer our artists and our industry members in general.

Perhaps we should also discuss the state of the Canadian hockey association and how right now there's only one hockey team making the playoffs. We can talk about that a little bit later.

The future of Canadian music is in the hands of our up-and-coming Canadian artists and present-day stars. But let me also be realistic and complimentary, that the future of our industry lies in the hands of our government.

Before I begin with the task at hand, I want to give you a brief history on my career, my journey, and my upbringing in the music community. I am 23 years old and am a very proud Canadian. I'm a fifth generation Albertan whose great-great-grandparents emigrated from Ukraine over a century ago in search of a better life here in Canada.

At the age of six, I got my very first guitar. Fast forward half a dozen years, and I was playing locally around every small town, rodeo, and festival in our hometown of St. Paul, Alberta. There wasn't a stage too big or too small for me, as I cut my teeth not only as a singer and a guitar picker but most of all as an entertainer. By the time I was 16, I was nominated for the Canadian Country Music Association's rising star award, becoming the youngest-ever nominee in the history of that association. As I approach my 24th birthday, I'm the proud recipient of the 2014 Juno Award for breakthrough artist of the year. The Juno Awards were held in Winnipeg last weekend.

My rise in the Canadian music industry was not an easy journey. There were many ups and downs on this road. However, I was able to treat my career like any other start-up Canadian business. As an entrepreneur, I knew that I had to take some risks and do some performances for the exposure and not for the money because it would benefit my career in the long run.

I've always been a big picture guy, so naturally I've tried to look at becoming a big picture artist. This is where the role of the Canadian government has been so instrumental in my career personally, and in the career of my friends in the industry.

I still have some concerns. As hard as we try to create compelling music here in Canada, it's difficult to compete with American artists, because too often their quality is better than ours. Canadian radio stations are only forced to make up 35% of their playlists as Canadian content, so the spots that are saved for us, the true local artists, are few and far between. It's true that Americans automatically get more spins on radio in all formats over us Canadians. Hopefully, we can adjust that.

Those are some concerns I have, and I can speak on behalf of all artists in the industry that we all share these concerns, but there is a silver lining. Government programs such as FACTOR and other associations like the Radio Starmaker Fund are vital to our music industry. In fact, they're so necessary for the big picture, as I alluded to, that without them you wouldn't get me, Brett Kissel, Juno Award winner, hard-working rising star in the Canadian business. I'd still be the same hard-working entrepreneur, I feel, but I have an incredible advantage being able to access government funds through grant programs such as FACTOR. For those of you who don't know FACTOR, it stands for Foundation Assisting Canadian Talent on Recordings.

My album was funded by FACTOR. My first ever national tour which I just completed last month was funded by the Radio Starmaker Fund and FACTOR. This is true for some of, or truthfully most of, my buddies in the industry.

I am so thankful that I was able to access money to further enhance my career at a national level, and while I run the risk of

sounding conceited, I know that the great success I've had recently would not have been the case without the great government funding.

As we like to say back home on the cattle ranch, I'm going to tell you a story straight from the horse's mouth. As you folks sit here discussing the allocation of funds for music programs, I'll give you an in-depth look as to where the money goes following a boardroom decision.

Once you sign-off or give the green light on x amount of dollars to be accessed by artists, managers, and record executives, we then apply for the grant.

Once we are conditionally accepted, I am then able to take that money and put it to good use by building my project or enhancing my project.

Once that album is complete, we send our music to radio.

Once radio picks up the single, it drives our live-touring business.

Once our live-touring business picks up, we sell merchandise, and once we sell tickets and merchandise, we can put that money back into our careers and the Canadian economy.

All while this is going on, another younger or different artist is going through the same process I just went through.

I had a song that went to number one last summer on country radio. It's called *Started With a Song*. But in reality, it doesn't all start with a song. I believe that it all starts in a boardroom, such as this one, with a capable committee that is willing to give music and arts a chance.

• (1115)

When an artist receives the grant, and it's not just about me, the artist, there's an incredible economic impact that is felt and spread to my five band members, my two crew members, and my manager, who has five children of his own. They all benefit; they all succeed, and we can all make some money.

I also know that some of them, like my band members or management company, have been able to tap into government funding. This has greatly benefited their careers and their music business. For you see, government funding is the kickstart to a very important process that has a great impact on the economy much beyond just me.

Everyone, and this statement includes everyone in this room, sitting on the sidelines and sitting around this table. I know you all love your music. You have your favourite artist. Music shapes moments in your life. This I can guarantee. So when you can help an artist get his or her music out to the public, whether that's through MusiCounts, or what have you, we can establish those unforgettable moments.

Canadian artists are very special. We're all very aware that some of music's biggest acts have come from here in Canada. Our ability to penetrate the international marketplace is as important as ever. We're all conscious that music is accessible worldwide through social media, iTunes and YouTube. We're no longer living in a box. There are no boundaries. That means our music needs to be competitive. International support only increases the profile for us, our Canadian acts, and helps our overall cultural identity.

After every concert I perform, whether it's performing for the Alberta flood aid at McMahon Stadium in Calgary in front of 40,000-plus people, or in a small theatre in rural Quebec in front of 200 loyal music fans, I use this method and these three words to improve my concerts and my performances. Those words are "start, stop, and keep". What am I going to start doing? What am I going to keep doing? What am I going to stop doing?

As I look at this committee today I encourage all of you to start a discussion with more artists like me. Start collecting their opinions on the state of the industry the way you're asking me for mine. Start to understand that Canada has a great opportunity to showcase some of the best talent the world will ever see. We did it with Shania Twain, Anne Murray, and Leonard Cohen, to name a few. Start the preparation. Yes, get prepared, because Canadian artists have a lot to offer the world. We all need a strong starting point, and that's where the initial funding can make that happen.

Stop. Stop looking at the music industry with blinders on. Stop thinking that all of us musicians are just creators, because we're all business people and we may be some of Canada's greatest entrepreneurs.

Keep. Keep up with the great work in developing young artists. Keep working towards building the future of our industry. You've given so many artists a chance to succeed. I've greatly benefited from some incredible government programs. So keep that up and know how grateful we are for the unparalleled support. I'll tell you that my friends down south in Nashville are very jealous of the great opportunities I'm fortunate enough to receive.

In closing, I want to thank you for taking the time to listen to me. I'm thankful for the opportunity to have your ear and to share my ideas and my story with all of you today.

For those of you who are interested in following the progress of my career, I encourage you to spend some time on social media as we get to know each other.

We hope that you can continue to do the great work that you're doing. Just do more of it.

Thank you.

The Chair: All right, thank you very much.

We will now move to the first round of questions.

We'll hear from Mr. Dykstra, for seven minutes.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Brett, on behalf of the federal government. I know Minister Glover had a chance to congratulate you, but congratulations on your success. I was in the arena when you won the Juno and also when you played,

so congratulations. I know that success isn't easy in your industry. I'm learning that quickly. It takes a lot of hard work.

One of the things you outlined in your presentation is becoming more and more apparent to all of us. You mentioned it at the beginning and you concluded with it, and that is that you are in business and you're an entrepreneur. Yes, you have a manager. Yes, you have a band. Yes, you have partners. You love playing the music and creating the music that you do, but you are a businessman.

One of the aspects that I really wanted to get an understanding of is where in your career did the assistance start? Where did it have the biggest impact?

I've followed you a little bit in your career and I understand that really this is the first time you've actually tapped into assistance from the federal government. All the work that you did as a six-year-old and a twelve-year-old and leading up to it was a lot of your own blood, sweat, and tears, and I'm sure your parents assisted you with it.

Some say that we should be assisting those in music from the very beginning. There are others who say we should pick our spots and make sure that we're providing assistance to those who can take themselves to the next level. I wouldn't mind just having a comment on that.

• (1120)

Mr. Brett Kissel: Well, I'm happy to comment on that. Thank you for the congratulations and for the great question.

I believe that you have the decision whether or not to pick your spots. As an artist, I chose to pick my spot as this being the time to access government funding.

I was very fortunate, growing up in Alberta, that my parents were very supportive, as were my extended family, in helping with my career. It was when we got to this point, at which we wanted, I guess, to "make the NHL", wanted to make the national level in the music career, that we didn't need the moral support of my parents. Well, we still need it, but we didn't need it the way we did before. I didn't need just 500 or 1,000 bucks from grandma and grandpa to help buy a new guitar; we needed to access thousands of dollars to make a competitive record that would stand true on Canadian radio, that could stand right beside a Lady Antebellum or a George Strait record and Brett Kissel would fit right in.

This is when we were able to access FACTOR funding and access a larger pool of money to take advantage of taking the next serious step on the ladder. We were here for many years. Many artists have the opportunity with hard work to go up the first few steps, but it is to get to the national level. I feel we can really benefit from tapping into Canadian funding to get to that gigantic place.

Mr. Rick Dykstra: Thanks.

Some folks say that FACTOR has been around for a long time and that the issue isn't how much funding the federal government invests in FACTOR, it's that it has become an exclusive club, that it's very difficult to get in, so to speak. Once you're in it's okay, but getting there is the hard part.

