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## **Summative Evaluation of the Canada Music Fund**

**Evaluation Services Directorate  
Corporate Review Branch**

**October 2007**

**Canada** 

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# List of Acronyms

A&R	Artist and Repertoire
ADISQ	Association québécoise de l'industrie du disque, du spectacle et de la vidéo
ANIM	Alliance nationale de l'industrie musicale
APEM	Association des professionnels de l'édition musicale
CA	Creators' Assistance (CMF component)
CANCON	Canadian Content
CBC	Canadian Broadcasting Corporation
CCD	Canadian Content Development
CCO	Canada Culture Online
CI	Collective Initiatives (CMF component)
CIRPA	Canadian Independent Record Production Association
CMC	Canada Music Council
CMD	Canadian Musical Diversity (CMF component)
CMF	Canada Music Fund
CMM	Canadian Musical Memories (CMF component)
CMPA	Canadian Music Publishers Association
CRIA	Canadian Recording Industry Association
CRTC	Canadian Radio-television and Telecommunications Commission
CTD	Canadian Talent Development
DBA	Direct Board Approval
DRM	Digital Rights Management
DVD	Digital Video Disc
EBITDA	Earnings before interest, taxes, depreciation and amortization
FACTOR	Foundation Assisting Canadian Talent on Recordings
IFPI	International Federation of the Phonographic Industry
ISP	Internet Service Provider
LAC	Library and Archives Canada
MAPL	A classification system: <b>M</b> usic composed entirely by a Canadian; <b>A</b> rtist is Canadian; <b>P</b> roduced in Canada; <b>L</b> yrics written entirely by a Canadian
MARIA	Manitoba Audio Recording Industry Association
MEC	Music Entrepreneur Component (CMF component)
MEP	Music Entrepreneur Program (CMF component)
MIDEM	Marché international de l'édition musicale
MPP	Music Policy and Programs, PCH
NMW	New Musical Works component
OMDC	Ontario Media Development Corporation
P2P	Peer-to-peer
PCH	Department of Canadian Heritage
RMAF/RBAF	Results-based Management and Accountability Framework/Risk-based Audit Framework
RMI	Rights Management Information
ROI	Return on investment

SAC	Songwriters Association of Canada
SACD	Super Audio Compact Disc
SOCAN	Society of Composers, Authors and Music Publishers of Canada
SPACQ	Société professionnelles des auteurs et compositeurs du Québec
SRDP	Sound Recording Development Program
SSA	Support to Sector Associations (CMF component)
SXSW	South by Southwest
TOR	Terms of Reference

## **Executive Summary**

### **The Evaluation**

The purpose of this evaluation is to meet a Treasury Board requirement for the Minister of Canadian Heritage to report back on the final results of its arts and culture programs, including the Canada Music Fund (CMF), by March 31, 2008. Further to an extension that has been granted, the Department is now to do so by September 2008.

The Evaluation of the CMF was conducted by Kelly Sears Consulting Group on behalf of Evaluation Services, PCH, between September 2006 and August 2007. Evaluation Services established a Working Group to guide the conduct of the study. The Working Group was chaired by the Director, Evaluation Services and included representatives of Music Policy and Programs (MPP), which manages the CMF.

The evaluation involved a wide range of data collection activities, including a survey of funding recipients and non-funded applicants; interviews with key informants from across the music industry; case studies of artists and companies; and a review of statistical and financial data, including trends in music sales and the financial performance of CMF-supported record companies. An expert panel was created to review and validate the study findings.

### **The Canada Music Fund**

The Canadian Policy on Sound Recording (2001) signalled a significant shift from project-based support to a comprehensive policy framework through which the federal government invests in the music industry at every level, from creators to audiences. This new policy resulted in the replacement of the previous Sound Recording Development Program with the Canada Music Fund.

The coordination and management of the CMF is the responsibility of MPP within the Cultural Industries Branch, Department of Canadian Heritage (PCH).<sup>1</sup>

The CMF funds music artists, entrepreneurs and not-for-profit organizations that are involved in the creation, publishing, production, promotion, distribution and preservation of Canadian musical sound recordings. The program also undertakes monitoring and analysis of major trends likely to affect the performance of Canada's sound recording industry.

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<sup>1</sup> The Music Policy and Programs (MPP) Directorate was formerly called the Sound Recording Policy and Programs (SRPP) Directorate. The name was changed on April 1, 2007.

Following its renewal in 2005, the CMF was defined as a single program consisting of seven components:

- **Creators' Assistance (CA)** – Provides contributions to projects carried out by Canadian not-for-profit music sector organizations and associations related to the craft or business of songwriting, the creative process and the promotion of musical works.
- **Canadian Musical Diversity (CMD)** – Provides resources for the production, distribution and promotion of specialized music recordings that reflect the diversity of Canadian voices.
- **New Musical Works (NMW)** – Invests in Canadian sound recording creators, artists and entrepreneurs by funding the production of demo or full-length recordings or music videos, as well as the promotion of new albums and artists and touring costs.
- **Music Entrepreneur (MEP/MEC)** – Helps to ensure that Canadian music entrepreneurs build a strong, sustainable industry capable of contributing to the Canadian musical experience over the long term.
- **Support to Sector Associations (SSA)** – Provides contributions to not-for-profit sound-recording industry associations, with a view to building the capacity of these associations to provide their members with professional advice and representation, undertake analysis of public policy initiatives and monitor industry trends.
- **Collective Initiatives (CI)** – Provides contributions to help create opportunities for Canadian creators and music entrepreneurs to gain greater profile and showcase their excellence and creativity.
- **Canadian Musical Memories (CMM)** – Supports initiatives related to the acquisition, preservation and storage of, as well as access to, Canadian musical works.

The objectives of the CMF are to:

- Enhance Canadians' access to a diverse range of Canadian music choices.
- Increase the opportunities available for Canadian music artists and entrepreneurs.
- Ensure that Canadian music artists and entrepreneurs have the skills and means to succeed in a global and digital environment.

These objectives were translated into several intended outcomes found in the CMF logic model. The logic model provided the basis for the evaluation study's assessment of the CMF. The ultimate/long-term outcomes of the CMF are:

- The economic viability of the Canadian music industry is strengthened.
- The careers of Canadian music artists and careers are enhanced.
- Canadians' access to a diverse range of Canadian musical choices is enhanced.

Between 2001-02 and 2004-05, the total budget of the CMF was \$97.75 million. For the 2005-06 to 2009-10 timeframe, the total budget is \$138.75 million.

Five of the seven components of the CMF are managed by outside organizations. Among the five third-party administrators, three (FACTOR, MUSICACTION and SOCAN Foundation) are non-profit organizations, while the other two (Library and Archives Canada and the Canada Council for the Arts) are government organizations within the PCH portfolio.

## **Evaluation Issues**

The evaluation issues and questions investigated by the study were the following:

### **Rationale and Relevance**

- 1) Does the CMF meet a persistent need?
- 2) Is Government intervention justified?
- 3) Is the CMF aligned with Government priorities, including PCH strategic objectives?

### **Success/Impacts**

- 4) To what extent has the CMF been successful in achieving its immediate and intermediate outcomes?
- 5) To what extent has the CMF contributed to the achievement of its long-term outcomes?
- 6) What have been the unintended impacts and effects (positive or negative) resulting from the CMF?

### **Cost-Effectiveness/Alternatives**

- 7) Does the design of the CMF take into account the most cost-effective way to achieve the expected results? If not, what are the alternatives?



- 8) What would be the impacts on the CMF if broadcasters decide to transfer the funds they are required to provide for the development of artists within the sound recording sector to another organization (i.e., other than FACTOR and MUSICACTION)?<sup>2</sup>

## **Main Findings**

The main study findings, structured according to the evaluation issues, are as follows:

### ***Rationale/Relevance***

#### **1. There is a continuing rationale for Government intervention in the Canadian music industry**

The CMF continues to respond to a persistent need in the Canadian music industry. A key aspect of the CMF's rationale is the need to ensure that Canada has a strong independent music sector, which can record and distribute music created by Canadian artists. The foreign-owned labels are continuing to cut back on signing new talent, and the Canadian-owned sector will be even more critical in the coming years.

Support for the Government's investment in the Canada Music Fund is unanimous amongst all segments of the Canadian music industry. A Canadian-controlled sector is critical to the development of new Canadian talent. Canadian companies will continue to require support in order to survive the current transformation and upheaval taking place in the sector, both domestically and globally. In fact, many believe that the Government should increase its level of investment, noting the strong return on investment in the sector and the international success achieved by a long line of Canadian artists.

While there was no debate on whether government support was still required, there was much discussion about to whom the financial support should be directed. The conclusion is that while the record label will continue to be an important element of the process to create a commercial hit record, it is no longer the only component. In addition to record labels, other key segments of the music industry need to be brought more visibly into the CMF fold, including publishers, managers, distributors and promoters. There was also a call for increased support to the artist.

It was difficult to assess whether the CMF is aligned with the Government's priorities, as support to the cultural industries is not identified specifically in recent Government policy documents, such as the March 2007 Budget. The CMF is formally situated in the Department's Program Activity Architecture (PAA), which was approved by Treasury Board.

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<sup>2</sup> This evaluation issue was not included in the original TOR but was added once the study was underway. However, in December 2006, the CRTC issued its Commercial Radio Policy Review, which announced that broadcasters will continue to make contributions to support FACTOR and MUSICACTION. Consequently, Evaluation Services directed that this evaluation issue be removed from the study. The Commercial Radio Policy Review is described further in Section 3.4.

*Success/Impacts*

**2. The CMF has made progress towards achieving its intended outcomes**

The CMF has a variety of intended outcomes that are focused on helping Canada's artists and music enterprises. The highlights of the Program's achievements are as follows:

- The Program has had an incremental impact on the production and marketing of new Canadian music.
- Sector associations have increased their capacity to serve their members.
- There is some evidence that Canadian musical artists and creators have enhanced their skills. The survey of recipients of Collective Initiatives funding found that most recipients believed that their funded projects (especially educational/professional seminars and conferences) had a positive impact in terms of increased skills development for artists.
- The CMF has led to increase sales of funded artists and their music.
- The CMF has had a positive impact on the careers of Canadian music artists and creators. The survey of CMF recipients found that the vast majority of Canadian Musical Diversity and New Musical Works recipients believed that their projects had enhanced the careers of the funded artists. The case studies of artists supported this finding.
- One of the CMF's intended results is "Canadian music enterprises build their skills and capacity." While the CMF has been critical to the survival of the Canadian-controlled segment of the music industry, it is premature to assess the long-term trends in the financial performance of companies that have received assistance from the MEP component in particular.

**3. Most of the CMF's components were viewed as important and beneficial to the music industry**

The main findings for each of the CMF components are summarized as follows.

**a) Canadian Musical Diversity**

Of the three CMF components covered by the survey of recipients, the CMD component (Grants for Specialized Music Recording Production) had the largest incremental impact on the production of sound recordings. This is likely due to the limited capital available to the majority of CMD recipients, who are less commercial given the nature of their music. However, only about one-half of CMD recipients agreed that CMD support had increased the sales of their sound recordings. This might be explained by the low dollar value of CMD project budgets (only \$10,650 on average) and the insufficient funds left over for marketing once the production of the recording is completed.

Another issue is confusion among stakeholders regarding the difference between the CMD component and NMW component, which both fund the production of "specialized" music. Furthermore, independent artists who do not qualify for CMD support (only

certain genres are supported) or for NMW support (as they have not reached the required sales threshold) feel largely ignored by the CMF.

The second CMD sub-program, Grants for Specialized Music Recording Distribution, was viewed as requiring a re-design, due to the low take-up.

**b) New Musical Works**

Overall, there was strong support for the NMW concept, i.e., to provide financial assistance to emerging artists for the production and marketing of their sound recordings, since many of these artists would not receive the same level of support from their music labels in the absence of NMW support. Other NMW sub-components, especially support for tours, showcases and skills development received very strong support.

An issue with the NMW component is the absence of published data on the part of the two administrators (FACTOR and MUSICACTION) on results achieved. Many key informants as well as the expert panel were critical of the two administrators for not tracking and reporting on the performance of this component over time.

**c) Music Entrepreneur**

Most key informants as well as the expert panel agreed with the decision made by PCH to take the MEP/MEC companies out of the two administrators (FACTOR and MUSICACTION) and to fund them separately, thus providing increased support to smaller record labels. MPP made this policy decision in order to free up funding under the NMW component for younger, dynamic firms and independent artists.

Some key informants as well as the expert panel stated that this component had not been successful, as they believe that many of the funded companies had not achieved a sufficient return on investment compared to the millions of taxpayer dollars invested over a period of many years.

The overall view is that the concept of the component made sense; the issues are: 1) which companies are selected for funding; 2) to limit the number of years a particular company would be eligible for support, in order to encourage progress towards financial sustainability; 3) to base funding on the achievement of performance-based objectives; and, 4) to broaden the segments of the industry that are eligible for support. On the last point, given the changing dynamics of the music industry, there was a call for the MEC component to support other segments that are critical to the success of artists, such as publishers and managers.

A positive feature of MPP's administration of the MEP/MEC component is that companies are required to submit detailed historical financial information, so that trends in financial performance can be analyzed over time and reported to stakeholders.

**d) Support to Sector Associations**

Key informants were supportive of the SSA component. They noted that given the fragile state of the Canadian-owned sector of the music industry, membership fees in many of the funded associations typically cover only a small percentage of operating costs.

The component was viewed as important for enabling the associations to support PCH management in developing and making changes to the CMF over time.

The key performance indicator identified for this component was “level of satisfaction of artists and entrepreneurs with the efforts of the industry associations.” The main source of information on this indicator was to be a survey of members of each of the recipient associations, to be conducted by the Department of Canadian Heritage. However, this survey was not forthcoming in time for the evaluation. Thus, we are not able to make any definitive conclusions on the cost-effectiveness of this component.

Regarding the availability of performance information from recipients, our file review found that none of the funded associations provides any quantitative evidence in their annual reports to PCH on how SSA support has improved their performance (e.g., using such indicators as level of client satisfaction and trends in membership revenues).

Many of the funded associations are heavily dependent on government support. Going forward, PCH should consider adding a sustainability goal to this component, so that eventually government support would no longer be necessary.

**e) Collective Initiatives**

The support provided by the Collective Initiatives component to enable Canadian companies and artists to attend international markets and festivals was highly valued by everyone consulted by this evaluation, as many delegates would not be able to afford to travel to these events in the absence of government support. Surveys conducted following the major events indicate that participation by Canadians at these events is highly beneficial and demonstrates a positive ROI.

These findings are consistent with other research previously carried out by Kelly Sears on the impacts of such events in other cultural industries, including film, television and new media.

**f) Canadian Musical Memories**

Key informants were supportive of the objectives of this component, i.e., to acquire and preserve Canadian sound recordings, but several did not understand the reason for including this activity under the CMF umbrella. The expert panel agreed with this finding.

Given there is a need to simplify the design and structure of the CMF, one option would be to transfer the component to Library and Archives Canada. The evidence also

indicates that the current budget of the Music Section at LAC is insufficient compared to the volume of recordings that need to be catalogued and eventually digitized, to be made available to Canadians.

**g) Creators' Assistance**

Key informants were generally supportive of this component, although few had a good understanding of its operations. All informants noted the importance of providing training support to songwriters and composers.

Little information is available on the impacts of funded projects, as no independent evaluation of each event is conducted (although recipients do submit detailed activity reports). This is a gap in the CMF's overall performance measurement framework. MPP had planned to conduct a survey of attendees at funded workshops/conferences, but approval was not obtained in time to be included in the evaluation.

The SOCAN Foundation has relatively low administration costs, and the organization was very responsive to our information requests.

A few other issues were identified:

- The CA component receives few applications each year, and some of the same organizations are selected year after year.
- One of the funded projects is not consistent with the goals of the component.
- There may be confusion within the targeted community between the CA component and the support for skills development funded by FACTOR/MUSICACTION under the NMW component.

**4. The main unintended impact of the CMF has been to create a culture of dependency among some record labels**

The main negative impact of the CMF is that the funding provided to Canadian record labels over the years has created a culture of dependency on the part of many of these companies. Some informants also suggested that the government support had distorted normal market forces, by keeping alive some companies that probably did not deserve to still be in business, or by providing funding support to firms that did not have sufficient financial capacity. Some went as far as to say that labels made some poor investments that they would not have otherwise done, or slipped into financial difficulty from pursuing CMF-supported productions that went beyond their financial capacity.

Another issue is application burden. Program applicants spend a considerable amount of time applying to various financial assistance programs, which in the case of composers and songwriters, takes away from their important creative activities. This is exacerbated by the fact that a single artist or company might apply to multiple CMF components or sub-components.

*Cost-Effectiveness/Alternatives*

**5. A strength of the CMF's design is its flexibility, but the program is overly complex**

One of the strength's of the CMF is that its design is viewed to be sufficiently flexible to respond to the major changes taking place throughout the music industry. For example, components can be modified as necessary in response to these changing requirements. The CMF's programs will increasingly need to be delivered on an integrated basis, since the same players will be seeking financial assistance for many different purposes and the linkages between each stage of the process become closer.

However, the CMF's delivery structure is complex. The program would benefit from a simpler structure, with fewer programs and sub-programs, delivered by fewer administrators.

Some key informants stated that PCH exerts insufficient control over changes to program design. The overall view was that PCH should develop policy, while an efficient administrator(s) should be engaged to deliver the funding programs in accordance with this policy.

**6. PCH is given high marks for its management and delivery of the CMF**

Overall, PCH was given high marks for its management of the CMF, based on its strong direction given to the program and its high level of interaction with stakeholders over the years.

Survey respondents were generally satisfied with the delivery of the CMD, NMW and CI components by the third-party administrators, although some issues were raised, including the amount of funding received; the program's numerous reporting requirements; and the lack of feedback provided to unsuccessful applicants.

The issue of onerous reporting requirements is common to many federal grant and contribution programs, as noted by the December 2006 report of the Blue Ribbon Panel on Grant and Contribution Programs.<sup>3</sup>

Going forward, there was support for third-party administration of the CMF.

Some concerns were raised with the governance of some of the third-party administrators. It was reported that some board members represented organizations that had been recipients of CMF funding, which was viewed as a conflict of interest. This issue was also identified in the previous 2004 Formative Evaluation of the CMF. An audit of the CMF was conducted by PCH in 2004. While this audit examined the overall

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<sup>3</sup> Treasury Board of Canada Secretariat, *From Red Tape to Clear Results: The Report of the Independent Blue Ribbon Panel on Grant and Contribution Programs*, December 2006. Available at: <http://www.brpgde.ca/en/report.cfm>.

governance of the CMF program within PCH, the governance structures at the recipient organizations (i.e., the individual CMF administrators) were not examined during this exercise. This aspect was outside the scope of the internal audit mandate.

**7. No major programming alternative was identified as being superior to the CMF**

The evidence indicates that the CMF continues to be an appropriate policy instrument for achieving the overall goals of the Government's Sound Recording Policy.

The main programming alternative identified by key informants was a tax credit program – similar to the programs currently offered for film and television production. The overall view was that such a program would not be cost effective. In contrast to film and television production, the barriers to entry are lower in the music industry, and the Government could be flooded with applications, with a commensurate negative impact on tax revenues. In addition, tax credit programs are a blunt instrument, as they fund projects independent of the quality or market viability of the works that are supported.

No major duplication/overlap issues were identified.

A variety of suggestions were received from stakeholders to adjust and expand the program to meet the needs of various segments of the music industry, which are outlined under study recommendation #1.

**8. Although progress is being made, insufficient results-related information is available on the CMF**

MPP has made good progress in developing a performance measurement framework for the Canada Music Fund and its individual components. A draft annual CMF "report card" has been developed, although it is not yet publicly available.

The major third-party administrators lack appropriate performance measurement practices, and, as a result, stakeholders (including the various segments of the industry) are not being provided with sufficient information on results achieved by the various CMF components in relation to the investment of public tax dollars. This is arguably the most serious criticism of the CMF.

## **Recommendations and Management Response**

**1. PCH should re-design the Canada Music Fund and consult with the music industry as part of the re-design process.**

As noted in the report, the music industry continues to go through a period of rapid change and upheaval, which is expected to continue into the foreseeable future. Key informants and the expert panel agreed that it is important for the next generation of the Canada Music Fund to adapt to the changing realities of the industry and its various

segments. However, no one had a clear version on what the next version of the CMF should look like—nor is it the purpose of an evaluation study to re-design a program. For this reason, a main recommendation of this study is that PCH should develop options for the next generation of the CMF and obtain feedback on these options from stakeholders. Below are the main suggestions identified during the evaluation study that should be considered in re-designing the program.

A first step is to re-think the objectives of the CMF. The objectives of the program are numerous, vague and unclear to stakeholders and some of the current objectives are perceived to be in conflict with each other.

A logic model for the new CMF should be developed that consists of clear, specific and measureable outcomes. And, in accordance with the overall performance measurement framework used by the Government of Canada (the “Management, Resources and Results Structure” designed by Treasury Board Secretariat), the program needs to establish targets for its key intended results/outcomes and indicators and report on progress in its annual report.

While the future “shape” of the CMF was not entirely clear to stakeholders consulted during the evaluation, some themes emerged. Here are the suggestions, which should be considered as part of the re-design process:

- Simplify the design of the CMF – It is time to re-configure and simplify the CMF’s design, by reducing the number of components (and sub-components). There should be fewer administrators.
- Traditionally, a significant portion of the CMF’s dollars have been directed to record labels. While the record label is expected to continue to be an important component of the process to create a commercial hit record, it is no longer the only component. Other key segments of the music industry, including publishers, managers, promoters and distributors currently receive little or no funding via the CMF. Music publishers were viewed as key to the future success of the music industry. Several interviewees indicated that discussions had been held with PCH about adding a publisher-focused component to the CMF (as part of MEC). This would appear to make good sense. Similarly, music managers were viewed as becoming increasingly important to the success of artists, as artists must be involved in all facets of the industry in order to be successful, such as touring, marketing on the internet, online distribution, merchandising and off-stage sales. The importance of concert promoters was also noted. The expert panel concurred that the focus of the CMF should shift from record labels to these other segments that are critical to the success of artists. In short, the MEC component should support other types of entrepreneurs in addition to the traditional record labels. In addition, there was a call for the MEC component to include performance-based objectives and to set a time limit on the number of years that a particular company could receive funding, in order to encourage sustainability.



- Shift resources from production to online distribution and marketing. The costs of production are declining due to technology. However, it is one thing to make Canadian music available on-line; it is quite another to get noticed in the digital world.
- Increase the level of support to the artist, including more funding for skills development (e.g., co-writing tours to major music centres in the US, and to marketing (e.g., support for international tours and showcases).

**Management Response – Accepted.**

The Canada Music Fund (CMF) must be renewed by April 1, 2010. Given this deadline and the significant changes occurring in the music industry, the Directorate welcomes the recommendation to redesign the CMF. The suggestions for the next generation of the CMF presented in the Evaluation will form the basis of this redesign process. The Directorate has already begun broadening the focus of the CMF. Increased support to music publishers has been added to the CMF in 2007-2008 through the Music Entrepreneur Component. As part of this process, the Directorate will ensure that the complementarity between the CMF and related federal programs (e.g. Trade Routes) is maintained.

The next generation of the CMF will be developed in consultation with the various segments of the Canadian music industry to help the sector harness the opportunities of new technologies and continue to have a positive impact on the careers of Canadian music creators and the creation of Canadian musical works.

As part of the renewal of the CMF terms and conditions, a logic model which includes clear, specific and measurable outcomes, will be developed.

*Completion Date:* March 31, 2009

**2. PCH should reduce the administrative workload and administration costs.**

Under the existing processes, all transactions made by beneficiaries of the NMW and CI components are verified, and receipts are required for each and every transaction. Consequently, the project files for tiny \$2,000 awards are often an inch thick or more. PCH should consider implementing a risk-based approach that would be more effective in ensuring controls over program expenditures, and which would reduce the administrative workload for applicants and administrators (and potentially free up hundreds of thousands of dollars that could be switched from administrative overhead to fund either larger projects or more projects).

PCH should set a goal of reducing administration costs, and measures of process efficiency should be incorporated in the performance measurement framework for third-party administrator(s).

**Management Response – Accepted**

The Directorate will consult with recipients and the CMF third-party administrators Boards of Directors to discuss mechanisms that ensure reasonable administrative workload and administration costs.

Measures intended to reduce the administration burden and costs will be assessed by the Directorate within the context of the CMF redesign and the recommended strategies identified in the Report of the Independent Blue Ribbon Panel on Grants and Contributions Programs (December 2006).

The CMF current Risk-Based Audit Framework (RBAF) will be reviewed and redesigned with the ongoing objective of keeping administrative costs to a minimum, while continuing to implement accepted risk-based practices. The Directorate will work with the Centre of Excellence in Grants and Contributions and the Corporate Review Branch to further develop the CMF RBAF.

*Completion Date:* March 31, 2009 (CMF RBAF)

**3. PCH should continue to enhance the CMF performance measurement framework.**

MPP has made good progress in developing a performance measurement framework for the CMF, as noted above, which will provide useful information to both management and stakeholders on the performance of the CMF and trends in the Canadian music industry.

The third-party administrators provide limited results-based information on the results of the particular CMF components that they administer. These organizations should be required, as part of their contractual agreements with PCH to develop appropriate performance measurement frameworks and systems, and to report relevant information to stakeholders via their annual reports and web sites.

PCH should set a goal of reducing administration costs, and measures of process efficiency should be incorporated in the performance measurement framework for third-party administrator(s).

**Management Response – Accepted**

The CMF current Results-based Management and Accountability Framework (RMAF) will be improved to further meet the performance measurement requirements of the next generation of the CMF. This will also address the recommendation of the Independent Blue Ribbon Panel on Grant and Contribution Programs calling for all RMAFs to be focused on realistic, determinable objectives. The Directorate will consult with Canadian music industry experts and work with the Centre of Excellence in Grants and Contributions and the Corporate Review Branch to validate the proposed CMF performance measurements.

The responsibility of developing the performance measurement framework of the CMF remains with the Directorate. The Directorate will continue to confer with CMF third-party administrators to ensure that clear performance measures are collected, as defined in the CMF logic model. CMF third-party administrators will be required to report on select performance measures found in the CMF logic model in their annual report.

Further, the Directorate will work with a sub-committee of FACTOR and Musicaction boards of directors to ensure that the performance measures used by FACTOR and Musicaction are consistent with the needs of both the CMF and Canadian private radio broadcasters.

*Completion Date:* March 31, 2009

**4. PCH should conduct a governance review of the third-party administrators.**

As stated in the findings section, there are concerns among key informants about the governance of some of the third-party administrators, specifically, that some board members may have been in conflict of interest.

PCH should conduct a governance review of the third-party administrators. This would include an assessment of the role of the board of directors in the process to make decisions on funding as well as the adequacy of each organization's conflict of interest/ethics policies and processes. The review should cover the timeframe from 2001 to present.

**Management Response – Accepted**

The Directorate acknowledges that there is a potential perception of conflict of interest given the role of the boards of directors of the Program's third-party administrators in making funding decisions. There is currently a requirement in the contribution agreement with each third-party administrator that they have conflict of interest policies. The Directorate will ensure there is an independent review of how each third-party administrator implements this requirement, to ensure there is no conflict of interest in deciding how funding is allocated.

*Completion Date:* March 31, 2009

**5. MPP should take the lead in developing a strategy to address the need for the collection and analysis of data on the performance of all segments of the music industry.**

As stated above, MPP has made good progress in compiling and analyzing data on various aspects of the performance of the CMF, such as trends in music sales. Several key informants stated that there is insufficient data available on the health of the music industry and its segments. No one had information on, for example, trends in the

incomes of Canadian songwriters and performers. And the most recent data on record labels was for 2003, and the Statistics Canada report was not published until 2005.

Information is urgently required on trends in the incomes of songwriters/artists and their sources (i.e., record sales, touring, merchandise sales, publishing, etc.).

**Management Response** – Accepted with clarification

The Directorate monitors changes in the domestic and international music sectors of the industry through an extensive data collection and analysis framework. This framework serves to further the development and measurement of the Department's music policy and programs. Each year, the results of this framework are publicly released in the Directorate's Economic Profile on the Canadian Music Industry. Further, the Directorate conducts policy research on issues affecting the music industry and publishes findings on its website. This helps ensure that the CMF serves the interests of all Canadians and remains effective and responsive to changes in various segments of the music industry.

The Directorate will continue to devote resources each year to both acquire data and undertake research studies to analyze the performance of multiple sectors of the Canadian music industry. To support Recommendation 1 of this Evaluation, emphasis will be placed on acquiring information on segments of the industry that will assist in designing the next generation of the CMF, where it is feasible to obtain such information.

*Completion Date:* Ongoing

# **1. Background and Study Overview**

## **1.1 The Canada Music Fund**

The Canadian Policy on Sound Recording (2001) signalled a significant shift from project-based support to a comprehensive policy framework through which the federal government invests in the music industry at every level, from creators to audiences. The objectives of this policy are as follows:

- a) To enhance Canadians' access to a diverse range of Canadian music choices through existing and emerging media.
- b) To increase the opportunities available for Canadian music artists and entrepreneurs to make a significant and lasting contribution to the Canadian cultural expression.
- c) To ensure that Canadian music artists and entrepreneurs have the skills and means they to succeed in a global and digital environment.

This new policy resulted in the replacement of the previous Sound Recording Development Program with the Canada Music Fund (CMF).

Initially, the Canada Music Fund was made up of eight distinct programs, each with its own terms and conditions. When it was last renewed in 2005, modifications were made to the structure of the CMF. It is now defined as a single program consisting of seven components:

- Creators' Assistance (CA)
- Canadian Musical Diversity (CMD)
- New Musical Works (NMW)
- Music Entrepreneur (MEP/MEC)
- Support to Sector Associations (SSA)
- Collective Initiatives (CI)
- Canadian Musical Memories (CMM).

The CMF funds music artists, entrepreneurs and not-for-profit organizations that are involved in the creation, publishing, production, promotion, distribution and preservation of Canadian musical sound recordings. The program also undertakes monitoring and analysis of major trends likely to affect the performance of Canada's sound recording industry.

The objectives of the CMF are to:

- Enhance Canadians' access to a diverse range of Canadian music choices.
- Increase the opportunities available for Canadian music artists and entrepreneurs.
- Ensure that Canadian music artists and entrepreneurs have the skills and means to succeed in a global and digital environment.

Between 2001-02 and 2004-05, the total budget of the CMF was \$97.75 million. For the 2005-06 to 2009-10 timeframe, the total budget is \$138.75 million.

The coordination and management of the CMF is the responsibility of Music Policy and Programs Directorate (MPP) within the Cultural Affairs sector in PCH.<sup>4</sup>

Five of the seven components of the CMF are managed by outside organizations. Among the five third-party administrators, three (FACTOR, MUSICACTION and SOCAN Foundation) are non-profit organizations, while the other two (Library and Archives Canada and the Canada Council for the Arts) are government organizations within the PCH portfolio.

A detailed description of the CMF is provided in Section 3.

## **1.2 Purpose of the Evaluation**

The Deputy Minister, PCH is the key client for all evaluation studies conducted by Evaluation Services. The purpose of this evaluation was to meet a Treasury Board requirement for the Minister of Canadian Heritage to report back on the final results of its arts and culture programs by March 31, 2008. Further to an extension that has been granted, the Department is now to do so by September 2008.

The time period covered by the evaluation was April 2001 to December 2006.

## **1.3 Evaluation Issues**

The evaluation issues to be examined by the evaluation study, as per the Terms of Reference (TOR), are the following:

### **Rationale and Relevance**

- 9) Does the CMF meet a persistent need?
- 10) Is Government intervention justified?
- 11) Is the CMF aligned with Government priorities, including PCH strategic objectives?

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<sup>4</sup> The Music Policy and Programs Directorate was formerly called the Sound Recording Policy and Programs Directorate. The name was changed on April 1, 2007.

### Success/Impacts

- 12) To what extent has the CMF been successful in achieving its immediate and intermediate outcomes?
- 13) To what extent has the CMF contributed to the achievement of its long-term outcomes?
- 14) What have been the unintended impacts and effects (positive or negative) resulting from the CMF?

### Cost-Effectiveness/Alternatives

- 15) Does the design of the CMF take into account the most cost-effective way to achieve the expected results? If not, what are the alternatives?
- 16) What would be the impacts on the CMF if broadcasters decide to transfer the funds they are required to provide for the development of artists within the sound recording sector to another organization (i.e., other than FACTOR and MUSICACTION)?<sup>5</sup>

The study methodology is described in Section 2, and the evaluation matrix (list of evaluation issues and measurement indicators) is presented in Appendix A.

## 1.4 Challenges to the Evaluation

The main challenges faced by the evaluation study were the following:

- **The CMF is a complex program** – The CMF has seven components, each of which operates as a distinct program. The Fund has a diverse range of objectives, ranging from the financial performance of record labels to enhancing skills for creators. One of the seven CMF components (New Musical Works administered by FACTOR), in turn, consisted of 18 sub-programs in 2005-2006. In carrying out the various data collection methods, such as the key informant interviews, the discussion had, out of necessity, to be kept at a fairly high level. This means that the evaluation did not attempt to examine each and every sub-program covered by the CMF – rather, the focus was on the seven components and on assessing the overall effectiveness of the Program. In addition, no single key informant (outside of PCH) had a complete picture of the entire program, as informants tended to discuss those components that they had interacted with, or had an

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<sup>5</sup> This evaluation issue was not included in the original TOR but was added once the study was underway. However, in December 2006, the CRTC issued its Commercial Radio Policy Review, which announced that broadcasters will continue to make contributions to support FACTOR and MUSICACTION. Consequently, Evaluation Services directed that this evaluation issue be removed from the study. The Commercial Radio Policy Review is described further in Section 3.4.

interest in. They also did not have a clear, comprehensive understanding of the full extent of the Government's support to Canadian music.

- **There is a high level of animosity in the industry** – Friction exists between various segments of the industry. For example, broadcasters have had concerns with some of the administrators, which became publicly visible during the CRTC's Commercial Radio Policy review carried out in 2006. And there has been long-standing tension between Canadian independents and the multinational labels. As a result of this animosity, key informants representing different segments of the industry often held divergent views on a particular issue.
- **The CMF objectives and associated measurement indicators were often unclear to key informants** – The goals of the CMF were unclear to many key informants, caused, in part, by the complexity of the Program noted above. The logic model included in the CMF RMAF/RBAF prepared in 2005 lacks clarity (e.g., some of the outcomes statements are ambiguously worded), and there are too many measurement indicators identified, making it difficult to identify and select the key indicators. Overall, key informants had difficulty in commenting on the overall success of the CMF and its individual components.
- **Data was not available for some indicators/components** – Data on results was not available for some indicators and for some components. For example, MPP had intended to conduct a survey of members of the music industry associations that had received support from the Support to Sector Associations, but senior management approval was not received in time to provide input into the evaluation study. Little published data is available on the performance of the Canada Music Fund or on the Canadian music industry – a topic which is discussed in detail in this report. (PCH has prepared an informative 2006 CMF "Report Card," however this document had not been made public at the time of the interviews). Finally, for some components, such as MEP, results data was not available for the full timeframe covered by the evaluation study.

## 2. Methodology

This section outlines the data collection methods that were implemented during the evaluation. This section is consistent with the approach described in the Methodology Design report that was submitted to PCH in November 2006.

Appendix A contains the evaluation matrix: the list of evaluation issues and associated measurement indicators and data sources.



## **2.1 Document Review**

PCH provided the evaluation team with many documents pertaining to the history and operations of the CMF. A bibliography is included in Appendix F.

The document review provided information that was incorporated into the Program Profile, which is provided in Section 3.

## **2.2 File Review**

The main focus of the file review was to review a sample of project files drawn from the seven program components. The documents reviewed included: applications, contracts, correspondence, invoices, financial reports, business plans, activity reports and end-of-project reports. This review provided input into the assessment of the approach program performance measurement and project monitoring and reporting. Some 67 individual project files were reviewed.

## **2.3 Literature Review**

The emphasis of the literature review was to obtain information that describes the evolution of the Canadian music sector over the past several years, both domestically and internationally. It was also important to look to the future and assess the implications of the rapidly evolving industry dynamics (e.g., new players, new platforms, changing consumer tastes and consumption patterns, intellectual property/copyright issues) on the industry and the federal government's role in supporting it.

A secondary objective of the literature review was to profile the approaches taken by other countries to support their domestic music industry and to gather any available information on the cost-effectiveness of these initiatives.

## **2.4 Analysis of Statistical and Financial Data**

The evaluation examined the following databases:

- The Canadian Music Industry – Economic Profile, 2004 and 2005, prepared by MPP.
- 2006 Report Card on the Canada Music Fund, prepared by MPP.
- Compilation of a database on record sales (Nielsen SoundScan), provided by MPP.
- Data on music royalties, provided by SOCAN.
- Data on the funds invested in and sales of CMF-funded albums, provided by FACTOR and MUSICACTION.

In addition, the report based on the 2003 Sound Recording Survey by Statistics Canada (published in October 2005) on sound recording was reviewed.

A specific requirement of the study terms of reference was to compare the financial performance of a sample of businesses that received financing from the CMF's Music Entrepreneur Program (MEP) component. We relied upon the financial information provided to PCH by those MEP recipient companies that subsequently applied to participate in the Music Entrepreneur Component (MEC) that replaced MEP. In applying to MEC, applicants were requested to provide annual reports, as well as uniform financial data including sales performance, revenue, and financial factors such as gross profit, operating expenses, earnings before interest, taxes, depreciation and amortization (EBITDA), assets, and liabilities. Some 11 of the 25 companies that applied to MEC also participated in the former MEP program, and from these 11 companies, 10 were selected. The financial indicators were compiled for the period covered by the data supplied by PCH, which was 2002-2003 to 2004-2005.

Some of these MEP recipient companies were also included as case studies (see below).

## **2.5 Interviews with Key Informants**

A total of 33 in-depth interviews with key informants knowledgeable about the CMF and the music sector were undertaken in order to obtain feedback on a variety of evaluation issues, including rationale, results achieved and alternatives.

The list of key informants is included in Appendix C. They included the following external groups:

- Former members of the Canada Music Council.
- CMF third-party administrators.
- Key associations in the music sector.
- Other industry interviews (which included representatives of the Radio Starmaker Fund, an online music store and some CMF recipients).

Interviews were also conducted with: senior management at PCH; CMF program managers; and representatives of the Trade Routes Program at PCH.

The interview guide is included in Appendix D. Interviews in Ottawa, Montreal and Toronto were undertaken primarily in person, while telephone interviews were conducted for informants residing in other cities.

## **2.6 Surveys of CMF Recipients and Non-funded Applicants**

The Terms of Reference (TOR) requested that two surveys be conducted of 1) CMF recipients and 2) non-funded applicants. Recipients were to be asked questions about the results of funded projects and what would have happened had they not received CMF funding. Similarly, non-funded applicants were to be asked about what transpired with their proposed projects, e.g., did the project proceed but in a different fashion (different size, scope, timeframe, etc.). These questions were designed to assess whether the Program has had any incremental impact.

Two separate questionnaires were designed (Appendix D), which were merged when the questionnaires were programmed into the survey website. Appropriate skip patterns were used to direct the two respondent groups through the questionnaire.

The following sections cover several topics pertaining to the design and conduct of the two surveys.

### **2.6.1 CMF Components Covered**

The surveys of recipients included three of the seven components of the CMF: Canadian Musical Diversity (CMD), New Musical Works (NMW) and Collective Initiatives (CI). The main reason for selecting these particular components was that the other components have very few applicants and recipients (instead these components were covered via interviews).

For the New Musical Works (NMW) sub-programs, the sample was selected from the list of recipients that have received production support to capture those that also received marketing support and avoid double counting (i.e., recipient and release being selected separately). The sample frame also included all recipients under the other program categories noted above.

For Collective Initiatives (CI), all recipients were included in the sample frame; where one recipient had received funding for multiple projects, one project was selected at random.

For Canadian Musical Diversity (CMD), there are two sub-programs (production and distribution of specialized music) and both were covered by the survey.

### **2.6.2 Method of Data Collection**

Surveys were conducted via the internet to facilitate the participation of companies and artists, especially in the case of artists on tour. A letter of introduction was sent by the third-party administrator via e-mail to each selected recipient/rejected applicant soliciting their co-operation. Each selected respondent then received an e-mail message containing the URL and unique password to the survey website.

### **2.6.3 Survey Questionnaires**

Two survey questionnaires were developed: one for recipients and the other for non-funded applicants. For the recipient questionnaire, the section on results included separate questions for the three CMF components, since each component has different objectives.

### **2.6.4 Sampling Design**

The surveys covered the time period 2002-2003 to 2005-2006. The sampling unit was the CMF recipient. A recipient may have received funding for multiple projects over the

four-year study period. For most of the questions in the survey, respondents were asked to consider their cumulative experience. For the measurement of incrementality and results/benefits, the recipient was asked to focus on a particular project.

The sample frame consisted of all recipients funded by the three components, i.e., CMD, NMW and CI. For each recipient, all projects funded were identified. Where a recipient received funding for several projects, one was selected at random for inclusion in the questionnaire.

Some 1,050 recipients and 450 rejected applicants were selected to be surveyed.

### 2.6.5 Response Rates and Confidence Intervals

The final number of e-mail invitations sent varied minimally from the original target of 1,500 as shown in Table 1; nonetheless, the original 70%/30% split between recipients and rejected applicants was maintained. This variation was due to database entries with invalid e-mail addresses. Overall, the target of 500 responses was exceeded, and the response rate for recipients of 45 per cent is above average for this kind of survey.

**Table 1**  
**Survey Response Rates**

Description	Recipients	Applicants
E-mail messages sent	1,055	503
Less: Bounced back e-mail messages	138	108
<b><i>Total invitations received</i></b>	<b><i>917</i></b>	<b><i>395</i></b>
<b><i>Split between Recipients/Applicants</i></b>	<b><i>70%</i></b>	<b><i>30%</i></b>
Number of completed surveys	411	123
<b><i>Response rate</i></b>	<b><i>45%</i></b>	<b><i>31%</i></b>

The confidence intervals based on the number of respondents are 4.12% for recipients and 8.61% for applicants at a 95% confidence level.

## 2.7 Case Studies of Companies and Artists

The purpose of case studies in an evaluation study is to help illustrate and understand the findings obtained by the other data collection methods. We carried out ten case studies: five artists and five companies.

In developing the sample, the goal was to develop a list of artists and companies that was representative of the two language markets and diverse in terms of number of years in existence and commercial success.

Four of the case study representatives were interviewed in person. Two interviews were conducted by telephone, and two artists decided to provide written responses to our questions, as they were on tour when the case studies were being conducted. Also, in a

few cases where the artist was on the road or in studio, we interviewed the artist's manager instead.

At the request of interviewees, the identities of the case studies have been kept confidential.

## **2.8 Expert Panel**

A group of three music industry experts provided input to the evaluation study (two other experts were invited and interested in participating but could not do so due to prior commitments). The panel members completed a focused questionnaire via e-mail, which covered several of the study issues, and included some of the study findings where there were divergent findings from the various data collection methods. The expert panel method was carried out following the preparation of the draft report but prior to the final report.

The experts were selected to represent various sectors of the music industry. One member was to be from outside Canada. The members of the expert panel were:

- Rob Braide – Immediate past-chair, Canadian Association of Broadcasters and currently Vice-President and General Manager, CJAD/MIX96/CHOM-FM, Montréal. Founding board member of MUSICACTION. Some thirty years of experience in the broadcasting industry.
- Dave Kusek – A musician and pioneer of the synthesizer and electronic music. Currently innovates at the Berklee College of Music in Boston, Massachusetts, a premier school for aspiring professional musicians. Author of *The Future of Music*.
- Pierre Rodrigue – Vice-Président, Développement et Technologies, Astral Radio, Montréal. Former President of the Board of Directors of ADISQ from 1997 to 2000. Has been an artist manager and an independent distributor.

The expert panel questionnaire is included in Appendix D.

## **3. Profile of the Canada Music Fund**

This section presents a profile of the Canada Music Fund (CMF), structured according to the following topics:

- A. Overview.
- B. Rationale.
- C. CMF components.
- D. Government policies relevant to the sound recording industry.
- E. CMF resources.
- F. Governance.
- G. Logic model.

### 3.1 Overview

The provision of direct funding by the Government of Canada to the Canadian music industry dates back to 1986 with the introduction of the Sound Recording Development Program (SRDP). The SRDP provided early career assistance to many Canadian music producers and creators to strengthen the sector's capacity to produce diverse Canadian content musical works in order to improve Canadians' access to sound recordings with Canadian content.

In 2001, following a period of evaluation and outside consultation, the Canada Music Fund (CMF) was established. In its initial phase, the CMF consisted of eight programs that targeted different aspects of the music industry, while providing a comprehensive policy framework that invests in the Canadian sound recording sector at every level, "from creators to audience."

At the time of the last renewal in 2005, changes were brought to the CMF. It is now defined as a single program made up of seven distinct components, which are:

- New Musical Works (NMW)
- Music Entrepreneurs (MEP/MEC)
- Canadian Musical Diversity (CMD)
- Collective Initiatives (CI)
- Creators' Assistance (CA)
- Support to Sector Associations (SSA)
- Canadian Music Memories (CMM).

The objectives of the CMF are to:

- Enhance Canadians' access to a diverse range of Canadian music choices.
- Increase the opportunities available for Canadian music artists and entrepreneurs.
- Ensure that Canadian music artists and entrepreneurs have the skills and means to succeed in a global and digital environment.

In pursuing these objectives, which are derived from the Canadian Sound Recording Policy announced in 2001, the CMF transfers funding to music artists, entrepreneurs and industry organizations that are involved in the creation, publishing, production, promotion, distribution and preservation of Canadian musical sound recordings.<sup>6</sup> The CMF also undertakes monitoring and analysis of major trends likely to affect the performance of Canada's sound recording industry.

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<sup>6</sup> The 2001 Canadian Sound Recording Policy is available at: [http://www.pch.gc.ca/progs/ac-ca/progs/pades-srdp/pubs/policy\\_e.cfm](http://www.pch.gc.ca/progs/ac-ca/progs/pades-srdp/pubs/policy_e.cfm).

### 3.2 Rationale

Music plays a major role in the formation and expression of a Canadian national identity. Canadians are proud of the international success achieved by a multitude of Canadian music artists over the past several decades. Sustaining the creation of Canadian works so that Canadians and the world can see, hear and experience diverse Canadian culture is a strategic priority of Canadian Heritage. A key element of the CMF's rationale was the decision to support the development of independent Canadian record companies, due to the important role these companies play in producing and marketing the sound recordings of Canadian artists.

In addition, the 1999 Speech from the Throne recognized the specific need to help all of the Canadian cultural media make the necessary transformation to the digital economy. Government documents pertaining to the approval of the CMF noted that while large multinational record companies had the necessary resources to successfully make this transformation, this transition would be much more difficult for the much smaller, Canadian-owned sector.

The Canadian sound recording industry is dominated by four major labels owned by multinational corporations.<sup>7</sup> These "majors" account for about 85 per cent of total industry revenue in Canada, control distribution to most retail outlets (except in Quebec), and derive most of their Canadian revenue from foreign album releases. Their involvement with Canadian artists is generally limited to the most commercially successful music stars, including those with significant international profile. In 2003, the foreign labels accounted for only 11 per cent of new releases by Canadian artists, but they captured 40 per cent of the sales of Canadian artists.

As noted in the RMAF/RBAF prepared for the CMF in 2005, the vast majority of Canada's approximately 25,000 songwriters, composers and lyricists are never likely to have access to the services of the major labels for the production and promotion of their musical works. Approximately 90 per cent of new Canadian releases are produced by 300 independent Canadian record labels.<sup>8</sup> Releases by Canadian artists account for approximately 90 per cent of the revenue of the smallest Canadian labels (those earning less than \$1 million annually) and 77 per cent of the revenues of those earning more than \$1 million.<sup>9</sup> These Canadian-owned and operated labels typically survive on very thin profit margins.

There is thus an important mutual interdependence between emerging and lesser-known Canadian music artists and the independent Canadian labels. The artists need the independent labels in order for their work to be produced and reach audiences in Canada

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<sup>7</sup> The four multinationals are EMI, Sony/BMG, Universal and Warner

<sup>8</sup> Statistics Canada, *2003 Sound Recording Survey*, available at:  
<http://www.statcan.ca/Daily/English/051026/d051026a.htm>

<sup>9</sup> Telefilm Canada, *Profile of the Sound Recording Industry in Canada*, prepared by Nordicity Group Ltd., September 30, 2004; available at:  
<http://www.telefilm.gc.ca/document/en/01/17/NordicityMusicReport.pdf>

and abroad, and the labels need a pool of Canadian artists to work with. The CMF RMAF/RBAF stated that stakeholders in the Canadian sound-recording industry acknowledged that it is unlikely – given the economics of the industry globally and in Canada – that market forces alone would sustain this relationship. Government intervention was required in order to ensure the continued production of a diverse range of Canadian sound recordings, as well as to enable Canadians to access those recordings.

In view of this, the CMF was designed to address both the artistic and business sides of the industry. The CMF works both to enhance opportunities for Canadian music artists to have their work produced and distributed, and to strengthen the viability of Canadian music enterprises – primarily recording labels – that have the proven expertise to produce and bring to market the work of the vast majority of Canadian performers and songwriters. Note that these two aspects of the program can sometimes be in conflict; for example, supporting new and emerging artists (the focus of the NMW component) may not support the development of profitable companies (the focus of the MEP/MEC component), since many new artists may not achieve significant sales for some years.

The latter aspect of the CMF's work – its support to music enterprises – is especially significant in light of the sustained decline in Canada's retail market for physical formats of sound recordings. As noted in the industry overview section presented elsewhere, retail sales of sound recordings in Canada have declined since 1999. Here as in other countries, the music industry was the first cultural sector to face the complex realities of the internet when it became a new medium for accessing recorded music. The CMF recognizes that Canada's sound recording entrepreneurs must be equipped to make a smooth transition to the digital environment. This transition is expected to last for several more years.

### 3.3 CMF Components and Clientele

The CMF comprises seven components that each has its own objectives and targets various stakeholders within the Canadian music industry. PCH provides contributions to the third-party administrators, while these administrators provide, for most of their programs, contributions that are not repayable.

The following is a summary of each component, which lists the administrator (in parentheses), overall objectives and targeted clientele:

- **New Musical Works (FACTOR/MUSICACTION)** – Invests in Canadian sound recording creators, artists and entrepreneurs by funding the production of demo or full-length recordings or music videos, as well as the promotion of new albums and artists and touring costs. Under the NMW banner, the two administrators offer a larger number of “sub-components”, which comprise a mix of repayable loans and grant-type support. This assistance helps recipients to develop their profile, talent, craft and expertise. The emphasis tends to be on the development of new Canadian talent and the creation of new Canadian-content musical works. NMW funding is a combination of CMF funding together with funding from private broadcasters (known as “Canadian Talent Development”).



- **Music Entrepreneur** (was Telefilm Canada until March 31, 2005, now PCH) – Helps to ensure that Canadian music entrepreneurs build a strong, sustainable industry capable of contributing to the Canadian musical experience over the long term. It supports Canadian record labels in developing Canadian talent while making the transition to the digital economy. The program provides conditionally repayable contributions to eligible established sound-recording firms with viable multi-year business plans, giving them assistance to consolidate and develop their human, financial, and technological resource base.

Previously known as the Music Entrepreneur Program (MEP), it was re-designed in 2005-2006. Now administered by PCH, the re-named Music Entrepreneur Component (MEC) – “Aid to Canadian Sound Recording Firms” provides assistance on an annual basis to eligible Canadian sound recording firms using a funding formula based on an applicant’s recent Canadian artists’ sales. The objectives of the component remain the same. MEC recipients are no longer able to receive funding from other CMF components, most notably New Musical Works. The evaluation study covered both the previous MEP and the current MEC, although due the recent formation of MEC, it was premature to assess its results.

- **Canadian Musical Diversity** (Canada Council for the Arts) – Provides resources for the production, distribution and promotion of specialized music recordings that reflect the diversity of Canadian voices. “Specialized music” is music that falls outside the realm of mainstream music because it emphasizes artistic considerations – creativity, self-expression and/or experimentation – in ways that do not meet the demands and format expectations of the popular music market. This component has two sub-programs. The first is Grants for Specialized Sound Recording, which supports the production of specialized music. The program’s clientele includes Canadian music professionals who are: individual music artists; ensembles, groups and bands; independent record producers; and record companies. The second is Grants for Specialized Music Distribution, which supports the distribution of specialized music by Canadian distribution companies.
- **Collective Initiatives** (FACTOR/MUSICACTION) – Provides contributions to help create opportunities for Canadian creators and music entrepreneurs to gain greater profile and showcase their excellence and creativity. It is targeted to not-for-profit organizations, as well as Canadian-owned and controlled firms, and supports conferences and award shows, physical and online musical showcases, as well as market development initiatives that offer participants in the sound recording industry opportunities to share best practices, inspire young artists and entrepreneurs, and attract media attention.
- **Creators' Assistance** (SOCAN Foundation) – Provides contributions to projects carried out by Canadian not-for-profit music sector organizations and associations related to the craft or business of songwriting, the creative process and the promotion of musical works. By supporting training and career opportunities for

young and new Canadian composers, the program helps to ensure that Canadian performers and producers continue to have access to quality Canadian musical compositions.

- **Support to Sector Associations** (PCH) – Provides contributions to not-for-profit sound-recording industry associations, with a view to building the capacity of these associations to provide their members with professional advice and representation, undertake analysis of public policy initiatives and monitor industry trends.
- **Canadian Musical Memories** (Library and Archives Canada/PCH) – Supports initiatives related to the acquisition, preservation and storage of, as well as access to, Canadian musical works. It also supports efforts aimed at raising Canadians' awareness of Canada's recorded musical heritage.

### 3.4 Government Policies Relevant to the Sound Recording Industry

As noted previously, the Government of Canada's principal policy statement on its role in maintaining a strong Canadian sound recording industry is the Canadian Sound Recording Policy announced in 2001. This policy represented an evolution from project-based support to a comprehensive policy framework that invests in the Canadian sound recording sector at every level – from "creator to audience."

The CMF falls within the government's commitment, under Tomorrow Starts Today, to invest in Canadian arts and culture. In 2001, Tomorrow Starts Today allocated approximately \$500 million to encourage excellence among Canadian artists, supporting Canada's cultural industries and promoting arts and heritage among the general population. Additional funding of \$192 million for Tomorrow Starts Today, including \$10 million for the CMF, was announced in December 2004 for 2005-2006. Further, Budget 2005 saw the Tomorrow Starts Today initiative extended through 2009-2010, with \$10 million annually allocated to the CMF.

The CMF is one element of a broad range of formal instruments and institutions aimed, directly or indirectly, at supporting the development and promotion of Canadian music works. The Broadcasting Act, for example, affirms the government's commitment to a Canadian-owned broadcasting system that ensures the presence of Canadian music and the development of Canadian artists and Canadian expression. Based on the Act, the Canadian Radio-television and Telecommunications Commission (CRTC) implements policies and regulations including:

- Requiring that a minimum of 35 per cent of popular music broadcast on the radio be of Canadian origin, and that 65 per cent of music broadcast on French-language radio stations be French-language recordings.
- Financial support for the creation of Canadian content by way of commitments to Canadian talent development (CTD) as part of three regulatory processes: licence renewals; the transfer of ownership or control of radio undertakings; and, a part of

applications for new licences. Starting in 1998, the CRTC required that parties seeking to acquire ownership or control of profitable radio undertakings make CTD commitments of no less than 6 per cent of the value of transactions. These benefits were to be distributed as follows:

- 3 per cent to a new Canadian music marketing and promotion fund.
- 2 per cent to FACTOR or MUSICACTION.
- 1 per cent to either of the above initiatives, to other CTD initiatives, or to other eligible third parties.

The broadcasting industry subsequently established the Radio Starmaker Fund and Fonds Radiostar in 2000 to fill the role of the music marketing and promotion fund.

Contributions to CTD from radio broadcasters totalled \$20.87 million in 2005, of which \$6.72 million were transferred to FACTOR and MUSICACTION.<sup>10</sup>

The CRTC's December 2006 Commercial Radio Policy Review re-affirmed these minimum levels, and introduced new minimum content requirements for Canadian concert music (25 per cent) and Canadian jazz (20 per cent).<sup>11</sup> It also announced that broadcasters will continue to make contributions to support FACTOR and MUSICACTION. Under a new Canadian Content Development (CCD) system (which will be based on a radio station's revenues, rather than on the size of the market in which it operates), it is estimated that total contributions from radio broadcasters would have risen by some \$3 million to \$4 million per year, based on 2005-2006 figures.

The *Copyright Act* is another key legislative instrument that recognizes and protects the rights of Canadian music creators and other rights-holders in relation to Canadian sound recordings. Copyright law gives Canadian music creators and rights-holders the right to control the usage, duplication and commercialization of their works.

Others include the Investment Review Act, the Canadian Broadcasting Corporation (CBC) and la Société Radio Canada, and the Canada Council for the Arts. The Canada Council for the Arts provides support for the development of individuals, groups, small ensembles, orchestras and other professionals working in the Canadian music community. In addition to tours, concert production, sound recordings and festival programming, the Council's Music Section funds a variety of related activities such as residencies and the commissioning of Canadian compositions.

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<sup>10</sup> Canadian Radio and Telecommunications Commission, Broadcasting Policy Monitoring Report 2006, pp. 26-27

<sup>11</sup> Broadcasting Public Notice CRTC 2006-158, Ottawa, 15 December 2006, "Commercial Radio Policy 2006", accessible at: <http://www.crtc.gc.ca/archive/ENG/Notices/2006/pb2006-158.htm>.

### 3.5 Resources

Between 2001-2002 and 2005-2006, some \$125.5 million were allocated to the CMF as follows:

- 2001-2002: \$18 million.
- 2002-2003: \$24 million.
- 2003-2004: \$28 million.
- 2004-2005: \$27.75 million.
- 2005-2006: \$27.75 million.

For the period 2006-2007 to 2009-2010, the annual budget of the CMF is \$27.75 million. Of this amount, \$1 million is set aside for follow-up activities of the Sound Recording Policy, and \$1.19 million is set aside for administrative costs.

A total of 16 FTEs are devoted to the CMF in 2005-2006, of which 8.38 FTEs were related to CMF program delivery and program development.

Table 2 shows the CMF expenditures for the individual components, for FYs 2001-2002 to 2005-2006. Note that the expenditures for each year are less than the budget listed above. The annual budget figure represents the total federal government allocation authorized to PCH for the CMF. From this budgeted amount, a PCH source deduction is made from each CMF component to cover departmental administration costs. The amount, net of this deduction, is the yearly contribution made available by PCH for all CMF components. The difference between the budget available and the amounts used by each component may be explained by the fact that the full contribution might not be used in a given year.

**Table 2**  
**CMF Expenditures, by Component, 2001-2002 to 2005-2006 (\$)**

<b>Component</b>	<b>2001-2002<sup>12</sup></b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>Total \$ (%)</b>
MEP/MEC	\$0	\$5,740,000	\$9,559,999	\$5,875,116	\$3,047,112	<b>\$24,222,227 (21.8%)</b>
Creators' Assistance Program	\$918,990	\$889,974	\$884,126	\$880,801	\$892,125	<b>\$4,466,016 (4.0%)</b>
Canadian Musical Diversity	\$1,373,642	\$1,399,450	\$1,435,230	\$1,381,370	\$1,252,050	<b>\$6,841,742 (6.2%)</b>
New Musical Works	\$12,598,640	\$10,446,973	\$10,446,974	\$11,754,084	\$15,214,559	<b>\$60,461,230 (54.5%)</b>
Support to Sector Associations	\$502,000	\$525,000	\$571,955	\$650,998	\$566,263	<b>\$2,816,216 (2.5%)</b>
Collective Initiatives	\$1,374,741	\$1,987,563	\$1,955,564	\$2,588,453	\$2,130,563	<b>\$10,036,884 (9.0%)</b>
Canadian Music Memories	\$351,500	\$527,887	\$164,060	\$546,455	\$546,455	<b>\$2,136,357 (1.9%)</b>
<b>Totals</b>	<b>\$17,119,513</b>	<b>\$21,516,847</b>	<b>\$25,017,908</b>	<b>\$23,677,277</b>	<b>\$23,649,127</b>	<b>\$110,980,672 (100.0%)</b>

<sup>12</sup> The CMF was launched during FY 2001-2002. As a result, the total PCH contribution to the Canadian sound recording industry was a mix of SRDP and CMF funding. Of the total expenditures (\$17,119,513), \$9,027,000 came from SRDP (\$8,525,000 to NMW and \$502,000 to SSA) and \$8,092,513 from the CMF.

### 3.6 Governance

Responsibility for overall coordination and management of the CMF rests with the Director General, Cultural Industries Branch, PCH.

Two components, Support to Sector Associations and Music Entrepreneur are managed by the Director, Music Policy and Programs Directorate, Cultural Industries Branch, within the Cultural Affairs sector at PCH. As noted earlier, the other five components are not delivered by PCH.

The external organizations are responsible for the operation and the execution of those five components. In particular, the main activities include: advertising the opportunities to eventual recipients; reviewing and approving applications; disbursing the money; and, supplying to PCH the data required to measure the results of the CMF.

The relationships between the Department and FACTOR, MUSICACTION and the SOCAN Foundation are specified in contribution agreements, while parliamentary appropriations are directly allocated to Library and Archives Canada, and a portion of the funds allocated to the Canada Council for the Arts is provided through parliamentary appropriations. In both cases, a memorandum of understanding governs the relationships between these organisations and the Department. The contribution agreements and memoranda of understanding define the parameters intrinsic to each component, such as eligibility criteria, target populations, funds allocated, and reporting requirements.

The Canada Music Council (CMC) was created in 2002 to advise the Minister of Canadian Heritage on the evolution of the Canada Music Fund. Its mandate was amended in 2004 to confer a more strategic policy role to the CMC. An evaluation of the CMC was conducted between December 2004 and May 2005.<sup>13</sup> The evaluation noted that the Council had played a key role in the establishment of common administrative practices amongst the CMF administrators and had contributed to more efficient communications between the various sectors of the industry. However, it also raised several issues and challenges, including CMC members' constant concerns about the lack of opportunities to work more closely and directly with the Minister and what they saw as a lack of clarity with respect to the CMC mandate and ministerial expectations. The CMC was dissolved in July 2005, and the Minister made the commitment to explore other more cost-effective consultation mechanisms.

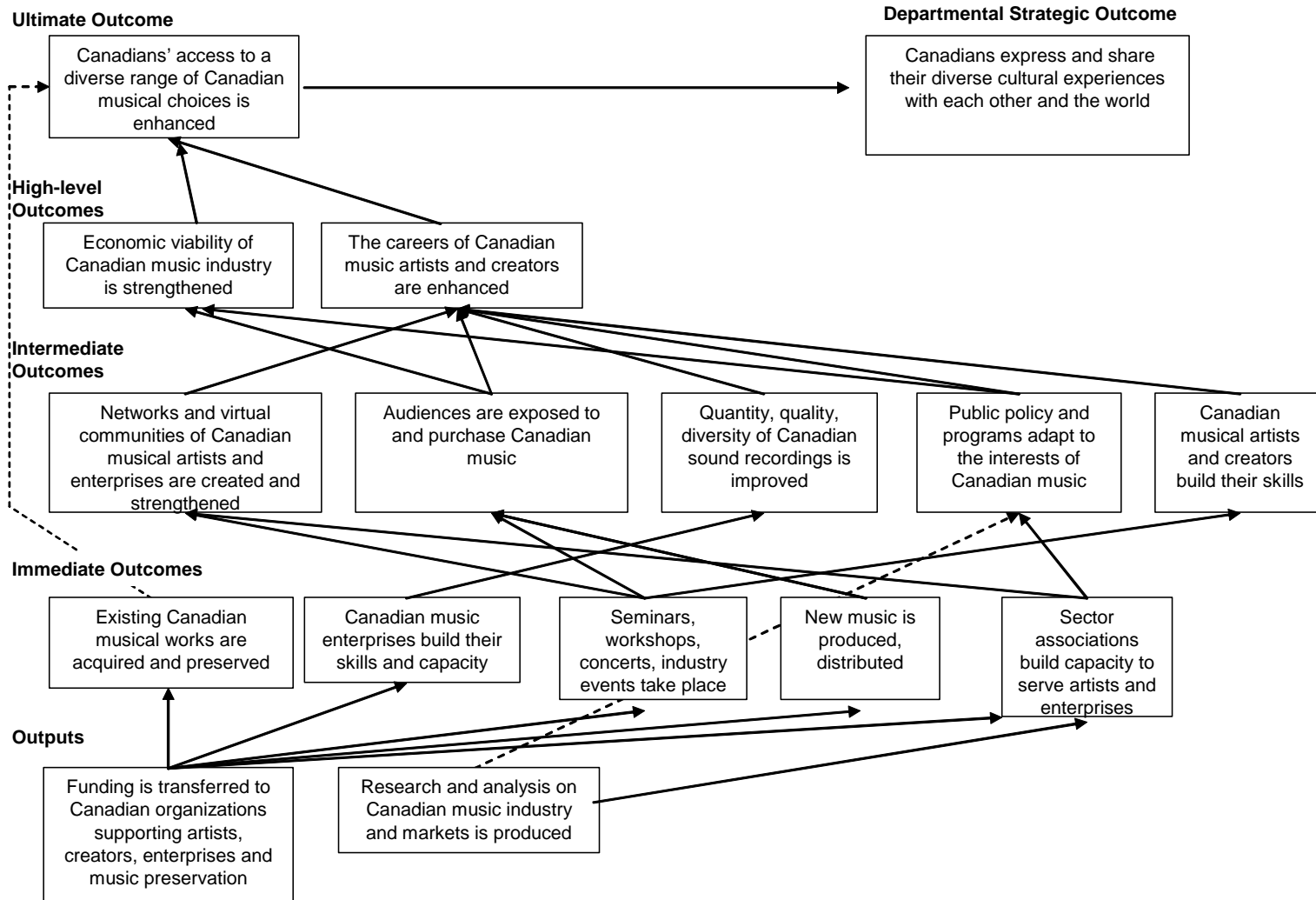
### 3.7 Intended Results

The CMF RMAF/RBAF developed a logic model for the CMF, which is shown in Figure 1.

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<sup>13</sup> *Evaluation of the Canada Music Council*, prepared on behalf of the Department of Canadian Heritage by Kelly Sears Consulting Group, May 18, 2005. Available at: [http://www.canadianheritage.gc.ca/progs/em-cr/eval2005\\_e.cfm](http://www.canadianheritage.gc.ca/progs/em-cr/eval2005_e.cfm).

**Figure 1**  
**CMF Logic Model**



## 4. The Canadian Music Industry

This section provides a concise overview of the music industry in Canada, including its structure, trends and outlook. It was prepared in order to provide a context for the evaluation findings presented in Section 5.

### 4.1 Definition

Statistics Canada, as well as other federal government departments/agencies, has defined the sound recording industry, for the purposes of data collection, as those companies involved in:

- The production of master sound recordings.
- The duplication/replication, releasing, promotion, and distribution of sound recordings.
- Music publishing.
- Sound recording facilities.
- Other sound recording activities.<sup>14</sup>

This definition, while providing consistency and clarity for the purposes of data collection, does not fully describe the full spectrum of activities that comprise the Canadian music industry. As noted in the program profile, the objectives of the June 2001 Canadian Sound Recording policy were intended to affect music artists as well as cultural entrepreneurs, in addition to the Canadian public.<sup>15</sup> The broader industry includes individual artists, activities as varied as live music performances and digital distribution of ring tones, and merchandising of ancillary goods associated with music.

In fact, as discussed further below, since the current Sound Recording Policy was established in 2001, the traditional roles of industry participants have blurred, and more income is being derived from non-traditional sources. As a result, it is necessary when assessing the industry and in evaluating policy, to look beyond traditional industry definitions.

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<sup>14</sup> For example, see the reporting guidelines issued by Statistics Canada to compile information on Sound Recording for the 2005 Survey of Service Industries:

<http://www.statcan.ca/english/survey/business/soundrecording/soundrecordingG2005.pdf>.

<sup>15</sup> The policy was intended to affect the Canadian public by “increasing their access to a diverse range of Canadian music choices through existing and emerging media.”



## 4.2 History and Environment

In response to the domination of Canadian airwaves and music sales by American companies and artists, in 1971 the CRTC adopted rules requiring radio stations to include 25% made-in-Canada music on their playlists, with songs being certified as Canadian under the MAPL classification system if two of the following four characteristics were met:<sup>16</sup>

- *Music* composed entirely by a Canadian;
- *Artist* is Canadian;
- *Produced* in Canada;
- *Lyrics* written entirely by a Canadian.

The percentage was increased to 30 per cent in the 1980s, and to 35 per cent in the 1990s, where it remains today in light of the CRTC's Commercial Radio Policy Review issued in December 2006.

When the CRTC's Canadian-content MAPL regulations were established, the impact was felt immediately. Sam Sniderman, known as "Sam the Record Man", a prominent music retailer, stated that as a result of the CRTC requirement his sales of Canadian music on long playing record albums, cassettes, and 8-track tapes increased 25 per cent in 1971; 36 Canadian singles made American top 100 lists that year.<sup>17</sup> Although industry sales have declined in recent years, the subject of Canadian content regulations has not been without controversy.

The debate has largely focused on how regulations should be adapted to reflect the changing technology and marketplace, rather than whether or not there should be content regulations in the first place. During the CRTC's Commercial Radio Policy Review, industry players, ranging from the Canadian Association of Broadcasters<sup>18</sup> to independent artists<sup>19</sup> argued in favour of retaining content rules to contend with the onslaught of media from across the border.

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<sup>16</sup> A fuller description of the MAPL system can be found at the CRTC web site; see [http://www.crtc.gc.ca/eng/INFO\\_SHT/R1.htm](http://www.crtc.gc.ca/eng/INFO_SHT/R1.htm), accessed on October 18, 2006.

<sup>17</sup> "Where are the Canadian Stars?", The CBC Digital Archives Website, Canadian Broadcasting Corporation. Last updated: 16 Jan. 2004. [http://archives.cbc.ca/IDC-1-68-1150-6302/arts\\_entertainment/canadian\\_content/clip1](http://archives.cbc.ca/IDC-1-68-1150-6302/arts_entertainment/canadian_content/clip1). Accessed Sept. 27, 2006.

<sup>18</sup> See, for example, the CAB's submission to the CRTC of June 12, 2006, with respect to the Review of the Commercial Radio Policy, in which the CAB supports Cancon rules, but argues in favor of a more flexible, bonus-based system to encourage airtime for new and emerging artists, and reduce overplay, or "burn", of well-established, popular artists who qualify as Cancon; <http://www.friends.ca/News/news09050501.asp>

<sup>19</sup> For example, Gregg Terrence, the president and one of the founders of Indie Pool, an organization that represents independent Canadian artists, was quoted on December 28, 2005 by the *The Tyee* (a daily newspaper in Vancouver), as stating "We feel that Canadian content is a good thing, that it was good for Canada, that we should keep Canadian content rules...". He goes on to argue for changes in the system rather than its abolition; in other articles, he articulates those changes as a requirement for airtime for new and developing artists. See <http://thetyee.ca/Mediacheck/2005/12/28/WildNewMediaWorld/>, accessed on October 18, 2006.

This support for Cancon rules seems to be echoed by the public; a study last year by IpsosReid found that 85 per cent of Canadians believe it's important that there be Canadian content on radio, and 65 per cent believe there should be minimum levels of Canadian content on radio, with more than half (52 per cent) believing that current regulations requiring that radio stations play a minimum of 35 per cent Canadian songs is about the right amount.<sup>20</sup>

### **4.3 Structure and Composition**

Technology has not only changed how music is delivered, creating new digital pathways and altering the face of retail, but also the roles played by various industry participants. It is now possible to self-record, self-publish and self-promote music; as a result, while there has always been a degree of crossover in the roles performed by various players in the industry, these lines are becoming increasingly blurred. Thus, although the following section describes music industry functions individually, multiple functions may be performed by a single person or entity, with individual companies often working across multiple categories of function.

#### **4.3.1 Composers, Lyricists, Musicians**

The creative backbone of the industry is the artist who, singly or together, writes and performs the music and words that comprise Canadian music. Canadian artists, especially in the field of popular music, have become widely recognized and respected for their craft, both at home and abroad, with both French language and English language artists earning global respect.

#### **4.3.2 Publishers**

A music publisher acts on behalf of a songwriter to exploit works created by that songwriter, for example, by encouraging other artists to perform songs, placing songs in film or television, and overseeing publication of a song in various markets (with those markets defined by geography as well as technology). A publisher manages the income a songwriter earns through the three main types of income streams, consisting of mechanical, performance, and synchronization royalties.

Publishers are not currently a major focus of the CMF, an issue discussed further in the findings section of this report.