Do you have any comments on FACTOR itself?

Mr. Brett Kissel: Well, I believe that getting there is the hard part in any business. Getting to this point in my career has been very difficult. Now it seems that the doors have automatically opened at country radio and at events, with invitations to play at great festivals.

We applied for the process, as everybody else had done. I felt that we just created a strong case to the jury who selected us, decided, "We'll give our resources and funding to this guy." There's a very good chance that I might apply for funding at another time and it would go to somebody else. It could go to an aboriginal artist, a francophone artist, a jazz artist.

I feel that the jury making these decisions is a very competent group. I've been lucky to access the funding recently, but I don't believe the viewpoint you mentioned, personally. If you have a strong case, and.... Everyone has the same opportunity. There's a document and you have to apply, which we did, and we were successful, according to the jury.

Mr. Rick Dykstra: Allan, we had a great round table in Winnipeg on Saturday, and I really appreciated your participation in it. The word "participation" stretches out to ParticipAction. I have thought a lot about the offer you have made and the concept.

Could you expand on exactly how we would deliver this? You know the problem we have at the federal level: we can't deliver educational programs; we have to let the provinces do it, because somehow they're much better at it, according to our Constitution, than we are.

How would we implement a program like that? I know there would be some cost involved, but how would we engage? Everybody has seen the athletic ParticipAction aspect of it. How do we turn this? Is this more of an awareness strategy than it is necessarily an educational strategy, and how do we implement it?

Mr. Allan Reid: I think it is. Obviously, we would need support from the federal government to do it, but I think we need to engage many stakeholders, the provinces, obviously, because it is education; organizations such as Music Canada, the Coalition for Music Education, CARAS, the Juno Awards. There is also the Canadian Music Educators Association. There are a number of stakeholders we could go to in building the strategy.

It's a loose concept right now, but if we consider what ParticipAction does, we see that it is about education. And this is not just about students, either. The benefits of music go far beyond children. Look at music therapy and what it does for people. If you play music for Alzheimer's patients, all of a sudden it takes them right back and brings them to life. There are many various areas that this could tap into.

Yes, definitely we would need support from the federal government. But there are also public companies. Broadcasters, through the Canadian content development fund, could also help with the funding of this. For live performances, there's Live Nation. There are other areas as well. There is plenty of money out there to be tapped into.

•(1125)

Mr. Rick Dykstra: If we were to make a recommendation like that at the conclusion of our report, how would you frame it?

Mr. Allan Reid: How would I frame it? Well, I think it has to be a national strategy. It needs a lot of consultation to first get it started. It's not going to happen overnight. I think we have to bring the stakeholders together, look at what it is, and do it with a focus on the benefits of music education directly.

Mr. Rick Dykstra: Mr. O'Reilly, the hardest part of this business is managing expectations. Can you comment on that from a Canadian perspective?

Mr. Louis O'Reilly (Manager, O'Reilly International Inc., As an Individual): In Canada I challenge all my artists to seek.... With Brett, I say you can play in the CFL or—no offence—you can play in the NFL. In Canada we live beside a big cultural industry called the United States, and it's very hard to overcome and compete with it.

Just by comparison, with Brett we've had three consecutive top 10s. We might spend \$10,000 per top 10, whereas in the United States it would cost \$1 million to get into the top 10. The amount of money the Americans are throwing at the game or putting into the process is significantly higher. It's the same thing with the NFL versus the CFL.

My goal for Brett and all our artists.... If they want to reach the international level, we just don't have the wherewithal within Canada to fund that sort of process. Organizations such as FACTOR and Radio Starmaker kick in the difference, not the full balance, but enough that we can compete at that level, and for me that's significant. As a manager, I've also been able to tap into FACTOR. It's not just Brett himself. It's not a hockey player who does it all himself; there's a coach, there's a training staff, there's a whole organization. I'm part of that and I benefit from FACTOR as well.

The Chair: Thank you.

Ms. Mathyssen, you have the floor for seven minutes.

Ms. Irene Mathyssen (London—Fanshawe, NDP): Thank you for being here. Thank you for what you do and for the contribution you all make.

I want to add my congratulations to you, Brett, on your achievement. Of course, you couldn't do it without support from people such as Mr. O'Reilly and Mr. Reid.

I've been very interested in what a number of witnesses have said respecting the need for education. In fact, next week I'm meeting with two groups in my riding in London who are very involved in this. These are charitable organizations. Well, one is St. Paul's Anglican Church; they do remarkable charitable work in all of our community. The other is the Aeolian Hall.

The Aeolian Hall is this incredible old music hall. I'm sure you know it. You know Clark and the incredible people who have made the hall come alive by supporting Canadian artists and upcoming artists. They are doing an educational program for kids in the poorest neighbourhoods in my community, and I can tell you, there are some incredibly poor neighbourhoods.

Like St. Paul's, they are bringing in these kids after school. They're providing instruments, and they're finding that not only are they giving these kids something positive after school—another outlet for whatever else is going on in their lives—but they are able to do some real community building with these kids. It's not just the musical skill, although that's absolutely key, but these kids go on to have a lifelong appreciation for music, the kind of appreciation that's going to feed that next generation of the incredible talent we have here. It also helps them to communicate respectfully and positively. It just gives them a whole new outlet.

While I'm very grateful that there is this willingness to go and get the private funding, it seems to me that what you're saying about a role for the federal government in this is very real.

, I know there needs to be broad consultation, perhaps with groups such as Brio Music and St. Paul's, but what should we be doing in terms of the federal government? I don't want them to get off with saying that this is the purview of the province. I want them to understand how important it is to be a part of those communities. We're not separated from our communities in the way we seem to pretend we are, up here in Ottawa. We have to be very much a part of this.

I want you to comment on this and tell me your experience and what you think.

• (1130)

Mr. Allan Reid: Music is a community builder. Actually, there is a program I should make you aware of that you need to tell both those organizations about.

Through MusiCounts we've always been focused on the classroom primarily, but last year we started a brand new program with TD Bank, which is all about creating opportunities for after school programs. It's called the MusiCounts TD community music grants program.

It's open right now. We'll actually give grants of up to \$25,000 to organizations that want to create a transformational opportunity in their community through music. We provide musical instruments and equipment. We don't provide the space or the teachers to do it. They need to make that commitment. That's an aside for you. Make sure they apply. May 9 is the deadline.

Music is an incredible community builder beyond the classroom within the communities themselves.

In Winnipeg during the Juno Awards we had two grant recipients there through the TD program, one of which runs an organization called Status4. He's actually a friend of Minister Glover's, who used to work with her. His name is Kevin Gibson, and he actually works with the Winnipeg Police Service.

A few years ago he was on the beat and he noticed that he was picking up a lot of the kids over and over again for petty crime and drugs and things like that. He thought that pulling them into the station wasn't helping. So he thought he needed to create an opportunity for these kids and to find a place for them to go where they would feel comfortable and safe and, more importantly, engaged.

He contacted city hall. He found what was virtually a derelict building, a little community centre which he took over. With his own carpentry skills and his own hard work, he created a very small program called Status4 Inc. He encouraged neighbourhood kids to come check it out. It was music, and he had some guitars there. Over the course of a couple of years, he's built that up. He applied for one of our grants. We gave him a \$25,000 grant with which he purchased, I think, 20 guitars, keyboards, a drum kit, bass amps, you name it.

He currently has 85 kids in that program. It's about to double to about 160 in his community. The crime rate in that area has dropped significantly. He attributes that very much to the fact that he has given these kids an outlet to go to. I don't want to say that all young kids are criminals either, by any stretch, but it does provide an opportunity.

A lot of studies show that it's between 3:00 p.m. and 6:00 p.m. that kids get into trouble. This opportunity gives these kids a place to go. This new program is funding organizations like that right across the country. It's very different from the classroom work we do through Band Aid. To see what these people are doing in their communities is amazing. They are saints.

We're the conduit to bringing money into a program and giving it to these people, but when I say these people are saving lives, truly they absolutely are.

Ms. Irene Mathysen: I appreciate that very much, because so often we're focused on being tough on crime and punishing, punishing, punishing. I'm very glad that you say these kids aren't criminals, that there is a role in terms of prevention, and that it's an intelligent role, because it saves money, saves heartache, saves anguish, and maybe it'll produce another Brett Kissel.

Mr. Allan Reid: And honestly, it makes better young Canadians.

We are teaching these kids teamwork and discipline and self-esteem, and they walk out of there....

We do these Band Aid celebrations at schools where we actually go in and we'll present a school with a \$5,000 or \$10,000 grant. Actually, Brett is going to participate in one on May 6 in a school in Bowmanville with us. We're going to deliver 10,000 dollars' worth of instruments to a school there.

It's hard to express unless you've been in the room at one of these, but giving a kid a new instrument and what that does for them is unbelievable. I spent 25 years in the music business as a talent scout signing artists, and I was somewhat jaded. I walked into a school in Halifax with an artist named Joel Plaskett, and we presented these instruments to the school. This one young girl came up to me afterwards and she said, "Mr. Reid, you have no idea what this saxophone has done for me."

It was kind of that classic *Glee* moment, because these kids were the losers of the school. It was very much an athletic school. We were supposed to have the celebration in the school gymnasium and we were moved to the cafetorium because the basketball team was having a practice. We got bumped in, and it was just the band students, and we had Joel Plaskett with us, who is also a Juno Award winner and well-known east coast artist, and we presented these kids their instruments, and they were like, "Today we're the rock stars of this school. You brought this artist here. You validated our music program. You've told people that we're important."

The other students weren't actually allowed to get into this ceremony. So the band class actually said that whoever raised the biggest amount of food for the local food bank could join the celebration. The school ended up raising—I can't remember how much—thousands of pounds of food for a local food bank, and all that was just through one central piece, which was music.

• (1135)

Ms. Irene Mathysen: Thank you so much.

[Translation]

The Chair: Mr. Dion, you have the floor. You have seven minutes.

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

[English]

Welcome, Mr. Reid, Mr. Kissel, and Mr. O'Reilly.

Mr. Reid and Mr. Kissel, congratulations on your Juno two weeks ago.

We'd like to offer the three of you an opportunity to clarify what you expect from this committee. We have the sense that what you are asking us to do is more of the same, more money with the same programs, but maybe not. Maybe it's a different strategy, including music ParticipAction. This is an opportunity to tell us, is it more of the same or different approaches that you would like the federal government to take to boost music in Canada?

Mr. Allan Reid: I'll answer first, obviously on the music ParticipAction piece. It's a brand-new concept that was literally just tabled at the minister's round table in Winnipeg. I think a lot of the organizations have all wondered how they would keep moving forward music education and the importance of that. When Mr. Henderson tabled it at the meeting—Mr. Brown, you were there, and Mr. Dykstra as well—immediately every chairman went, "Hmm, that makes sense. This is an interesting idea".

We're far from saying that this is exactly what the strategy needs to be, but I think the federal government could play a major role in helping us form that kind of strategy. Maybe it's monetary; maybe it's not. I don't know yet. I think that obviously there are some private sector people we can go to who can help fund it, but I think the federal government can play a major role in that.

In helping us create the framework, you have the basis of the ParticipAction program to help us outline what this could look like. It doesn't have to be a mirror image of that, but you have a great understanding of how those programs need to be marketed and worked to become effective.

Mr. Brett Kissel: I'll jump in, sir, as I want to say something very brief and precise.

When it comes to current government funding like FACTOR, I'm a very proud success story of that funding. I have a lot of friends who have accessed it, so you know it's going to good use. I would hope that you would continue to do that and increase the fund so that there will be more success stories and so we can broaden Canada's influence on the worldwide music industry.

When it comes to new programs, my wheels are turning now about this new music ParticipAction program and how beneficial that could be to our Canadian youth. I believe that if we can get to an understanding, hopefully sooner rather than later, to get this program off the ground, I would love it. Sports have a very competitive nature. They're fun, active, and great. I love them; I'm a competitive person, but for those who aren't competitive, who don't have the height, who maybe don't have the talent to throw a ball, or swing a club, or shoot a puck.... Everyone can benefit from music, because there are so many different instruments. You can sing; you can play; you can tap so many things involved in the arts.

If we can do that, get a strategy off the ground soon, get some government funding soon, and get this program running, I would be the first to join in and help spread the word by social media, or perhaps through a company like Live Nation, go right across the country myself.... I'm sure I can speak for a lot of other artists. We can go across the country to many schools and present these cheques, guitars and other instruments, and this new idea. That would be incredible, in my opinion.

Hon. Stéphane Dion: Mr. O'Reilly, would it be more of the same or new approaches?

Mr. Louis O'Reilly: I would say more of the same for FACTOR. Keep it. FACTOR doesn't only touch artists. It touches managers. It touches the Western Canadian Music Awards, and it touches the Canadian Country Music Association, a lot of organizations where my artists get a start and grow. FACTOR touches them directly.

The second thing, which hasn't been mentioned, is that royalties on digital streaming are decimating labels. I have an independent label and I used to make x amount of money per CD sale and now less per digital sale. Now I'll get a statement where there are 10,000 streams of Brett Kissel's song, and I'll receive \$1.00 or \$1.50 for it, and I'm thinking, "How am I going to make a living at this? How am I going to support my staff?"

The final thing is that, just as the NHL has to prop up hockey in Florida, Tennessee, and Arizona just because the market size isn't there, the same thing goes for Canada with its cultural industries, especially its music industry. Again, it might sound very disparaging, but we're up against the big American entertainment giants, and it's very hard to compete. It's very hard to draw some air from the room because they suck it all up. We need the support of the federal government. We really do.

• (1140)

Mr. Brett Kissel: What happens is that this beginning program could help build new artists and get that talent to flourish so they could then become the types of artists who could really access the government funding to take their career to the next level. We can start at the very ground level and build some artists.

Mr. Louis O'Reilly: I have just one more point on Allan's point. I was not an athlete. I was not a musician, but music touched my life and I ended up becoming a music manager. I have five kids. I have five staff. I have an office in Saskatoon. I'm a legitimate music business in Saskatoon, Saskatchewan. So music touches not just artists, but it touches entrepreneurs like me too.

Hon. Stéphane Dion: Yes. If there is a federal policy about music, it's because we are well aware of the competition you face from the giants coming from the United States and elsewhere, and we should not let you down. We should support you. But the point is with the new technologies and the new context, are there new tools that the federal government should develop, without dropping the ones that are working well? That's the key point, I guess.

Mr. Louis O'Reilly: I think FACTOR is in tune with that.

Would you say so, Allan?

Mr. Allan Reid: I would too, and when you say "new tools", what do you mean by that?

Hon. Stéphane Dion: I don't know. If we don't need new tools, keep FACTOR as it is and that's it. That will be our recommendation.

Mr. Allan Reid: Yes, I think obviously FACTOR plays a very important role. New technology, as we've said, has changed this business incredibly, in some ways for better, but unfortunately in other ways not for better. When it comes to sales, as Louis was saying, and you see your statements come in with 0.0001% of a penny for a stream, it's hard to make money from that.

I think FACTOR and other organizations need to look at how they can help with new technology, and I think they're always looking to change. It's sometimes a little slower than we'd all like but helping the entrepreneurs compete in the digital economy is key. That's where music lives now.

Hon. Stéphane Dion: Thank you.

The Chair: *Merci.*

Mr. Falk, you have seven minutes.

Mr. Ted Falk (Provencher, CPC): I would like to address my first comments and questions to Mr. Reid, but I want to thank the entire panel for coming and just blessing us here this morning with your witness.

I've been on the board of an organization called FLN, which oversaw Avante Records and Marshall Zacharias, and so we

produced some Juno nominees and award winners like Fresh IE and Amanda Falk.

Mr. Allan Reid: Your daughter?

Mr. Ted Falk: Not a daughter, no, not close enough that it's a whole lot of benefit; a distant relative.

So I'm a little bit familiar with your industry but I'm wondering. You already have a little bit of this partnership happening with TD. Are there other ways you can leverage government funding with private partnerships?

Mr. Allan Reid: Yes, I would believe so. TD is a brand-new client to us. They came in as a partner of MusiCounts. Actually, it was interesting. What TD did is they put out a call to the industry and to advertising agencies saying they wanted to be the bank of music. It's one of their main platforms right now. As Royal Bank has the Olympics and Scotiabank has hockey, TD has focused on music.

They came to us, and surprisingly actually, it was a sports advertising agency called XMC which took MusiCount's PSA and played it at their board meeting, and it quite moved them, and all they said was, if you want to support music, doesn't it begin here, with music education? So XMC won the right to be their advertising agency and came to us and worked out a deal with us, and it became a larger piece with the Junos and CARAS.

The banks and financial institutions have become for us now a very important funder as we've watched the record industry income for us decline, as well as the broadcast industry. Bell Media and Astral Media have been two of our biggest supporters. Now that they've merged into one, they are still one of our key supporters, but overall their dollars have shrunk. So out of that we found a definite need to try to find other funding.

When it comes to partnerships of government with private, there has been no funding directly to MusiCounts from any government level at all yet, but this is something we need to explore. We're also in a very critical stage of our charity and fundraising. We found that again some of those key revenue streams from the music industry are starting to dry up, so we have to go out and look for other partners. If there's opportunity to do that and if music ParticipAction could be a program, we'd be thrilled.

• (1145)

Mr. Ted Falk: We do a little bit of that with our provinces and municipalities when we do infrastructure work. We say there's money available if those guys pony up. Do you see that as an opportunity in your industry to go to private partners and tell them you can get government money if they contribute?

Mr. Allan Reid: Absolutely. Again, TD gives us over \$200,000 a year for this program and they are ecstatic with what's coming to them from a media opportunity, a marketing opportunity, and they're not crass about it. They have been amazing partners for us, but if I were to go to them and tell them that our community music grants program is going to have an injection matching dollars to your program, and we're now going to fund 30 programs this year instead of 15, and our reach is going to double across the country, yes, they'd be very happy. Not only that, with the impact we would have through that program, again, you're doubling up all across the country.