#### **4.3.3 Managers**

The role of the manager is to represent the legal and business interests of his or her client, the artist. The manager's key responsibility is to negotiate business matters on behalf of the artist, which may include those related to booking, making touring arrangements,

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<sup>20</sup> Study conducted for FRIENDS of Canadian Broadcasting, released September 5, 2005; see <http://www.friends.ca/News/news09050501.asp>.

handling copyright issues, marketing and promotion, negotiating performance, recording, and performance contracts, and financial and business management and planning.

Managers are not a current focus of the CMF, which is discussed later in this report.

#### **4.3.4 Labels<sup>21</sup>**

Today, the term “label” generally refers to companies that manufacture, promote, and distribute audio recordings on compact discs, records, DVD-audio, SACD and cassettes; these companies may also enforce copyright and have artist development functions, commonly referred to as “A&R” (for “artist and repertoire”) for scouting, signing, and developing talent for the record company. A single corporate parent may own multiple labels, each with a particular focus/genre.

#### **4.3.5 Producers**

A music producer essentially functions as a project manager to oversee the recording of music. The producer’s responsibilities may include arranging a recording session, identifying and contracting for “session” musicians (musicians to accompany the central artist), and providing artistic input into the recording and post-production of the recording, such as the mixing and mastering of the music, the arrangements of the music, or the instrumentation.

#### **4.3.6 Studios**

Studios are facilities used to record music, built mindful of acoustics, and fitted with necessary equipment including recording devices, mixers to integrate multiple sound sources, synthesizers, samplers, microphones, amplifiers, and other similar equipment, ultimately producing a “master” recording. Digital technology and computer equipment commonly play a large role in modern studios.

#### **4.3.7 Manufacturers**

Manufacturers take master recordings, and transform them onto mass produced media such as compact discs. This may take place through duplication, whereby the original content is “burned” or copied to a recordable CD (typically used for smaller runs), or replication, a manufacturing process which creates CDs by using a “stamper” copy of a disc to imprint data on a moulded CD. In addition to duplication and replication services, manufacturers may offer other services such as in-house mastering, graphic design for packaging and discs, production of special promotional CDs such as shaped discs, and the creation and manufacture of posters.

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<sup>21</sup> The term “label” originated with the paper label traditionally affixed to the centre of a phonograph record. The label contained information about the recording, and usually prominently featured the name of the company that manufactured, promoted, and distributed the record.

#### **4.3.8 Retailers**

Once predominated by specialized vendors who carried deep and broad inventories of recordings, delivery of recorded music to consumers now takes place through myriad pathways, both physical and virtual, ranging from specialized to general retailers, and from virtual to physical stores. Consumers' options now include large "box" retailers such as Wal-Mart and Costco; electronics-focused vendors such as Future Shop and Best Buy; media-specialized vendors such as Indigo and HMV – all of which have both physical and virtual retail outlets. Other options are exclusively virtual retailers, such as Amazon.ca, which will ship physical media, and Apple's iTunes, which provides downloads, as well as Puretracks, HearSay.ca, Mymusic.ca, and Archambaultzik.ca, and even coffee shops, such as Starbucks.

#### **4.3.9 Distributors**

A distributor's role is to get pre-recorded music into retail stores. Often working closely with record labels, they will offer advertising support, free promotional copies, and persuasive argument in an effort to convince retailers to stock the product. Distributors may be general distributors, carrying a wide variety of product ("one stop"), specialized retailers carrying limited selections of popular product ("rack jobbers"), or independent distributors, carrying product for labels unaffiliated with large multinational companies. Distributors receive little assistance under the CMF.

#### **4.3.10 Concert Promoters**

A concert promoter is responsible for producing live performance events, ranging from a one-off show to a national or international tour, and is responsible for assuming the financial risk of staging the event, and negotiating and overseeing the services and vendors needed to make the performance possible.

Concert promoters are not a focus of the current CMF.

#### **4.3.11 Industry Associations**

A variety of industry associations represent segments of the Canadian music industry, ranging from CRIA, representing foreign multi-nationals and major independent music companies, the Canadian Independent Record Production Association (CIRPA), representing independent Canadian companies, provincial industry associations, such as Association québécoise de l'industrie du disque, du spectacle et de la video (ADISQ), or the Alberta Recording Industries Association, and associations representing musicians, publishers, and creators, at both the national and provincial levels, such as the Canadian Music Creators Coalition, La Société Professionnelle des Auteurs et des Compositeurs du Québec (SPACQ) and the Songwriters Association of Canada (SAC).

#### **4.3.12 Broadcasters**

Radio broadcasters have always been an important outlet for music. Using an advertising-based business model, radio broadcasters have been a vehicle through which artists can reach audiences, stimulate demand, and become exposed to new markets. Just as other aspects of the music industry have been affected by digital technology, so too has radio broadcasting. In June 2006 the CRTC licensed satellite radio broadcasters in Canada, offering consumers the choice of subscribing to fee-based services that offer greater fidelity than terrestrial radio, greater reception coverage, a multitude of channels per carrier, and additional information that can be transmitted with the radio signal.

#### **4.3.13 Copyright Collective**

A copyright collective (also known as copyright collecting agency or collecting society) is an organization created by private agreements or by copyright law that collects royalty payments from various individuals and groups for copyright holders. A copyright collective is authorized to license works and collect royalties, its authority derived either from statute or under an agreement with copyright owners. A copyright collective offers an efficient way of managing a group of rights, where the limited economic value of individual rights would not make it financially feasible to negotiate individual licences.

A mechanical royalty is earned for the manufacture and distribution of any “recording”, virtual or physical, such as compact discs, tapes, vinyl and digital downloads. A performance royalty is paid when a copyrighted song is performed live in public, or broadcast on radio, television, in a film, or over the internet. A synchronization royalty is paid when the song is synchronized with visual media, such as television programs, commercials, and films, and becomes part of that audiovisual work.

#### **4.3.14 “Other”**

There are a range of players who do not neatly fit into any of the traditional roles, or play collective roles – companies specializing in aspects of the virtual delivery of music, ranging from those that provide “back end” services to enable artists to efficiently deliver their works to radio stations (such as Ontario’s Musicrypt Digital Media Distribution System), to software companies such as RealNetworks, Inc., a creator of digital media services and software used to find, play, purchase and manage free and paid-for music. There are also service providers that provide supporting functions, as are required by any industry, including accounting, legal, and engineering services. Finally, there are professional guilds and support service providers that also play important roles.

### **4.4 Trends in Music Sales**

#### **4.4.1 Sales Globally and in Canada**

Overall sales activity in Canada is disproportionately generated by the foreign-controlled record labels. These larger labels earn some 85 per cent of total industry revenue in Canada, control distribution to most retail outlets (except in Quebec), have a broad

catalogue, and can better absorb losses and provide a higher level of marketing support to their artists than can Canadian labels.

Worldwide trends in the music industry have been reflected in Canada: sales of pre-recorded music have declined in Canada since 1999. At the same time, however, sales by Canadian artists have risen, both in absolute and relative terms, as has income to Canadian songwriters and music publishers. Canadian recording labels, on the other hand, have been struggling in the face of erratic year-to-year sales, coupled with low profit margins.

Global sales of physical pre-recorded media took a sharp downturn starting in 1999, a decline that was also reflected in Canada. Sales by the large multinational, foreign-controlled companies represented by the Canadian Recording Industry Association (CRIA) fell in Canada as they did globally. The dollar volume of CD sales for CRIA members fell from \$699.9 million in 1999 to \$544.1 million in 2005, a decrease of 22 per cent. Although there was an upturn in both unit sales and sales dollars in 2004, which may in part have been the result of price declines, 2005 represented another decline in sales volume for large multinational companies, pushing the net value of sales to their lowest level since 1998.<sup>22</sup> This decline continued into 2006, as unit sales for CRIA members declined by 7 per cent, while the value of shipments fell by 12 per cent. And in the first five months of 2007, CRIA members reported a 19 per cent decline in unit shipments and a 23 per cent decline in sales income.

At the same time, however, overall unit sales in Canada (for all companies) have not suffered as dramatic a decline, due in part to the resilience of sales by Canadian artists, as discussed below.

The International Federation of the Phonographic Industry (IFPI), which calculates sales differently than does CRIA, reported that retail music sales in Canada in 2005 totalled \$886 million, dropping from \$901.9 in 2004, a decline of 1.8 per cent.<sup>23</sup> The value of shipments dropped another 9 per cent in 2006.

There is insignificant historical data to conduct a trend analysis of digital download activity. However, according to IFPI, worldwide sales of digital music “are estimated to have almost doubled in value worldwide in 2006, reaching an estimated trade value of around US\$2 billion.” On a percentage basis, sales of digital music accounted for an estimated 10 per cent of music sales in 2006 (in Quebec, the percentage is much lower, about 1 per cent).<sup>24</sup> Canada is the world’s seventh largest market for legal digital downloads, with 2005 sales volume of \$18 million, 71 per cent of which was an online market, vs. 29% per cent which was comprised of mobile sales.<sup>25</sup>

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<sup>22</sup> Data from CRIA website, accessed on October 3, 2006; see: <http://www.cria.ca/stats.php>. Using CRIA data, the average net value for a CD shipped by CRIA members declined from \$11.43 in 2003, to \$10.95 in 2004, to \$10.80 in 2005.

<sup>23</sup> IFPI has a disclaimer in its 2005 report that states: “IFPI figures for national markets may differ from National Group figures as a result of adjustments for non-reported sales and small differences in category definitions.” See [http://www.ifpi.org/content/section\\_resources/index.html](http://www.ifpi.org/content/section_resources/index.html), which provides world sales data for 2005 and previous years.

<sup>24</sup> IFPI. <http://www.ifpi.org/content/library/digital-music-report-2007.pdf>.

<sup>25</sup> IFPI. See <http://www.ifpi.org/content/library/worldsales2005.pdf>.

#### 4.4.2 Sales of Canadian Artists

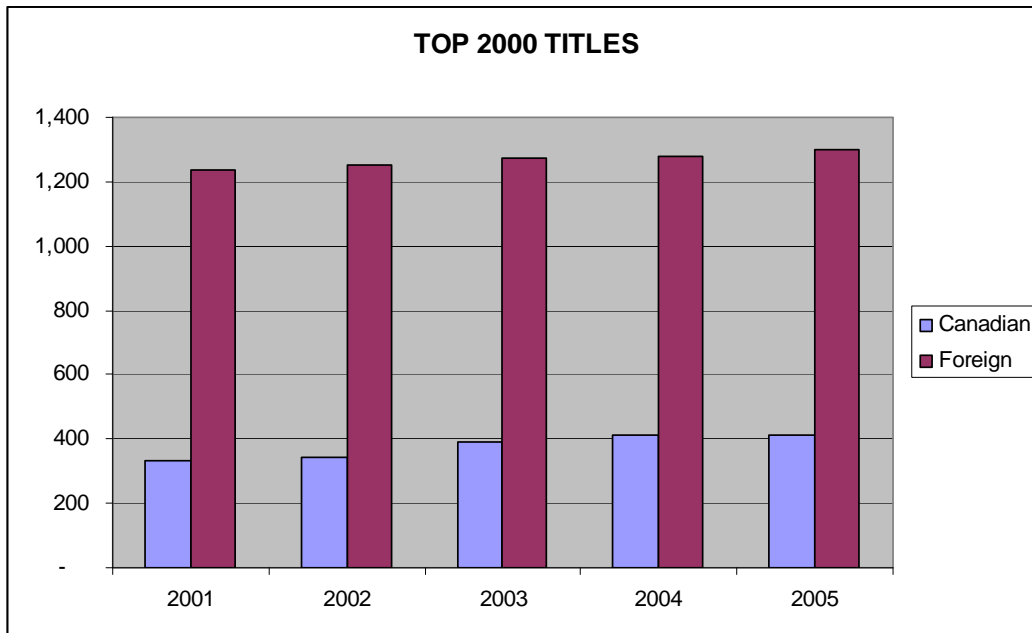
While overall sales for large companies in Canada have been declining in recent years, Canadian artists have been steadily growing their presence on the sales charts. A review of available data, especially the sales of “top 2000” albums as reported by Nielsen SoundScan, illustrates the increasing strength of Canada’s own artists in their home market.

Nielsen SoundScan is an information system that tracks sales of music and music video products throughout the United States and Canada. Sales data from point-of-sale cash registers is collected weekly from over 14,000 retail, mass merchant and non-traditional (on-line stores, venues, etc.) outlets. Weekly data is compiled and made available every Wednesday. Nielsen SoundScan is the generally recognized standard for tracking sales, and is the information source for other data compilations accepted as industry standard, such as Billboard magazine’s music charts.

PCH made available a compilation of SoundScan data for sales in Canada of the top 2,000 selling titles for the period 2001-2005, with corresponding unit sales, and an accompanying classification of titles foreign vs. Canadian.

Over the 2001-2005 period, Canadian artists have accounted for a steadily increasing number of top 2000 titles, from 331 in 2001 (16 per cent of the top 2000) to 413 titles in 2005 (22.9 per cent of the top 2000), an increase of 25 per cent (Figure 2).

**Figure 2**  
**Number of Top 2000 Albums, Canadian and Foreign Titles, 2001-2005**

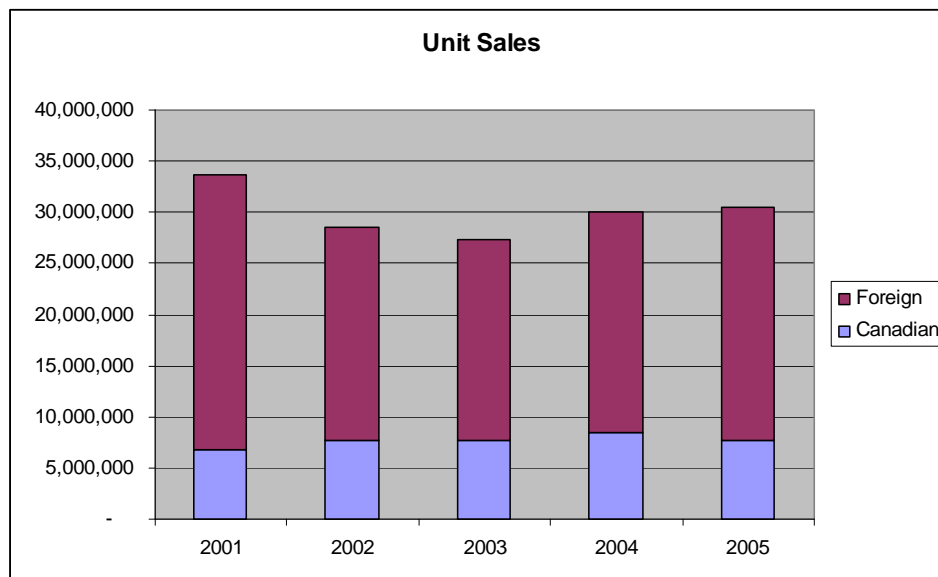


Put another way, Canadian artists had 331 of the top 2000 albums in 2001, but an average of 390 albums in the following years, an increase of 17.8 per cent overall, or 59 titles per year.

Over the 2001-2005 period, total unit sales for the top 2000 albums in Canada fell from 33.7 million to 30.5 million, a decrease of 9.5 per cent. However, while overall unit sales were declining, unit sales by Canadian artists increased, from 6.8 million to 7.7 million, an increase of 13.7 per cent. This was a remarkable increase in a declining market. The most significant annual increase in sales, 916,000 units, occurred in 2002.

In the post-2001 period, Canadian unit sales have not fallen below a floor of approximately 7.65 million units. Put another way, Canadian artists sold 6.8 million units of the top 2000 Albums in 2001, and an average of 7.9 million units in each of the following years, for average annual increase of 1.1 million units, or 16 per cent (Figure 3).

**Figure 3**  
**Canadian and Foreign Unit Sales, Top 2000 Albums, 2001-2005**





## 4.5 Government Support in Other Countries

Appendix E summarizes the government support programs provided by several countries around the world.

By far the most comprehensive survey available of international music support programs is produced by PCH; the most recent update was published in 2004.<sup>26</sup> As noted in this report, governments use a wide variety of programs to support music, some of which are targeted towards industry, others of which are more oriented towards art or performance rather than industry per se. And yet, for every rule, there is an exception; in Jamaica, the music industry has blossomed despite a complete lack of government support. Some of the key themes are the following:

- Governments provide both direct and indirect support, which may be delivered through a variety of agencies and affiliated administrators.
- Support tends to be provided in a number of common areas, including performing assistance, recording assistance, promotional activities, support for creativity and innovation, professional hiring and development, music events, touring support, business planning, and export.
- In addition to funding, tax incentives may be used to support the sector, as well as export assistance.
- These supports are complemented in some cases by programming obligations such as music quotas, or blank tape levies which are used to compensate artists for the recording of their music for personal use.

What is evident is that in many cases support programs reflect the fragmented and diverse nature of the music sector itself. While an array of support programs provides assistance to the various elements of the sector, it is not clear that such an approach supports development of an industry, and there continues to be discussion within many national industries as to the best support policy.

## 4.6 Outlook

Technology continues to reshape the music landscape. In June 2001, when the current Canadian Sound Recording Policy was established, the effects of still emerging technology were uncertain. Music files were being freely copied on peer-to-peer networks, CD sales were in free fall, and the courts were grappling with how to interpret copyright law in the face of new technologies. Today, while new technology continues to shape the music sector –more so than in other cultural sectors due to the relative ease

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<sup>26</sup> This summary relies extensively upon a survey of international support mechanisms, *International Review of Support Measures for Sound Recording: 2004*, prepared by Donna Mandeville, updating a paper originally prepared by Heather De Santis/Erin Cassidy, and subsequently updated by Liudmila Kirpitchenko, the Socio-Cultural and International Comparative Research Group, Strategic Research and Analysis, Department of Canadian Heritage, January, 2005, Reference SRA-928.

with which music files can be stored, transmitted, and manipulated – some clear trends have emerged that will continue into the foreseeable future.

#### **4.6.1 Technology and Business Models**

Since June 2001, the technology that unleashed digital music has been used to try to control it. A rash of devices has been created by electronics manufacturers to receive, store, manipulate, forward, and play back digital music, both devices dedicated to music, as well as “convergent” devices, such as the LG VX8500 cell phone, designed to function as both an iPod and cell phone, or the latest iteration of Apple’s iPod, which combines audio and video capability. Digital rights management systems (DRMs) have been implemented in an effort to create new business models.

As a result, there has been a proliferation of new sources from where consumers can obtain music, including satellite radio, internet radio and music download services, both free and for pay, all of which, unlike the peer to peer networks, respect copyright. Technology has also offered artists new ways to publicize music, especially blogs and podcasts.

While these technologies and business models have created opportunities for smaller or unsigned artists, who now have the tools to reach the public without having large companies funding their efforts, they have also created an explosion of content on the internet.

But while technology offers consumers and artists new ways to create, distribute, and consume music, a new series of challenges are likely to present themselves to independent Canadian artists, including the difficulty of being found amidst the internet clutter. This was confirmed by the expert panel. In fact, studies and statistics indicate that the preference consumers have for recognizable brands (large or well established media companies and service providers) is shaping the internet, with large or dominant companies accounting for an increasing share of traffic in various categories, and consumers reporting that they have a much higher level of trust for media online that is published by “established” media companies.<sup>27</sup> Furthermore, in the music sector, the large multinationals, having struggled with the decline in sales of physical media, have consolidated and scaled back their efforts to identify and sign new and upcoming artists.<sup>28</sup> Thus, it appears that the independent music companies will be more important than ever for Canadian artists.

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<sup>27</sup> For data on trust in media, see *Year Four (2004) of the Internet Report*, University of Southern California Center for the Digital Future, available at: [http://www.digitalcenter.org/pages/site\\_content.asp?intGlobalId=20](http://www.digitalcenter.org/pages/site_content.asp?intGlobalId=20), ; usage statistics for user-generated video sites reported by Hitwise, which show that two companies, YouTube and MySpace, account for 66% of the web site traffic for the category, see <http://www.hitwise.com/press-center/hitwiseHS2004/videosearch.php>; accessed December 13, 2006.

<sup>28</sup> As one prominent entertainment attorney put it, “The music business is generating more income and more capital than ever before, but the people getting the money are not the record labels. The people who are getting the money are the people creating the computers, manufacturing the MP3 players and the companies providing the high-speed Internet connections. That has lead to labels dropping artists and downsizing employees and generally cutting back on the process of creating and marketing new music.” Steve Gordon, as published in *Music Connection*, December 5, 2005 –

The major issue facing the industry, however, is the basic issue of getting paid for its music. The industry's embrace of digital media formats led, somewhat ironically, to the publication of vast catalogues of music without any form of copy protection. At the same time, evolving technology, along with a continual and dedicated effort to defeat copy protection on the part of a technically-sophisticated, loosely-affiliated anti-copy movement, has made it increasingly difficult for copyright owners to control – and charge for – the copying and use of their music, which once published, tends to freely circulate in digital format.

Debate over whether or not the distribution and use of music can be controlled in today's technological environment continues. Steve Jobs, CEO of Apple Computer, which has been credited with making possible the first widespread Digital Rights Management (DRM)-controlled music system, questioned the effectiveness of such systems in an open letter published in February 2007. While Apple's position may in part be influenced by legal challenges to its DRM system by European regulators, his voice will certainly cast new doubts on the industry's efforts to control the use of their music, as noted in his letter:

Why would the big four music companies agree to let Apple and others distribute their music without using DRM systems to protect it? The simplest answer is because DRMs haven't worked, and may never work, to halt music piracy. Though the big four music companies require that all their music sold online be protected with DRMs, these same music companies continue to sell billions of CDs a year which contain completely unprotected music. That's right! No DRM system was ever developed for the CD, so all the music distributed on CDs can be easily uploaded to the Internet, then (illegally) downloaded and played on any computer or player.<sup>29</sup>

If DRM and technological controls are abandoned, the opportunity for consumers to copy music without payment will only rise, further hastening the efforts of producers, artists and other parties to seek diverse income streams for their works.

As a result, differing digital music business models have emerged in recent years, including free, a-la-carte and subscription, although in some cases service providers are combining these models under a single service:

- **“Free” music.** An economist would say that there is no free lunch – or free music. Of course, “free” music services are in fact advertising-supported business models that allow consumers to listen to music without financially paying for the music – consumers instead pay with their time. As noted in a recent report by IFPI, “...advertising supported (business) models such as video licensing on

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January 1, 2006, page 12. See [http://stevegordonlaw.com/stevegordon\\_musicconnection.pdf](http://stevegordonlaw.com/stevegordon_musicconnection.pdf). Mr. Gordon is also author of the book, *The Future of the Music Business*

<sup>29</sup> Available at: <http://www.apple.com/hotnews/thoughtsonmusic/>.

Yahoo! Music and MSN emerged as a potentially exciting revenue stream for record companies.”<sup>30</sup>

- **A-la-carte downloads** – Under a-la-carte business models, the consumer can download or stream single songs, paying for the songs that are used. The advantage of this system is that users have flexibility to consume and pay for the specific music they seek, and are freed from traditional music industry practices where music was “bundled” into albums, forcing consumers to pay for music they did not want. Service providers compete on the basis of price, the catalogue they offer consumers, usage rights, and additional “special” materials that may be available on the service. Ringtones and truetones are most commonly supplied under pay-per-use terms. Revenues charged to consumers are then shared by the service providers with rights holders.
- **Subscription** – Just as consumers pay a fee to their ISPs to access the internet, subscription-based business models require consumers to pay a fee in order to receive access to a library of content. As in the case of a-la-carte services, subscription services compete on the basis of the catalogue they offer consumers, usage rights, and additional “special” materials that may be available on the service.
- **Diversification** – There is evidence suggesting that the unleashing of digital content is leading to increases in music industry revenues from ancillary or non-traditional sources. A recent study undertaken under the auspices of the US National Bureau of Economic Research examined sales and concert data for a large group of musicians over a ten year period. The study’s preliminary conclusion was that “while sales of recorded music declined after the introduction of file-sharing, concert revenues and the number of artists performing concerts increased dramatically. Overall, the patterns in the data suggest that while file-sharing may have eroded profits from CD sales, it has also increased the profitability of live performances.”<sup>31</sup> And royalty income for songwriters has risen in recent years as their works have been licensed for television, movies, and ringtones, also suggesting that diversification of income is a potential path for artists to offset the decline in retail sales of music.

#### 4.6.2 Legal and Regulatory Environment

When the current Canadian Sound Recording Policy was established in 2001, the legal battle over new technology and music was fully engaged in the United States; an injunction against Napster had been issued on March 5, 2001, and by July of that year Napster shut down its system to comply with the court injunction.

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<sup>30</sup> Available at: <http://www.ifpi.org/content/library/digital-music-report-2007.pdf>.

<sup>31</sup> See *Supply Responses to Digital Distribution: Recorded Music and Live Performances*, Julie Holland Mortimer, Harvard University and NBER, and Alan Sorenson, Stanford University and NBER, December 29, 2005. Registration may be required to access this report, which can be found at: [http://www.stanford.edu/~asorensen/papers/mortimer\\_sorensen\\_aea2006.pdf](http://www.stanford.edu/~asorensen/papers/mortimer_sorensen_aea2006.pdf).

That battle was joined in Canada in February 2004, when CRIA filed motions in the Federal Court of Canada to require five Canadian internet service providers to disclose the identities of individuals engaged in voluminous music file copying over peer to peer networks. The ISPs objected on privacy grounds and on the basis that there was no underlying claim. In denying the request of CRIA to compel identification of file sharers, the Federal Court of Canada noted, in passing, that file sharing does not infringe copyright, the judge stating that "no evidence was presented that the alleged infringers either distributed or authorized the reproduction of sound recordings. They merely placed personal copies into their shared directories, which were accessible by other computer users via a P2P service."<sup>32</sup> CRIA appealed this ruling, and the appeal was dismissed on May 19, 2005, although the Court did so "without prejudice to the appellants' right to commence a further application for disclosure of the identity of the 'users' ".<sup>33</sup>

The central issues at stake in this case – the legality of peer to peer file copying – would have been addressed by legislation proposed in 2005. Bill C-60, first read in June 2005, was intended to amend the Canadian Copyright Act, changing Canadian law to address aspects of new technologies that concern music (as well as other things). The bill would have provided protections for digital rights management systems ("Technical Protection Measures") and rights management information (RMIs are used to identify content and often work with DRM systems), and clarified the obligations of network service providers, search engines, as well as the right to copy content using a peer to peer system. The bill effectively died when the Government was dissolved, and it has not yet been re-proposed.

Technology, however, has often demonstrated an ability to "jump ahead" of law and regulation, as it has in the case of digital music. Thus, while passage of copyright legislation could, for better or worse, alter the position of artists and other industry players, it is unlikely to create a definitive "status quo" given the continued evolution in the industry.

## 4.7 Summary

The Canadian music industry, like its counterparts in many countries around the world, is a very diverse sector comprising individuals and groups from many different backgrounds, performing a wide variety of functions. Nearly everyone in the industry has been affected dramatically in recent years by the advent of new technologies that have changed the creation, recording, distribution and consumption of music.

In addition to the challenges and opportunities provided by new technology, the Canadian music industry, like other media sectors, must contend with the presence in its home market of large multinational media companies, which derive most of their income from

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<sup>32</sup> BMG Canada Inc. v. John Doe (F.C.), [2004] 3 F.C. 241, 2004 FC 488 (CanLII); see <http://www.canlii.org/ca/cas/fct/2004/2004fc488.html>, [26]

<sup>33</sup> BMG Canada Inc. v. Doe, 2005 FCA 193 (CanLII); see <http://www.canlii.org/ca/cas/fca/2005/2005fca193.html>

the distribution of non-Canadian artists, as well as with a porous shared border with the United States, which allows for the easy movement of music from the South. As a result, Canada's independent labels are viewed as essential for Canada's artists. This, in turn, provides support for the Government's continued intervention via the financial support provided by the Canada Music Fund, a subject discussed further in Section 5.

## 5. Findings

This section presents the findings of the evaluation study for the evaluation issues and questions, which are:

### **Rationale and Relevance**

- 1) Does the CMF meet a persistent need?
- 2) Is Government intervention justified?
- 3) Is the CMF aligned with Government priorities, including PCH strategic objectives?

### **Success/Impacts**

- 4) To what extent has the CMF been successful in achieving its immediate and intermediate outcomes?
- 5) To what extent has the CMF contributed to the achievement of its long-term outcomes?
- 6) What have been the unintended impacts and effects (positive or negative) resulting from the CMF?

### **Cost-Effectiveness/Alternatives**

- 7) Does the design of the CMF take into account the most cost-effective way to achieve the expected results? If not, what are the alternatives? The specific questions are:
  - a) What is the overall cost-effectiveness of the program?
  - b) To what extent does the program duplicate or overlap with similar programs delivered through other organizations in the private, public and not-for-profit sectors?
  - c) Are there any program design issues that affect the achievement of desired results?

- d) Are there any delivery issues that affect the achievement of desired results?
- e) Are there alternative approaches that would be more cost-effective?
- f) Has the CMF implemented an ongoing performance measurement strategy and how well does the strategy provide information on program performance?

Findings on these issues for each of the CMF components are presented in Appendix B.

## **5.1 Rationale and Relevance**

### **5.1.1 Does the CMF meet a persistent need?**

At its core, the Canada Music Fund is all about supporting Canadian artists, so that Canadians continue to access to a vibrant music culture. A key aspect of the CMF's rationale, as discussed in Sections 3 and 4, was the need to ensure that Canada has strong independent music companies, which can record and distribute music created by Canadian artists. While a conclusion of the evaluation is that there is no debate on whether government support is still required for the independent music sector, there was much discussion about to whom the financial support should be directed, and for what purpose.

Key informants noted the success of the CMF in helping to increase the market share of the Canadian-controlled sector, and in helping to maintain an independent music industry. They noted that the major labels were continuing to cut back on signing new talent, and that the Canadian-owned sector likely will be even more critical in the coming years. This view was reinforced recently by an announcement in February 2007 by two multi-nationals, EMI and Sony-BMG, of their decision to cut staff in Canada.<sup>34</sup> The expert panel confirmed this trend.

Government support was viewed as being particularly important as the industry continues to adapt from a system based on sales of physical product via "bricks and mortar" retail outlets to online distribution. The digital transformation of the music industry is posing considerable challenges. The smaller, independent record labels were noted to have had more difficulty getting access to on-line music stores, such as iTunes, Puretracks.com and Archambaultzik.ca, for several reasons. They lack the resources and expertise to: negotiate business deals; digitally encode their catalogue (so it can be easily uploaded to the on-line store's servers); and, to launch viral marketing campaigns on social networking websites, such as MySpace.com or Facebook.com. The major labels were viewed as having the resources and expertise to make a faster and more successful transition to digital distribution and marketing.

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<sup>34</sup> The Globe and Mail, "EMI, Sony laying off staff from Canadian music arms", February 28<sup>th</sup>, 2007, accessible at:  
<http://www.theglobeandmail.com/servlet/story/LAC.20070228.RMUSIC28/TPStory/Business>.

Independents are also key to the so-called “feeder” system: they find and sign new artists, and many of the successful ones eventually get signed by the major labels in order to achieve international exposure and distribution.

Regarding the question about where government support should be directed, the overall view is that while the record label is still an important component of the process to create a commercial hit record, it was no longer the only component. Related to this concern was a debate over two approaches: company infrastructure funding versus artist-centred funding. One perspective is that the artists are increasingly taking control over their careers (becoming corporations in their own right). The artist signs a contract with a manager, records her own music (thus owning the rights) and signs licensing deals with record labels to distribute the music. For these artists, the record label is basically a marketing and distribution vehicle. Thus, many key informants suggested that in addition to record labels, other key segments of the music industry needed to be brought more visibly into the CMF fold, including songwriters, publishers, managers, distributors and promoters. Again, the expert panel supported this view.

Regarding the question of the types of support required, support for marketing and promotion was a constant theme. One expert panel member summed up the situation:

The name of the game today is getting exposure and creating effective promotion amid the “fire hose” of music being produced. Getting known, as always, is crucial to success. However, there is so much more music being made and consumed today, so that the challenges of promotion and exposure have become more difficult, by orders of magnitude, compared to just ten years ago. The game has fundamentally changed and the new game is not quite clear.

The expert panel recommended that the CMF funding should continue, but that it should be re-directed to the pressure points of today’s challenges, rather than continuing with the business models of the past. Recording is not the challenge anymore; getting heard is.

There was a call for increased support to the songwriter and performer, including more dollars devoted to skills development (e.g., co-writing tours to major music centres, such as Los Angeles and Nashville) and to marketing (e.g., support for international tours and showcases, merchandising, etc.).

Another closely related debate is whether funding support should be provided in annual lump sums to companies (Music Entrepreneur) or by project (New Musical Works, Collective Initiatives). Project funding is currently much more demanding in terms of administrative workload, but is more artist-centred. The dollar amounts are much smaller, and the funding is viewed by many as a start-up program. On the other hand, lump-sum funding to companies provides much more flexibility, and is much simpler to administer. There is considerable debate as to which approach is most effective in fostering the creation and development of Canadian talent.



**Summary: Does the CMF meet a persistent need?** – The evidence indicates that the CMF continues to respond to a persistent need in the Canadian music industry. A key aspect of the CMF’s rationale is the need to ensure that Canada has a strong independent music sector, which can record and distribute music created by Canadian artists. The foreign-owned labels are continuing to cut back on signing new talent, and informants stated that the Canadian-owned sector will be even more critical in the coming years. However, the record label is no longer the only part of the industry that is important to the success of Canadian artists. Other segments need to be brought more visibly into the CMF fold.

### **5.1.2 Is Government intervention still justified?**

Key informants – including those who had relationships with the foreign-owned (major) labels as well as those who had not benefited directly from the CMF – were unanimous in calling for the federal government to continue to provide financial support to all sectors of the Canadian music industry. CMF support was viewed as critical to the survival of the Canadian-controlled segment of the music industry. Without CMF support, key informants stated that many independent music companies would not be in business today, which would have negatively affected the availability of Canadian music. (This view is confirmed by the analysis of the financial performance of MEP recipient companies, discussed under Section 5.2.3).

Key informants also stated that while CMF support has helped to build an independent sector, these companies will continue to require support during this prolonged period of transformation and upheaval in the world’s music industry.

Similarly, the survey of CMF recipients and non-funded applicants found overwhelming support for the Canada Music Fund: 98.9 per cent of recipients and 97.5 per cent of applicants stated that the federal government should continue to fund the CMF. When asked to state the reasons for this view, the main responses were: the CMF promotes Canadian music, both domestically and internationally; it increases the exposure of artists to new audiences; and, it facilitates the survival and growth of the industry.

Regarding the question of whether the program could be transferred to the provinces, no one suggested this option. Some noted concerns about the current levels of support and commitment to cultural industries in certain provinces. Everyone consulted by this study strongly believed that the federal government should continue to play a prominent role in supporting the Canadian music industry. Our view is that given certain trends in the music industry, particularly the requirement for Canadian artists to access international markets, that it makes sense to have a strong national program rather than individual provincial programs. This is also more administratively efficient.

While key informants were very appreciative of the support provided under the CMF, many stated that the federal government provides insufficient support to the Canadian

music industry, especially when compared to the other cultural industries, such as television, film and book/magazine publishing. This was perplexing to many – particularly since the music industry was viewed as being relatively more successful internationally, as demonstrated by the tremendous commercial success achieved by a long list of Canadian music artists, both Anglophone and Francophone. Successful Canadian artists also have a significant economic impact; for example, a concert by a major Canadian band, such as the Tragically Hip can generate millions of dollars in revenues and a significant multiplier/trickle-down effect on local economies.

Several key informants referred to the study underway in early 2007 that was sponsored by CRIA and CIRPA, which is analyzing the economic impacts of the music industry. Many stated that such a study was long overdue and will provide valuable information on the contribution of the music industry to the Canadian economy.

As discussed above, there was a call for the CMF to focus its support on the segments of the music industry that will help the songwriter and artist to be successful in the rapidly changing music world.

The perspective of the expert panel was consistent with the above: public aid needs to be maintained and increased, as in the absence of public support only the music from multinationals will be promoted in Canada. That being said, the experts emphasized the need for greater accountability.

**Summary: Is Government intervention still justified?** – Support for the Government’s continued investment in the Canada Music Fund is unanimous amongst all segments of the Canadian music industry. A Canadian-controlled sector is critical to the development of new Canadian talent. Canadian companies will continue to require support in order to survive the current transformation and upheaval taking place in the sector, both domestically and globally. Many believe that the Government should increase its level of investment, noting the strong return on investment in the sector and the international success achieved by a long line of Canadian artists. But the focus of the intervention has to be aligned with the segments of the industry that are best situated to help Canadian artists to be successful.

### 5.1.3 Is the CMF aligned with Government priorities?

As described in the Program Profile in Section 2, in 2001 the Government announced its Tomorrow Starts Today initiative, which offered significant assistance to Canadian arts and culture. The CMF was announced by the Government in May 2001 as part of the Canadian Sound Recording Policy. This policy had its roots in the 1999 Speech from the Throne, which recognized the specific need to help all of the Canadian cultural media make the necessary transformation to the digital economy.

The Minister of Canadian Heritage is to report back on the final results of its arts and culture programs by March 31, 2008. Further to an extension that has been granted, the Department is now to do so by September 2008.

The current priorities of the Government are outlined in the March 19th, 2007 Budget plan. “Celebrating our Culture” is highlighted as one of the Budget themes, although the cultural industries are not identified per se. However, in our view, this should not be interpreted as a lack of support for Canada’s audio-visual industry; many other important public policy issues are not listed in the Budget plan either.

Within the Department of Canadian Heritage, the Canada Music Fund is formally situated in the Department’s Program Activity Architecture (PAA). It contributes to the following: creation of Canadian content and performance; sustainability of cultural expression and participation; preservation of Canada's Heritage; and, access and participation in Canada's cultural life.

**Summary: Is the CMF aligned with Government priorities?** – Funding for the Canada Music Fund was provided under the Government’s Tomorrow Starts Today initiative, which was announced in May 2001. Prior to Tomorrow Starts Today, there was funding for music in the Department’s A-base. As part of the process to renew this initiative, the Minister of Canadian Heritage must submit a formal report to Cabinet on the results all of its arts and culture programs by September 2008. The CMF is formally situated within the Department’s program structure (PAA).

## 5.2 Success/Impacts

### 5.2.1 Immediate Outcomes

This section presents the findings of the evaluation study pertaining to achievement of the CMF’s immediate outcomes. These outcomes are specified in the CMF logic model (presented in Section 3) and are the following:

- a) Existing Canadian musical works are acquired and preserved.
- b) Canadian music enterprises build their skills and capacity.
- c) Seminars, workshops, concerts, industry events take place.
- d) New music is produced, distributed.
- e) Sector associations build capacity to serve artists and enterprises.

The main source of evidence on each of these outcomes was the survey of recipients. Two of the survey questions are particularly relevant. One question asked recipients of CMF funding to rate various benefits of their projects. The findings are shown in Table 3. The table provides the results for recipients from the three components: CMD, NMW and CI.

A second survey question addressed the issue of program incrementality. Recipients were asked what would have happened had their project not received CMF support. The results are presented in Table 4.

The results of these two questions are discussed under several of the following subsections that present the findings on the immediate outcomes.

**Table 3 (i)**  
**Ratings of Benefits of Canadian Musical Diversity Projects (Q.18)**

Benefits	Recipients			Total (N)
	Canadian Musical Diversity Program			
	No	Neither/nor	Yes	
a) Increased the sales of the sound recording	28.80%	17.30%	53.80%	100.00% (52)
b) Improved the technical quality of the sound recording	15.40%	4.60%	80.00%	100.00% (65)
c) Increased the amount of promotion/marketing of the sound recording	22.60%	16.10%	61.30%	100.00% (62)
d) Enhanced the career of the funded artist	8.30%	5.00%	86.70%	100.00% (60)
e) Enhanced the capabilities of the organization that produced/distributed the recording	24.10%	8.60%	67.20%	100.00% (58)

**Table 3 (ii)**  
**Ratings of Benefits of New Musical Works Projects (Q.18)**

Benefits	Recipients			Total (N)
	New Musical Works Program			
	No	Neither/nor	Yes	
a) Increased the sales of the sound recording, DVD or video	26.90%	25.50%	47.60%	100.00% (208)
b) Increased the technical quality of the sound recording, DVD or video	12.00%	7.00%	81.00%	100.00% (100)
c) Increased promotion/marketing of the music recording or artist	10.90%	16.30%	72.80%	100.00% (239)
d) Enhanced the career of the funded artist	7.90%	14.10%	78.00%	100.00% (241)
e) Enhanced the capabilities (marketing, sales, etc.) of the organization	10.80%	15.60%	73.60%	100.00% (212)
f) Improved the financial performance of the organization	20.60%	24.10%	55.30%	100.00% (199)

**Table 3 (iii)**  
**Ratings of Benefits of Collective Initiatives Projects (Q.18)**

Benefits	Recipients			Total (N)
	Collective Initiatives Program			
	No	Neither/nor	Yes	
a) Increased skills development for artists	18.80%	9.40%	71.90%	100.00% (32)
b) Increased networking among artists and entrepreneurs	6.30%	9.40%	84.40%	100.00% (32)
c) Increased sharing of best practices among artists and entrepreneurs	9.40%	15.60%	75.00%	100.00% (32)
d) Increased market exposure for artists	6.10%	0.00%	93.90%	100.00% (33)

**Table 4**  
**Impact on Project if No CMF Support (Q.22)**

Percentage provided by CMF Component	Recipients			Total (N)
	Canadian Musical Diversity Program	New Musical Works Program	Collective Initiatives Program	
Project would not have been carried out	41.50%	30.50%	24.20%	31.20% (126)
Project would have been carried out, but significantly reduced in size or scope	33.80%	44.30%	69.70%	45.10% (177)
Project would have been carried out, but slightly reduced in size or scope	7.70%	12.10%	3.00%	11.00% (42)
Project would have been carried out, but at a later point in time	6.20%	4.70%	0.00%	4.50% (18)
Project would have been carried out, with no changes	4.60%	3.70%	3.00%	3.70% (15)
Don't know/not sure	6.20%	4.70%	0.00%	4.50% (18)
Total	100.00%	100.00%	100.00%	100.00% (396)

**a) Existing Canadian Musical Works are Acquired and Preserved**

One CMF component, Canadian Musical Memories (CMM), is linked to this immediate outcome. Under this component, Library and Archives Canada (LAC) receives about \$360K annually that supplements the organization's A-base budget for its Music Section. The funding is used to staff about two FTEs within a total staff size of twelve for the unit.

Much of the funding has been used to catalogue the huge backlog of LPs that have been acquired since the Legal Deposit requirement was established in 1970. To date, approximately 45 per cent of the entire collection of about 300,000 recordings has been catalogued.

The Music Section has focused solely on physical recordings to date. As of January 2007, the Library and Archives was to start processing digitized records, but not of sound recordings. The Music Section's budget is not sufficient to handle digital sound recordings.

LAC also received funding from another program in PCH, Canadian Culture Online. This funding has been used to establish the "Virtual Gramophone" website, which provides online access to some 1.5 million songs from Canada's musical heritage. This website is the second-most visited website at LAC, after its on-line catalogue (Amicus). LAC viewed the Virtual Gramophone as a success, which was confirmed by another key informant. However, during 2006 PCH cut its funding of the Virtual Gramophone, and the future of this website was unclear at the time of our interviews.

From the perspective of LAC, it was impossible to separate out the impact of the CMF from the organization's A-base and the funds received separately from PCH via Canadian Culture Online.<sup>35</sup> Overall, music was viewed as a secondary priority of LAC (compared to other cultural media). Had the CMM funds not been specifically associated with the CMF (but added to LAC's A-base), they likely would have been diverted to other management priorities. (MPP noted that during 2006-2007, the CMF Canadian Musical Memories contribution to LAC became part of LAC's A-base.) Overall, the CMM funds were viewed as having had an incremental impact on the cataloguing of sound recordings, but less of an impact on providing Canadians with access to Canadian music (the Canadian Culture Online funding was viewed as more pertinent to the achievement of this objective).

The AV Preservation Trust is the second recipient under the Musical Memories component that is administered by PCH. It is a not-for-profit organization with a national mandate to encourage the preservation, conservation, access and awareness of Canadian audio and video works. It is allocated about \$175K in

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<sup>35</sup> As of 2006-2007, the CMF Canadian Musical Memories contribution (\$360K) is now part of LAC's A-base.

CMF funding annually via a contribution agreement with PCH. While the LAC's funds are used for internal preservation priorities, the AV Trust supports preservation projects undertaken by other organizations across Canada. About \$90K is used to fund some six to seven small projects submitted by outside organizations. An example is Music ProgresSon, which has digitally re-mastered the recordings of a famous 1970s Quebec band and made the collection available online. None of the key informants commented on the work of the AV Preservation Trust.

**Summary: “Existing musical works are acquired and preserved”** – The funding provided to Library and Archives Canada under the Canada Musical Memories component mainly has been used to supplement the staff complement in its Music Section. The evidence indicates that this funding has been used to increase the number of sound recordings that have been acquired, preserved and catalogued.

**b) Canadian music enterprises build their skills and capacity**

The New Musical Works component consists of several sub-programs that provide support to companies to build their skills and capacity. For example, FACTOR's Label, Manager and Distributor Business Development sub-program is intended to strengthen Canadian labels, artist management companies and music distributors. Funding is provided for memberships in industry associations, development of databases, subscription to trade publications and marketing and promotion initiatives. Under FACTOR's Domestic and International Business Development sub-program, funding is provided to record companies, managers, music publishers and music distributors to undertake domestic and international marketing activities. Similarly, MUSICACTION's Marketing Support for Business sub-program supports attendance by industry professionals at trade shows and private meetings.

Reviewing the results of the survey question on the benefits from CMF projects (presented earlier in Table 3), the majority of recipients believed that this type of NMW support had a positive impact: 74 per cent of NMW recipients stated that the project “enhanced the capabilities (marketing, sales, etc.) of the organization.”

**Summary: “Canadian music enterprises build their skills and capacity”** – The evidence indicates that support provided to music companies under the New Musical Works component has helped them to build their skills and capacity.

**c) Seminars, workshops, concerts, industry events take place**

Three CMF components are linked to this outcome. The New Musical Works component (Songwriter's Workshop and Seminar Support) provides financial assistance to professional songwriters to attend industry workshops and seminars. The Creators' Assistance component provides funding to industry associations to



hold training workshops for songwriters. The Collective Initiatives component supports conferences and award shows.

The survey asked Collective Initiatives recipients to rate the benefits resulting from the support provided to CI projects. As shown in Table 3, several types of benefits resulting from CI projects were rated highly: “increased market exposure for artists” (93.9 per cent rated this benefit highly); “increased networking among artists and entrepreneurs (84.4 per cent); and, “increased sharing of best practices among artists and entrepreneurs (75.0 per cent).

As shown in Table 4, some 24 per cent of Collective Initiatives recipients stated that their projects would not have gone ahead in the absence of CMF support. This is the lowest level among the three programs. The reason may be due to the fact that the CMF program is often one of many sources of funding support to award shows (other sources include sponsors, ticket sales and provincial government funding). A majority of CI recipients, 69.7 per cent, stated that, in the absence of CMF support, the project would have gone ahead but significantly reduced in size or scope. Only 3 per cent of recipients stated that the project would have gone ahead as planned.

**Summary: “Seminars, workshops, concerts, industry events take place” –** Several CMF components provide financial assistance to enable various industry conferences, workshops and award shows to be held across Canada. Without CMF funding, most of the funded events would have gone ahead, but would have been significantly reduced in size or scope.

**d) New music is produced, marketed, distributed**

Several CMF components are linked to this outcome pertaining to music production, marketing and distribution, including NMW, CMD and MEC.

As noted earlier, the survey of CMF recipients and non-funded applicants collected information on the incrementality of NMW and CMD projects.

As shown earlier in Table 4, CMD projects had the highest level of incrementality, as 41.5 per cent of these projects would not have gone ahead in the absence of CMD support. This may be due to the fact that most CMD recipients are new or emerging artists, who lack the capital to produce sound recordings on their own. Key informants confirmed that CMD support is critical to the success of these projects.

The level of incrementality was somewhat less for NMW projects (30.5 per cent). In addition, 33.8 per cent of CMD projects and 44.3 per cent of NMW projects, respectively, would have gone ahead, but significantly reduced in size or scope.

**Summary: “New music is produced, marketed, distributed”** – CMD projects have the highest level of incrementality, as some 42 per cent of these projects would not have gone ahead in the absence of CMD support, and another 34 per cent would have gone ahead but significantly reduced in size or scope. The level of incrementality was somewhat lower for NMW projects (30.5 per cent would not have gone ahead and other 44 per cent would have gone ahead but significantly reduced in size or scope.)

**e) Sector associations build capacity to serve artists and enterprises**

The component that links to this outcome is Support to Sector Associations (SSA). The key performance indicator associated with this outcome is “level of satisfaction of artists and entrepreneurs with the efforts of the industry associations.”

The main source of information on this indicator was to be a survey of members of each of the recipient associations, to be conducted by the Department of Canadian Heritage. However, this survey was not forthcoming in time for the evaluation. As a result, this section relies on the views of key informants and the file review.

Under the SSA component, national sector associations are provided with “infrastructure” funding to help cover operating costs (e.g., staff salaries, website upgrades). Contributions are renewed annually based on eligible expenses. Some nine associations currently receive support under this component, the main ones being CIRPA and ADISQ.

Not surprisingly, all of the sector associations interviewed that had received SSA support were highly supportive of this program. They noted that given the fragile state of the Canadian-owned sector, membership fees for these associations typically cover only a small percentage of operating costs (in one example, 10 to 15 per cent).

The SSA component was viewed as important for enabling the associations to support PCH management in developing and managing changes to programs, and to provide the views of their members regarding proposed program changes or feedback with respect to new departmental initiatives. Feedback was received that some of the industry associations have not improved their industry monitoring and analysis capacity, and tend to be reliant on outside consultants rather than building up their in-house capabilities.

None of the associations was able to provide any quantitative evidence to demonstrate how the SSA financial support has improved their performance (in terms of, for example, improved service to members, trends in membership revenues, or enhanced policy capacity). An interesting finding of the file review is that while each recipient submits annual audited financial statements to PCH,

the SSA annual report prepared by each association does not provide an assessment of trends in its financial performance. We noted that in reviewing the financial statements over the years, one of the recipient associations had demonstrated an improvement in its financial position, which would suggest that SSA financial support has been a factor. Yet this point is not discussed in the annual report.

While each recipient association submits an annual report to PCH, the emphasis is on describing the activities carried out during the year, rather than on an assessment of results and gaps/improvement opportunities. Our review of SSA project files concluded that none of the recipient associations has developed a performance measurement framework that would permit them to monitor progress in a systematic fashion and to report on trends in these indicators to PCH. This makes it difficult for PCH to report to Canadians on the results achieved by the SSA component. The draft CMF report card for 2006 contains no information on results; as noted earlier, MPP has been planning a client satisfaction survey of association members in order to provide input into the report card.

**Summary: “Sector associations build capacity to serve artists and enterprises”** – CMF funding via the Support to Sector Associations component has been very important to the recipient associations, as most associations would likely not survive on membership revenues alone. The associations play an important role in the development of policy options and in providing input to PCH on program design. Little evidence is available on the specific impacts of the CMF funding, as each recipient association does not provide PCH with results-based information in its annual report. The major associations in particular would be advised to construct a performance measurement framework, so that trends in relevant performance indicators (e.g., financial performance, client satisfaction) can be monitored over time and reported to stakeholders, including their members and PCH.

### 5.2.2 Intermediate Outcomes

This section presents the findings of the evaluation study pertaining to achievement of the CMF’s intermediate outcomes. These outcomes are specified in the CMF logic model (presented in Section 3) and are the following:

- a) Networks and virtual communities of Canadian musical artists and enterprises are created and strengthened.
- b) Audiences are exposed to and purchase Canadian music.
- c) Quantity, quality, diversity of Canadian sound recordings is improved.
- d) Public policy and programs adapt to the interests of Canadian music.
- e) Canadian musical artists and creators build their skills.

The findings for these outcomes are presented in turn below.

**a) Networks and virtual communities of Canadian musical artists and enterprises are created and strengthened**

Key informants stated that the CMF has had a positive impact on both creating and strengthening the networks within the music industry. For example, FACTOR was given high marks for the work of their advisory boards, whereby representatives of various segments of the industry regularly are brought together to advise each organization on the delivery of its programs.

The main source of evidence on this outcome is the survey of recipients. Of all of the CMF components, Collective Initiatives in particular provides funding for a large number of industry events that bring together representatives of the music industry. As shown in Table 3, some 84 per cent of recipients of CI funding stated that their projects have had a positive benefit in terms of increased networking among artists and entrepreneurs.

The former Canada Music Council also played a role in this regard. Following its disbandment, PCH was to consider organizing some other event to bring together industry players on a regular basis, but no such events have yet taken place. An annual Ministerial consultation with industry stakeholders was identified as a means to bring together industry players. A decision was made to wait until the completion of the CRTC's Canadian Commercial Policy Review as well as the completion of this evaluation study.

<p><b>Summary: “Networks and virtual communities of Canadian musical artists and enterprises are created and strengthened”</b> – The evidence indicates that the CI component has had a positive impact in terms of increased networking among artist and entrepreneurs.</p>
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**b) Audiences are Exposed to and Purchase Canadian Music**

The CMF logic model identifies sales of CMF-funded releases as a key measurement indicator for this intermediate outcome (the evaluation matrix is included in Appendix A). We reviewed data provided by MPP on the sales of Canadian artists in the “top 2000” albums sold during the period 2001 to 2005, as well as sales data on albums that had received support from the CMF's NMW component specifically.

In order to set the context, as noted earlier in Section 4.4.2, since 2001, the overall market for pre-recorded CDs in Canada has declined – yet, despite this decline, sales by Canadian artists have increased (note that this includes sales of Canadian artists via multinational as well as independent labels). Canadian artists had 331 of the top 2000 albums in 2001, but an

average of 390 top 2000 albums in the following years, an increase of 17.8 per cent overall, or 59 titles per year.

Over the 2001-2005 period, total unit sales for the top 2000 albums in Canada fell from 33.7 million to 30.5 million, a decrease of 9.5 per cent. However, while overall unit sales were declining, unit sales by Canadian artists increased, from 6.8 million to 7.7 million, an increase of 13.7 per cent. This was a remarkable increase in a declining market. The most significant annual increase in sales, 916,000 units, occurred in 2002.

Focusing on NMW-funded artists, according to data compiled by MPP and published in the 2006 CMF Report Card, the percentage of albums and unit sales accounted for by FACTOR/MUSICACTION artists have both increased since 2001, as shown in Table 5. Note that this assessment includes artists who had received NMW funding at some point in their career, not just in the particular year included in the analysis.

In addition, top 2000 NMW funded albums have increased their presence on both the sales charts, as well is in terms of unit sales (Table 6).

**Table 5**  
**Sales of Albums and Artists Receiving Support from FACTOR/MUSICACTION, 2001 to 2004**

Year	Percentage of Top 2000 Albums/Unit Sales Accounted for by Artists Supported by FACTOR/MUSICACTION	
	Share of Top 2000 Albums (Number)	Share of Top 2000 Unit Sales (Number)
2001	10.1% (202)	9.4% (4,004,091)
2002	11.0% (220)	12.9% (4,474,512)
2003	12.5% (249)	15.2% (4,829,029)
2004	13.4% (267)	13.9% (4,724,133)

**Table 6**  
**Percentage of Top 2000 Album/Unit Sales Accounted for by NMW-funded Productions**

	Percentage of Top 2000 Album/Unit Sales Accounted for by NMW Funded Productions	
	Share of NMW Albums in Top 2000 (Number)	Share of NMW Unit Sales in Top 2000 (Number)
2001	2.8% (55)	2.5% (1,040,245)
2002	3.3% (66)	3.5% (1,229,913)
2003	3.8% (76)	3.7% (1,179,634)
2004	4.7% (93)	5.5% (1,879,008)

**Summary: “Audiences are Exposed to and Purchase Canadian Music”** – The evidence indicates that the NMW component has had a positive impact on the sales of funded artists and albums over the 2001 to 2004 time period.

**c) Quantity, Quality, Diversity of Canadian Sound Recordings is Improved**

In order to assess this outcome, we focused on the two main components that provide funding for the production of sound recordings, NMW and CMD.

The wording of this outcome is an example of the lack of clarity in the CMF logic model. A well-worded outcome should contain only one concept or theme, and this outcome has three (quantity, quality, diversity). Since the “quantity” issue was covered earlier under one of the immediate outcomes (“new music is produced and distributed”), it is not covered again in this section.

The “diversity” aspect is associated with Canadian Musical Diversity projects, as they focus on the production of non-mainstream music. (The NMW component also has a “diversity” flavour, as it assists in the development of new Canadian talent and the creation of new Canadian-content musical works, thereby providing Canadians access to a greater and more diverse choice of Canadian musical works.)

The measurement indicator analyzed for this outcome is:

- Views of NMW and CMD recipients on the impacts of funded projects on the quality of sound recordings.

The main source of information on this measure was the survey of CMF recipients (specifically, NMW and CMD recipients). The survey results were presented earlier in Table 3. Overall, 81 per cent of NMW recipients and 80 per cent of CMD recipients stated that their funded projects had “improved the technical quality of the sound recording.” The mean on the five-point benefits scale was 4.16 and 4.20 for NMW and CMD projects, respectively. For NMW projects, this was the highest rated of all benefits, and for CMD projects it was the second-highest benefit.

The case studies supported the survey findings. For example, one artist emphasized that CMF support had allowed the artist to increase the production values of the music, which, in turn, had led to increased airplay and greater sales.

**Summary: “Quantity, Quality, Diversity of Canadian Sound Recordings is Improved”** – The survey of CMF recipients found that both CMD and NMW projects had a positive benefit in terms of increasing the technical quality of sound recordings. The case studies of artists supported this finding.

**d) Public policy and programs adapt to the interests of Canadian music**

This outcome pertains to the efforts of PCH-MPP in ensuring that its policies and programs continue to adapt to the needs of the Canadian music industry.

Key informants gave PCH management high marks for its management of the CMF. PCH is viewed as providing strong direction to a complex set of component programs; is responsive to industry needs; and, has maintained a high level of interaction with both the third-party administrators and the industry associations.

Key informants indicated that, overall, the design of the CMF was viewed as sufficiently flexible in being able to respond to the major changes taking place in the Canadian music industry. However, they emphasized that the CMF will need to adjust to the increased convergence of the players in the industry, for example, whereby music labels are moving into publishing (and vice versa), and artists are taking greater control over production, publishing and distribution. The implication is that the CMF’s components will need to be increasingly complementary and delivered on an integrated basis, since the same players will be requesting support from several programs, and the linkages and interdependencies between each stage of the process (creation, production, marketing and distribution) become closer. This requirement for further integration will also have an impact on how the administrators maintain their program databases (on

individual projects as well as recipient organizations) and measure the performance of these programs.

Many key informants commented that insufficient information is available on the financial health of the Canadian music industry, including trends in the incomes of creators and artists. Some noted that CRIA and CIRPA had joined forces to fund a major study of the music industry, which is being conducted by the Rotman Business School at the University of Toronto. It was recommended that PCH devote more resources to collecting and publishing comprehensive and reliable data on the music industry.

Given the upheaval that is occurring throughout the music industry, informants stated that time will be a critical factor in making changes to the CMF. Overall, stakeholders said that they had been given ample opportunity by PCH management to provide input into program design. PCH currently does a detailed review of the business plans of the administrators to identify changes in the program criteria proposed by the administrators that may have broader implications for the CMF. However, stakeholders do have some concerns over the current way program changes are made. For example, there is some concern that PCH could be more responsive in implementing program changes—discussions with respect to publishers, for example, have been underway for two to three years to establish a MEC-type program. (In response to this comment, MPP noted that it is essential that strong evidence of the need be gathered from key stakeholders and often it takes time to make a business case to develop and obtain approval for a new program.)

Other informants are concerned that not all the appropriate linkages are being made between programs when making changes.

Industry associations are mainly consulted one-on-one when making program changes. An exception is the yearly roundtable for MEC where stakeholders meet on an annual basis—this mechanism was viewed positively by informants. A more formal process would bring more transparency and structure to program design.

In summary, PCH could consider establishing more structure around the process used to introduce or revise programs. A number of informants mentioned the need to have a table that would bring together representatives of all segments of the music industry: creators, artists, producers, record labels, distributors, publishers, managers, and so forth. When the Canada Music Council was brought to an end, one option discussed had been to organize a yearly round table to bring the various parties from the music industry together to discuss common issues and solutions.



**Summary: “Public policy and programs adapt to the interests of Canadian music”** – PCH management is viewed as being responsive to the needs of the music industry in terms of making improvements to the CMF. Given the transformation currently taking place throughout the industry, key informants advised that time is of the essence in making program design changes. They called on PCH to implement a more structured process for obtaining input from stakeholders in designing program changes. There will be a need to view the various CMF components on a more integrated basis as opposed to the current approach, given the many interrelationships between them.

**e) Canadian musical artists and creators build their skills**

Two CMF components in particular are intended to contribute to this result, Collective Initiatives (CI) and Creators’ Assistance (CA).

Little objective, independent evidence is available from the administrator of the CA component on the results of funded projects, thus this section focuses on the CI component.

Key informants were highly supportive of the CMF’s support of all types of skills development activities.

The survey of recipients (CI component) asked whether the funded projects had led to increased skills development for artists. The survey results were presented earlier in Table 3. Overall 72 per cent of respondents stated that their projects had a positive benefit in terms of increased skills development for artists. However, because the CI component includes other types of projects in addition to professional development events, such as music awards shows, it was necessary to separate the results by type of CI event. The results are shown in Table 7. The table shows that songwriters’ workshops or seminars had the highest benefit in terms of skills development (100 per cent of respondents). However, note that the sample size is very small. Further research would be necessary to compare the relative impacts of different types of events. For example, participants at each major event could be surveyed following the completion of the event in order to assess the benefits received.

**Table 7**
**Ratings of Skills Development Benefit of CI Projects, CI Recipients (Q.18)**

Type of CI Event	Increased skills development for artists?			Total (N)
	No	Neither/n or	Yes	
a) Educational or professional information session/seminar/conference	13.30%	13.30%	73.30%	100.00% (15)
b) Songwriter's workshop or seminar	0.0%	0.0%	100.0%	100.00% (9)
c) Television awards show	33.3%	0.0%	66.70%	100.00% (3)
d) Other industry event	25.0%	10.0%	65.0%	100.00% (20)

Note: This table provides the results on Q.18 for those CI recipients who selected responses 01 (educational or professional information session/seminar/conference), 02 (songwriter's workshop or seminar), 03 (television awards show) or 04 (other industry event) in Q. 15. 3. Respondents were permitted to select multiple responses to Q. 15.

**Summary: “Canadian musical artists and creators build their skills”** – Overall, most CMF funding recipients agreed that the CMF has had a positive benefit in terms of helping Canadian musical artists and creators to build their skills. Further research would be required to analyze this issue in more depth. Recipient associations would be advised to carry out surveys of workshop/conference participants to assess the impact of these events on skills development.

### 5.2.3 Ultimate Outcomes

The CMF has two high-level outcomes: 1) Economic viability of the Canadian music industry is strengthened; and 2) The careers of Canadian music artists and creators are enhanced.

The findings pertaining to these outcomes are outlined in turn below.

#### a) Economic Viability of the Canadian Music Industry is Strengthened

Key informants agreed that CMF support has been critical to the survival of the Canadian-controlled segment of the music industry. Without CMF support, they stated that many independent music companies would not be in business today, and would not have been able to compete with the multinationals.

However, interviewees were concerned about the viability and financial health of the industry. Several had noted that the 2003 Statistics Canada survey of the sound recording industry (published in October 2005) painted a disturbing picture. (Key informants also called on the Government to provide more up-to-date financial data.) For example, the profitability of the industry declined dramatically between 1998 and 2003, from a modest \$189.9 million to a precarious \$30.5 million. As the October 2005 Statistics Canada news releases states, as of 2003, “both

Canadian and foreign-controlled firms ended up with a similar bottom line: much lower profits and decidedly lower profit margins.”<sup>36</sup>

In order to assess the impact of CMF funding specifically, we analyzed trends in the following indicator: financial performance of companies receiving assistance from the Music Entrepreneur program (MEP).

Our analysis relied upon financial information provided to PCH by ten MEP beneficiary companies that had applied to participate in the Music Entrepreneur Component (MEC) that replaced MEP.

PCH supplied the MEC applications and financial reports submitted by these ten companies. They accounted for some \$15.7 million out of the total MEP funding of \$18.4 million (85.4 per cent) over the three year period that was examined (July 1, 2002 to June 30, 2005). Thus, the analysis provides a high level of coverage of overall MEP funding.

For the three-year period examined, the 10 companies in the sample sold a total of 8.7 million units of pre-recorded music in all formats, both “eligible” and “ineligible” recordings, approximately 3 million of which were sold in 2004-2005, for an average sales volume of 291,500 units per company, per year. Of this total sales in 2004-2005, just over 1.7 million were domestic sales.<sup>37</sup>

To put these sales in the context of the market, as noted previously, one prominent market tracker is Nielsen SoundScan. Nielsen reported that total album sales in Canada in 2005 were 46.8 million, including those albums produced by MEP beneficiary companies. Thus the 1.7 million unit sales in Canada reported by the sample MEP companies for 2004-2005 represented roughly 3.6% of the overall Canadian market during that period.

As a percentage of the overall market, the sample group of companies, like the Canadian industry at large, has improved its position. Total domestic sales of physical sound recordings (CDs and singles) in 2002-03 for MEP companies were 1.6 million. Nielsen reported that total album sales in Canada in 2003 were 47.0 million, thus the MEP companies had a market share of 3.4 per cent. During this period the market share position of the reporting companies moved from 3.4 per cent in 2002-03 to 3.6 per cent in 2004-05.

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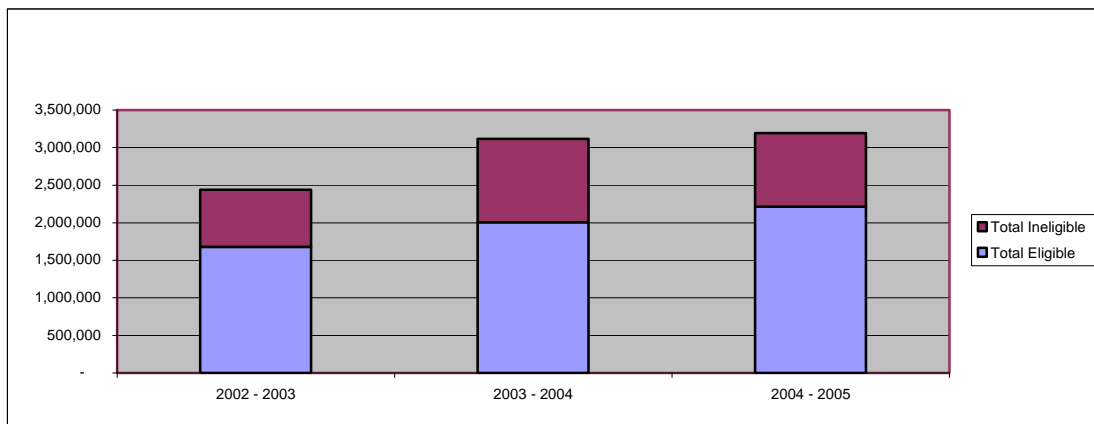
<sup>36</sup> Statistics Canada, *The Daily*, October 26, 2005, available at: <http://www.statcan.ca/Daily/English/051026/d051026a.htm>.

<sup>37</sup> Unit sales refer to sales of both eligible and ineligible recordings, as defined by the MEP program, in formats including both album length and single, physical and virtual, as well as DVD.

At the same time, international sales also grew for these companies, from just over 770,000 in 2002-2003 to just over 960,000 in 2004-2005, an increase of 24.5 per cent. In addition, this increase does not include the large increase in international sales of single downloads, which jumped from zero in 2002-2003 to over 330,000 in 2004-2005.

During this period, the MEP companies in the sample steadily increased their sales of eligible<sup>38</sup> recordings, by a factor of nearly one-third, from 1.7 million in 2002-2003, to 2.2 million in 2004-2005 (see Figure 4).

**Figure 4**  
**Unit Sales of Eligible and Ineligible Sound Recordings, MEP Companies, 2002-2003 to 2004-2005, (Number of Units)**



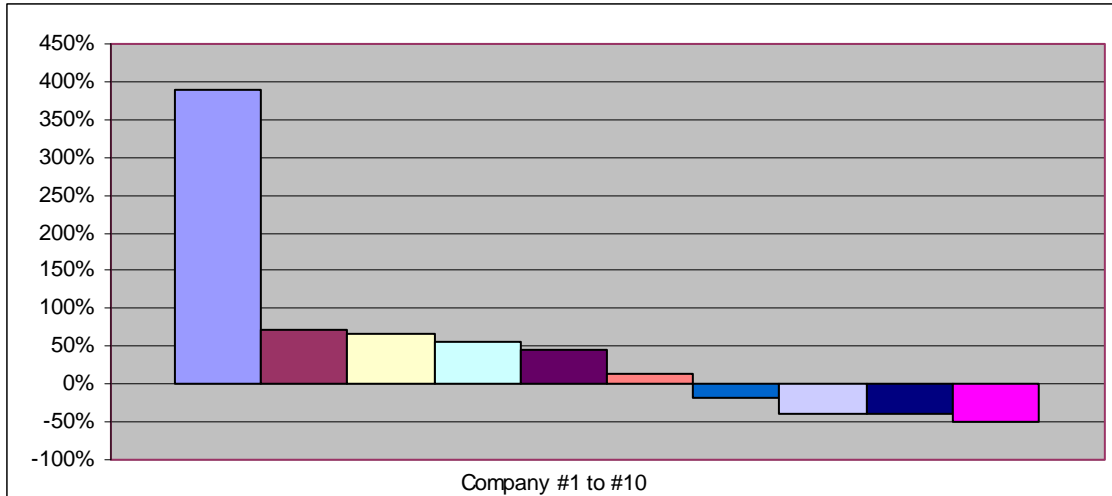
The overwhelming bulk of sales – in excess of 90 per cent - were of full-length albums on CDs. While the number of digital downloads has grown rapidly and attracted much attention from the press and public, digital sales represent a small fraction of sales for the industry at large, as well as for the sample of independent Canadian companies that was examined (4.9 per cent of total sales).

As a group, overall unit sales volume grew by nearly one-third over the three years, from a total of 2.4 million units in 2002-03, to a total of 3.2 million units in 2004-05. Within the group, however, there was wide variance in the change in unit sales during this period: one company increased sales by over three hundred per cent, while four companies experienced sales declines (Figure 5). This overall increase in sales volume came during a period in which overall industry sales were

<sup>38</sup> Generally, an eligible sound recording is a sound recording that is a single, full-length album, SACD, DVD audio, DVD video, a recording available via download, and other formats recognized by MEC, and that is: a) a Canadian sound recording; b) clearly and publicly attributed to the artist (solo, group or collective); and, c) in compliance with legal deposit requirements. For further requirements, see the MEC Application Guide, at: [http://www.pch.gc.ca/progs/ac-ca/progs/fmusc-cmusf/VEM-MEC/2007-08/2\\_e.cfm#2\\_4](http://www.pch.gc.ca/progs/ac-ca/progs/fmusc-cmusf/VEM-MEC/2007-08/2_e.cfm#2_4).

declining, but sales for Canadian artists were increasing (as noted previously in Section 4).

**Figure 5**  
**Percentage Change in Unit Sales, Individual MEP Sample Companies, 2005 vs. 2002**

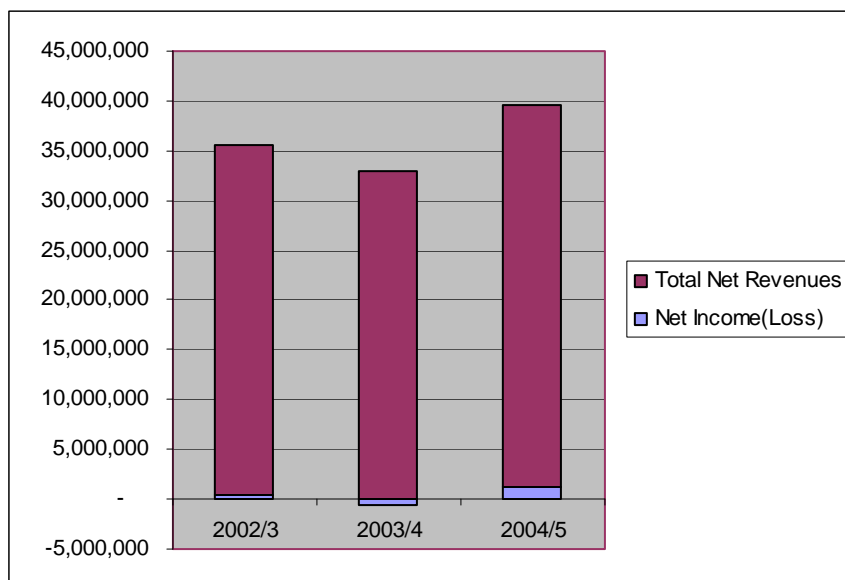


As shown in Figure 6, total net revenues for these companies ranged from \$35.3 million in 2002-03, to \$32.9 million in 2003-04 and \$38.3 million in 2004-05.