Mr. Ted Falk: Mr. Kissel, congratulations.

Mr. Brett Kissel: Thank you, sir.

Mr. Ted Falk: I wish you were under my label.

Voices: Oh, oh!

Mr. Brett Kissel: I appreciate that. I bet you we'd have a lot of fun if we were working together.

Mr. Ted Falk: I bet we would.

You said it starts in boardrooms. I take a little bit of exception to that. I think it starts in homes and schools, and places like that. I think that's where yours started.

As a government, we've come alongside. I watched your video twice now, the second time while I was sitting here, and I'll have some questions for Mr. O'Reilly about that, because nothing came out of my pocket. Are we, as a music fund, funded by the government...? Like in your video, there's this bonfire that you started at home and you developed. Are we adding the gas at the right time?

Mr. Brett Kissel: I do believe so. I believe that you are adding the gas at the right time, and it's up to the artist and his or her team to know when to access and when to tap into the opportunities and the funding available. For us, as an example, I felt that we needed to go to the next step, which is why we saved our pitch and our application to FACTOR for this time. But there are some other artists who may need the help earlier, and in that case I fully support them, and I hope that the government can continue to support them. So I believe that you are the gasoline for that fire, and can really help ignite something in a very big way.

Mr. Ted Falk: In hindsight, is there anything we could have done better to promote your career?

Mr. Brett Kissel: In hindsight, I feel very fortunate sitting where I am. I believe that there are always things that everyone could improve on, and there could have been some directions that I could have taken that might have gotten me to a certain place earlier or quicker. Possibly, if there was more funding, as Mr. Dion was expressing, we could have done this and maybe gotten to this point sooner, or we could possibly be at a bigger level than I am now, where my friend could be at a bigger level in his or her business if there were more available. If there is more, we can do more.

Mr. Ted Falk: Thank you. Blessings as you continue your career.

I wish you success.

Mr. Brett Kissel: Thank you, sir. I appreciate it.

Mr. Louis O'Reilly: Could I speak to one point that you brought up, about accessing funding? In English-speaking Canada, we do not have a talk-show format. In Quebec, if I had an artist like Brett, there would be 12 talk-show programs that he could get on.

[Translation]

For instance, I am thinking of *Pour l'amour du country* and of *Tout le monde en parle*.

[English]

All these things....

[Translation]

Mr. Brett Kissel: I am Ukrainian.

[English]

Mr. Louis O'Reilly: But with Brett's career, we're trying to get him at a national level. There's no more Mike Bullard. There's no more Vicki Gabereau. So how do people in Fredericton, how do people in Saint John, how do people in Victoria hear about Brett Kissel? We need to tour him.

So we put together a 19-day across-Canada tour. I put the budget together and said, "Brett, we're going to put you out on the road for 19 days. You're going to be out on the road for over a month, but you're not going to make a penny. In fact, we might lose money, but don't worry. I'm going to put in for a FACTOR grant and it's going to cover...and it's going to maybe put a bit of money in your pocket. It's not going to make you rich." And Brett said, "Louis, as long as we can hopefully get a FACTOR grant, I'll do it." So Brett went across... we received the FACTOR grant, and that makes a huge difference.

That's a practical example, and it's brought Brett's career from here to there because he's gone from Vancouver to Charlottetown. We lost money on it, but FACTOR made the difference.

The Chair: We'll now go to Mr. Stewart for five minutes.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Welcome to the witnesses, and thanks for coming today.

Congratulations on the Juno. I was watching your video, too, last night—that was my homework—and I really enjoyed it.

Mr. Kissel, my understanding is that you're living in Nashville now. Have you moved there?

• (1150)

Mr. Brett Kissel: Yes, I am.

Mr. Kennedy Stewart: How's that going?

Mr. Brett Kissel: Very well. It was a great move for myself and my wife, Cecilia. We really love Nashville. My publishing company is there. My co-manager in America lives there. It was a necessary move for us to be immersed in the country music culture, which is Nashville.

Mr. Kennedy Stewart: Thanks.

What I'm hearing from Mr. Reid and yourself, Mr. Kissel, is actually kind of two different things. They're almost competing visions, so that's what we have to decide here.

We have one pool of money, and we have to decide how to disburse it. Mr. Reid, you're essentially asking us to invest in Canadian kids to enrich local community, and it's not so much about commercial success, although it can lead to that. What you're asking us to do is to perhaps help build social capital in Canada. It's saying that these partnerships with education, being able to beat on a tambourine, that is your goal, to bring music to Canadian kids, much like we've done with sports. Is that—

Mr. Allan Reid: Absolutely.

Mr. Kennedy Stewart: Mr. Kissel, you're asking us to invest in young Canadian artists so they can build a profile and a portfolio. As Mr. Dykstra said, it's more of a business approach, so you can succeed eventually, and I'll use your CFL and NFL analogy, to succeed in Nashville, where you've moved now. To me, in the business community, you call that kind of an incubator. So Canada is an incubator for artists who move off and become much larger artists, as you mentioned in your speech. Most of those folks who you mentioned all live in the U.S. now.

I'm going to ask you a couple of things. Do you think there's no hope to move beyond the incubator approach here in Canada? Will we always be destined to kind of invest in artists who even have a goal but eventually move off to whether it's the United States, or a country in Europe or Asia, or is there any way the government could possibly change that?

Mr. Brett Kissel: I believe that it's no slouch on our home and native land here for somebody to move away. Those could be personal choices. Those could be a number of different choices. Here, Canada is an incubator as are other countries around the world. Sweden was an incubator for ABBA and England was an incubator for the Beatles. There's no difference in that, not to challenge too much.

But for us here, I believe Mr. Reid and I aren't necessarily competing for only one pool of money. I'm a very big advocate for making sure that we can increase, as you said, a social profile and have music start earlier and then that can lead to this, can lead to that, can lead to commercial success. Once somebody reaches a certain level, say the middle of that process, this timeline, is when we can also access another pool of money, which is all in the same house, to go and achieve that next level.

Back to the question of moving away and is there any hope for Canada, well, absolutely. I believe my courage has taken me to Nashville for the time being, but I have a cattle ranch back home and I'm very happy to probably raise my children there and continue for six, seven, and eight generations. That's my personal choice. Of others, Chad Kroeger of Nickelback still has a place in Vancouver and does a great business in Vancouver, but lives in L.A. quite a bit, and k.d. lang lives in Portland, Oregon. But a great incredible band, Great Big Sea, I believe they still live in St. John's. Jim Cuddy, who has travelled the world over in Blue Rodeo, still lives in Toronto.

Mr. Kennedy Stewart: Thank you for that. I think that gives us hope, but as a country I think it's important to understand what we are and what we're capable of. For example, the United States builds the biggest companies in the world and they stay there, whereas in Israel, for example, they recognize they're an incubator type of country and so they start businesses off and they're okay when they

leave. But they structure their government programs to match who they are.

I think that's a bit of what I'm struggling with here. Will we always be the CFL? Is there any chance of getting a Nashville in Canada ever, and if there is, how would we do that?

Mr. Allan Reid: Well, there already is. Again, I spent 25 years as head of A and R, artists and repertoire, for a label, and there are all different levels of success that can happen. Some artists need to go global and need to take on the global economy; other ones don't. You have artists like Rush, which is arguably one of the biggest rock bands and has been for over three or four decades. They still reside in Toronto. Anthem Records, their label and management team still reside right in Toronto. There's a band like Metric, which has been funded heavily from FACTOR and Radio Starmaker. They still call Toronto their home.

Yes, there are examples and Nashville is a great example. A lot of people in the country music industry go there. It is the home of country music. One thing that has been created through the Ontario Music Fund, one of their goals is to create an opportunity to bring international artists and other artists within the Canadian rights to come to Ontario and record and keep it there. There's a real move afoot, and again, there's a very successful industry that also exists off of keeping those artists at home.

• (1155)

The Chair: Thank you very much.

Mr. Kennedy Stewart: Is that it for me?

The Chair: It is.

We're moving to Mr. Weston, for about four minutes.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): I just said to my colleagues, I feel like getting up and cheering after you three have spoken. You've done great things to invigorate our study and give us some good practical advice.

I've already tweeted you and I'm expecting you to pass it on. We're going to get everybody in this room to do that.

My specific question is this. Somebody said if you can't measure it, it doesn't count. And I believe what you're telling us, Brett. Your story is a really compelling one, but how do we measure that? Let's say there's nobody here, but the cynics enter the room and ask how do you measure it? Had there not been FACTOR, you're a resourceful guy, you're an entrepreneur, you have family support, you have all the ingredients of success, my guess is you would have found your way to this podium sooner or later anyway. So how do we measure it?

Then I want to come back to this ParticipAction idea, which is really exciting.