Net income for this group of companies ranged from a profit of \$328K in 2002-03, a loss of \$564K in 2003-04, and a profit of \$1.2 million in 2004-05, yielding a net profit margin for the group of 0.93% in 2002-03, -1.72% in 2003-04, and 3.14% in 2004-05, for an annual average of 2.72% over the three-year period.<sup>39</sup>

<sup>39</sup> Profit margin calculated as net income (or loss) divided by total revenue, which included income from sales of both eligible and ineligible recordings, “other” income, from activities such as artist management or touring, and grants and contributions, which includes income from sources such as the Canada Music Fund, provincial support programs, or tax programs.

**Figure 6**  
**Total Net Revenues and Net Income, MEP Sample Companies,**  
**2002-2003 to 2004-2005 (\$)**



As shown in Table 8, income was derived from a variety of sources, including sales of eligible recordings<sup>40</sup>, sales of ineligible recordings, revenues from other sources (such as management fees and tours), and grants, contributions, and tax benefits. On average, approximately 50 per cent of the income for the sample companies was derived from sales of eligible recordings – i.e., Canadian music.

<sup>40</sup> Eligible sound recordings are sound recordings that are: 1) singles, full length albums, SACD, DVD Audio, DVD Video, or downloads; 2) Canadian; 3) “clearly and publicly” attributed to the artist; and, 4) are in compliance with the legal deposit requirements. Other conditions also apply, and for further details, see page 8 of the Application Guide to the Canada Music Fund, Music Entrepreneur Component, which can be found at [http://www.pch.gc.ca/progs/ac-ca/progs/fmusc-cmusf/VEM-MEC/2007-08/VEM-MEC\\_Guide\\_0708\\_e.pdf](http://www.pch.gc.ca/progs/ac-ca/progs/fmusc-cmusf/VEM-MEC/2007-08/VEM-MEC_Guide_0708_e.pdf)

**Table 8**  
**Composition of Net Revenues for MEP Sample Companies, 2002-2003 to 2004-2005**  
(\$ millions and per cent)

Revenue Item	Fiscal Year						Mean	
	2002-2003		2003-2004		2004-2005			
	\$M	%	\$M	%	\$M	%	\$M	%
Net Sales, Eligible Recordings	\$17.3	49.2%	\$14.3	43.7%	\$22.0	57.5%	\$17.9	50.1%
Net Sales, Ineligible Recordings	\$ 5.5	15.7%	\$ 6.2	18.9%	\$ 3.0	7.9%	\$ 4.9	14.2%
Other Revenues <sup>41</sup>	\$ 7.8	22.2%	\$ 8.0	24.2%	\$ 8.8	23.0%	\$ 8.2	23.1%
Grants/Contributions	\$ 4.6	12.9%	\$ 4.3	13.2%	\$ 4.4	11.5%	\$ 4.4	12.6%
Total	\$35.3	100%	\$32.9	100%	\$38.3	100%	\$35.5	100%

Several financial ratios for the MEP sample companies are provided in Table 9, and are discussed below.

**Table 9**  
**Selected Financial Ratios, MEP Sample Companies, 2002-2003 to 2004-2005**

Financial Ratio	Fiscal Year		
	2002-2003	2003-2004	2004-2005
Grants/Contributions as a % of Revenues	12.94%	13.21%	11.54%
Net Profit Margin	0.93%	-1.72%	3.14%
EBITDA Margin	3.0%	-4.2%	-3.8%

- **Grants and Contributions as a Percentage of Revenues—**  
Expressed as a percentage of net revenues, this ratio sets forth the percentage of net revenues that were attributable to grants and subsidies received from MEP, FACTOR, MUSICACTION, the Canada Council for the Arts, and other industry-specific support programs. Given the low profit margins demonstrated by the sample of companies, it appears that government support has been an important factor in helping these companies to achieve profitability and to remain sustainable. It also appears that many of the companies would have difficulty surviving in their present

<sup>41</sup> Other revenues include income from artist management fees, other distribution, publishing and concert-related activities.

form in the absence of government support. This point is discussed further later in the evaluation report.

- **Net Profit Margin**—Net profit margin has been calculated as net income (or loss) divided by total net revenue, with total net revenue including income from sales of both eligible and ineligible recordings, “other” income, from activities such as artist management or touring, and grants and contributions, which includes income from sources such as the Canada Music Fund, provincial support programs, or tax programs. While profit margins improved by the end of the period, the data is insufficient to determine if this represents an overall trend of improved performance, or is due to the vagaries of the market, and particularly strong performances by four of the sample companies in the last year of the period. Regardless of the overall trend, however, profit margins remain perilously low.
- **EBITDA Margin**—EBITDA is the acronym for "earnings before interest, taxes, depreciation and amortization". It is calculated by taking operating income and adding back to it depreciation and amortization expenses. EBITDA is used to analyze a company's operating profitability before non-operating expenses (such as interest and "other" non-core expenses) and non-cash charges (depreciation and amortization). EBITDA margin measures the extent to which cash operating expenses use up revenue. EBITDA margin is defined as EBITDA as a percentage of sales. Margins for the sample companies are very low, and unlikely to be sufficient to attract outside investment.

From the perspective of key informants, the general view was that MEP has not led to further consolidation or partnerships within the industry, or to a more stable industry. Informants have different views concerning the sustainability of the independent labels within the music industry, and the influence of MEP on the viability of the industry. Expectations are that there will be a lot of upheaval in the industry due to the changing business models—at the same time, a number of new smaller labels have emerged over the last year in Quebec.

One industry veteran who was familiar with the history of the SRDP and CMF commented that one of the expected impacts of the Government's sound recording policy was to build large, strong Canadian companies. He stated that some consolidation of the Canadian industry should have occurred by this time, but, instead the same large Canadian companies continue to exist, heavily dependent on government support. This was in contrast to other cultural sectors, particularly broadcasting, where consolidation had occurred.



PCH noted that, as is the case with other cultural industries in Canada, free market forces alone would not generate sufficient Canadian content for the “Canadian industry” to be sustainable. The Canadian companies would take a much lower level of risk on Canadian content and invest more in licensing foreign recordings if it were not for the contribution programs.

**Summary: Economic viability of the Canadian music industry** – CMF funding is viewed as having been critical to the survival of the Canadian-controlled segment of the music industry. It is premature to assess long-term trends in the financial performance of companies that have received assistance from the former MEP program. The analysis indicates that MEP support had not resulted in any across-the-board improvement in the sales or net profits of recipient companies over the three-year period analyzed. Some of the companies also appear to be highly dependent on government support for survival. Some might argue that dependence on government funding is a necessary by-product given the high costs of producing and marketing Canadian artists compared to an alternative business model, such as licensing foreign artists for sales in the Canadian market. It could also be argued that, even if MEP funded companies are dependent upon the CMF for their financial survival, the ongoing viability of these dependent companies provides an outlet for Canadian artists. Finally, the industry has not experienced any significant degree of consolidation.

**b) The careers of Canadian music artists and creators are enhanced**

Most key informants were unable to comment on the extent to which the CMF had achieved this objective. Discussions focused instead on the industrial development objective discussed above. This likely is due to two factors: 1) Most CMF funding is awarded to companies, not to individual artists; and 2) Little published data is available on the financial position of Canadian songwriters, composers and artists.

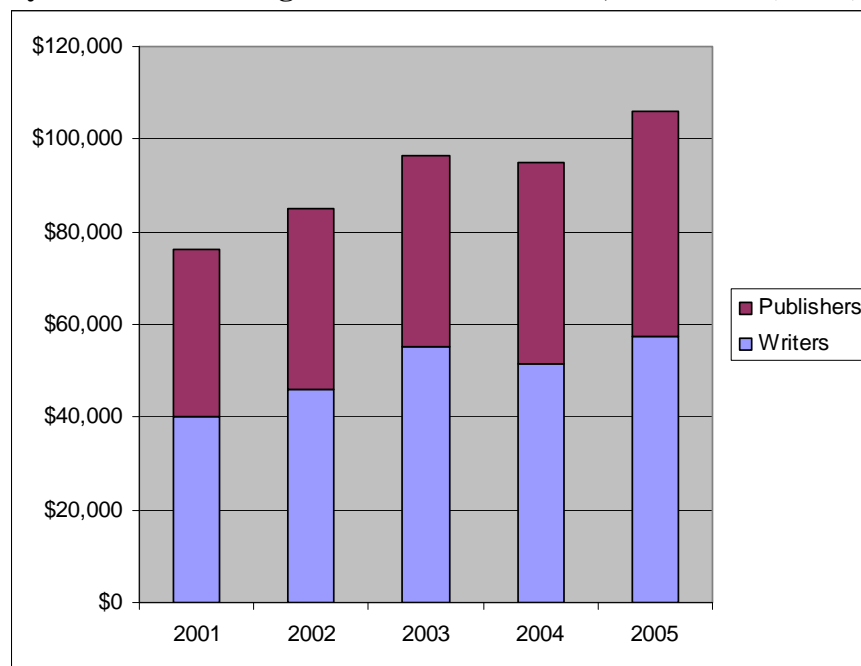
Informants described the CMF as helping Canadian artists to develop through various growth stages—at the start up stage, through the various New Musical Works programs administered by MUSICACTION/FACTOR; then to broader markets at the national or international level, with the support of the more established independent labels supported by MEP/MEC; and, finally to be ultimately taken over by a multinational label. Informants perceived the multinationals to be focused on only a small and select number of artists, and therefore not willing or able to support a broader range of Canadian artists.

In order to assess this objective, we analyzed several proxy indicators:

- SOCAN royalties paid to Canadian songwriters and publishers.
- Market share of artists who have received FACTOR/MUSICACTION funding in their career.
- Views of CMF funding recipients (case studies) regarding the impact of CMF projects on the careers of artists.

The first indicator refers to the performance royalties for music written by SOCAN members. SOCAN's royalty income from performances has generally been on the rise. The trends in this indicator are shown in Figure 7, for both songwriters and publishers. Overall, royalties to songwriters increased from \$39.9 million in 2001 to \$57.4 million in 2005, an increase of 44 per cent.

**Figure 7**  
**SOCAN Royalties Paid to Songwriters and Publishers, 2001-2005 (\$'000)**



Source: PCH.

The main driver of the positive trend in royalties has been technology, which has created new revenue opportunities for songwriters (such as from the licensing of ringtones). In addition, the number of Canadian songwriters receiving royalties has increased, due to better tracking systems and, again, the impact of technology (e.g., digital audio makes it easier to track performances).

In March 2007 the Copyright Board set a tariff for internet performances, and while this will result in an increase in royalties for songwriters, as the

decision itself notes, “It is not possible to note with any reliability the total amount of royalties that this tariff will generate.”<sup>42</sup>

Key informants were not able to make a direct connection between CMF support (e.g., training for songwriters via the Creators’ Assistance and NMW components) and the positive trend in royalty income.

The second indicator analyzed was trends in the market share of artists who have received FACTOR/MUSICACTION funding during their careers. Data on this indicator was provided earlier under Section 5.2.2, which presented data on the sales of funded albums and artists. The analysis concluded that the percentage of albums and unit sales accounted for by artists supported by FACTOR/MUSICACTION had both increased since 2001.

The third indicator analyzed was the views of CMF funding recipients on the impacts of NMW and CMD projects on the careers of artists. The findings from the survey were shown in Table 3.

Overall, 86.7 percent of CMD recipients and 78 per cent of NMW recipients stated that the project did enhance the career of the funded artist (selected 4 or 5 on the 5-point benefits scale). The means on the 5-point scale were 4.4 for CMD and 4.1 for NMW projects. As shown in the two tables, this particular benefit was the highest of all benefits for CMD projects and second-highest for NMW projects.

This positive finding reflects the views of artists interviewed as part of the case studies. Case study artists stated that CMF support was important to their careers – but it was less a matter of survival, though, but rather the funding enabled them to rise to a higher level of production quality and thus increased commercial success. In one case, the artist interviewed had just released a third solo CD, and believed that this CD could represent a significant departure from the artist’s previous work – allowing the artist to “break out.” In this case, CMF funding allowed the artist to get a better deal from a record label and to put more money into marketing and production, and thus is giving the artist a better chance to have a noticeable success with the current release. This experience was echoed by a second artist. In a third case, the artist noted, “I could have survived without the CMF, but CMF funding has enabled me to move to another level, seeking export markets, and increasing sales levels.” In this case, the CMF funding allowed the artist to increase the production values of the music, which in turn led to increased airplay and greater sales as a result.

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<sup>42</sup> Copyright Board of Canada, *Collective Administration in Relation to Rights Under Sections 3, 15, 18 and 21, Copyright Act*, subsection 70.15(1), File; Reproduction of Musical Works. Accessed on March 22, 2007 at: <http://www.cb-cda.gc.ca/decisions/i16032007-b.pdf>.

In another case, CMF was seen as critical to helping the artist to develop a higher profile in Canada and internationally, and to distribute music and increase sales across Canada and in foreign markets. Experience gained touring helped the artist to develop knowledge and expertise.

One artist remarked that having support from the CMF permitted the artist to concentrate more on the music, and less on business aspects. As this artist put it quite eloquently,

When you know that you have the support (of the CMF) to fund an album project, it becomes much easier to concentrate only on creation...when you self-produce (with the support of the CMF), we (the artists) are the only ones in control. It is much more inspiring when you know that there is no outside producer who will come to the studio and mix the recording... I can never say enough about the freedom that the financial support from MUSICACTION gave me. Freedom to make an album that I hoped to really make, with the people (team) that I chose. A beautiful creative gift.

**Summary: Enhance the careers of funded artists and creators** – No up-to-date information is available on the trends in the financial position of CMF-funded artists and songwriters. Therefore, several proxy indicators were assessed. Trends in royalties paid to songwriters by SOCAN are positive over the past several years, although the available data is not specific to CMF-funded artists. The survey of CMF recipients found that both CMD and NMW projects have had a positive impact on the careers of funded artists. The case studies of artists supported this finding. In summary, the available evidence indicates that the CMF has had a positive impact on the careers of funded artists.

#### 5.2.4 Discussion of Attribution

An evaluation study attempts to determine whether the changes that have occurred in the environment targeted by public policy are actually due (attributable) to the government intervention. In the case of the CMF, the question is whether the results that have been observed (in sales of albums, skills development on the part of artists, profitability of companies, etc.) are due to the many projects that have been funded over the years. Put simply, has the program made a difference, i.e., has it had an incremental effect?

The best source of information on this issue is the survey of CMF recipients and non-funded applicants. As described earlier in this section, the following are the main findings for the three components examined:

- **CMD:** Of the 3 components, CMD had the highest level of incrementality. Some 42 per cent of CMD projects would not have gone ahead in the absence of CMD

support; another 34 per cent would have gone ahead, but significantly reduced in size or scope. This finding likely reflects the nature of CMD recipients: emerging artists with limited capital.

- **NMW:** Some 31 per cent of NMW projects would not have gone ahead in the absence of NMW support; another 44 per cent would have gone ahead but significantly reduced in size or scope.
- **CI:** Some 24 per cent of CI projects would not have gone ahead in the absence of CI support; another 70 per cent would have gone ahead but significantly reduced in size or scope. This finding likely reflects the fact that many of these major industry events have multiple sources of financing, including sponsors and other levels of government.

Turning to the other CMF components, the impact of SSA support is likely incremental, given most recipient associations have few alternative sources of revenue. Similarly, the MEP recipient companies interviewed stated that MEP funding has been important to varying degrees: one company stated that this support has prevented the company from going out of business; in other cases, the funding was viewed as important, as it had permitted the company to take chances on artists that it otherwise would not have. Funding provided to Library and Archives Canada for the Canadian Musical Memories component was viewed as having an incremental impact on the productivity achieved, in terms of the numbers of musical works that have been acquired and catalogued. Finally, no evidence was obtained on the Creators' Assistance component (since funded projects are not formally evaluated by the administrator), although we suspect the findings would be similar to those of the CI component, due to the similarity in activities.

### **5.2.5 Unintended Impacts**

A few unintended impacts of the CMF, both positive and negative, were identified by key informants. These are outlined below.

**a) The funding provided by the CMF over the years has created a culture of dependency among some record labels**

The main negative impact of the CMF, in the view of many key informants, is that the funding provided to Canadian record labels over the years has created a culture of dependency on the part of many of these companies. Some also suggested that the government support had distorted normal market forces, by keeping alive some companies that probably did not deserve to still be in business, or by providing funding support to firms that did not have sufficient financial capacity. Some informants went as far as to say that labels made some poor investments that they would not have otherwise done, or slipped into financial difficulty from pursuing CMF-supported productions that went beyond their financial capacity.

The suggestion was frequently made that CMF funding should be discontinued to any companies that could not demonstrate a solid return

on the investment of taxpayer dollars – suggesting that there were too many companies given the size of the market. This could be addressed by ensuring that CMF funding does not exceed a specified threshold of the company's revenues.

The expert panel agreed with these views, and recommended that each company be permitted to participate in the MEP for a specified period of time, such as five years. However, some PCH representatives disagreed, stating that the objective of CMF is not to increase the profitability of companies but to keep them “viable under constraint,” i.e., to encourage them to take risks that they would not otherwise take and invest in more Canadian content than pure economics would dictate.

**c) Application burden is negatively affecting the ability of recipients to focus on music**

Program applicants spend a considerable amount of time applying to various financial assistance programs, which in the case of composers and songwriters, takes away from their important creative activities. This is exacerbated by the fact that a single artist or company might apply to multiple components or multiple sub-programs within a component. No data was available on the frequency of this occurrence. We return to this issue under the sub-section on program delivery.

**c) The CMF has increased the volume of CDs acquired by LAC under the legal deposit requirement**

A positive, unintended impact from the participation of Library and Archives Canada (LAC) in the CMF is that the legal deposit requirement has become much better known throughout the Canadian music industry over the past several years. LAC confirmed that its participation in the regular meetings of the administrators and in the meetings of the former Canada Music Council helped to increase the profile of legal deposit requirement. The administrators that are involved in the CMF programs pertaining to sound recording production (i.e., NMW and CMD) stated that a legal deposit clause is now standard in all contracts with recipients, and final payment will not be processed until the recipient provides a copy of the CD for legal deposit.

As noted in the 2006 CMF Report Card, the number of titles received by LAC on legal deposit increased by about one-third in 2002-2003, and by one-third again in 2003-2004.

### **5.3 Cost-Effectiveness and Alternatives**

The final evaluation issue consists of several evaluation questions, which are discussed in turn below.

### 5.3.1 Cost-Effectiveness

This section provides information on value-for-money of the CMF and summarizes the total program costs, including the costs of administration for each component.

#### a) Value-for-Money

As a result of the new federal Accountability Act, passed by Parliament in December 2006, Treasury Board Secretariat requires all program evaluation studies to assess the overall “value-for-money” or return on investment of the program being examined.

The evidence presented under Section 5.2 indicates that the CMF has made progress towards achieving its immediate, intermediate and high-level outcomes. For example, with respect to the NMW component, the share of funded albums in the top 2000 sales chart increased from 2.1 per cent in 2001 to 4.7 per cent in 2004; similarly, the sales of funded albums increased from 2.5 per cent of all sales in 2001 to 5.5 per cent in 2004. However, these and other statistics that paint a positive picture do not take into account the dollars invested to achieve these gains.

Within the CMF, the largest component by far is NMW (55 per cent of total program costs over the period 2001-2002 to 2005-2006), followed by MEP/MEC (22 per cent) and CI (9 per cent). Throughout the conduct of the evaluation study, our goal was to attempt to assess the value-for-money of these three components in particular.

For the NMW component, we attempted to calculate the return on investment for albums that had been funded by the component over years. We asked both administrators (FACTOR and MUSICACTION) to provide data on the sales of albums, along with the funds invested.

FACTOR provided data on the funding (dollars offered) and unit sales for some 490 albums that had received funding via the NMW component over the four years from 2001-2002 through 2004-2005.

Note that sales of funded albums is an imperfect indicator, which is discussed at the end of this section.

A total of \$19,245,548 of NMW funds (as well as broadcaster funds) was invested in these 490 albums, an average of \$39,277 per album.<sup>43</sup> FACTOR does not code either the applicant or the funded release (album)

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<sup>43</sup> For the purpose of this analysis, the titles examined benefited from support for production, as well as other supplemental support. Under the New Musical Works component, the sub-programs providing support included Direct Board Approval for Sound Recording or Video, Support for Touring or Showcasing, Marketing and Promotion Support, Demo support, and other programs.

with a unique identifier. Rather, only the CMF project is coded with an alpha-numeric identifier (the alpha part of the code indicates the particular NMW sub-program). As a result, the only way to link together all of the funds provided to a particular album was to do a manual sort of the database (an individual album often had received funding from several NMW sub-programs, for production, marketing, touring, etc.). FACTOR would be well advised to re-design its applicant database, so that this sort of analysis could be facilitated in the future.

Of the total of 490 albums, 363 (74.1 per cent) reported sales data (presumably the other funded releases either did not get distributed and thus had zero sales, or the recipient had not provided any sales reports to FACTOR).

Overall, these 490 funded albums generated a total of 3,533,798 unit sales during this period, an average sales volume of 7,211 units per funded album. The top selling album had unit sales of 446,100.

Overall, the average amount of NMW funding provided by FACTOR for each CD sold was \$5.45, with a wide range of variation on a per-album basis: average funding per disc ranged from a low of \$0.18 for one title, to a high of \$611.70 for another title (excluding, of course, the titles that had zero sales).

Another way of looking at the data is to calculate the percentage of revenues accounted for by NMW funding. The average income to record labels during the 2001 to 2004 timeframe was \$11.59 per CD sold, according to CRIA. Thus, the 3,533,798 units sold would have generated roughly \$40.946 million in revenues. Thus, the NMW funding accounted for about 47 per cent of the estimated wholesale value of NMW-funded CDs. This appears to be quite high, and supports the view, at least among some key informants as well as one of the expert panel members, that this program is not achieving a sufficient return on investment. Whether it is too high or not, in our view, the program and its administrators should be setting targets for this measure (or other pertinent measures).

The top 20 selling albums accounted for 52.6 per cent of all sales for the 490 albums (an aside: The Long Tail concept – a topic frequently mentioned by key informants – appears to apply here<sup>44</sup>). As noted in the 2006 CMF Report Card, sales of NMW-funded albums tend to be driven by a small number of best-selling titles – a situation found in other

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<sup>44</sup> “The Long Tail” is a phrase coined by Chris Anderson in 2004 in an October 2004 article in *Wired* magazine and popularized by his book of the same name. Anderson argues that products that are in low demand or have low sales volume can collectively make up a market share that rivals or exceeds the relatively few current bestsellers and blockbusters, if the store or distribution channel is large enough. Looking at the sales of the 490 NMW-funded albums, a large proportion of titles make up a substantial share of sales, although many individual titles have very low sales.



entertainment sectors, such as film production. Most NMW-funded albums sell in the low thousands or even hundreds.

We note that some of the top-selling recipients have been well-established artists (e.g., Bruce Cockburn and Colin James). This supports the view of some key informants that the NMW component is not sufficiently focused on new and emerging artists. This criticism was also identified in the survey of recipients. In response, MPP noted that these artists and other well-established artists formally supported by NMW are on MEC labels. Therefore, they no longer receive NMW support. MPP also noted that new and emerging artists are likely to sell less, so setting a cost per unit target could actually discourage projects with new and emerging artists. Our view is quite simple: performance information is critical to the monitoring and continuous improvement of any program.

A quantitative analysis of the amount of average support per unit sold must be tempered by several factors, such as the stage of an artist's career, the type of music produced, and the cost of production.

We recognize that there are limitations to this measure. For example, albums that receive funding in a particular year may not get produced and distributed until one or two years down the road (which is why we cut off the analysis at 2004-2005 and did not include 2005-2006). Therefore, it is impossible to fully analyze the sales of albums that received funding during the current year (e.g., if the objective were to provide data in an annual report). Furthermore, going forward, the measurement of CD sales will become less relevant, due to the diverse sources of revenues for artists (i.e., performance royalties, touring income, other publishing income including synchronizing, merchandising, etc.). Other metrics will need to be developed (e.g., online downloads of singles) in order to monitor this component. We return to this subject later, in the section on performance measurement.

Turning to MUSICACTION, this administrator supported a total of 406 recordings over the three years from 2002-2003 through 2004-2005. Of the total of 406 albums, 289 (71.2 per cent) reported sales data.

These 406 albums generated a total of 3,851,812 unit sales during this period, an average sales volume of 9,487 units per funded album. The average amount of NMW funding provided by MUSICACTION for each CD sold was \$3.91.<sup>45</sup> The top selling album had unit sales of 282,576. These figures are more positive compared to those for FACTOR. This is explained, in part, by the unique features of the Quebec market.

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<sup>45</sup> This analysis is based on a review of data supplied directly to Kelly Sears by MUSICACTION. MPP also conducted a similar analysis of the data, which produced a slightly different average of \$4.00. The difference may be due, in part, to some duplicate records found in the database.

Turning to MEP, as discussed in detail earlier, the 10 MEP companies that were analyzed had received \$15.4 million in funding over the three-year period examined. This funding has been critical to the survival of many of the recipient companies. It is premature to assess long-term trends in the financial performance of recipient companies. The analysis indicates that MEP support had not resulted in any across-the-board improvement in the sales or net profits of recipient companies over the three-year period analyzed. Some of these companies also appear to be highly dependent on government support for survival.

Finally, it is not possible to assess the cost-effectiveness of the Collective Initiatives component, as the impacts of specific events on, for example, the sales of artists and companies that participate in these events are not systematically assessed by the administrators. One report on a survey of attendees at the annual MIDEM conference in Cannes, France indicates that this event has a substantial impact on deal-making, for example. This supports the research undertaken in other cultural media, which suggests that major international events provide a positive return on the government's investment, as they permit many "buyers and sellers" to interact and meet in one place, which would not otherwise be possible.<sup>46</sup>

**b) CMF Administration Costs.**

Table 10 summarizes the administration costs related to the management and delivery of the CMF. The table specifies: 1) administration costs incurred by PCH-MPP in delivering the CMF; 2) administration costs incurred by the third-party administrators; and, 3) the percentage of program expenditures that are accounted for by administration costs. The remainder of this section analyzes these administration costs in more detail.

The administration costs related to the delivery of the CMF by PCH only (i.e., SSA, MEC) are summarized in Table 11 for the period 2001-2002 to 2005-2006. (In accordance with the approach taken by PCH Evaluation Services to other evaluation studies, the administration costs exclude any charges for overhead, accommodation and employee benefits and pensions.) Over the five-year period, PCH administration costs represented 3.7 per cent of total program expenditures.

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<sup>46</sup> For example, in the film sector, Telefilm Canada undertakes surveys of attendees at major international film markets and festivals, which typically demonstrate a positive return on the investment made by the federal and provincial governments (including the costs of assisting industry representatives to attend the events).

**Table 10**  
**Summary of CMF Administration Costs**

	2001-2002*	2002-2003	2003-2004	2004-2005	2005-2006	TOTALS
PCH Admin. Costs	\$121,000	\$902,383	\$855,716	\$890,241	\$1,126,158	\$3,895,498
Total PCH Financial Support	\$7,214,575	\$18,262,652	\$22,387,047	\$21,185,759	\$21,070,089	\$90,120,123
Admin. Costs of Third-Party Administrators	\$877,938	\$3,254,194	\$2,630,861	\$2,491,518	\$2,579,039	\$11,833,550
Total CMF Expenditures	\$8,213,513	\$22,419,229	\$25,873,624	\$24,567,518	\$24,775,286	\$105,849,170
Admin. Cost %	12.2%	18.5%	13.5%	13.8%	15.0%	14.9%

\* 2001-2002 was a transitional year between the former SRDP program and the CMF. Administration costs cover the period January 1 to March 31, 2002, and were taken from the 2004 CMF Formative Evaluation report.

Data supplied by PCH.

**Table 11**  
**Summary of PCH Administration Costs**

	2001-2002*	2002-2003	2003-2004	2004-2005	2005-2006	TOTALS
<b>Administration Costs</b>						
Salaries	\$121,000	\$327,358	\$291,105	\$333,021	\$443,896	\$1,516,380
O&M (Policy/Policy Monitoring)	NA	\$575,025	\$564,611	\$557,220	\$593,204	\$2,290,060
MEC--Database construction	NA	\$0	\$0	\$0	\$89,058	\$89,058
Total Admin. Costs	\$121,000	\$902,383	\$855,716	\$890,241	\$1,126,158	\$3,895,498
Total CMF Contribution	\$8,092,513	\$21,516,846	\$25,017,907	\$23,677,277	\$23,649,128	\$101,953,671
Admin. Costs + Total CMF Contribution	\$8,213,513	\$22,419,229	\$25,873,623	\$24,567,518	\$24,775,286	\$105,849,169
PCH admin cost %	1.5%	4.0%	3.3%	3.6%	4.5%	3.7%

\* 2001-2002 was a transitional year between the former SRDP program and the CMF. Administration costs cover the period January 1 to March 31, 2002, and were taken from the CMF Formative Evaluation report.

Data supplied by PCH.

Turning to the third-party administrators, the administrative costs and program expenditures for the individual CMF components are presented in Table 12. The Support for Sector Associations component is excluded, as it was administered by PCH, as was the MEC (portion administered by PCH for 2005-2006). For each component, the table shows the total program expenditures plus administration costs and the administration cost percentage (administration costs divided by total expenditures).

Overall the five-year period, the administration costs incurred by the third-party administrators were \$11.8 million out of total expenditures of \$99.6 million, or 11.9 per cent.

In comparing the third-party administrators, the SOCAN Foundation, has a relatively low administrative cost ratio (between 7 to 8 per cent), as the related SOCAN organization partially covers the cost of office space and staff salaries. In addition, the program receives very few applications each year, does not employ a peer review process, and administers only a few projects.

The CMD component has the second-lowest administration ratio. This may be explained by the fact that the program awards grants rather than contributions, the projects are small in size and there are less than 100 awards each year for the sound recording program and only 6 for the distribution program.

The component with the highest administration ratio is NMW. Concerns were raised by a few key informants about the perceived high administration costs at the two administrators. Table 12 indicates that the average administration cost for the NMW component has been about 13 per cent over the five-year period, which is within the allowable range of 15 per cent. However, administration costs did increase substantially in 2005-2006 for both administrators (an increase of 29.5 per cent for FACTOR and 39.2 per cent for MUSICACTION). In commenting on the reason for this increase, MPP noted that in 2005-2006, FACTOR and MUSICACTION administered a larger contribution envelope under NMW as an important share of the MEC contribution to eligible recipients transited by the two administrators.

In our experience, the allowable administration cost ratio of 15 per cent is higher than for many other contributions programs in other sectors of the federal government, which is typically in the range of 6 to 10 per cent. Other PCH programs have a 10 per cent target. PCH could consider setting a goal to reduce the allowable percentage, which would free up funds to devote to project awards.

Some interviewees suggested that there were opportunities to reduce administrative costs at both FACTOR and MUSICACTION. One contributor is the perceived onerous requirements for documentation from beneficiaries to demonstrate that expenditures had been made and were in accordance with the contract. In the case of both administrators, recipients must submit supporting documentation for every expense item, which are reviewed and approved by staff. Our review of a sample of NMW project files at the offices of the administrators confirmed this perception: a project file for a very small (\$2,000) NMW project could be one inch or more thick, filled with invoices, receipts, credit card statements, cancelled cheques, as well as copies of the administrator's notes and calculations. (This issue is discussed further below in the section on delivery issues.)

It was noted that FACTOR has implemented a web-based, integrated applications process and MUSICACTION is in the process of implementing one. This should lead to reduce application administrative costs (e.g., no incomplete applications; automatic data uploading into the application database; and, fewer clerical errors).

**Summary: “Cost-Effectiveness”** – Between 2001-2002 and 2005-2006, total CMF expenditures were \$110.981 million. Administration costs on the part of PCH and the third-party administrators accounted for about 15 per cent of total expenditures. Of the total program expenditures, the three largest CMF components were New Musical Works (55 per cent), followed by Music Entrepreneur (22 per cent) and Collective Initiatives (9 per cent). The evidence indicates that the CMF has made progress in achieving its intended outcomes. In order to compare funds invested with results achieved for the NMW component, the study found that, for 490 album projects funded by FACTOR over a three-year period, they generated total sales of just over 3.5 million, for an average of 7,211 per funded album. In comparison, the 414 albums funded by MUSICACTION over a four-year period generated a total of 4.9 million unit sales, an average of 12,014 units per funded project. Turning to the MEP component, a total of \$15.4 million was invested in a sample of 10 MEP companies over a three-year period. While this support has not resulted in any across-the-board improvement in the sales or net profits of these companies, the MEP funding is viewed as being critical to the survival and sustainability of several companies in the sector. Finally, it is not possible to conclude on the cost-effectiveness of the CI component, although partial evidence indicates that particular events, such as major international markets such as MIDEM, achieve a positive return on investment, as measured by, for example, the value of business deals completed at these meetings.

**Table 12**  
**Administration Costs of Third-Party Administrators**

Component	2001-2002*		2002-2003		2003-2004		2004-2005		2005-2006		TOTALS	
	Total Financial Support and Admin. Costs	Admin %	Total Financial Support and Admin. Costs	Admin %	Total Financial Support and Admin. Costs	Admin %	Total Financial Support and Admin. Costs	Admin %	Total Financial Support and Admin. Costs	Admin %	Total Financial Support and Admin. Costs	Admin %
New Musical Works-- FACTOR	\$2,388,184	13.5%	\$6,268,183	13.5%	\$6,268,184	12.5%	\$7,068,184	12.5%	\$9,403,955	12.2%	\$31,396,690	12.7%
New Musical Works-- MUSICACTION	\$1,685,456	13.5%	\$4,178,790	13.5%	\$4,178,790	13.5%	\$4,685,900	12.0%	\$5,810,604	13.5%	\$20,539,540	13.2%
Music Entrepreneur-- Telefilm**	\$0	NA	\$5,739,999	24.1%	\$9,559,999	8.7%	\$5,875,116	9.1%	\$3,047,112	5.7%	\$24,222,226	12.1%
Collective Initiatives-- FACTOR	\$666,845	10.2%	\$1,130,338	12.7%	\$1,098,338	12.5%	\$1,563,338	12.5%	\$1,398,338	12.5%	\$5,857,198	12.3%
Collective Initiatives-- MUSICACTION	\$707,896	13.5%	\$857,225	13.4%	\$857,226	13.5%	\$1,025,115	9.6%	\$732,225	13.5%	\$4,179,687	12.5%
Canadian Musical Diversity--Canada Council	\$1,373,642	8.7%	\$1,399,450	8.6%	\$1,435,230	8.4%	\$1,381,370	8.7%	\$1,252,050	9.6%	\$6,841,742	8.8%
Creators' Assistance-- SOCAN	\$918,990	4.9%	\$889,974	7.0%	\$884,126	7.6%	\$880,801	7.6%	\$892,125	7.9%	\$4,466,016	7.0%
Canadian Musical Memories	\$351,500	0.0%	\$527,887	3.4%	\$164,060	7.0%	\$546,455	5.3%	\$546,455	2.1%	\$2,136,357	1.1%
<b>Totals</b>	<b>\$8,092,513</b>	<b>10.8%</b>	<b>\$20,991,846</b>	<b>15.5%</b>	<b>\$24,445,953</b>	<b>10.8%</b>	<b>\$23,026,279</b>	<b>10.8%</b>	<b>\$23,082,865</b>	<b>11.2%</b>	<b>\$99,639,457</b>	<b>11.9%</b>

\* The figures for 2001-2002 do not match the figures provided in Table 2 of the report. The above table includes only the expenditures and administration costs of the CMF program, whereas Table 2 includes expenditures made by the previous SRDP program in that year.

\*\* For the MEP component, Telefilm was the administrator up to March 31, 2005. PCH took over as administrator on April 1, 2006. The administration costs for 2005-2006 represent the contribution made to Telefilm in that year to offset the expenses incurred in terminating the program.  
Data supplied by PCH.

### 5.3.2 Overlap and Duplication

Key informants raised only a couple of specific issues pertaining to potential overlap/duplication either between the various CMF components or between the CMF and other federal funding programs.

Regarding duplication with other federal programs, only one specific issue was identified. The PCH Trade Routes program provides about \$260K in funding annually to support a variety of collective initiatives activities, such as providing travel support to Canadian music companies to travel to international markets, such as MIDEM in France. The CMF's Collective Initiatives component (administered by FACTOR and MUSICACTION) also provides the same type of support (about \$1.6 million). Thus, some companies interact with two government departments to receive financial support to attend the same event. Representatives of Trade Routes stated that they had identified this issue and were working with CMF departmental personnel to ensure that there would be no duplication between the two programs going forward.

Within the CMF structure, several interviewees believed that there is a lack of clarity regarding the support provided by the New Musical Works component to “diverse” or specialized music compared to the support provided by the Canadian Musical Diversity component for this genre. They did not understand why the CMF had two separate programs that both support the production of sound recordings. The Canada Council provides other support programs to its targeted clientele, which raised the question of why the CMD component was funded separately and included under the CMF umbrella (as opposed to being part of the Canada's Council A-base budget).

It was noted that the application form for the CMD component (recording production program) states that the applicant can obtain support from both the Canada Council and FACTOR/MUSICACTION, thus suggesting that there is duplication between the two programs. PCH stated that few applicants apply to both programs. Given that there are only about 100 CMD awards annually, this is likely a minor issue overall.

Some suggested that the monies devoted to the CMD component simply should be transferred to the A-base of the Canada Council. There were two reasons for this suggestion: 1) as noted above, the Canada Council has several other programs that are targeted to the same clientele; and 2) the CMF was viewed as having a commercial orientation, thus the inclusion of the CMD component serves to diffuse the focus of the CMF, causing confusion among targeted recipients of CMF support.

Several interviewees commented that, in the English market, it is inefficient for the Radio Starmaker Fund and the New Musical Works component to be administered by two different organizations. Some raised a specific concern with the potential for “double-dipping”. The administrators stated that they try to prevent this from occurring. The private Radio Starmaker Fund indicated that a few instances of double-dipping occurred in the past, although the amounts involved were marginal, and steps have been taken to

share information on project applicants with FACTOR. A member of the expert panel supported this view, stating, “FACTOR largely focuses on content, while Starmaker does not; by definition, double-dipping is virtually impossible.” However, as part of our file review, we noted one very recent project (support for an international tour) where a recipient had received approval from the New Musical Works component and had started the project, but subsequently cancelled the agreement, because support had subsequently been received from the Radio Starmaker Fund. We would encourage both organizations to maintain close communications to ensure double-dipping does not occur.

**Summary: “Overlap and Duplication”** – No major overlap/duplication issues were raised by key informants. Some informants stated that they did not understand the reasons for having two separate programs that support production of sound recordings (Canada Council delivers the CMD component and FACTOR/MUSICACTION deliver the NMW component). Informants also stated that it is inefficient for the Radio Starmaker Fund and the NMW component to be administered by two different organizations in the English market. A concern with “double-dipping” was also raised but is believed to be minor.

### 5.3.3 Program Design

The main findings regarding the overall design of the CMF are described below.

**a) The CMF is perceived to be sufficiently flexible to respond to changes in the music industry**

Overall, one of the strengths of the CMF is that it is viewed as being sufficiently responsive to the major transformation currently taking place in the marketplace. For example, MUSICACTION recently decided to provide support to music singles intended for online distribution, reflecting the preference of consumers for singles rather than albums. And FACTOR was viewed as being inclusive as well as responsive to the needs of the music industry.

The CMF will need to continue to make changes to program criteria to reflect ongoing changes in the music industry. For example, some areas where the CMF needs to make adjustments include: recognizing new sources of revenue from streaming (as opposed to the traditional sales of CDs) or from the various subscription models emerging in the distribution of digital music. This applies particularly to MEC, where applicants are required to reach a sales threshold in order to be eligible for support.

The CMF will need to adjust to the increased convergence of the players in the industry, for example, whereby music labels are moving into publishing (and vice versa), and artists are taking greater control over production, publishing and distribution. The implication is that the CMF’s components will need to be increasingly complementary and delivered on



an integrated basis, since the same players will be requesting financial support from many programs, and the linkages and interdependencies between each stage of the process (creation, production, marketing and distribution) become closer.

One implication is that the CMF would best be delivered by one administrator (or one administrator for each language market). This is a program design issue that would need to be further examined as to its pros and cons.

**b) The CMF's design is viewed as too complex**

A frequent topic of discussion with key informant interviews was the overall design of the program and its complexity.

Several interviewees made the basic point that although the Program is labelled by PCH as the Canada Music Fund, in practice it operates as a group of diverse components that are tied together – somewhat artificially – under the name of a single program.

The official program name, “Canada Music Fund” tends not to be used, nor are the various component names. Administrators tend to use the names of the individual component “sub-programs”, e.g., “FACTOR Loans” in the case of the New Musical Works component or “Grants for Specialized Music Production” in the case of the Canadian Musical Diversity component. In fact, the majority of key informants tended to discuss only a couple of CMF components, due to their lack of familiarity with (and interest in) the others.

Overall, the view was that the Fund is not perceived by stakeholders as a single program, but as a collection of distinct programs administered by a diverse range of organizations. On the one hand, a case can be made for distinct programs as they address different needs of the music industry. However, managing and delivering several programs increases the complexity of ensuring that the individual components and sub-programs work together in a complementary manner, and do not overlap or create negative or unintended impacts.

Those key informants that commented on the complexity issue stated that there are too many components and sub-programs and too many administrators in relation to the program's relatively small budget of \$28 million annually.

A prime example of the CMF's complexity is the New Musical Works component. In the case of FACTOR, the component consisted of 18 separate “sub-programs” in 2005-2006, some with miniscule budgets and

some providing very small financial awards. In comparison, the program structure in MUSICACTION was viewed as somewhat simpler and easier to understand.

After discussing the issue of complexity, some key informants then started suggesting ways of simplifying the program. Several informants stated that one of the CMF components, Canadian Musical Memories (CMM), does not “fit” well with the overall goals of the program. While recognizing that it was important for the federal government to support the acquisition, preservation and archiving of sound recordings, the view was that the work of this component did not link directly to the overall program objectives, which are to build a viable music industry, help develop the careers of Canadian artists and increase the availability and consumption of Canadian music. Indeed, a review of the CMM logic model (Section 3) shows that its immediate outcome is disconnected from the intermediate outcomes of the CMF. It is, however, linked to the overall objectives of PCH, as described in Section 5.1.3. Informants did not see the rationale for incorporating acquisition and preservation activities within the CMF; in other words, the advantage from including the CMM component within the CMF was not clear, compared to the alternative of LAC delivering this activity on its own and not being part of the CMF.

On the other hand, a benefit from including the Canadian Musical Memories component under the CMF umbrella may be that it provides some assurance that funds received by the LAC via the CMF will be directed to the work of the Music Section. If the funds were, instead, added to the LAC’s A-base, they might be directed to different corporate priorities. (As this report was in the final stages of completion, MPP reported that the CMM budget had been added to LAC’s A-base during 2006-2007.) In our view, there should be a way for Canadian Heritage in its role as managing the portfolio to ensure that A-base funds in Library and Archives would be dedicated to the work of the Music Section to acquire, preserve and provide access to Canada’s musical heritage.

Some interviewees, including LAC representatives, stated that the budget for preservation and archiving should be increased. This point is noted in the 2005-2006 business plan for the Canadian Musical Memories component that was prepared by the administrator and submitted to PCH.

A related issue is that some of the CMF components were viewed as potentially being in conflict. For example, MEP/MEC was intended to strengthen the industry (potentially through greater consolidation), whereas the NMW component might have the opposite effect of leading to the creation of smaller labels in order to access CMF assistance. Some key informants suggested that there is much talk within the industry of

labels spinning off smaller operations in order to apply separately to the NMW component. However, no hard evidence was provided to enable a conclusion to be drawn on this issue.

**c) Most types of CMF funding support are viewed as important by stakeholders**

Survey respondents were asked to rate the importance of the different types of CMF funding support to the growth and development of the Canadian music industry. The results are shown in Tables 13 (i), (ii) and (iii).

The results indicate that at least three-quarters of recipients consider the following types of support important:

- Funding to produce CDs/videos of Canadian artists.
- Funding to promote new CDs/videos of Canadian artists.
- Funding to support the creation/production/marketing of specialized music i.e., non-mainstream music) in particular.
- Funding support to workshops/events for professional development and networking of members of the Canadian music industry.
- Funding support to Canadian artists to perform at domestic and international showcases and tours.
- Funding support to Canadian music industry associations to provide their members with professional support and representation.
- Funding support to domestic and international business development for Canadian entrepreneurs.

While these types of support received average scores of 4 to 5, funding support to television awards shows that reward excellence in Canadian music received the lowest overall average score, although it was still positive: the mean rating was 3.36 from recipients (3.41, 3.34 and 3.47 for CMD, NMW and CI, respectively).

**Table 13 (i)**  
**Level of Importance of Different Types of CMF Funding Support (Q27) for Canadian Musical Diversity Recipients**

Type of Support	Recipients			Total (N)	
	Canadian Musical Diversity Program				
	Not important	Neither/nor	Important		
a) Funding to produce CDs/videos of Canadian artists	0.00%	3.00%	97.00%	100.00%	(66)
b) Funding to promote new CDs/videos of Canadian artists	3.10%	3.10%	93.80%	100.00%	(65)
c) Funding to support the creation/production/marketing of specialized music (i.e., non-mainstream music) in particular	3.00%	1.50%	95.50%	100.00%	(66)
d) Funding support to workshops/events for professional development and networking of members of the Canadian music industry	6.30%	17.50%	76.20%	100.00%	(63)
e) Funding support to television awards shows that reward excellence in Canadian music	28.10%	17.20%	54.70%	100.00%	(64)
f) Funding to the federal government’s Libraries and Archives department for the preservation of Canadian musical recordings	1.50%	9.10%	89.40%	100.00%	(66)
g) Funding support to Canadian artists to perform at domestic and international showcases and tours	1.50%	1.50%	96.90%	100.00%	(65)
h) Funding support to Canadian music industry associations to provide their members with professional support and representation	6.20%	12.30%	81.50%	100.00%	(65)
i) Funding support to domestic and international business development for Canadian entrepreneurs	10.80%	15.40%	73.80%	100.00%	(65)

**Table 13 (ii)**
**Level of Importance of Different Types of CMF Funding Support (Q27) for New Musical Works Recipients**

Type of Support	Recipients			Total (N)
	New Musical Works Program			
	Not important	Neither/nor	Important	
a) Funding to produce CDs/videos of Canadian artists	2.00%	7.20%	90.90%	100.00% (307)
b) Funding to promote new CDs/videos of Canadian artists	1.60%	4.90%	93.50%	100.00% (307)
c) Funding to support the creation/production/marketing of specialized music (i.e., non- mainstream music) in particular	2.60%	9.60%	87.70%	100.00% (302)
d) Funding support to workshops/events for professional development and networking of members of the Canadian music industry	9.60%	16.30%	74.10%	100.00% (301)
e) Funding support to television awards shows that reward excellence in Canadian music	28.20%	23.30%	48.50%	100.00% (301)
f) Funding to the federal government’s Libraries and Archives department for the preservation of Canadian musical recordings	13.00%	25.10%	61.90%	100.00% (299)
g) Funding support to Canadian artists to perform at domestic and international showcases and tours	1.00%	2.30%	96.70%	100.00% (306)
h) Funding support to Canadian music industry associations to provide their members with professional support and representation	10.00%	13.30%	76.70%	100.00% (300)
i) Funding support to domestic and international business development for Canadian entrepreneurs	3.70%	12.10%	84.20%	100.00% (297)

**Table 13 (iii)**
**Level of Importance of Different Types of CMF Funding Support (Q27) for Collective Initiatives Recipients**

Type of Support	Recipients			Total (N)	
	Collective Initiatives Program				
	Not important	Neither/nor	Important		
a) Funding to produce CDs/videos of Canadian artists	8.60%	11.40%	80.00%	100.00%	(35)
b) Funding to promote new CDs/videos of Canadian artists	5.70%	8.60%	85.70%	100.00%	(35)
c) Funding to support the creation/production/marketing of specialized music (i.e., non- mainstream music) in particular	2.90%	11.40%	85.70%	100.00%	(35)
d) Funding support to workshops/events for professional development and networking of members of the Canadian music industry	0.00%	8.80%	91.20%	100.00%	(34)
e) Funding support to television awards shows that reward excellence in Canadian music	32.40%	11.80%	55.90%	100.00%	(34)
f) Funding to the federal government’s Libraries and Archives department for the preservation of Canadian musical recordings	9.40%	21.90%	68.80%	100.00%	(32)
g) Funding support to Canadian artists to perform at domestic and international showcases and tours	2.90%	2.90%	94.30%	100.00%	(35)
h) Funding support to Canadian music industry associations to provide their members with professional support and representation	11.40%	5.70%	82.90%	100.00%	(35)
i) Funding support to domestic and international business development for Canadian entrepreneurs	2.90%	11.40%	85.70%	100.00%	(35)

**d) The use of third-party administrators was generally viewed as appropriate**

A key feature of the CMF's design is that four of the program components (New Musical Works, Collective Initiatives, Canadian Musical Diversity and Creators' Assistance) are delivered by third-party administrators.

Overall, there is strong – although not unanimous – support for third-parties to administer the CMF. Third-party administrators are viewed as more “nimble” and responsive to industry needs, and better able to conduct an artistic evaluation, compared to the alternatives (such as government administration). One example given is the Collective Initiatives component, whereby FACTOR provides support to CIRPA to coordinate attendance by Canadian companies at international events. These events require payment in advance from participating companies, and FACTOR was given high marks for its responsiveness.

The administrators also have more flexibility in managing multi-year funding/cash management compared to the federal government. Finally, the administrators can achieve greater leverage through the combined funding received from the CMF and broadcasters.

However, there is a concern about potential conflicts of interest among the board members of some of the third-party administrators – an issue that is discussed further below in the section on delivery issues.

Interviewees generally believed that it would be more efficient to have a single administrator for the CMF, or, at most, one administrator for each language market. Those who supported the dual administrator concept stated that it makes sense to have two administrators for the two language markets, since the two markets are very distinct (e.g., different artists and different record companies).

A few key informants as well as an expert panel member suggested that PCH should consider putting out a tender to obtain proposals from qualified organizations (including the current administrators) for the future administration of the CMF. This would foster innovation and potentially reduce administration costs.

Others strongly believed that no changes should be made (i.e., FACTOR and MUSICACTION should continue to administer components). One complicating factor to any decision by PCH regarding potentially replacing the two current administrators (FACTOR and MUSICACTION) is the broadcaster funding of these organizations in respect of CRTC regulation. However, this was not viewed as a major stumbling block.

A few informants held an opposing view regarding the use of third-party administrators, stating that the administrators have assumed too much influence over the years, and recommended that the federal government should assume responsibility for the delivery of all the components. The role of administrator is seen primarily as that of a coordinator or process manager, particularly as the proportion of applications assessed by jury increases, and government is perceived to be a more neutral party.

A final issue raised by some key informants and a member of the expert panel is that PCH exerts insufficient control on changes made to the program design criteria, and that the administrators have too much involvement in this process. They stated that PCH should assume responsibility for program design, and the administrator should stick to delivering an efficient program according to rules specified by the Government. However, this is a complex issue, and determining the appropriate role of all parties in program design would require a study unto itself. MPP noted that in the case of the NMW component for example, private broadcasters also contribute funding to the administrators. In addition, MPP stated that if PCH were to take on additional responsibility for program design, then it could make the administrators agents of the Crown, which is inconsistent with the principles of a contribution program.

**Summary: “Program Design”** – One of the strength’s of the CMF is that its design is viewed to be sufficiently flexible to respond to the major changes taking place throughout the music industry. Key informants stated that the CMF’s components will need to be delivered increasingly on an integrated basis, since the same players will be seeking financial assistance for many different purposes and the linkages between each stage of the process become closer. The CMF’s design is viewed as complex, and many informants would prefer to see a simpler structure, with fewer components and sub-components, delivered by fewer administrators. Most of the existing types of CMF funding support are viewed as important by key informants in order to build the music industry; one exception is the funding provided to music awards shows, which were viewed as less important.

#### 5.3.4 Program Delivery

The main findings on the strengths and weaknesses of the delivery of the CMF by the various CMF administrators (including the two government administrators and the various third-party organizations) are summarized as follows.



**a) PCH was given high marks for its management of the CMF**

Several of the key informants had a long history with the CMF and the predecessor SRDP, and noted that the current CMF management does an excellent job of administering the program. PCH was viewed as providing strong direction to a complex set of components; is responsive to industry needs; and, has maintained a high level of interaction with both the third-party administrators and the industry associations.

Some of the third-party administrators noted that PCH had improved its management of the Program in recent years. The contribution agreement with each administrator was reported to have improved over time, although the reporting requirements were still felt to be onerous. Administrators also believed that the reporting required of recipients was also too burdensome, i.e., supporting documentation for each and every expense item as well as cancelled cheques are required.

Several of the administrators commented positively on the periodic meetings of administrators. One of the administrators noted that while there is a good level of discussion on strategic issues, there is insufficient opportunity to discuss “nuts and bolts” issues. The regular administrator meetings were viewed as being primarily focused on information dissemination from Canadian Heritage. MPP may wish to discuss this issue in a future CMF administrators meeting and discuss what, if any, changes should be made.

As noted above, PCH was generally given high marks for its management of the individual CMF components. One exception is the contribution agreement with the AV Preservation Trust. The Trust was extremely frustrated by the delays encountered each year in obtaining approval for its business plan, which, in turn, prevented it from approving funded projects from outside organizations on a timely basis. This situation had been repeated for the past several years.

**b) Survey recipients were generally satisfied with program delivery by third-party administrators, although some issues were identified**

Table 14 shows the satisfaction of recipients with aspects of the NMW, CMD and CI components. A majority of recipients were satisfied with every aspect. In fact, for the CMD and NMW components, on some criteria the ratings were over 90 per cent, which is remarkable.

However, the level of satisfaction was lower for a few aspects:

- CMD: amount of funding received (59.1% satisfied).
- NMW: reporting requirements (61.6% satisfied).
- CI component: reporting requirements (52.8% satisfied) and amount of funding received (50.0% satisfied).

**Table 14 (i)**

**Level of Satisfaction with Application Process of Administrators of Canadian Musical Diversity—Recipients (Q.23)**

Aspects	Recipients			Total (N)
	Canadian Musical Diversity Program			
	Dissatisfied	Neither/nor	Satisfied	
a) Availability of information about the program	0.00%	9.10%	90.90%	100.00% (66)
b) Clarity of information about the program	3.00%	7.60%	89.40%	100.00% (66)
c) Clarity of application forms	7.60%	6.10%	86.40%	100.00% (66)
d) Appropriateness of eligibility criteria	4.50%	13.60%	81.80%	100.00% (66)
e) Helpfulness of staff in third party delivery organization	0.00%	4.60%	95.40%	100.00% (65)
f) Reporting requirements	3.10%	4.60%	92.30%	100.00% (65)
g) Amount of funding received	16.70%	24.20%	59.10%	100.00% (66)

**Table 14 (ii)**

**Level of Satisfaction with Application Process of Administrators of New Musical Works—Recipients (Q.23)**

Aspects	Recipients			Total (N)
	New Musical Works Program			
	Dissatisfied	Neither/nor	Satisfied	
a) Availability of information about the program	1.60%	9.20%	89.20%	100.00% (306)
b) Clarity of information about the program	4.90%	11.80%	83.20%	100.00% (304)
c) Clarity of application forms	5.90%	23.70%	70.40%	100.00% (304)
d) Appropriateness of eligibility criteria	10.60%	19.60%	69.80%	100.00% (301)
e) Helpfulness of staff in third party delivery organization	3.60%	5.20%	91.10%	100.00% (305)
f) Reporting requirements	19.20%	19.20%	61.60%	100.00% (302)
g) Amount of funding received	11.30%	17.50%	71.20%	100.00% (302)

**Table 14 (iii)**
**Level of Satisfaction with Application Process of Administrators of Collective Initiatives—Recipients (Q.23)**

Aspects	Recipients			Total (N)
	Collective Initiatives Program			
	Dissatisfied	Neither/nor	Satisfied	
a) Availability of information about the program	2.80%	11.10%	86.10%	100.00% (36)
b) Clarity of information about the program	2.80%	19.40%	77.80%	100.00% (36)
c) Clarity of application forms	2.80%	27.80%	69.40%	100.00% (36)
d) Appropriateness of eligibility criteria	5.60%	16.70%	77.80%	100.00% (36)
e) Helpfulness of staff in third party delivery organization	5.60%	16.70%	77.80%	100.00% (36)
f) Reporting requirements	25.00%	22.20%	52.80%	100.00% (36)
g) Amount of funding received	30.60%	19.40%	50.00%	100.00% (36)

As with recipients, Table 15 shows the satisfaction of non-funded applicants with aspects of the three evaluated components. Although over one-half of applicants appear to be satisfied with most aspects, the number of satisfied applicants is considerably lower when compared to recipients. Moreover, over one-half of applicants are dissatisfied with the feedback received on their applications (CMD 60.0%, NMW 54.8% and CI 55.6%).

**Table 15 (i)**
**Level of Satisfaction with Application Process of Administrators of Canadian Musical Diversity—Applicants (Q.23)**

Aspects	Applicants			Total (N)	
	Canadian Musical Diversity Program				
	Dissatisfied	Neither/nor	Satisfied		
a) Availability of information about the program	19.00%	14.30%	66.70%	100.00%	(21)
b) Clarity of information about the program	14.30%	23.80%	61.90%	100.00%	(21)
c) Clarity of application forms	19.00%	23.80%	57.10%	100.00%	(21)
d) Appropriateness of eligibility criteria				0	(0)
e) Helpfulness of staff in third party delivery organization	19.00%	19.00%	61.90%	100.00%	(21)
h) Feedback received on your application	60.00%	10.00%	30.00%	100.00%	(20)

**Table 15 (ii)**
**Level of Satisfaction with Application Process of Administrators of New Musical Works—Applicants (Q.23)**

Aspects	Applicants			Total (N)	
	New Musical Works Program				
	Dissatisfied	Neither/nor	Satisfied		
a) Availability of information about the program	10.20%	14.80%	75.00%	100.00%	(88)
b) Clarity of information about the program	17.00%	20.50%	62.50%	100.00%	(88)
c) Clarity of application forms	17.00%	25.00%	58.00%	100.00%	(88)
d) Appropriateness of eligibility criteria				0	(0)
e) Helpfulness of staff in third party delivery organization	12.30%	14.80%	72.80%	100.00%	(81)
h) Feedback received on your application	54.80%	19.00%	26.20%	100.00%	(84)

**Table 15 (iii)**
**Level of Satisfaction with Application Process of Administrators of Collective Initiatives—Applicants (Q.23)**

Aspects	Applicants			Total (N)	
	Collective Initiatives Program				
	Dissatisfied	Neither/nor	Satisfied		
a) Availability of information about the program	22.20%	22.20%	55.60%	100.00%	(9)
b) Clarity of information about the program	44.40%	22.20%	33.30%	100.00%	(9)
c) Clarity of application forms	22.20%	33.30%	44.40%	100.00%	(9)
d) Appropriateness of eligibility criteria				0	(0)
e) Helpfulness of staff in third party delivery organization	33.30%	0.00%	66.70%	100.00%	(9)
h) Feedback received on your application	55.60%	22.20%	22.20%	100.00%	(9)

Finally, survey respondents were asked to provide any other comments on the CMF, particularly suggested improvements. Table 16 summarizes the main comments received. The most popular suggestion was that the CMF should provide greater support to smaller, less established and independent artists.

**Table 16**  
**Suggested Improvements to the CMF—Recipients and Applicants (Q.28)**

Comments	Recipients (N)	Applicants (N)
Greater support of smaller/less established/independent	22.40% (92)	27.60% (34)
Increase funding	18.00% (74)	18.70% (23)
Improve application process (e.g., clearer guidelines, requirements, etc.)	12.40% (51)	11.40% (14)
Reduce funding of mainstream projects/artists	8.30% (34)	13.00% (16)
More support for creative development (international endeavours)	7.50% (31)	10.60% (13)
Improve selection process (e.g., fair selection)	7.10% (29)	22.00% (27)

**c) Governance issues were raised with some of the third-party administrators**

Several key informants raised serious concerns about the governance of some of the third-party administrators, particularly with respect to the composition of their boards of directors. The concerns were directed at FACTOR and the SOCAN Foundation in particular. Some key informants believe that some FACTOR board members represented organizations that had been recipients of funding, which was viewed as a conflict of interest. Some informants stated that this governance issue has tarnished the image of the CMF.

This issue was raised previously by the 2004 Formative Evaluation report:

One of the program managers expressed concern about the composition of the Boards of Directors of FACTOR and MUSICACTION, indicating that many Board members are recipients of program assistance; and there is a risk of conflict of interest, or, at least, of the appearance of conflict.<sup>47</sup>

The report authors also noted that they understood “that in those cases where a board member may have a vested interest in a board decision, they remove themselves from the discussion and the voting procedure.”<sup>48</sup>

<sup>47</sup> Canadian Heritage, *Formative Evaluation of the Canada Music Fund*, Final Report, prepared by Goss Gilroy Inc., February 25, 2004, p. 50.

<sup>48</sup> Ibid, p.50.

However, in the view of some key informants consulted during the present study, this procedure does not meet the test of good governance, for two reasons. First, even if the board member steps out of the room while his application is being considered for funding (in accordance with the board's conflict-of-interest guidelines), this procedure still reinforces the external perception that the people making the decision are members of a "closed club", and preoccupied with ensuring that each gets his "slice of the funding pie."

Second, a major role of a Board of a funding organization is to make decisions on funding policy. To take an example, the FACTOR board has decided at some point in the past to devote a significant portion of its CMF funding (New Musical Works component) to "direct board approved" (DBA) companies, instead of to open (juried) competition (i.e., where any record company could apply). The vast majority of funds are directed to these DBA companies. Some of the FACTOR board members represent direct board approval companies, who have therefore benefited from this policy decision.

MPP noted that an audit of the CMF was conducted by PCH in 2004.<sup>49</sup> While this audit examined the overall governance of the CMF program within PCH, the governance structures at the recipient organizations (i.e., the individual CMF administrators) were not examined during this exercise. This aspect was outside the scope of the internal audit mandate.

Thus, PCH should conduct a governance review of the third-party administrators. This would include an assessment of the role of the board of directors in the process to make decisions on funding as well as the adequacy of each organization's conflict of interest/ethics policies and processes. The review should cover the timeframe from 2001 to present.

The Department has requested in the past that both FACTOR and MUSICACTION develop a formal code of ethics and MPP indicated that these policies are in now in place.

MPP has one representative who sits as an observer on both boards (FACTOR and MUSICACTION).

In terms of board composition, interviewees noted that MUSICACTION's board has a broader composition compared to the FACTOR board. For example, MUSICACTION's board includes SPACQ, which represents songwriters and composers. On the other hand, there were some concerns that MUSICACTION's board is not sufficiently representative of all the industry players, and that certain members, such as ADISQ, may have too

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<sup>49</sup> Department of Canadian Heritage, *Audit of the Canada Music Fund*, June 23, 2004. Available at: [http://www.pch.gc.ca/progs/em-cr/verif/2004/2004\\_07/index\\_e.cfm](http://www.pch.gc.ca/progs/em-cr/verif/2004/2004_07/index_e.cfm).

much influence over MUSICACTION's decisions. Given the potential duplication between the CMD and NMW components, some suggested that the Canada Council should have a position on the FACTOR and MUSICACTION boards in order to enhance communications between the respective organizations.

**d) The mix of third-party administrators, PCH delivery and private funding creates challenges in terms of integrated management**

A concern raised by some informants was that of ensuring that the components complement and reinforce each other. Specific questions identified included:

- **Split delivery between PCH and third-party administrators** – PCH delivers the Music Entrepreneur component (MEC), whereas FACTOR/MUSICACTION deliver the New Musical Works and Collective Initiatives components. This dual responsibility of PCH for both program design and delivery could potentially lead to the perception that it is in competition with the third-party administrators for program funding; e.g., the MEC might be given preference in program design decisions. This division in the responsibilities for the delivery of components adds to the overall complexity of CMF, and does not necessarily ensure that all the components are delivered on a fully integrated basis. As a very visible example, MEC requires far fewer administrative requirements than the programs delivered by FACTOR/MUSICACTION, although this is due, in part, to the differences in the nature of the specific components that are administered (i.e., MEC's "global" funding to companies is less cumbersome to administer compared to project-type funding administered by FACTOR/MUSICACTION).
- **Split delivery between broadcasters and third-party administrators** – There is considerable debate as to how much control the broadcasters should have over the funding they provide. Some informants argue that the funds contributed by the broadcasters are public funds that should be controlled by government, and claim that the broadcasters are increasingly viewing this funding as one way to create increased publicity as opposed to supporting the creation of Canadian talent. Others prefer to see a clearer delineation between funds managed by government and funds managed by the private broadcasters. One sees both approaches in relation to the CMF. The joint delivery by MUSICACTION of the CMF components and the RadioStar program is seen as one way of ensuring that the programs are complementary, and ensuring a coordinated and integrated approach in the delivery of the two funding programs. The split

management by FACTOR and Radio Starmaker reflects the other school of thought.

**Summary: “Program Delivery”** – Overall, PCH was given high marks for its management of the CMF, based on its strong direction given to the Program and its high level of interaction with stakeholders. A concern was raised by key informants regarding the composition of the boards of some of the third-party administrators. Survey respondents were generally satisfied with the delivery by the third-party administrators of the CMD, NMW and CI components, although some issues were raised, including the amount of funding received; the program’s reporting requirements; and the lack of feedback provided to unsuccessful applicants. In terms of suggested improvements, the main comment was that the CMF should provide greater support to smaller, less-established and independent artists.

### 5.3.5 Alternatives

In order to determine whether there may be a more cost-effective, alternative approach to achieving the overall objectives of the CMF, we reviewed the international literature on the approaches used by other countries (summarized in Appendix E), and discussed this topic with key informants.

Internationally, there are a wide variety of support programs utilized by governments to support music, some of which are targeted towards industry, others of which are more oriented towards art or performance rather than industry per se. And yet, for every rule, there is an exception; in Jamaica, the music industry has blossomed despite a complete lack of government support. Some of the key themes that emerged from the international review are the following:

- Governments provide both direct and indirect support, which may be delivered through a variety of agencies and affiliated administrators.
- Support tends to be provided in a number of common areas, including performing assistance, recording assistance, promotional activities, support for creativity and innovation, professional hiring and development, music events, touring support, business planning, and export.
- In addition to funding, tax incentives may be used to support the sector, as well as export assistance used to tap markets abroad.
- These supports are complemented in some cases by programming obligations such as music quotas, or blank tape levies which are used to compensate artists for the recording of their music for personal use.

What is evident is that in many cases support programs reflect the fragmented and diverse nature of the music sector itself. While an array of support programs provides assistance to the various elements of the sector, it is not clear that such an approach supports development of an industry, and there continues to be discussion within many national industries as to how to best support the industry, if at all, and the impact of such supports.



Detailed quantitative cost-effectiveness studies are generally not available. In Ireland, for example, the Irish Music Board was disbanded in 2004, over the objections of the local industry, while in the UK the Government continues to provide tens of millions of pounds annually for various music-related activities.

**A tax credit program did not receive a lot of support:** In discussing possible alternatives, some key informants suggested that the Government could consider a tax credit program – similar to the programs currently offered for film and television production. It was recognized, however, that film and television production are more labour intensive compared to sound recording, and consequently a tax credit in support of sound recording production would have to be structured differently. For example, the credit could be based on the total costs of the sound recording (including marketing and promotional costs), rather than solely upon labour or selected inputs. One disadvantage of a tax credit program for sound recordings is that the barriers to entry are much lower compared to other cultural industries, and the Government could be flooded with applications (thus leading to substantial administration costs), with a commensurate negative impact on tax revenues (although if the tax credit-based works were to become successful, they would themselves generate sales and income tax revenue that would have an offsetting effect). A further disadvantage with tax credit policy in the arts is that it is a blunt instrument, funding projects independent of the quality or market viability of the works that are supported.

**New forms of CMF support were recommended:** A theme of the discussions with key informants was not to replace the CMF with a different policy instrument, but to add new forms of support in response to industry needs.

Several key informants stated that the CMF should add a new component that helps smaller record labels to successfully make the transformation from a world that relied on the distribution of physical CDs to the online environment. Smaller record labels recognize that they must increase their new media capabilities as they continue the transformation to digital distribution (e.g., to sign business deals with aggregators and on-line music stores), but lack the resources and expertise to do so. Record labels are already in discussions with telecommunication companies (e.g., cable companies, internet providers), and must develop new competencies to market music within a digital environment. The sorts of expertise identified as lacking including both technical and business skills (information technology, digital rights management, negotiation of business deals, etc.).

One key informant stated that most of the smaller labels had not been able to upload their catalogue to on-line music stores, as much of their music has not yet been digitally encoded. This could be addressed by PCH if it were to contract with an IT company to digitally encode the catalogues of record labels. Another option would be to provide funding via NMW.

Some key informants suggested that the federal government should offer a labour support program, whereby record companies could access a subsidy to help pay the salary of new media personnel.

**Support should be provided to other segments of the music industry:** Several key informants emphasized that the CMF directs the majority of its funding to record labels and artists, and other important segments of the industry receive insufficient or no support. The segments mentioned most often were music publishers, songwriters, managers and concert promoters. The expert panel emphasized this point. The main suggestions were as follows:

- Music publishers were viewed as key to the future success of artists, and some interviewees commented that investing in publishing companies makes good business sense, due to the strong return-on-investment (as a result of the growing diversity of revenue streams from publishing). Several interviewees indicated that discussions had been held with PCH about adding a publisher-focused component to the CMF (as part of MEC).
- In the case of songwriters, some of the suggestions received were: support to co-writing trips (publisher and artist) to major music markets (e.g., Nashville) in order to plug new songs; and support to showcases, such as the Toronto International Film Festival Café.
- Music managers were viewed as becoming increasingly important to the success of artists, as artists must be involved in all facets of the industry in order to be successful, such as touring, marketing on the internet, online distribution, merchandising and off-stage sales.
- The importance of concert promoters was noted in relation to the increased importance of touring, merchandising and off-stage sales to the incomes of artists. (While another PCH program, Arts Presentation Canada provides support to music festivals, it has a different focus and only not-for-profit organizations are eligible).

**Increased emphasis on research:** Finally, the CMF could also be used to support research into new business models, given the radical changes that this sector is undergoing at this time. PCH currently funds some research each year, primarily on a contract basis with external consultants. This funding (about \$1 million per year) is mainly used to evaluate program effectiveness, monitor CMF performance, and to assess industry and market trends.

<p><b>Summary: “Alternatives”</b> – The evidence indicates that the Canada Music Fund continues to be an appropriate policy instrument for achieving the overall goals of the Government’s Sound Recording Policy. A variety of suggestions were received from stakeholders to modify and expand the Program to meet the needs of various segments of the music industry.</p>
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### 5.3.6 Performance Measurement

A concern regarding the third-party administrators is the lack of information on results achieved. In the case of FACTOR and MUSICACTION, it was noted that some improvements had been observed in the quality of the most recent annual reports (amounts awarded to individual recipients are now listed). The CRTC also noted this improvement in its Commercial Radio Policy Review report.

However, little information is published on the results of these funded projects. As noted earlier, in the case of funding provided for music production, no metric has been used over the years to track sales or return on investment. One possible metric is cost per unit. While FACTOR or MUSICACTION do not publish data on this metric, it does have the data required to support this measure. For their loan programs, sales data must be submitted by recipient companies for a period of two years following release of the album, so that the repayment amounts can be calculated. However, we understand that the administrators are removing this repayment requirement. On the other hand, record labels track album sales very closely, so the data would continue to be available.

The absence of performance information fosters the perception among some key informants that the administrators are more interested in handing out money than on finding out whether the funded projects are successful and on ensuring the funds are well used. The publication of appropriate metrics would serve to address these concerns.

A member of the expert panel emphasized the lack of accountability on the part of PCH and the administrators: “Far more rigid scrutiny is needed to make sure that Canadian taxpayers are getting their money’s worth. Currently, objectives are not clear enough and there exist few means to measure progress towards these objectives.”

Similarly, no information is provided on other performance indicators of potential relevance to “good management,” such as: administrative cost per award, efficiency of processes, or client satisfaction. In our view, the third-party administrators lag behind other organizations in the public and private sectors in the development of sound performance measurement frameworks. While they currently are not under any obligation by PCH to do so (as part of the contribution agreement), we believe that for organizations of the size of FACTOR and MUSICACTION and which are administering complex components with diverse clients and stakeholders, it is in the interests of good management to do some sort of measurement and monitoring of results achieved. This also helps to improve service delivery and to make sure components stay attuned to the needs of stakeholders.