Mr. Brett Kissel: I think, quickly, to measure that, which is a great question.... For me, I actually would have to say it's not likely; if I didn't have the funding from the Government of Canada, the answer is that I would not likely be here.

Yes, I want to be resourceful. You can tap in and contact somebody from a Fort McMurray oil company to throw in a couple of thousand dollars to help me make my CD, but you can't get it without that large pool of money and those great resources. You really almost can't do it.

Mr. John Weston: So we could do a better job of measuring it so that we reinforce the value and then can do what you want us to do, which is expand it.

Mr. Brett Kissel: When it comes to measuring, I'm not sure about that analogy, necessarily. I feel it's just about showing proof. It's about connecting with certain people who maybe have moved on in a very, very big way.

I don't know if these people have accessed funding, but I'm going to throw out some names: Michael Bubl ; maybe the Devin Cuddy Band; maybe Great Big Sea, I'm not sure; maybe Arcade Fire; maybe Nickelback. I don't know, but potentially these large, large groups and artists can be the proof in the pudding, maybe in a commercial, or maybe in something in a big way to say, "For all the cynics out there, we benefited, and we're here today because of it."

Mr. John Weston: What you're talking about is catching government doing something right.

Mr. Brett Kissel: That's right.

Mr. John Weston: That would be a great message, "This is good. This is happening. This has helped us." It would encourage all those people who are involved and in the back to keep going.

We do have the tax credit for musicians and artists. It was brought in recently by the Conservative government. Do you see that as going somewhat down the road of doing this ParticipAction for students?

By the way, as someone who promotes health and fitness, I love your analogy.

Mr. Allan Reid: Thank you.

Actually, just before we get there, I'm curious. How do you currently measure it? How does the government measure this right now?

Mr. John Weston: I don't know that. That may be my own ignorance, but I'm saying that if we can measure it, if there are metrics around it that are really compelling, then it gives ministers and finance ministers and prime ministers the fodder they need to move forward confidently and say, "We're being good fiscal stewards of taxpayers' money, and look at the wonderful dividends we're getting." They love to be able to say that.

Mr. Allan Reid: It used to be measured by record sales. It used to be measured by units. That's just no longer the case anymore. The gold record used to be 50,000 units sold in Canada. It's now gone down to 40,000, and it may go even further down, for certifications. We've seen that happen globally.

I was just very curious to know what your current measurement criteria were. Sales are obviously a key piece. It really is as Brett and Louis are doing. They're entrepreneurs. They're a business. That, I think, is a true measurement. They're taxpayers. They're putting money back into the economy from the money they're making.

Mr. Louis O'Reilly: Just on that, for the last five or seven years, I've been getting documents sent to me by Statistics Canada that I have to spend a whole half a day on, inputting information about my artists, how much money they make, how many CDs, how much comes from foreign sales, and even about me personally, as a company.

I think Statistics Canada has their hooks into certain people in the industry. I've been suffering through that. I understand the value of it, because I'm an economist by background, but I'm sure you have the metrics there, if you need them.

• (1200)

Mr. John Weston: There are great leaders who are economists.

Voices: Oh, oh!

The Chair: Thank you very much. That will be the last word for the panel.

I'd like to thank our panellists for their contribution to our study.

We will briefly suspend.

• (1200)

(Pause)

• (1205)

The Chair: We are going to call meeting number 17 of the Standing Committee on Canadian Heritage back to order.

For the second hour we have Ian MacKay, the president of Re:Sound with us. We also have S bastien Nasra from Avalanche Productions & Sound Publishing. He's the president and founder of M for Montreal. Last, we have Richard Petit and Annie Morin by video conference from Montreal. They are with Artisti and Union des artistes.

We will start off with Mr. MacKay, for eight minutes.

You have the floor.

Mr. Ian MacKay (President, Re:Sound Music Licensing Company): Thank you, Mr. Chair, and members of the committee.

My name is Ian MacKay, and I am the president of Re:Sound Music Licensing Company.

Re:Sound is a not-for-profit organization dedicated to obtaining fair compensation for artists and record companies for their performance and communication rights. We represent the royalty rights of more than 12,000 musicians, including featured and session musicians, as well as record companies when recorded music is played on commercial radio, satellite radio, pay audio, music streaming services, and in other businesses that use music. The money we collect is split fifty-fifty between the performers and the record labels.

Re:Sound's member organizations are Artisti, who are here with us today, ACTRA RACS, the Musicians Rights Organization of Canada, MROC, the Quebec Collective Society for the Rights of Makers of Sound and Video Recordings, SOPROQ, and Connect Music Licensing, who has already appeared before this committee.

The committee has already heard from a number of witnesses about the challenges facing the music industry and how that industry is changing. There's no question that recorded music is being consumed in more ways than ever before, with some sources of revenue declining, like CD sales, while others have some growth on the digital side.

The distinction between what is core music consumption and what is secondary music consumption is not as clear as it once was. Today a significant part of the income received by musicians and record companies comes from royalties for uses of recorded music on broadcast radio, satellite radio, pay audio, and increasingly, from music streaming services. Re:Sound licenses these uses on behalf of performers and record companies through rates that are certified by the Copyright Board of Canada.

As Stuart Johnston, the president of the Canadian Independent Music Association, said when he appeared before the committee a couple of weeks ago, the industry has splintered in terms of revenue sources and what was a dollar business has become a pennies business. At Re:Sound our focus is on getting fair rates for creators of recorded music, collecting all those pennies, and getting them to the rights holders, doing our part to ensure a healthy musical ecosystem.

There are two main recommendations Re:Sound would like to make to the committee today that we believe will be important in ensuring that Canada continues to have a strong recorded music industry going forward.

The first one is the elimination of the \$1.25 million exemption for commercial radio. The second is ensuring that the regulatory process here in Canada is well placed to encourage a thriving musical economy and efficient digital marketplace. I will now speak to each of those in a bit more detail.

First is the elimination of the \$1.25 million exemption.

In 1997, the Copyright Act was amended to grant performers and makers of sound recordings the right to receive fair compensation for the public performance and communication of their works. This amendment brought Canada in sync with 85 other countries around the world. Previous to this, only composers and music publishers, represented by SOCAN, had received royalties from radio play, while the people who performed and created the recordings had not.

The right was meant to parallel the existing composer-publisher right as it does in other countries, but it was substantially restricted at the time by a provision that commercial radio stations were only required to pay \$100 on the first \$1.25 million in advertising revenues. This was and remains the only such subsidy in the Copyright Act and the only subsidy of its kind in the entire world.

The rate-setting body, the Copyright Board, weighed in on this subsidy as far back as 2005, stating, "Even the smallest of stations would be able to pay the tariff," and further, "allowing large, profitable broadcasters to escape payment of the full tariff on any part of their revenues constitutes at best a thinly veiled subsidy and is seemingly based on no financial or economic rationale."

This subsidy removes about a third of the royalties performers and makers would otherwise receive from commercial radio. It reduces

those royalties by about \$8 million per year. The bulk of this subsidy goes to a handful of large radio groups. Removing this subsidy would cost nothing to government, but would mean that commercial radio would pay the proper royalty set by the Copyright Board for the use of recorded music, rather than the substantially subsidized rate they currently pay.

• (1210)

My second recommendation, as I said, is regarding the regulatory process for music. I quoted the Copyright Board just now, and you've already heard from a number of previous witnesses about the crucial role the Copyright Board plays. The Copyright Board is the tribunal that sets the rates to be paid by businesses that use music, including commercial radio, satellite radio and streaming services, and webcasters.

The concern is that with rapidly changing business models in the music industry and increasing demands on a Copyright Board with limited resources, as currently formulated the regulatory process can be perceived as a barrier rather than as a facilitator.

The committee heard from diverse witnesses in the last few weeks including Jodie Fernyhough, the president of the Canadian Music Publishers Association; David Murphy, the president of the Professional Music Publishers Association; Gilles Daigle, the general counsel of SOCAN; and Victoria Shepherd, the executive director of Connect Music Licensing; that there is a need for a faster regulatory process, particularly in the emerging digital marketplace. This is also highlighted in Music Canada's report from last year, entitled "The Next Big Bang: A New Direction for Music in Canada".

Victoria Shepherd quoted the statistic that 21% of total industry revenue in the U.S. comes from streaming, while in Canada it is only 7%. Vanessa Thomas, the managing director of the streaming service Songza, who appeared a week or two ago, said that part of the explanation for this gap could be because music services are not launching in Canada because they are still waiting for some of the rates to be set by the Copyright Board.

These businesses need to know what they have to pay for music, and the rights holders, the performers, and the record companies need to know what they will earn. Parliament needs to ensure that the Copyright Board is adequately resourced so that the regulatory process facilitates a thriving digital music business that encourages innovation of new models of distribution for music, which will then take the place of what we know is the big problem with services that provide music and nobody gets paid for.

Thank you for your time today. I would be pleased to answer any questions that the committee has.

The Chair: Thank you very much.

We'll now move to Sébastien Nasra from M for Montreal.

You have the floor for eight minutes.