MPP stated that since it is accountable for the performance of the Program, then MPP – not the administrators – should be collecting performance information and preparing the analytical reports. Our view is that performance measurement is an important management tool for all organizations, as performance results should be used to help decide on what changes need to be made to a program.

MPP has taken steps to improve performance measurement for the CMF as a whole. A draft 2006 “CMF Report Card” has been developed, which provides useful and interesting information on key performance indicators. Indeed, this evaluation study relied on some of the information contained in the report card. In our view, this report card is a positive step, and few other government programs have developed this sort of management tool. We understand that this report has not yet been released to the music industry, as none of the key informants outside of PCH commented on it. We suggest that PCH should continue to refine the key performance indicators used in the report, by adding measures that permit “value-for-money” to be assessed. PCH could also consider having stakeholders more formally involved in the design and review of the framework.

In summary, we believe that the third-party administrators (particularly the larger ones, i.e., FACTOR and MUSICACTION) as well as the larger Support to Sector Associations recipients (e.g., CIRPA) should provide more information on results. A first step would be for each organization to develop an appropriate performance measurement framework.

**Summary: Performance Measurement** – PCH has made good progress in developing a performance measurement framework for the CMF. The third-party administrators lack appropriate performance measurement practices, and, as a result, stakeholders are not being provided with sufficient information on results achieved in relation to the investment of public tax dollars.

## 6. Conclusions, Recommendations and Management Response

### 6.1 Conclusions

The evaluation conclusions are organized according to the study issues.

#### *Rationale/Relevance*

#### **1. There is a continuing rationale for Government intervention in the Canadian music industry**

The CMF continues to respond to a persistent need in the Canadian music industry. A key aspect of the CMF’s rationale is the need to ensure that Canada has a strong independent music sector, which can record and distribute music created by Canadian artists. The foreign-owned labels are continuing to cut back on signing new talent, and the Canadian-owned sector will be even more critical in the coming years.

Support for the Government’s investment in the Canada Music Fund is unanimous amongst all segments of the Canadian music industry. A Canadian-controlled sector is critical to the development of new Canadian talent. Canadian

companies will continue to require support in order to survive the current transformation and upheaval taking place in the sector, both domestically and globally. In fact, many believe that the Government should increase its level of investment, noting the strong return on investment in the sector and the international success achieved by a long line of Canadian artists.

While there was no debate on whether government support was still required, there was much discussion about to whom the financial support should be directed. The conclusion is that while the record label will continue to be an important element of the process to create a commercial hit record, it is no longer the only component. In addition to record labels, other key segments of the music industry need to be brought more visibly into the CMF fold, including publishers, distributors, managers and promoters. There was also a call for increased support to the artist.

It was difficult to assess whether the CMF is aligned with the Government's priorities, as support to the cultural industries is not identified specifically in recent Government policy documents, such as the March 2007 Budget. The CMF is formally situated in the Department's Program Activity Architecture (PAA), which was approved by Treasury Board.

### *Success/Impacts*

## **2. The CMF has made progress towards achieving its intended outcomes**

The CMF has a variety of intended outcomes that are focused on helping Canada's artists and music enterprises. The highlights of the Program's achievements are as follows:

- **The Program has an incremental impact on the production and marketing of new Canadian music** – Projects funded under the Canadian Musical Diversity (CMD) have the highest level of incrementality, as some 42 per cent of these projects would not have gone ahead in the absence of CMD support, and another 34 per cent would have gone ahead but significantly reduced in size or scope. The level of incrementality was somewhat lower for NMW projects (30.5 per cent would not have gone ahead and other 44 per cent would have gone ahead but significantly reduced in size or scope.)
- **Sector associations have increased their capacity** – Key informants agreed that CMF funding via the Support to Sector Associations component has been very important to the recipient associations, as most associations would likely not survive on membership revenues alone. The associations play an important role in the development of policy options and in providing input to PCH on program design. However, little evidence is available on the specific impacts of the CMF funding, as each recipient association does not provide PCH with results-based information in its annual report. A concern is that

several of the associations are dependent on government funding. The component should require each of the major associations to conduct an independent assessment of its performance, needs and gaps and to develop a plan for sustainability.

- **Canadian musical artists and creators have enhanced their skills** – Overall, most CMF funding recipients agreed that the CMF has had a positive benefit in terms of helping Canadian musical artists and creators to build their skills. Further research would be required to analyze this issue in more depth, particularly for the Creators' Assistance component. Recipient associations would be advised to carry out surveys of workshop/conference participants to assess the impact of these events on skills development.
- **The CMF has led to increase sales of funded artists and music** – The evidence indicates that the NMW component has had a positive impact on the sales of funded artists and albums over the 2001 to 2004 time period.
- **A positive impact on the careers of Canadian music artists and creators** – No up-to-date information is available on the trends in the financial position of CMF-funded artists and songwriters. Therefore, several proxy indicators were assessed. Trends in royalties paid to songwriters by SOCAN are positive over the past several years, although the available data is not specific to CMF-funded artists. The survey of CMF recipients found that both CMD and NMW projects have had a positive impact on the careers of funded artists. The case studies of artists confirmed this finding. In summary, the evidence indicates that the CMF has had a positive impact on the careers of funded artists.
- **While the CMF has been critical to the survival of the Canadian-controlled segment performance of companies that have received assistance from the MEP component** – The analysis indicates that MEP support had not resulted in any across-the-board improvement in the sales or net profits of recipient companies over the three-year period analyzed. They also appear to be highly dependent on government support for survival. The industry has not experienced any significant degree of consolidation, which was an expected impact of CMF support. Many key informants, as well as the expert panel, supported the concept of the program, but recommended that companies be eligible for funding for a specific period of time.

**3. Most of the CMF's components were viewed as important and beneficial to the music industry**

The main findings for each of the CMF components are summarized as follows.

**a) Canadian Musical Diversity**

Of the three CMF components covered by the survey of recipients, the CMD component (Grants for Specialized Music Recording Production) had the largest incremental impact on the production of sound recordings. This is likely due to the limited capital available to the majority of CMD recipients, who are less commercial given the nature of their music. However, only about one-half of CMD recipients agreed that CMD support had increased the sales of their sound recordings. This might be explained by the low dollar value of CMD project budgets (only \$10,650 on average) and the insufficient funds left over for marketing once the production of the recording is completed.

Another issue is confusion among stakeholders regarding the difference between the CMD component and NMW component, which both fund the production of “specialized” music. Furthermore, independent artists who do not qualify for CMD support (only certain genres are supported) or for NMW support (as they have not reached the required sales threshold) feel largely ignored by the CMF.

The second CMD sub-program, Grants for Specialized Music Recording Distribution, was viewed as requiring a re-design, due to the low take-up.

**b) New Musical Works**

Overall, there was strong support for the NMW concept, i.e., to provide financial assistance to emerging artists for the production and marketing of their sound recordings, since many of these artists would not receive the same level of support from their music labels in the absence of NMW support. Other NMW sub-components, especially support for tours, showcases and skills development received very strong support.

An issue with the NMW component is the absence of published data on the part of the two administrators (FACTOR and MUSICACTION) on results achieved. Many key informants as well as the expert panel were critical of the two administrators for not tracking and reporting on the performance of this component over time.

**c) Music Entrepreneur**

Most key informants as well as the expert panel agreed with the decision made by PCH to take the MEP/MEC companies out of the two administrators (FACTOR and MUSICACTION) and to fund them separately, thus providing increased support to smaller record labels. MPP made this policy decision in order to free up funding under the NMW component for younger, dynamic firms and independent artists.

Some key informants as well as the expert panel stated that this component had not been successful, as they believe that many of the funded companies had not achieved a sufficient return on investment compared to the millions of taxpayer dollars invested over a period of many years.

The overall view is that the concept of the component made sense; the issues are: 1) which companies are selected for funding; 2) to limit the number of years a particular company would be eligible for support, in order to encourage progress towards financial sustainability; 3) to base funding on the achievement of performance-based objectives; and, 4) to broaden the segments of the industry that are eligible for support. On the last point, given the changing dynamics of the music industry, there was a call for the MEC component to support other segments that are critical to the success of artists, such as publishers and managers.

A positive feature of MPP's administration of the MEP/MEC component is that companies are required to submit detailed historical financial information, so that trends in financial performance can be analyzed over time and reported to stakeholders.

#### **d) Support to Sector Associations**

Key informants were supportive of the SSA component. They noted that given the fragile state of the Canadian-owned sector of the music industry, membership fees in many of the funded associations typically cover only a small percentage of operating costs.

The component was viewed as important for enabling the associations to support PCH management in developing and making changes to the CMF over time. The key performance indicator identified for this component is "level of satisfaction of artists and entrepreneurs with the efforts of the industry associations." The main source of information on this indicator was to be a survey of members of each of the recipient associations, to be conducted by the Department of Canadian Heritage. However, this survey was not forthcoming in time for the evaluation. Thus, we are not able to make any definitive conclusions on the cost-effectiveness of this component.

Regarding the availability of performance information from recipients, our file review found that none of the funded associations provides any quantitative evidence in their annual reports to PCH on how SSA support has improved their performance (e.g., using such indicators as level of client satisfaction and trends in membership revenues).

Many of the funded associations are heavily dependent on government support. Going forward, PCH should consider adding a sustainability goal to this component, so that eventually government support would no longer be necessary.



**e) Collective Initiatives**

The support provided by the Collective Initiatives component to enable Canadian companies and artists to attend international markets and festivals was highly valued by everyone consulted by this evaluation, as many delegates would not be able to afford to travel to these events in the absence of government support. Surveys conducted following the major events indicate that participation by Canadians at these events is highly beneficial and demonstrates a positive ROI. These findings are consistent with other research previously carried out by Kelly Sears on the impacts of such events in other cultural industries, including film, television and new media.

**f) Canadian Musical Memories**

Key informants were supportive of the objectives of this component, i.e., to acquire and preserve Canadian sound recordings, but several did not understand the reason for including this activity under the CMF umbrella. The expert panel agreed with this finding.

Given there is a need to simplify the design and structure of the CMF, one option would be to transfer the component to Library and Archives Canada. The evidence also indicates that the current budget of the Music Section at LAC is insufficient compared to the volume of recordings that need to be catalogued and eventually digitized, to be made available to Canadians.

**g) Creators' Assistance**

Key informants were generally supportive of this component, although few had a good understanding of its operations. All informants noted the importance of providing training support to songwriters and composers.

Little information is available on the impacts of funded projects, as no independent evaluation of each event is conducted (although recipients do submit detailed activity reports). This is a gap in the CMF's overall performance measurement framework. MPP had planned to conduct a survey of attendees at funded workshops/conferences, but approval was not obtained in time to be included in the evaluation.

The SOCAN Foundation has relatively low administration costs, and the organization was very responsive to our information requests.

A few other issues were identified:

- The CA component receives few applications each year, and some of the same organizations are selected year after year.
- One of the funded projects is not consistent with the goals of the component.
- There may be confusion within the targeted community between the CA component and the support for skills development funded by FACTOR/MUSICACTION under the NMW component.

**4. The main unintended impact of the CMF has been to create a culture of dependency among some record labels**

The main negative impact of the CMF is that the funding provided to Canadian record labels over the years has created a culture of dependency on the part of many of these companies. Some also suggested that the government support had distorted normal market forces, by keeping alive some companies that probably did not deserve to still be in business, or by providing funding support to firms that did not have sufficient financial capacity. Some informants went as far as to say that labels made some poor investments that they would not have otherwise done, or slipped into financial difficulty from pursuing CMF-supported productions that went beyond their financial capacity.

Another issue is application burden. Program applicants spend a considerable amount of time applying to various financial assistance programs, which in the case of composers and songwriters, takes away from their important creative activities. This is exacerbated by the fact that a single artist or company might apply to multiple CMF components or multiple sub-components.

***Cost-Effectiveness/Alternatives***

**5. A strength of the CMF's design is its flexibility, but the program is overly complex**

One of the strength's of the CMF is that its design is viewed to be sufficiently flexible to respond to the major changes taking place throughout the music industry. For example, components can be modified as necessary in response to these changing requirements. The CMF's programs will increasingly need to be delivered on an integrated basis, since the same players will be seeking financial assistance for many different purposes and the linkages between each stage of the process become closer.

However, the CMF's delivery structure is complex. The program would benefit from a simpler structure, with fewer programs and sub-programs, delivered by fewer administrators.

Some key informants stated that PCH exerts insufficient control over changes to program design. The overall view was that PCH should develop policy, while an efficient administrator(s) should be engaged to deliver the funding programs in accordance with this policy.

## **6. PCH is given high marks for its management and delivery of the CMF**

Overall, PCH was given high marks for its management of the CMF, based on its strong direction given to the program and its high level of interaction with stakeholders over the years. MPP management and staff were very co-operative and helpful throughout the evaluation study.

Survey respondents were generally satisfied with the delivery of the CMD, NMW and CI components by the third-party administrators, although some issues were raised, including the amount of funding received; the program's numerous reporting requirements; and the lack of feedback provided to unsuccessful applicants.

The issue of onerous reporting requirements is common to many federal grant and contribution programs, as noted by the December 2006 report of the Blue Ribbon Panel on Grant and Contribution Programs.<sup>50</sup>

Going forward, there was support for third-party administration of the CMF.

Some concerns were raised with the governance of some of the third-party administrators. It was reported that some board members represented organizations that had been recipients of CMF funding, which was viewed as a conflict of interest. This issue was also identified in the previous 2004 Formative Evaluation of the CMF. An audit of the CMF was conducted by PCH in 2004. While this audit examined the overall governance of the CMF program within PCH, the governance structures at the recipient organizations (i.e., the individual CMF administrators) were not examined during this exercise. This aspect was outside the scope of the internal audit mandate.

## **7. No major programming alternative was identified as being superior to the CMF**

The evidence indicates that the CMF continues to be an appropriate policy instrument for achieving the overall goals of the Government's Sound Recording Policy.

The main programming alternative identified by key informants was a tax credit program – similar to the programs currently offered for film and television

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<sup>50</sup> Treasury Board of Canada Secretariat, *From Red Tape to Clear Results: The Report of the Independent Blue Ribbon Panel on Grant and Contribution Programs*, December 2006. Available at: <http://www.brpgde.ca/en/report.cfm>.

production. The overall view was that such a program would not be cost effective. In contrast to film and television production, the barriers to entry are lower in the music industry, and the Government could be flooded with applications, with a commensurate negative impact on tax revenues. In addition, tax credit programs are a blunt instrument, as they fund projects independent of the quality or market viability of the works that are supported.

No major duplication/overlap issues were identified.

A variety of suggestions were received from stakeholders to adjust and expand the program to meet the needs of various segments of the music industry, which are outlined under study recommendation #1.

**8. Although progress is being made, insufficient results-related information is available on the CMF**

MPP has made good progress in developing a performance measurement framework for the Canada Music Fund and its individual components. A draft annual CMF “report card” has been developed, although it is not yet publicly available.

The major third-party administrators lack appropriate performance measurement practices, and, as a result, stakeholders (including the various segments of the industry) are not being provided with sufficient information on results achieved by the various CMF components in relation to the investment of public tax dollars. This is arguably the most serious criticism of the CMF.

## **6.2 Recommendations and Management Response**

**1. PCH should re-design the Canada Music Fund and consult with the music industry as part of the re-design process**

As noted in the report, the music industry continues to go through a period of rapid change and upheaval, which is expected to continue into the foreseeable future. Key informants and the expert panel agreed that it is important for the next generation of the Canada Music Fund to adapt to the changing realities of the industry and its various segments. However, no one had a clear version on what the next version of the CMF should look like—nor is it the purpose of an evaluation study to re-design a program. For this reason, a main recommendation of this study is that PCH should develop options for the next generation of the CMF and obtain feedback on these options from stakeholders. Below are some of the suggestions identified during the evaluation study that should be considered in re-designing the program.

A first step is to re-think the objectives of the CMF. The objectives of the program are numerous, vague and unclear to stakeholders and some of the current objectives are perceived to be in conflict with each other.

A logic model for the new CMF should be developed that consists of clear, specific and measureable outcomes. And, in accordance with the overall performance measurement framework used by the Government of Canada (the “Management, Resources and Results Structure” designed by Treasury Board Secretariat), the program needs to establish targets for its key intended results/outcomes and indicators and report on progress in its annual report.

While the future “shape” of the CMF was not entirely clear to stakeholders consulted during the evaluation, some themes emerged. Here are the suggestions, which should be considered as part of the re-design process:

- Simplify the design of the CMF – It is time to re-configure and simplify the CMF’s design, by reducing the number of components (and sub-components). There should be fewer administrators.
- Traditionally, a significant portion of the CMF’s dollars have been directed to record labels. While the record label is expected to continue to be an important component of the process to create a commercial hit record, it is no longer the only component. Other key segments of the music industry, including publishers, managers, promoters and distributors currently receive little or no funding via the CMF. Music publishers were viewed as key to the future success of the music industry. Several interviewees indicated that discussions had been held with PCH about adding a publisher-focused component to the CMF (as part of MEC). This would appear to make good sense. Similarly, music managers were viewed as becoming increasingly important to the success of artists, as artists must be involved in all facets of the industry in order to be successful, such as touring, marketing on the internet, online distribution, merchandising and off-stage sales. The importance of concert promoters was also noted. The expert panel concurred that the focus of the CMF should shift from record labels to these other segments that are critical to the success of artists. In short, the MEC component should support other types of entrepreneurs in addition to the traditional record labels. In addition, there was a call for the MEC component to include performance-based objectives and to set a time limit on the number of years that a particular company could receive funding, in order to encourage sustainability.
- Shift resources from production to online distribution and marketing. The costs of production are declining due to technology. However, it is one thing to make Canadian music available on-line; it is quite another to get noticed in the digital world.

- Increase the level of support to the artist, including more funding for skills development (e.g., co-writing tours to major music centres in the US, and to marketing (e.g., support for international tours and showcases).

**Management Response – Accepted**

The Canada Music Fund (CMF) must be renewed by April 1, 2010. Given this deadline and the significant changes occurring in the music industry, the Directorate welcomes the recommendation to redesign the CMF. The suggestions for the next generation of the CMF presented in the Evaluation will form the basis of this redesign process. The Directorate has already begun broadening the focus of the CMF. Increased support to music publishers has been added to the CMF in 2007-2008 through the Music Entrepreneur Component. As part of this process, the Directorate will ensure that the complementarity between the CMF and related federal programs (e.g. Trade Routes) is maintained.

The next generation of the CMF will be developed in consultation with the various segments of the Canadian music industry to help the sector harness the opportunities of new technologies and continue to have a positive impact on the careers of Canadian music creators and the creation of Canadian musical works.

As part of the renewal of the CMF terms and conditions, a logic model which includes clear, specific and measurable outcomes, will be developed.

*Completion Date: March 31, 2009*

**2. PCH should reduce the administrative workload and administration costs**

Under the existing processes, all transactions made by beneficiaries of the NMW and CI components are verified, and receipts are required for each and every transaction. Consequently, the project files for tiny \$2,000 awards are often an inch thick or more. PCH should consider implementing a risk-based approach that would be more effective in ensuring controls over program expenditures, and which would reduce the administrative workload for applicants and administrators (and potentially free up hundreds of thousands of dollars that could be switched from administrative overhead to fund either larger projects or more projects).

PCH should set a goal of reducing administration costs, and measures of process efficiency should be incorporated in the performance measurement framework for third-party administrator(s).

**Management Response – Accepted**

The Directorate will consult with recipients and the CMF third-party administrators Boards of Directors to discuss mechanisms that ensure reasonable administrative workload and administration costs.

Measures intended to reduce the administration burden and costs will be assessed by the Directorate within the context of the CMF redesign and the recommended strategies identified in the Report of the Independent Blue Ribbon Panel on Grants and Contributions Programs (December 2006).

The CMF current Risk-Based Audit Framework (RBAF) will be reviewed and redesigned with the ongoing objective of keeping administrative costs to a minimum, while continuing to implement accepted risk-based practices. The Directorate will work with the Centre of Excellence in Grants and Contributions and the Corporate Review Branch to further develop the CMF RBAF.

*Completion Date: March 31, 2009 (CMF RBAF)*

**3. PCH should continue to enhance the CMF performance measurement framework**

MPP has made good progress in developing a performance measurement framework for the CMF, as noted above, which will provide useful information to both management and stakeholders on the performance of the CMF and trends in the Canadian music industry.

The third-party administrators provide limited results-based information on the results of the particular CMF components that they administer. These organizations should be required, as part of their contractual agreements with PCH to develop appropriate performance measurement frameworks and systems, and to report relevant information to stakeholders via their annual reports and web sites.

**Management Response – Accepted**

The CMF current Results-based Management and Accountability Framework (RMAF) will be improved to further meet the performance measurement requirements of the next generation of the CMF. This will also address the recommendation of the Independent Blue Ribbon Panel on Grant and Contribution Programs calling for all RMAFs to be focused on realistic, determinable objectives. The Directorate will consult with Canadian music industry experts and work with the Centre of Excellence in Grants and Contributions and the Corporate Review Branch to validate the proposed CMF performance measurements.

The responsibility of developing the performance measurement framework of the CMF remains with the Directorate. The Directorate will continue to confer with CMF third-party administrators to ensure that clear performance measures are collected, as defined in the CMF logic model. CMF third-party administrators will

be required to report on select performance measures found in the CMF logic model in their annual report.

Further, the Directorate will work with a sub-committee of FACTOR and Musicaction boards of directors to ensure that the performance measures used by FACTOR and Musicaction are consistent with the needs of both the CMF and Canadian private radio broadcasters.

*Completion Date: March 31, 2009*

**4. PCH should conduct a governance review of the third-party administrators**

As stated in the findings section, there are concerns among key informants about the governance of some of the third-party administrators, specifically, that some board members may have been in conflict of interest.

PCH should conduct a governance review of the third-party administrators. This would include an assessment of the role of the board of directors in the process to make decisions on funding as well as the adequacy of each organization's conflict of interest/ethics policies and processes. The review should cover the timeframe from 2001 to present.

**Management Response – Accepted**

The Directorate acknowledges that there is a potential perception of conflict of interest given the role of the boards of directors of the Program's third-party administrators in making funding decisions. There is currently a requirement in the contribution agreement with each third-party administrator that they have conflict of interest policies. The Directorate will ensure there is an independent review of how each third-party administrator implements this requirement, to ensure there is no conflict of interest in deciding how funding is allocated.

*Completion Date: March 31, 2009*

**5. MPP should take the lead in developing a strategy to address the need for the collection and analysis of data on the performance of all segments of the music industry**

As stated above, MPP has made good progress in compiling and analyzing data on various aspects of the performance of the CMF, such as trends in music sales. Several key informants stated that there is insufficient data available on the health of the music industry and its segments. No one had information on, for example, trends in the incomes of Canadian songwriters and performers. And the most recent data on record labels was for 2003, and the Statistics Canada report was not published until 2005.



Information is urgently required on trends in the incomes of songwriters/artists and their sources (i.e., record sales, touring, merchandise sales, publishing, etc.).

**Management Response** – Accepted with clarification

The Directorate monitors changes in the domestic and international music sectors of the industry through an extensive data collection and analysis framework. This framework serves to further the development and measurement of the Department's music policy and programs. Each year, the results of this framework are publicly released in the Directorate's Economic Profile on the Canadian Music Industry. Further, the Directorate conducts policy research on issues affecting the music industry and publishes findings on its website. This helps ensure that the CMF serves the interests of all Canadians and remains effective and responsive to changes in various segments of the music industry.

The Directorate will continue to devote resources each year to both acquire data and undertake research studies to analyze the performance of multiple sectors of the Canadian music industry. To support Recommendation 1 of this Evaluation, emphasis will be placed on acquiring information on segments of the industry that will assist in designing the next generation of the CMF, where it is feasible to obtain such information.

*Completion Date: Ongoing*

## Appendix A – Evaluation Matrix

Evaluation Issues and Questions	Measurement Indicators	Data Collection Methods
<b>Rationale and Relevance</b>		
1. Does the CMF meet a persistent need?	<ul style="list-style-type: none"> <li>Comparison of the state of the industry in 2001 and 2006 (roles of different players, financial performance, technological adaptation, human resources, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Document and literature review.</li> <li>Analysis of financial data.</li> <li>Key informant interviews.</li> <li>Expert panel.</li> </ul>
2. Is Government intervention still justified?	<ul style="list-style-type: none"> <li>Potential impact on stakeholders if CMF were terminated.</li> <li>Status of program in achieving its long-term objectives.</li> <li>Federal government support vs. support by other levels of government</li> </ul>	<ul style="list-style-type: none"> <li>Document review.</li> <li>Analysis of financial data.</li> <li>Key informant interviews.</li> <li>Expert panel.</li> </ul>
3. Is the CMF aligned with Government priorities?	<ul style="list-style-type: none"> <li>Evidence of legal mandate of program as described in relevant Government documents</li> </ul>	<ul style="list-style-type: none"> <li>Document review.</li> <li>Key informant interviews.</li> </ul>
<b>Success/Impacts</b>		
4. To what extent has the CMF been successful in achieving its immediate outcomes?	<ul style="list-style-type: none"> <li>Existing Canadian musical works are acquired and preserved: <ul style="list-style-type: none"> <li>➤ Incremental impact of CMM funding on volume of works acquired and preserved by LAC.</li> </ul> </li> <li>Canadian music enterprises build their skills and capacity: <ul style="list-style-type: none"> <li>➤ Impact of NMW, CMD funding on building skills of Canadian entrepreneurs and artists.</li> </ul> </li> <li>Seminars, workshops, concerts, industry events take place: <ul style="list-style-type: none"> <li>➤ Impact of NMW, CI and CA funding on the number of industry events held.</li> </ul> </li> <li>New music is produced, distributed: <ul style="list-style-type: none"> <li>➤ Trends in sales of albums funded by NMW.</li> <li>➤ Incremental impact of NMW funding on production of new albums.</li> </ul> </li> <li>Sector associations build capacity to serve artists and enterprises. <ul style="list-style-type: none"> <li>➤ Impact of SSA funding on performance of recipient associations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Document and literature review.</li> <li>Analysis of financial data.</li> <li>Survey of recipients and applicants.</li> <li>Key informant interviews.</li> <li>Case studies.</li> <li>Expert panel.</li> </ul>

## Summative Evaluation of the Canada Music Fund

5. To what extent has the CMF been successful in achieving its intermediate outcomes?	<ul style="list-style-type: none"> <li>▪ Networks and virtual communities of Canadian musical artists and enterprises are created and strengthened: <ul style="list-style-type: none"> <li>➤ Impacts of CMF funding on creating/strengthening networks in industry.</li> </ul> </li> <li>▪ Audiences are exposed to and purchase Canadian music. <ul style="list-style-type: none"> <li>➤ Trends in sales of NMW and CMD-funded albums.</li> </ul> </li> <li>▪ Quantity, quality, diversity of Canadian sound recordings is improved. <ul style="list-style-type: none"> <li>➤ Impacts of NMW, CMD support on quantity, quality, diversity of funded albums.</li> </ul> </li> <li>▪ Public policy and programs adapt to the interests of Canadian music: <ul style="list-style-type: none"> <li>➤ Extent to which CMF has adapted to changing needs of Canadian music industry.</li> </ul> </li> <li>▪ Canadian musical artists and creators build their skills. <ul style="list-style-type: none"> <li>➤ Impacts of NMW, CMD and CA funding on skills development of artists and creators.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Analysis of financial data.</li> <li>▪ Survey of recipients and applicants.</li> <li>▪ Key informant interviews.</li> <li>▪ Case studies.</li> <li>▪ Expert panel.</li> </ul>
6. To what extent has the CMF contributed to the achievement of its long-term outcomes?	<ul style="list-style-type: none"> <li>▪ Economic viability of Canadian music industry is strengthened: <ul style="list-style-type: none"> <li>➤ Trends in key financial ratios of companies receiving MEP funding.</li> </ul> </li> <li>▪ Careers of Canadian music artists and creators are enhanced: <ul style="list-style-type: none"> <li>➤ Trends in royalties paid to songwriters by SOCAN.</li> <li>➤ Impacts of NMW and CMD funding on careers of artists.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Analysis of financial data.</li> <li>▪ Survey of recipients and applicants.</li> <li>▪ Key informant interviews.</li> <li>▪ Case studies.</li> <li>▪ Expert panel.</li> </ul>
7. What have been the unintended impacts and effects resulting from the CMF?	<ul style="list-style-type: none"> <li>▪ Views of key informants, recipients and non-funded applicants.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Key informant interviews.</li> <li>▪ Survey of recipients and applicants.</li> </ul>
<b>Cost-Effectiveness/Alternatives</b> 8. What is the overall cost-effectiveness of the program?	<ul style="list-style-type: none"> <li>▪ Sales of NMW-funded albums in relation to funds invested.</li> <li>▪ Trends in financial performance of MEP recipient companies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ File and database review.</li> </ul>
9. To what extent does the program duplicate or overlap with similar programs delivered through other organizations in the private, public and not-for-profit sectors?	<ul style="list-style-type: none"> <li>▪ Extent to which CMF recipients obtain funding for same projects from other programs and other levels of government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Key informant interviews.</li> <li>▪ Survey of recipients and applicants.</li> </ul>

## Summative Evaluation of the Canada Music Fund

10. Are there any program design issues that affect the achievement of desired results?	<ul style="list-style-type: none"> <li>▪ Views of key informants, recipients and non-funded applicants.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Key informant interviews.</li> <li>▪ Survey of recipients and applicants.</li> </ul>
11. Are there any delivery issues that affect the achievement of desired results?	<ul style="list-style-type: none"> <li>▪ Views of key informants.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Key informant interviews.</li> <li>▪ Survey of recipients and applicants.</li> </ul>
12. Are there alternative approaches that would be more cost-effective?	<ul style="list-style-type: none"> <li>▪ Views of key informants.</li> <li>▪ Alternative approaches used in other countries.</li> <li>▪ Opportunities for devolution, partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Document and literature review.</li> <li>▪ Key informant interviews.</li> <li>▪ Survey of recipients and applicants.</li> </ul>
13. Has the CMF implemented an ongoing performance measurement strategy and how well does the strategy provide information on program performance?	<ul style="list-style-type: none"> <li>▪ Extent to which project reporting system used by administrators captures results information.</li> </ul>	<ul style="list-style-type: none"> <li>▪ File and database review.</li> <li>▪ Document review.</li> <li>▪ Key informant interviews.</li> </ul>

## Appendix B – Summary of Findings for Canada Music Fund Components

Appendix B summarizes the major findings of the evaluation study for each of the seven components of the Canada Music Fund (CMF), which are (administrators are in parentheses):

- A. Canadian Musical Diversity (Canada Council for the Arts).
- B. New Musical Works (FACTOR and MUSICACTION).
- C. Music Entrepreneur (PCH).
- D. Support to Sector Associations (PCH).
- E. Collective Initiatives (FACTOR and MUSICACTION).
- F. Canadian Musical Memories (Library and Archives Canada).
- G. Creators' Assistance (SOCAN Foundation).

For each program, we provide a summary description, followed by the main findings of the evaluation organized by the main study issues: rationale/relevance, success/impacts, and cost-effectiveness and alternatives.

### **A. Canadian Musical Diversity (Canada Council for the Arts)**

#### **1. Description**

The objective of the Canadian Musical Diversity (CMD) component is “greater availability to Canadians of artistically-driven Canadian music.”

The component name is not used in practice; rather, the component is marketed as two separate programs, Grants for Specialized Music Recording Production and Grants for Specialized Music Recording Distribution. Both of these programs have been in existence for many years. (According to the 2004 Formative Evaluation study, the decision was made to continue using these names in order to provide continuity to the client base).

In 2005-2006, the production program awarded 85 grants, representing a total of \$905,300 in funding, an average of \$10,650 per award.<sup>51</sup>

The application guide for the recording production program states that the focus is on “specialized” music, defined as music that is primarily artistic, as opposed to music intended for the commercial market. The administrator stated that the program tends to support artists who are “not quite commercial enough” for FACTOR/MUSICACTION, i.e., they do not achieve the sales levels of more commercial artists and are not affiliated with a record label. The recipients tend to

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<sup>51</sup> Canada Council for the Arts, *Canadian Musical Diversity Program, Annual Report for 2005-06*, p. 4.

be “grassroots” artists who prefer to retain creative control; many of them are their own artist-labels. According to the administrator, they earn most of their revenue from off-stage sales, rather than from distribution of CDs via retail stores.

## **2. Rationale/Relevance**

The main aspect of the rationale for this component is that it supports non-mainstream artists who are not able to obtain support from FACTOR or MUSICACTION, as their music tends to be less commercial and does not typically qualify for support from FACTOR/MUSICACTION.

The Canada Council provides other support programs to its targeted clientele, which raised the question from key informants of why the CMD component was funded separately and included under the CMF umbrella. PCH subsequently explained that all but \$300,000 of the CMD’s budget is part of the Canada Council’s A-base. The reason the program was included as part of the CMF is that it was included in the Tomorrow Starts Today initiative. Had it not been part of this initiative, PCH stated that the additional funding would not have been made available by the Government.

Some of the sector associations and other third-party administrators did not understand why the CMF had two separate programs that both support the production of sound recordings (the other program being New Musical Works administered by FACTOR and MUSICACTION).

## **3. Success/Impacts**

Most key informants were not able to comment on the success of the CMD component, as most had little knowledge of it – the exceptions being representatives from the independent artist segment.

The administrator noted that there is a high level of demand for the production program. The program is heavily over-subscribed, and the approval rate is very low, in the range of twenty per cent annually. A strength of the application process is that it involves a formal peer review (as is the case for other Canada Council granting programs), including a review of a sample of music from the applicant. As a result, the selected applicants are viewed by the administrator as being very “high end.”

Given the nature of the recipients of funding (emerging artist-labels with little capital), we suspected that the program would be highly incremental, i.e., it produces recordings that likely would not be produced in the absence of government support. The surveys of recipients and non-funded applicants supported this prediction: the CMD component had the highest level of incrementality overall (for more details, refer to the section in the report on the

immediate outcome, “existing Canadian musical works are acquired and preserved.”

As noted under the discussion of performance measurement below, the administrator does not collect data on the results achieved by projects. The administrator estimated that typical sales for a recording are in the range of 1,000 to 2,500. Thus, revenues for a successful recording could be in the range of \$10,000 to \$25,000, based on a unit price of \$10 per CD for off-stage sales. This compares to an average project budget of about \$10,650.

According to the administrator, the focus of this program is not on sales per se; rather, the financial support provided helps the artist to continue with their music careers. Given the nature of the targeted clientele, many artists have diverse employment, including recording, touring and teaching. One of the recipients interviewed spoke passionately about the importance of the CMD component in helping to develop a successful music career. He confirmed that CD sales is not a particularly good measure for certain types of musical genres, such as contemporary classical music, since the primary objective is not to sell CDs but to produce new musical works (compositions) that are performed by orchestras around the world. In his view, the program was critical to his career, as it has led to subsequent commissions and a stable income from music.

#### **4. Cost-Effectiveness and Alternatives**

The budgets and estimated sales of CMD-supported albums are provided above.

It was noted that the application form for the CMD component (recording production program) states that the applicant can obtain support from both the Canada Council and FACTOR/MUSICACTION, thus suggesting that there is duplication between the two programs. However, given that there are only about 100 CMD awards annually, this is likely a minor issue overall.

This program was criticized by a few interviewees for being focused on only certain musical genres, e.g., classical, world, jazz, folk and Aboriginal, but excluding rock, country, new age, r & b, soul and reggae. Thus artists-labels who fall outside the genres of interest to the Canada Council and who are not commercial enough for FACTOR/MUSICACTION were felt to be largely ignored by the CMF. The point was made that if one of the objectives of the CMF is musical diversity, then the CMD component should be supporting all types of specialized music. A member of the expert panel echoed these views:

One consideration would be to increase funding to the Canada Council to allow hobby musicians access to support. The ability of individuals to create music is expanding exponentially. Tools such as Garage Pro, Pro Tools and Logic Express have put home music production into the hands

of many more Canadians. While they may not be commercially viable, they are valid statements of Canadian culture.

An issue for the sound recording program is that most of the funding on a particular project is devoted to production of the sound recording (e.g., hiring of musicians, booking a recording studio, and manufacturing the CD), and, given the small budget size of each project, few dollars are available for the marketing and promotion of the recordings. In other words, the program likely leads to the production of specialized sound recordings; whether they achieve any degree of significant sales is less likely given the difficulty of achieving market exposure.

The second program, Grants for Specialized Music Distribution, was viewed as requiring a re-design. Although the program was intended to support distributors, in reality, all of the recipients except one (Festival Distribution) are record labels, due to the “blurring” of roles in the industry. There is little demand for this program: eight applicants and six recipients in 2005-2006. Aside from the administrator, none of the key informants in the music industry was aware of this program and thus did not comment on its success. The “grassroots” artist segment certainly faces distribution issues; the question is whether the Grants for Specialized Music Distribution program is an appropriate mechanism.