[Translation]

Mr. Sébastien Nasra (President-Founder, M for Montreal - Mundial Montreal, Avalanche Productions and Sound Publishing): Good morning everyone. My name is Sébastien Nasra.

First of all, allow me to thank you for the privilege of speaking as part of this exercise, the pertinence of which I salute as it comes at a key time in the evolution of the Canadian music industry.

[English]

My presentation will be in what can be referred to as Frenghish, so please keep your headset on and listen to the music.

It's been said of me that I am an industry international man of all trades. Classically trained as a percussionist from the Conservatoire de musique du Québec, I am the proud recipient of both a CEGEP diploma in administration and a law degree from Laval University.

In 1994, at the age of 23, I founded Avalanche Productions and Avalanche Sound Publishing. Avalanche went on to become an established 360 operation of artist services—management, publishing, label, album and show productions—and a significant player in the Canadian music industry launching the local, national, and sometimes international careers of acts such as The Soul Attorneys, Jorane, Les Respectables, Beast, Elisapie Isaac, and more.

Furthermore, my continuous determination to break borders has led me to build bridges with the rest of the world and create, in 2006, M for Montreal, a showcase conference and export platform now internationally renowned and locally celebrated, going into its ninth year of existence. M is a springboard into international markets that has contributed to the careers of many acclaimed acts, such as Half Moon Run, Patrick Watson, DJ Champion, Coeur de Pirate, Karkwa, Suuns, P.S. I Love You, and many more.

In 2011, along with seasoned Toronto-based programmer Derek Andrews, we launched Mundial Montréal, serving and supporting the Canadian world music community through a yearly showcase conference and by currently creating an unprecedented network of presenters with a clear goal: developing opportunities for talents emerging from the richness of the Canadian cultural diversity.

In only three years, Mundial has become internationally recognized as the premier professional meeting place in North America for global music. Other involvements in different aspects of the industry include serving on the board of directors of organizations such as SOCAN. I was a founding member of APEM, Association des Professionnels de l'Édition Musicale, and I am currently serving on the board of ADISQ. But enough about me.

• (1215)

[Translation]

I would like to draw your attention to some of the needs of Canadian music and to future possibilities. First of all, I must challenge some commonly held misconceptions.

While it is true that anyone can do a recording in his living room and put it on YouTube, the fact remains that the cost of equipping oneself with the means to produce a quality product and to have consistent visibility are increasingly high.

How do we deal with the challenge of the digital era, social media, and the broader role of corporations? We believe that there are some key solutions: workers, workers, workers. Companies must have help hiring and attracting specialized workers, mainly in viral marketing and social media advertising.

[English]

It's all about social networking, right? For that, it takes bodies, young potential music industry professionals for the future that will give young organizations the ability to grow their support staff more efficiently and more effectively.

One has to remember that when the fund was set, the instant social media needs did not exist at all, and it is in no way replacing the traditional media or marketing needs, but it is actually in addition to the existing needs of skills and clout to be able to compete in the new marketplace.

The market hasn't changed much. People still want music and need to access music more than ever. It's the way of bringing it to their attention and getting it in their ears that has evolved with technology, and the faster pace with which it's delivered.

I have some recommendations. This might sound funny, but we need more geeks. It's the revenge of the nerds. We need funds dedicated to keep up with the need for fast, constant social media and network maintenance, online marketing plans, conversations with the public, creation of quality online content, innovation in practices, and evolution in e-market penetration methods.

[Translation]

A little earlier, we talked about developing a young audience. Firstly and secondly, we must educate young people and put them in contact with music which, as evidence has shown, has beneficial effects on cognitive development and motivation. We must also capture their imagination before they are taken over by video games, movies and TV.

Let's talk about marketing and commercialization. Production is relatively well-supported, but it has become increasingly difficult and costly to sell a product. It is important to maintain support for creation and production, because without a good quality product, no one will buy it even with all the marketing in the world.

The priority is touring, touring and touring. At the end of the day, that is the best type of local, national and international promotion. It has been clearly proven that artists who tour can do nothing but develop artistically, develop their audiences and develop demand for their projects while generating various types of spinoffs, including jobs for technical staff and others.

In terms of research for new opportunities for music, there is a cruel lack of support for developing new initiatives. I am talking about support for business plans and market studies to facilitate the presentation of music on various non-traditional platforms, like movies, TV, video games, multimedia, and advertising, to name a few.

[English]

I want to talk about diversity in diverse cities. The Canadian cultural mosaic is larger, bigger, and more diverse than ever. It is not only French and English anymore. It is starting to express itself as the new Canada.

Recognizing the organizations and events that represent, support, and bring to the masses the sounds and cultures of a wide variety of global beats and voices of the world that have adopted Canada as their home is an essential step moving forward in supporting our incredibly diverse communities that form the social fabric of Canada 3.0.

In listening to other voices who have opinions in this area, we noticed that, namely, the Government of Ontario and heavy hitters of the Canadian music industry based in Ontario are being strategically aggressive with even more Toronto-centricity and establishing Toronto as the most significant music hub in the country.

While we understand their motivations, we would like to think that the magic of the Canadian music scene is about more than one place. Examples like the National Music Center in Calgary, initiatives like BreakOut West, the ECMA awards, Les Francouvertes, or M for Montreal, to name a few, all contribute in their own way to make Canada so special, unique, and diverse. Again, the D word, diversity.

• (1220)

[Translation]

As for exports, I would like to clarify that some industry stakeholders would like to see a single model and a single window for dealing with and organizing export missions. We do not believe that such a model promotes diversity, nor is it the best approach for tangible individual results for artists.

Why? Because each project has different artistic content, different timing, different needs and different strategic approaches. The tools available to artists and Canadian entrepreneurs must remain flexible, diversified, and strategic so they can respond quickly to the rare opportunities that arise in an increasingly competitive international market.

The department did consult industry on this specific point in the fall of 2012, and the exercise clearly showed that the diversity of stakeholders and the diversity of business models is the way to go.

Finally, we want to underscore the difference between flourishing in Canada and developing the artistic careers of Canadians, in terms of market development, of course.

[English]

Because, at the end of the day, it's all about the music, man.

[Translation]

Thank you for your attention. I would be happy to answer any questions.

[English]

The Chair: Thank you.

We will now go to Montreal, from Artisti et Union des artistes, Richard Petit and Annie Morin, for eight minutes.

[Translation]

Mrs. Annie Morin (Director, Artisti and Union des artistes): Thank you, Mr. Chairman.

Good afternoon, committee members.

First of all, I would just like to thank you for inviting us to give our opinion on the effects of technological change on the creation, distribution and consumption of Canadian music.

The UDA, represented today by Richard Petit, one of its directors, is a professional association representing around 12,000 performers, including singers.

Artisti is the copyright collective created by the UDA in 1997. We have over 3,100 members, singers and musicians of all languages. To date, we have distributed to them over \$25 million in royalties under the system of equitable copyright remuneration.

Let's come back to the effects of technological change. The effects are many, and we have recommendations to make on steps to take to offset the negative ones.

Don't forget, it is easier than ever before to copy and listen to music. Accessing it is child's play. Just think of iTunes, the various streaming sites or even YouTube, which provide access to a huge catalogue of music. However, there is not always a fee for that access, and the income that should in principle make its way back to the musical performers does not always materialize.

Take YouTube, for example. Almost everyone listens to music online on YouTube. To listen to music accompanying videos or still images on this site, the audience pays nothing. As for the performers whose musical performances are accessible in this manner, they often do not receive anything either.

We believe that if anyone receives any income in connection with such use, a portion of that income should go back to the performers, as is the case with the equitable remuneration system under sections 19 and following of the Copyright Act. That system provides for a 50/50 sharing of royalties between the makers of sound recordings and the performers.

To do this, changes would have to be made to the Copyright Act such that the equitable remuneration system would capture the free dissemination of videos involving music.

As for other Internet broadcasts, there are two types. On the one hand, there is radio show simulcasting, and on the other, there is non-interactive and semi-interactive streaming, such as Songza. This is similar to conventional radio.

For these broadcasts, the performers and makers of sound recordings are waiting for the Copyright Board of Canada to set an equitable remuneration tariff soon. These broadcasts will ultimately be subject to equitable remuneration, with a 50/50 split between makers and performers, which is a good thing, in our view.

•(1225)

Mr. Richard Petit (Artisti and Union des artistes): There are also on-demand broadcasts, i.e., broadcasts for which the audience pays something and chooses what they want to hear, such as on Rdio, Deezer or ZIK.

For these other broadcasts, the performers have to negotiate compensation under their recording contract. However, a number of songs on these sites come under contracts that were entered into at a time when such technological developments were inconceivable. Several artists complain that they get absolutely nothing for these broadcasts. The same situation occurs with more recent contracts, which is even harder to explain.

Finally, there is the purchase of music on sites like iTunes. There too, the performers are stuck with what they managed to negotiate under their recording contracts. More often than not, given that sales have plummeted and that royalties have been scaled back, along with album production costs, they rarely receive any remuneration for these uses.

In order to get an accurate picture of musical income sharing in the digital universe, we believe it would be useful to conduct a study of online uses not covered by equitable remuneration in order to determine how the royalties are distributed among various stakeholders in the music industry.

Artisti and the Union des artistes would like, at the very least, to make sure these studies identify what percentage of the royalties or income from music that is used or sold makes its way back to the performers. In short, what do they get back after they have paid off all of the non-subsidized album production costs.

Mrs. Annie Morin: That said, there are other ways of ensuring that performers receive a share of the revenue generated by other users of their music in the digital sector.

First, the exception under section 68.1 of the Copyright Act that exempts radio stations from paying fair compensation on the first \$1.25 million in annual revenues could be repealed. Ian MacKay spoke briefly to this earlier.

Furthermore, under the private copying regime royalties could be collected on the sale of any device or blank audio recording media. We have proposed this in the past and those proposals are still current and so we are repeating them before you today. In fact we would recommend that a committee be struck in order to examine the modernization of the private copying regime.

Finally, we would like to emphasize the fact that music allows Internet service providers, music listening device manufacturers and global music services to make money and generate revenue but performers are the ones who are left out of the payment chain. Therefore, we would like government measures to be taken to insure that these service providers, website operators and device manufacturers share a part of the income that they earn from the use of that music with the performers.

Mr. Richard Petit: Now we would like to speak about support for performers in the music industry.

To date this support has been directed to production companies rather than to the performers themselves. In the same way that the

music industry needs support, so do the performers. Performers who work on an album are not compensated for the time they spend doing that and only receive a small amount for their studio recording sessions.

If they can completely cover the album production costs, then they may be able to collect royalties. However that hardly ever happens. Whether the production is profitable or not, production company staff receive a salary thanks to a system of subsidies whereas the performer has to take on several jobs in order to make ends meet.

Ms. Couture, who appeared on the first day of your hearings, said that it is good to see the real challenges that performers face on a daily basis so that policies are crafted accordingly. One of their challenges is to live with no income during that whole period that precedes the creation of an album. When performers are in a production period, they need a salary in order to be able to spend their time creating.

We find it unfortunate that the business plan for a viable music industry is based on the assumption that performers are volunteering almost all their time. We believe that subsidies for the performers would rectify this unfortunate situation. How can that be done? It could be done by providing subsidies that would be parallel to and connected to production, for the purposes of guaranteeing a salary for the performers, salary that would be more than simply a repayable advance. If performers are the source of musical endeavours, then they have to be part and parcel of the funding mechanism and be compensated.

•(1230)

Mrs. Annie Morin: We would be happy to answer your questions.

[English]

The Chair: *Merci.*

We will now go to the questions and we'll start with Mr. Boughen. If I could just remind members that we do have our panellists from Montreal through video conference, so please don't forget.

You have the floor, Mr. Boughen.

Mr. Ray Boughen (Palliser, CPC): Let me add my voice to welcome our panel members in Montreal and here in Ottawa. We appreciate your taking time to visit with us and help us with our study.

We heard a lot of different questions, and any of the panel members may feel free to answer the questions.

On positions around funding that's favourable for the development of the artists, could you expand on that a little bit? What kind of dollars are we looking at and where would those dollars come from in general terms?

Ian, could you start us off?

Mr. Ian MacKay: Sure.

In terms of what I was presenting, the funding there is royalties. It's royalties for the play of recorded music on radio. It exists but it's reduced by what I think was meant to be a transitional provision in the act that limited the amount of royalties that were paid. This is taking \$8 million a year out of the royalty pool for musicians and record companies. That subsidy was introduced in the act with the new royalty back in 1997. At the time the entire radio industry had a profit of about \$3 million.

Fast forward to today and the profits of the radio industry are in the hundreds of millions. It's a much more concentrated industry. You have the four major radio groups representing over 80% of the revenues of the industry.

We would look at all of that and say, if that subsidy was ever justified, it certainly isn't justifiable in today's world. In a free marketplace the artists and the record companies should be getting fair compensation for the music that's played on radio, and that's all we're asking for. Of the \$8 million that would be injected into the music system, not a penny of it would come from government. It's not asking for additional funding. It's asking for payment for things that are being used.

Mr. Ray Boughen: Thank you.

Sébastien, what's your view on that?

Mr. Sébastien Nasra: I'm not totally clear on the question. Is it about the funding that's available to artists?

Mr. Ray Boughen: Yes. How do they access the funding?

Mr. Sébastien Nasra: How do artists access the funding within the existing programs?

Mr. Ray Boughen: Right.

Mr. Sébastien Nasra: It is partially through.... There seems to be a big structure of funding for the entrepreneurs and the companies. That said, through the arts council in Quebec, the Conseil des arts et des lettres du Québec, or the Canadian Council for the Arts, there is money available that is directly for artists. Only artists can access that money. I don't have the numbers with me, but I think these systems work well. They certainly need more funds to be able to allocate directly to artists, especially as Mr. Petit mentioned, for the creation process, and recording and all that. It is true that sometimes it takes a year or two to get to the right quality of material. It's very difficult for an artist to do that and also have a side job or a day job.

That said, I know there are certainly situations where artists are volunteering to do their own recordings and all that. It hasn't been the case, certainly not for my company. Over the years we've worked with fewer artists but we've supported them, I like to think, more. It's also the notion of quantity versus quality. Personally, we've always tried to go for quality and a little less quantity so that we could use the funds that are available to us and our own money to actually support the artists throughout the process and also throughout the process of promoting and touring. The best I've ever done, it took about three years to recover the whole investment in an artist's project, but the artist was making a living. It was a different case and a different situation, I guess.

•(1235)

Mr. Ray Boughen: Richard and Annie, how does it work in Quebec? Is there any difference for artists who are performing there

or developing artists to have access to funds to help them with their albums, touring, and all the rest of it?

[Translation]

Mr. Richard Petit: Is the question for us?

Mrs. Annie Morin: Fine.

Mr. Richard Petit: There is some funding for performers in Quebec, but it is very little and it is in no way enough to live on and to dedicate oneself completely to creating and recording. Very small amounts are provided for a project.

A project lasts approximately two years. The funding in question covers the cost of living for three or four months at the most. If you consider the actual length of time for a project, this is more like volunteer work. Given that the overall funding is provided to the producers, payment rarely reaches the performers. Whether an album is successful or not the artist does not make any money.

Mrs. Annie Morin: We had the opportunity to hear Mr. David Faber, who testified before you. As he himself said, he has to hold another job. People he works with have full-time jobs even though they are very successful performers.

[English]

Mr. Ray Boughen: Yes, it's very difficult. We heard from one of our panel members earlier today that a very successful tour doesn't necessarily make you any money. At the end of the day, you've pretty well paid out the money for expenses and there's not much money left for the artist and artist's group. Is that common in your world?

[Translation]

Mr. Richard Petit: That is the standard.

This industry has been built over the years and for all intents and purposes volunteer work is the standard. Careers have become shorter and shorter. Artists dream of having a career. They start one and then they get to the point where they understand that they will never make any money. So they give up. We are seeing careers become shorter and shorter rather than longer. Over the course of their first production cycle, performers realize that they will never reach their goals, perfectly normal ones like owning property and starting a family. It won't happen under the current circumstances because of the system that is making careers shorter and shorter.

[English]

The Chair: Thank you, Mr. Boughen.

[Translation]

Mrs. Annie Morin: There are very few performers who can make a living from their work.

[English]

The Chair: I'm sorry, Madam Morin.

[Translation]

Mr. Natel, you have seven minutes.

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

In fact I was telling Montreal people that there is sometimes a lag and the screen freezes. There is a two or three-second lag, just like during the broadcast of the Olympic Games.

I would like to thank everyone for being with us this morning. You are obviously very busy people. Everyone is overwhelmed.

The music industry is a world of travel and performances abroad. I am thinking in particular of Sébastien Nasra. I would just like to tell everyone that we have already met. At the time, all three of us were with Sony Music. It was a glorious time when digital music had just made its first appearance. Music was flourishing and everything was getting much faster. Video clips were taking over the world. Everywhere, and at the same time, master tapes were being used to make CDs that were selling very quickly. It was fantastic.

At the time we also heard René Angelil say, with the appearance of Napster, that it was time to do shows in Las Vegas because record sales were a thing of the past and they would continue to decrease. That is exactly what happened.

I would like to congratulate you all for being here. I would like to congratulate Mr. Petit in particular who was appointed president of Artisti today, if I read the newswire correctly. Congratulations.

• (1240)

Mr. Richard Petit: Thank you very much.

Mr. Pierre Nantel: My first question is for you, actually.

I believe I have heard you speak about the Paramore situation in the United States. They complained that they were receiving very few royalties or very little payment from streaming services. Could you tell us more about what they had to say? Can you explain to us why that group is so important and why its success or visibility did not translate into revenue?

Mr. Richard Petit: Currently, in Europe, the highest royalty rate for music streaming is 0.00084%, whereas the lowest rate can be as low as 0.00048%. In order to make minimum wages in Canada, your song would have to be streamed from 25 to 30 million times. At such rates, it is impossible to make any money. In the case of Paramore, for 1.3 million songs streamed, they got the meagre sum of \$36. That gives you an idea of the current situation. At this time, performers cannot make any money with this new technology. However, someone somewhere must be making some.

Mr. Pierre Nantel: Thank you, Mr. Petit.

Like Ms. Morin, you have explained the issues around royalties redistribution. I hope we will have time to discuss that further today.

However, I would to go straightaway to Mr. MacKay, because we are talking about royalties for streaming services.

Mr. MacKay, in a limited market like the Canadian one, royalties for a product—the word “product” may likely seem offensive to some, but we are talking about the music “industry”, not the “art” of music—are probably quite low because they are established according to levels of international access, which may result in a bit more than fractions of a cent if the volume of consumption is significant.

Who other than the government could potentially make up for these losses? Streaming is the current pattern of use. According to various studies, such as the one conducted recently by the International Federation of the Phonographic Industry, or IFPI, 80% of music is streamed. What can be done to ensure that our creators get a fair shake, given this new way of listening to music?

[English]

Mr. Ian MacKay: There's definitely a challenge as the music industry changes and music consumption changes, to make sure that the way music is being consumed is monetized, and monetized in a way that allows artists to continue to make a living in the music industry and people to continue to invest.

I think that goes to the point that I made earlier in terms of the regulatory process. The problem now is that a lot of the ways that music is consumed by music consumers doesn't result in any money going back to the artists and the people who produce the music.

Even in the situations with streaming services that are legal streaming services, even if the royalty rates are low so that it requires many plays to get to a level of revenue, at least there is revenue going to the artist. When I made the point earlier about the regulatory process in Canada, I think in Canada we see that only 7% of revenues are coming from streaming, versus 20-something per cent in the U.S., and that's because we just don't have as many legal streaming services here in Canada.

We certainly want to encourage as many of those as possible. Part of the process for having as many of those services in Canada as possible is to have a regulatory process that gives them and rights holders certainty as to what the rates are.

Something I would strongly recommend that Parliament and the government look at is making sure that the Copyright Board, the regulatory body that sets those rates, is well enough resourced and the process is efficient enough that these things can be turned around, and as these business models develop, that can take the place of the illegal distribution of music, or the distribution of music that isn't resulting in money getting back to creators, and it's making sure we are doing everything we can from a regulatory point of view to facilitate this.

• (1245)

[Translation]

Mr. Pierre Nantel: Thank you, Mr. MacKay.

Witnesses have repeatedly told us that the government's support system for the recording and composing industry was completely appropriate. People are content. The problem has to do with product distribution and its international visibility.

Mr. Nasra, I believe you can confirm that there is a high level of interest in sound,

[English]

the Canadian sound, the Canadian music.

[Translation]

Do you think there is anything that can be done to support visibility on new platforms? In the past, we used to fight for Canadian music to be prominently displayed on record store shelves. Nowadays, are there any initiatives that warrant greater support?

Mr. Sébastien Nasra: There are certainly things that can be done collectively, hence the usefulness of industry associations' involvement. I am not an expert on these issues, but I fully support these efforts. However, you have to band together in order to square off against the big players, like iTunes, Google and streaming sites. It is not easy.

The route we have chosen is to show off our performers in flesh and blood on international markets. However, we need viral tools, Internet tools and so on in order to do this. That is why I always come back to talking about labour. If a product is good, it will succeed in the end. It is just that it is increasingly difficult to sell a good product because there are so many of them. The competition we face is global.

My work is a bit more in the area of events, and that is what I am seeing out there in the field, be it in the United States or in England, where there are huge conference shows. Countries are branding themselves. Japan has its own brand, just like Nike. It's incredible.

The Chair: Thank you.

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

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

Ms. Morin, Mr. Petit, Mr. MacKay and Mr. Nasra, I want to thank you for having presented specific recommendations.

I would like to take the seven minutes that we have together to go over the recommendations and see if there is a consensus on them among you.

[English]

Mr. MacKay, you came with two recommendations. The first one I think Madame Morin and Monsieur Petit supported, which was to get rid of the \$1.25 million exemption.

[Translation]

Mr. Nasra, do you agree on this?

Mr. Sébastien Nasra: Yes.

[English]

Hon. Stéphane Dion: The second recommendation is about regulation, but it's first to make sure that the regulatory board will have the resources needed. It's also to change the regulation as such. Right?

Mr. Ian MacKay: It's mostly a question of ensuring that the board has the resources to do what it does and of making sure that the timelines can be reduced. Since the industry has changed so much, the board is faced with more and more things that it needs to deal with.

At the same time, the music industry and the business models in the music industry are changing so rapidly that when you have a regulatory process that takes several years from start to finish, you

can have a decision on a rate for webcasting services that is already two or three years out of date by the time it's rendered, because it was based on the industry of two or three years earlier.

Given how quickly things are changing, and given how, I think, what we all want is a very dynamic, successful music place in Canada where entrepreneurs are trying everything they can to distribute music and to get money back to rights holders, we need a regulatory body that is resourced well enough that it can turn around the decisions and establish the rates that allow the entrepreneurs and the music services to say, "Yes, Canada is a place where I'm going to launch, because I have business certainty."

• (1250)

[Translation]

Hon. Stéphane Dion: Ms. Morin, Mr. Nasra and Mr. Petit, is your analysis the same? Is there a need to be filled?

Mr. Sébastien Nasra: Yes, indeed.

Mrs. Annie Morin: Yes, Mr. MacKay is absolutely right.

Given the evolution of the market, there is a proliferation of tariffs, and the commission is, to some extent, drowning in these applications when its resources are very limited. There should be more people, perhaps commissioners, so that the decisions are made more quickly. That would definitely be beneficial for all of the rights holders involved.

Hon. Stéphane Dion: Mr. Petit and Ms. Morin, you added recommendations on this subject.

Can you tell me which ones the government could follow up on the most easily? Which recommendations should our committee make to the government so that there are not too many problems?

Mrs. Annie Morin: A private copy regime is already in place. It has already been the topic of much debate. That regime could be broadened to cover, at the very least, devices and blank audio support, as that is currently not the case. At present, people are not copying music onto blank CDs. That is the only support that includes royalties under the private copy regime, and the public is no longer using it.

If we could extend the private copy regime, which has contributed considerable royalties to rights holders in the music sector, that would be a very good thing. Since the regime is already in place, amending the act to include the devices should be very easy.

Hon. Stéphane Dion: Do you agree with that recommendation?

[English]

Mr. MacKay, did you understand?

Mr. Ian MacKay: Yes, that would be in accord with what is going on in other territories.

Hon. Stéphane Dion: In other countries?

Mr. Ian MacKay: Yes.

Hon. Stéphane Dion: In the United States, as well?

Mr. Ian MacKay: The United States does have a private copying regime. I'm not sure exactly how it works, but certainly in Europe it's the way it works.

[Translation]

Hon. Stéphane Dion: Is there anything else you would recommend?

In the list you presented previously, you went as far as talking about artists on salaries. It went far.

Mr. Richard Petit: We recommended that to help artists to focus on their work. If we want a rich culture and artists to offer good products, they must be able to focus on their work. If they are forced to work 30 or 40 hours a week at another job, then...

Hon. Stéphane Dion: I apologize for interrupting you, but I only have a few minutes. I understand the problem.

I would like you to present the most concrete solutions from among the ones you mentioned.

Mr. Richard Petit: Once a grant is given to an artist for a given music project, it should automatically come with a salary. It should not be an advance from a record company, an advance that will eventually have to be reimbursed. The grant should be attached to the project as payment to the artist while he works on his project, even if it represents a minimum wage.

Mrs. Annie Morin: It is about a parallel revenue stream.

Hon. Stéphane Dion: Yes, I understand.

Mr. Nasra, do you want to react to that?

[English]

Mr. Sébastien Nasra: No.

[Translation]

Work needs to be done on that as well, but I have one final recommendation that is different.

Hon. Stéphane Dion: Okay. What is your recommendation?

Mr. Sébastien Nasra: I want to go back to a point I think is central, the workforce.

Since we must face the challenge of the digital era, a relatively simple measure would be to put in place a super tax credit on specialized workers' salaries in the digital field. That would help companies.

Initially, a measure like that would enable independent companies like mine to have access to specialized people in the digital field. Secondly, it would make it possible to keep these people in the company and create a cash flow. I am talking about a super deduction, for example, double the salary paid to the employee for a two or three-year program. That would be very concrete and quickly respond to the urgent needs flowing from the challenges of digital technology.

● (1255)

Hon. Stéphane Dion: Thank you for your recommendations.

[English]

The Chair: Thank you to our witnesses. I'd like to thank you for your contributions to our study. If you have anything further, please send it to us in writing.

At this point, we are going to adjourn the public portion of the meeting. We do have five minutes of committee business for the committee to deal with in camera.

We'll suspend briefly.

[Proceedings continue in camera]

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