Another element of the CMD component is funding provided to the Canadian Music Centre. Some key informants wondered why the funding provided to this organization fell outside of the Grants for Specialized Music Distribution. The mandate of the Canadian Music Centre (CMC) is to promote Canadian contemporary classical music. The CMC is a combined publishing house, record label and distribution organization. It has a vast archive of contemporary classical music works and offers an online marketing service, whereby consumers can sample the music of Canadian composers and purchase CDs. However, it does not yet offer an online music store, which is an issue for its 700 member composers, who are unable to land distribution deals with major labels, due to the niche market for contemporary classical music.

Each recipient of funding from the production program is required to submit a project report within three months of project completion, along with a physical copy of the sound recording. According to the project application, this report must provide information on “the impact of the grant on their [applicant] career.” We found that these end-of-project reports varied widely in terms of quality. The administrator does not provide a standard end-of-project form to be completed. Thus the format of the report varied widely from project to project. In one file, the end-of-project report was a simple letter, while another recipient used a template from a different Canada Council program. The administrator noted that the Canada Council is re-designing its project templates and plans to take a standardized approach to all of its funding programs.



As noted above, little information is available in the files on the results achieved by individual CMD projects. Recognizing the objectives of the program, we were looking for information on such questions as:

- Do projects actually get completed, i.e., what percentage of projects result in an actual sound recording?
- Do funded sound recordings get distributed?
- What sales are achieved by each project?
- How has the project helped the career of the artist?

While one application did provide sales targets (a positive feature), the end-of-project report provided no information on sales achieved to date or expected in the future. Other reports simply thanked the Canada Council for the support received and described the success of the project and the importance of the grant.

One challenge with the CMD project cycle is that the end-of-project report is required within three months of project completion (this report is required in order for the final payment to be made, which is a good control feature). This is likely too soon for the applicant to provide any information on sales results. The administrator may wish to consider a supplemental approach, e.g., an online survey at, say, one year after project completion, where the applicant would report actual sales achieved. Completing the survey would be a requirement for any future funding.

For the other CMD program (distribution), the file reviewed had a more comprehensive end-of-project report, presumably because the size of the grant was much larger. The particular project was intended to promote independent sound recordings via the insertion of CD “listening posts” in several independent record stores across Canada. The end-of-project report was more informative and detailed, and did include some information on sales achieved.

We also reviewed the annual CMD component report submitted by the Canada Council to PCH. While this report provides useful information on the demand for the program and how funds were expended, no information is provided on results achieved.

## **B. New Musical Works**

### **1. Description**

The objective of the New Musical Works component is “increased production and promotion of new Canadian music works by Canadian music artists.” The component is delivered by FACTOR and MUSICACTION.

In 2005-2006, the New Musical Works component administered by FACTOR consisted of some 18 separate programs with a budget \$12.6 million, which

supported the production and marketing of sound recordings and videos, touring and showcasing and company marketing support.<sup>52</sup>

In comparison, MUSICACTION's New Musical Work component was viewed as having a somewhat simpler structure. It has a similar mandate but has decided to deliver the same component with a fewer number of sub-programs (album production, songwriting and composition grants, national marketing, international marketing, marketing support for business and demo support). Collectively, these sub-programs had total expenditures of \$3.6 million in 2005-2006.<sup>53</sup>

The New Musical Works component is aimed at smaller producers which, if successful, will one day migrate to the MEC component. The artists include a mix of new/emerging as well as more established artists. The projects entail a higher level of risk, and music sales from these projects are reported to be much lower. This program is focused mainly on new artists.

## **2. Rationale/Relevance**

Key informants were supportive of the concept behind the New Musical Works component, i.e., to provide financial assistance to emerging artists for the production and marketing of their sound recordings, since many of these artists would not receive the same level of support from music labels in the absence of the program. Other sub-programs within the component, such as support for tours and showcases, also were viewed as very important.

## **3. Success/Impacts**

Focusing on NMW-funded artists, according to data compiled by MPP and published in the 2006 CMF Report Card, the percentage of albums and unit sales accounted for by FACTOR/MUSICACTION artists have both increased since 2001. The main body of the report contains the full analysis (see the section on intermediate outcomes, "audiences are exposed to and purchase Canadian music.")

## **4. Cost-Effectiveness and Alternatives**

An important objective of an evaluation study is to assess the value-for-money of the program being examined. This is a requirement of Treasury Board Secretariat following the passing in Parliament of the federal Accountability Act. In the case of the CMF, the NMW component is the largest of all of the components, so it was important to attempt to assess this issue for this component in particular.

As the evaluation progressed, several key informants noted that it is difficult to assess the NMW component, because the annual reports of the two administrators

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<sup>52</sup> *FACTOR Annual Report 2005/2006*, p. 9.

<sup>53</sup> *MUSICACTION Annual Report 2005-2006*, p. 8.

lack information on the sales achieved by funded albums, nor is there information on the results achieved in relation to the dollars invested. And we heard many diverging views on the NMW component, ranging from totally ineffective (“the program gives money to companies who shouldn’t be receiving support,” and, “it spends money on albums that don’t sell” and “the juries are totally incompetent at picking which albums to fund”) to a smashing success (“the funding has been critical to the success of many Canadian artists, including such superstars as Nickleback”).

Thus, we were looking for objective data to help us understand the real story.

One indicator pertaining to return on investment is the sales of funded record albums compared to the funds invested (“cost per unit”). As noted above, interviewees were divided on whether the NMW component is achieving a sufficient return on investment. PCH stated that this metric is not useful, since it is impossible to assess this metric for albums funded in any particular year, given it can take anywhere from 18 to 24 months for a funded project to result in an album reaching the market. While we agree the indicator may not be perfect, we also strongly believe it is important to use some sort of measure of return on investment. Several key informants agreed with this view, noting that record labels carefully monitor the success of artists in relation to the funds invested in them.

The main body of this evaluation report provides the analysis on this measure (see the section on cost-effectiveness).

The decision by PCH to transfer the larger labels out of FACTOR/MUSICACTION to MEC had the side effect of providing increased funding support to the smaller labels. MUSICACTION reported a significant increase in the number of applications for funding support. Consequently, MUSICACTION has tightened its criteria for funding (e.g., limit of three CDs), and the rejection rate has increased, with some dissatisfaction from applicants. Historically, MUSICACTION’s approval rates had been relatively high (in 2005-2006, 737 of 852 applications were approved, and 67 per cent of requested funding was approved). MUSICACTION is also now interfacing with a larger number of small companies. This has increased the level of financial risk.

The main criticisms of the NMW programs administered by FACTOR that are devoted to sound production and marketing were the following:

- The funding has been weighted too heavily on Direct Board Approval companies compared to the Juried programs. The perception is there is insufficient funding for new and emerging record labels and artists.
- The Juried programs were viewed as requiring a re-design. The award to application ratio is extremely low (e.g., only 5 per cent of applications were approved in 2005-06), indicating that the administrative costs are too

high in relation to funds expended. In addition, applicants tend not to like a program where the odds of success are extremely low. The approach to the Juried programs also received criticism: no guidelines, no training for jurors, and no quantitative process for assessing applications (i.e., using a set of criteria against which each application is scored).

The survey of recipients and non-funded applicants supported these views of key informants. When asked how the component could be improved, the main suggestion was to provide greater support to smaller, less established artists and companies.

It was difficult for FACTOR to produce a data file to permit the analysis of the cost per unit metric, since there is no numeric code that enables the expenditures across multiple sub-programs to be compiled for a particular album release. This deficiency in FACTOR's information database will inhibit any future work to develop a performance measurement framework and system for both the component (New Musical Works) and its individual sub-programs. The design of MUSICACTION's database appeared to make it easier to provide the requested data.

Although it was beyond the scope of the evaluation study to examine each administrator's IT/IM system, many other grants and contributions programs administered by the federal government employ customized or off-the-shelf systems (that are modelled on customer-relationship management systems used by call centres in private companies) that readily permit the extraction of management reports (including information on trends in key performance indicators, for example).

## **C. Music Entrepreneur**

### **1. Description**

The objective of the former Music Entrepreneur Program (MEP) and the current component (MEC) is to "create financially-solid Canadian sound recording firms." The objective of this component is much clearer compared to several of the other CMF components.

The program provides lump-sum annual funding to eligible firms based on established criteria such as sales and scope of activities (e.g., production, marketing, licensing). The intent is to provide high performing companies that have established a track record in music sales, increased flexibility in how they use CMF funding in promoting artists and sales, and to take more risks in promoting artists at the national and international level and pursuing new music markets. Funding is approved based on the label's business plan, financial statements, track record, and meeting certain criteria in terms of music sales and number of artists. A number of the labels approved under MEC/MEP previously

had direct board approval status under the previous arrangements with FACTOR/MUSICACTION.

## **2. Rationale/Relevance**

The MEP/MEC component generated considerable discussion among key informants.<sup>54</sup>

Most key informants agreed with the decision made by PCH to take the MEP/MEC companies (there were 13 MEP companies and 19 MEC companies in the first year of the new component) out of FACTOR/MUSICACTION and to fund them separately, so that they cannot access FACTOR/MUSICACTION programs, thus providing increased support to smaller record labels. PCH indicated that the program was modelled after a similar program for book publishing.

However, some of the MEP/MEC companies disagree with this decision, since the amount of money they will receive under the MEC component for the production and marketing of sound recordings will be considerably less than what they received previously. PCH noted that the amount they receive from MEC is less than the amount they used to receive from MEP and NMW combined, but is more than the NMW amount they would have received. This was a feature of the re-designed MEC so as to not penalize those companies that were “forced” into MEC.

Some key informants believed that the MEP/MEC component has not been successful, as they stated that the group of MEP/MEC companies have not achieved a sufficient return compared to the millions of taxpayer dollars invested over a period of many years. A typical comment was, “MEC is keeping old companies alive on government crutches.”

Thus the view was the concept of the program made sense; the issue is which companies are selected for funding, and, after several of years of assistance, to remove companies from the program if they are not making progress towards financial sustainability.

## **3. Success/Impacts**

The main body of the report provides detailed information on the financial performance of a sample of MEP recipient companies.

Some key informants referred to other published information in commenting on MEP. They referred to the 2003 Statistics Canada survey of the sound recording industry, which provides data on trends in revenues and profitability of the

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<sup>54</sup> Key informants tended not to distinguish between the former MEP component administered by Telefilm and the current MEC component administered by PCH.

Canadian-owned sector. Given the Canadian-owned sector is dominated by the MEP companies and had very marginal profitability in 2003, this led interviewees to the conclusion that the MEP program had not achieved its financial goal. Other interviewees took a different angle, stating that many of the MEP companies would not be in business today had it not been for government support.

The general view is that MEP has not led to further consolidation or partnerships within the industry, or to a more stable industry. Informants have different views concerning the sustainability of the independent labels within the music industry, and the influence of MEP on the viability of the industry. Expectations are that there will be a lot of upheaval in the industry with the changing business models—at the same time, a number of new smaller labels have arisen over the last year in Quebec.

One industry veteran who was familiar with the history of the former SRDP and CMF commented that one of the expected impacts of the Government's sound recording policy was to build large, strong Canadian companies. He stated that some consolidation of the Canadian industry should have occurred by this time, but, instead the same major companies continue to exist, heavily dependent on government subsidy. This was in contrast to other cultural sectors, particularly broadcasting, where consolidation had occurred. The expert panel echoed this perspective.

PCH noted that, as is the case with other cultural industries in Canada, free market forces alone would not generate sufficient Canadian content for the "Canadian industry" to be sustainable. The Canadian companies would take a much lower level of risk on Canadian content and invest more in licensing foreign recordings if it were not for the contribution programs.

There is also a concern that the increased flexibility provided to the larger labels under MEC will discourage them from supporting new talent and will encourage them to focus on a small and select number of artists. This would run counter to one of the CMF objectives, which is to foster new Canadian talent. Others argue that the New Musical Works program is intended to create new artists (at the time of their first or second album), whereas MEC is intended to support developing artists (as opposed to creating new talent). In any case, PCH management is aware of this concern and plans to monitor the performance of the labels in artist investment relative to the amount of CMF support received.

On the other hand, key informants who were critical of the MEP/MEC component noted that at least some of the Canadian-owned labels had been successful in identifying Canadian talent. As noted in the 2003 Statistics Canada survey, while the major (foreign-owned) labels comprise 85 per cent of the Canadian retail market, they produced only 100 new Canadian releases in 2003, less than one-half the number of Canadian releases by these same companies in 1998. In contrast,

the smaller Canadian-controlled companies released 804 new Canadian releases in 2003, a drop of only 17 releases from 1998.

An expert committee with representation from various sectors of the music industry has been established to review the eligibility criteria, the formula and the performance of MEC on an annual basis. This is perceived favourably by stakeholders, and is seen as an opportunity to make program changes if performance is lacking in terms of meeting program objectives – that is, supporting Canadian artists or generating music sales.

#### **4. Cost-Effectiveness and Alternatives**

Musical Works programs administered by MUSICACTION/FACTOR. For example, one company said it was able to reduce the number of staff by one because of the reduced administrative workload.

Given each MEC recipient is currently nearing the end of the two-year project cycle, no end-of-project reports have yet been submitted, although there is the requirement to do so. Thus, it is premature to assess the impacts of the current round of MEC funding on the financial health of each company.

However, because MEC companies were required to submit detailed historical financial information, it has been possible for PCH to analyze the financial performance of companies. The CMF annual report includes detailed information. This is a positive feature of the program's performance measurement framework. The main body of the present report provides our analysis.

### **D. Support to Sector Associations**

#### **1. Description**

The objective of the Support to Sector Associations (SSA) component is “to enhance the capabilities of industry associations to support and represent their members and to help shape the government’s policies for the industry.”

Under the SSA component, national sector associations are provided with “infrastructure” funding to help cover operating costs (e.g., staff salaries, website upgrades). Contributions are renewed annually based on admissible expenses. Some nine associations currently receive support under this component. The expenditures in 2005-2006 were \$566,203.

#### **2. Rationale/Relevance**

Key informants were supportive of the SSA component. They noted that given the fragile state of the Canadian-owned sector, membership fees for these associations typically cover only a small percentage of operating costs (in one example, 10 per cent to 15 per cent).

One aspect of the component's rationale is that by having strong industry associations, the Government benefits from better quality advice on policy. In the absence of industry associations, the Government would be forced to interact with hundreds of individual companies, which would make policy development much more complex and less effective.

Some key informants were concerned about the future of this program, since financial support for infrastructure was inconsistent with the approach taken by most federal grants and contributions programs, which fund distinct projects with defined outputs/deliverables and measurable objectives.

### **3. Success/Impacts**

Not surprisingly, all of the sector associations interviewed that had received SSA support were highly supportive of this component.

The SSA component is viewed as important for enabling the associations to support PCH management in developing and managing changes to programs, and to provide the views of their members regarding proposed program changes or feedback with respect to new departmental initiatives.

None of the associations was able to provide any quantitative evidence to demonstrate how the SSA financial support has improved their performance (in terms of, for example, improved service to members, trends in membership revenues, or whether their policy capacity had been enhanced). A few key informants noted that no performance indicators apparently had been established for this component, making it impossible for them to comment on impacts or effectiveness.

MPP had intended to conduct a survey of the members of the associations as part of the overall evaluation study, but approval was not obtained in time for the survey to be carried out.

### **4. Cost-Effectiveness and Alternatives**

It was not possible to assess cost-effectiveness, due to the absence of quantitative data on the impacts of the SSA component.

It is not evident when government financial support to a particular association may no longer be needed. Presumably, at some point in the future and after many years of government support (totalling more than one million dollars for some recipient associations), one might expect each association to have improved its services to the point where government support is no longer required. After four years of funding under the current CMF cycle, it is not evident where each association currently is positioned in terms of achieving the specific objectives of the SSA component.



A particularly good feature of the original application by CIRPA is that the association had an external consultant carry out an assessment of the organization, describing its financial position and challenges and providing an action plan for improvement. This assessment thus provided a “baseline” assessment of the association prior to the receipt of SSA funds. PCH might consider requiring this association to carry out a follow-up assessment, in order to provide a critique of its financial situation, performance and capabilities. Similarly, the other major recipient (ADISQ) could be required to undergo an assessment as well. This would help each association decide what specific types of support are required from the CMF in the future.

A gap in the component identified by key informants was the lack of support to regional music industry associations. While an argument can be made that provincial governments should be a source of funding, interviewees noted the difficult financial situations faced by many provincial governments over the past decade, and that culture was not high on the list of public policy priorities. On the other hand, it was noted that the Collective Initiatives component does provide support to some of the regional music associations (e.g., to put on music award shows).

Several improvement opportunities were identified. The SSA component does not allow for multi-year funding, and it does not permit any carry-overs from year-to-year. In comparison, a parallel program at the provincial level (Conseil des Arts et Lettres in Quebec) provides for three-year funding.

A suggestion was made for this component to support the establishment of a network of regional music industry associations.

Recipient associations also complained about the onerous application process.

Some of the sector associations called on PCH to bring the associations together to discuss the strengths, weaknesses and modifications required. As one interviewee noted, “All of my contacts with PCH regarding the SSA component are made informally at festivals and conferences.” Communications with PCH could be strengthened, for example, via an annual visit by PCH to each association or an annual meeting of all SSA recipients.

## **E. Collective Initiatives**

### **1. Description**

The objective of the Collective Initiatives component is a “strengthened market presence of Canadian music artists, creators and sound recording labels.”

## **2. Rationale/Relevance**

The support provided by the Collective Initiatives component to international markets and festivals was highly valued, as it has enabled Canadian companies and artists to attend important international events, which they would not be able to attend in the absence of government support. Two events often mentioned were MIDEM in Cannes, France and South by Southwest (SXSW) in Austin, Texas.

PCH noted that there is some confusion in the industry regarding the sources of funding for these international initiatives: the CI component funds the Canada Stand at international markets while the NMW component funds the labels that attend these events.

## **3. Success/Impacts**

Information on the impacts of this component is provided in the main body of this report in the section on success/impacts pertaining to the outcome, “seminars, workshops, concerts, industry events take place.” The conclusion is that, in the absence of CI support, most of the funded events would have gone ahead but would have been significantly reduced in size or scope.

Interviewee strongly believed in the importance of collective initiatives, as they reach a large number of members of the music industry, particularly the regional music associations that are not eligible for support under the Support to Sector Associations component.

CIRPA coordinates the “Canada Stand” at MIDEM and SXSW. The association’s research has indicated that the participation of Canadian music companies at these events is highly beneficial and yields a positive ROI for the funds invested. PCH provided a copy of a survey report prepared for the annual MIDEM event, which confirmed this view of informants.

Another event that received very high marks from several interviewees was the Music Café at the Toronto International Film Festival, which has enabled Canadian artists and labels to sign synch deals with Hollywood films. A major theme of the key informant interviews is that the CMF works best when it funds these very specific but practical types of initiatives that benefit the artist.

## **4. Cost-Effectiveness and Alternatives**

One issue identified was duplication between the Trade Routes program administered by PCH and the support provided by Collective Initiatives. The Trade Routes program provides about \$260K in funding annually to support a variety of collective initiatives activities, such as providing travel support to Canadian music companies to travel to international markets, such as MIDEM.

The CMF's Collective Initiatives component administered by FACTOR/MUSICACTION also provides the same type of support (about \$1.6 million). Representatives of Trade Routes had identified this issue and were working with CMF program personnel to ensure that there would be no duplication between the two programs going forward.

## **F. Canadian Musical Memories**

### **1. Description**

The objective of the Canadian Musical Memories component is that "Canadian sound recordings will survive beyond their initial distribution and continue to be listened to by Canadians in the future."

Under this component, Library and Archives Canada (LAC) receives about \$360K annually that supplements the organization's A-base budget for its Music Section. The funding is used to staff about two FTEs within a total staff size of twelve for the unit.

The AV Preservation Trust is the second program recipient under this component, which is administered by PCH. It is a not-for-profit organization with a national mandate to encourage the preservation, conservation, access and awareness of Canadian audio and video works. It receives a maximum of \$175K in CMF funding annually via a contribution agreement with PCH. While the LAC's funds are used for internal preservation priorities, the AV Trust supports preservation projects undertaken by other organizations across Canada. About \$90K is used to fund some six to seven small projects submitted by outside organizations. An example is Music ProgresSon, which has digitally re-mastered the recordings of a famous 1970s Quebec band and made the collection available online. Outside of the administrator, none of the key informants commented on the work of the AV Preservation Trust.

### **2. Rationale/Relevance**

Key informants were supportive of the objectives of this component, i.e., to acquire and preserve Canadian sound recordings, but several did not understand the reason for including this activity under the umbrella of the CMF.

### **3. Success/Impacts**

Much of the funding received by LAC has been used to catalogue the huge backlog of LPs that have been acquired since the Legal Deposit requirement was established in 1970. To date, approximately 45 per cent of the entire collection of about 300,000 recordings has been catalogued.

One positive impact of LAC's participation in the CMF administrators' meetings is that FACTOR implemented a policy to withhold final payment to recipients of funding from its sound recording production programs until the funded album has met the legal deposit requirement.

The Music Section has focused solely on physical recordings to date. As of January 2007, LAC was to start processing digitized records of other cultural media, but not of sound recordings, due to budget limitations.

LAC also receives funding from another program in PCH, Canadian Culture Online. This funding was used to establish the "Virtual Gramophone," which provides online access to some 1.5 million songs from Canada's musical heritage. This website is the second-most visited website at LAC, after its on-line catalogue (called "Amicus"). LAC views the Virtual Gramophone as a tremendous success, which was confirmed by another key informant. However, the funding for this program was cut by Canadian Culture Online in 2006, and the future is unclear.

From the perspective of LAC, it is impossible to separate out the impact of CMF funding from the organization's A-base and the funds received separately from PCH via Canadian Culture Online. Overall, music was believed to be a secondary priority of Library and Archives Canada (compared to other cultural media). Had the CMF funds simply been incorporated into LAC's A-base, they likely would have been diverted to other management priorities. Overall, the CMF funds were viewed to as having had an incremental impact on the cataloguing of sound recordings, but less of an impact on providing Canadians with access to Canadian music (the Canadian Culture Online funding was viewed as more pertinent to the achievement of this objective).

#### **4. Cost-Effectiveness and Alternatives**

As noted above, the main alternative discussed by key informants would be to shift the funding for this component out of the CMF and add it to the LAC's A-base. The evidence also indicates that the current budget of the Music Section at LAC is insufficient compared to the volume of recordings that need to be catalogued and eventually digitized.

### **G. Creators' Assistance**

#### **1. Description**

The objective of the Creators' Assistance (CA) component is "the skills of Canadian music creators are enhanced, thereby increasing the quality, quantity and diversity of songs written by Canadians."

This component is administered by the SOCAN Foundation. Recipients use the funding to provide training workshops to composers and songwriters. For

example, SPACQ in Quebec provides training to composers via a variety of forums, including music festivals, mentorship programs with McGill University, etc., and to songwriters through writing workshops held across the country.

**2. Rationale/Relevance**

Key informants were generally supportive of this component, although few had a good understanding of its operations. All informants noted the importance of providing support for training of songwriters and composers.

**3. Success**

No information is available on the impacts of this component, as no independent evaluation studies of individual projects had been conducted. The administrator noted that this component lacks results-based information.

**4. Cost-Effectiveness and Alternatives**

Three issues were identified. First, this component receives few applications each year, and some of the same organizations have been selected year after year (the dependency issue discussed elsewhere).

Second, there was also some concern that at least one of the funded projects was not consistent with the objective of the program. The Canadian Music Centre has developed a program called “New Music in New Places,” whereby contemporary classical music is performed in non-traditional venues (e.g., airport lounges, bars and restaurants), thus exposing this musical genre to new audiences. While not doubting the importance and success of this program, it was viewed as not being aligned with the objectives of the Creators’ Assistance component, which pertain to training and skills development.

The other issue is confusion within the targeted client community between the Creators’ Assistance component and the support for skills development funded by FACTOR under the New Musical Works component. Indeed, the SOCAN Foundation noted that it frequently gets calls from composers asking whether they are eligible for assistance, only to be told that the component provides funding to associations, not individuals. Another key informant confirmed this issue.

While the SOCAN Foundation was given high marks for its relatively low administrative costs, there were some criticisms of its project selection process, including a concern with the composition of the board (perceived conflict-of-interest).

As with many of the other components, no attempt has been made by the recipient organizations to formally and objectively measure the results achieved by the funded projects. However, it is difficult to build in an independent evaluation of

each project, given the relatively small budget of each project. This could be addressed by providing multi-year funding, so that an evaluation component could be funded and built into the major projects (permitting a before-after comparison on various metrics, for example).

## Appendix C – List of Key Informants

NAME*	TITLE AND ORGANIZATION	CITY
<b>DEPARTMENT OF CANADIAN HERITAGE SENIOR MANAGERS</b>		
1. Jean-François Bernier Annette Gibbons	Director General, Cultural Industries Associate Director General, Cultural Industries Department of Canadian Heritage	Gatineau QC
2. Pierre Lalonde	Director, Music Policy and Programs, Cultural Industries Department of Canadian Heritage	Gatineau QC
<b>DEPARTMENT OF CANADIAN HERITAGE CMF PROGRAM MANAGERS</b>		
3. Marcel Morin Christine Duplessis	Manager, Program Development Senior Policy Analyst Music Policy and Programs, Cultural Industries, Department of Canadian Heritage	Gatineau QC
4. Pierre Carpentier  Christine Renaud	Head, Support to Sector Associations Component Administration Head, Music Entrepreneur Component Administration Music Policy and Programs, Cultural Industries, Department of Canadian Heritage	Gatineau QC
<b>OTHER DEPARTMENT OF CANADIAN HERITAGE REPRESENTATIVES</b>		
5. Céline Duguay Paul Roch	Director Senior Trade Development Officer Trade and Investment Development Department of Canadian Heritage	Gatineau QC
6. Michel Normandeau	Director, Projects Director General's Office, Cultural Industries Department of Canadian Heritage	Gatineau QC
<b>CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION</b>		
7. Michael Amodeo	Manager, Radio Policy Broadcasting Canadian Radio-television and Telecommunications Commission	Gatineau QC
<b>FORMER MEMBERS OF THE CANADA MUSIC COUNCIL</b>		
8. Rosaire Archambault	Président	Montreal QC

## Summative Evaluation of the Canada Music Fund

NAME*	TITLE AND ORGANIZATION	CITY
	Editorial Avenue	
9. Michel Arpin	Commissioner Vice-Chairperson, Broadcasting Canadian Radio and Television Commission (CRTC)	Gatineau, QC
<b>CMF ADMINISTRATORS</b>		
10.	Foundation Assisting Canadian Talent on Recordings (FACTOR)	Toronto ON
11.	MUSICACTION	Montréal QC
12.	Canada Council for the Arts	Ottawa ON
13.	Library and Archives Canada	Gatineau QC
14.	SOCAN Foundation	Toronto ON
<b>INDUSTRY ASSOCIATIONS</b>		
15.	Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ)	Montréal QC
16.	Canadian Independent Record Production Association (CIRPA)	Toronto ON
17.	Canadian Recording Industry Association (CRIA)	Toronto ON
18.	Songwriters Association of Canada (SAC)	Toronto ON
19.	Société professionnelles des auteurs et	Montréal QC



## Summative Evaluation of the Canada Music Fund

NAME*	TITLE AND ORGANIZATION	CITY
	compositeurs du Québec (SPACQ)	
20.	Canadian Music Publishers Association (CMPA)	Toronto ON
21.	Canadian Association of Broadcasters	Ottawa ON
22.	Association des professionnels de l'édition musicale (APEM)	Montréal QC
23.	Music Managers Forum Canada	Toronto ON
24.	Alliance nationale de l'industrie musicale (ANIM)	Ottawa, ON
25.	Manitoba Audio Recording Industry Association (MARIA)	Winnipeg MN
<b>PROVINCIAL FUNDING AGENCIES</b>		
26.	Ontario Media Development Corporation (OMDC)	Toronto ON
<b>OTHER INDUSTRY REPRESENTATIVES</b>		
27.	Indie Pool Canada Inc.	Toronto ON
28.	AV Preservation Trust	Ottawa ON
29.	Canadian Music Centre	Toronto ON
30.	Puretracks Inc.	Toronto ON
31.	Radio Starmaker Fund	Halifax NS
32.	MapleMusic Recordings	Toronto ON
33.	Contemporary Classical Music Composer	Toronto ON

\* In accordance with PCH policy, the names of individuals interviewed in organizations other than the federal government have been withheld.

## **Appendix D – Data Collection Instruments**

- Survey Questionnaires: Recipients and Non-funded Applicants
- Key Informants Interview Guide
- Expert Panel Questionnaire

***Survey of the Canada Music Fund  
Recipients Questionnaire***

Thank you for agreeing to participate in a survey about the Canada Music Fund, a program funded by the Department of Canadian Heritage. We have randomly selected your name and/or company/organization from a list of applicants that was provided to us by **[INSERT 3RD PARTY DELIVERY ORG.]** for the **[INSERT CMF COMPONENT NAME]**, which is a component of the Canada Music Fund. **[INSERT 3RD PARTY DELIVERY ORG.]** recently sent you a letter by e-mail describing this survey and the purpose of the Evaluation of the Canada Music Fund.

As mentioned in the letter, all information collected by this survey will only be reported in aggregate form to ensure your anonymity. Your individual responses will be kept confidential by Kelly Sears Consulting Group and Phase 5, and will not be used for any purposes other than this evaluation study. This survey will take about 15 minutes to complete. Should you have any questions or technical problems with the survey, please contact **[INSERT PHASE 5 CONTACT NAME AND E-MAIL ADDRESS]**.

<b><i>INDIVIDUAL AND ORGANIZATION INFORMATION</i></b>
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1. Did you apply to the **[INSERT CMF COMPONENT NAME]** as an individual, or as an organization? (*Select one only*):

- 1 Individual (Skip to “Individual Questions” – Q.2)
- 2 Organization (Skip to “Organization Questions” – Q.6)

***“INDIVIDUAL QUESTIONS”***

2. What is your current role in the music industry? *Check all that apply*:

- 1 Artist/performer
- 2 Songwriter/composer
- 3 Manager (of artists)
- 4 Promoter
- 5 Publisher
- 5 Producer
- 6 Distributor
- 7 Retailer
- 8 Label
- 9 Other (please specify) \_\_\_\_\_

3. What type of music do you perform, produce, compose, etc.? *Check all that apply*:

- 01 Adult contemporary
- 02 Alternative
- 03 Childrens
- 04 Classical
- 05 Country
- 06 Dance

- 07 Hard music  
08 Jazz  
09 Pop  
10 Reggae  
11 Rock  
12 Roots  
13 Urban  
14 World  
97 Other (specify) \_\_\_\_\_
4. Over the past five years, aside from the funding you received from **[INSERT NAME OF THIRD-PARTY ORG.]**, have you received funding from any of the following sources to assist you with your music? *Check all that apply:*
- 01 Federal government  
02 Provincial/territorial government  
03 Municipal government  
04 Private sector (SKIP TO Q. 13)  
05 Other sources (SKIP TO Q.13)  
06 Have not received funding from any other source (SKIP TO Q.13)
5. From which particular government program(s) did you receive funding?
- 01 Program 1 (specify) \_\_\_\_\_  
02 Program 2 (specify) \_\_\_\_\_  
03 Program 3 (specify) \_\_\_\_\_
- (SKIP TO Q.13)**

***“ORGANIZATION QUESTIONS”***

6. Is your organization a business or a non-profit organization?
- 01 Business  
02 Non-profit organization
7. Which of the following describes your organization’s primary role in the music industry?  
*Select all that apply:*
- NOTE: IF MORE THAN ONE SELECTED, DISPLAY LIST AND ASK: Which is your primary role in the music industry? Select one:*
- 01 Manager (of artists)  
02 Promoter  
03 Publisher  
04 Producer  
05 Distributor

- 06     Retailer  
07     Label  
08     Membership association for artists/performers/labels  
09     Membership association for songwriters/composers  
10     Membership association for entrepreneurs  
97     Other (please specify) \_\_\_\_\_
8.     What are the main types of music that your organization focuses on? *Check all that apply:*
- 01     Adult contemporary  
02     Alternative  
03     Children's  
04     Classical  
05     Country  
06     Dance  
07     Hard music  
08     Jazz  
09     Pop  
10     Reggae  
11     Rock  
12     Roots  
13     Urban  
14     World  
97     Other (please specify) \_\_\_\_\_
9.     Over the past five years, aside from the funding you received from **[INSERT NAME OF THIRD-PARTY ORG.]**, has your organization received funding from any of the following sources to assist your organization with its music? *Check all that apply:*
- 01     Federal government  
02     Provincial/territorial government  
03     Municipal government  
04     Private sector (SKIP TO Q. 11)  
05     Other sources (SKIP TO Q. 11)  
06     Have not received funding from any other source (SKIP TO Q.11)
10.    From which government program(s) did your organization receive funding?
- 01     Program 1 (specify) \_\_\_\_\_  
02     Program 2 (specify) \_\_\_\_\_  
03     Program 3 (specify) \_\_\_\_\_
11.    How many employees ("full-time equivalents") currently work for your business/organization? (Note, one full-time equivalent is defined as one full-time employee; two part-time employees who each work half a day would be equal to one full-time equivalent).
- \_\_\_\_\_ # of employees (full-time equivalents)

12. What is the geographic scope of your business/organization? Is it...

- 01 Local/regional
- 02 Provincial
- 03 National
- 04 International?

<b><i>PROJECT INFORMATION</i></b>
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The next few questions are about a particular project that you received funding for from the **[INSERT CMF COMPONENT NAME]**. The one project that we would like you to think about specifically is **[INSERT PROJECT TITLE FROM RANDOM PROJECT]**. According to program records, you received funding for this project in **[INSERT FISCAL YEAR]**.

13. Do you recall this project?

- 01 Yes
- 02 No (SKIP TO Q.27)

14. What was the main purpose of this project? *Select all that apply:*

***NOTE: USE RESPONSE SET THAT CORRESPONDS TO PARTICULAR CMF COMPONENT***

**FOR CANADIAN MUSICAL DIVERSITY PROJECTS**

- 01 Production of a CD, DVD or video
- 02 Distribution of a music recording

**FOR NEW MUSICAL WORKS PROJECTS**

- 01 Production of a sound recording or DVD
- 02 Production of a video
- 03 Marketing and promotion of a sound recording
- 04 Touring and showcasing of an artist
- 05 Funding to companies to assist with domestic and international business development

**FOR COLLECTIVE INITIATIVES PROJECTS**

- 01 Educational or professional information session/seminar/conference
- 02 Songwriter's workshop or seminar
- 03 Television awards show
- 04 Other industry event

15. Did this project receive funding from other sources (e.g., internal funds, outside investors, other programs), beyond that provided by the **[INSERT CMF COMPONENT NAME]**?

01 Yes  
02 No (SKIP to Q.20)

16. What percentage of the overall project budget was provided by the **[INSERT CMF COMPONENT NAME]**?

\_\_\_\_\_ % of the overall project budget

17. Did the funding you received from **[INSERT CMF COMPONENT NAME]** assist you in any way to obtain additional funding from other sources?

01 Yes  
02 No

18. How would you rate the benefits of this project? For each benefit, please respond using a 5-point scale, where 1 means “not at all” and 5 means “to a great extent”. If it is too early tell, please check “too early to tell”.

**NOTE: USE THE RELEVANT TABLE A, B or C DEPENDING ON THE CMF COMPONENT.**

**A. FOR PROJECTS FUNDED BY CANADIAN MUSICAL DIVERSITY**

<b><i>Rate this project in terms of the following benefits</i></b>	1 Not at all	2	3	4	5 To a great extent	Too Early to Tell
a) increased the sales of the sound recording	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) improved the technical quality of the sound recording	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) increased the amount of promotion/marketing of the sound recording	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) enhanced the career of the funded artist	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) enhanced the capabilities of the organization that produced/distributed the recording	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

**B. FOR PROJECTS FUNDED BY NEW MUSICAL WORKS**

*NOTE: IF RESPONDENT SELECTED 01 OR 02 IN Q.16, DISPLAY all choices.*

*IF RESPONDENT SELECTED 03 IN Q.16, DISPLAY a), c), d), e), f).*

*IF RESPONDENT SELECTED 04, USE a), c), d), e), f).*

*IF RESPONDENT SELECTED 05, USE e), f).*

<b><i>Rate this project in terms of the following benefits</i></b>	1 Not at all	2	3	4	5 To a great extent	Too Early to Tell
a) increased the sales of the sound recording, DVD or video	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) increased the technical quality of the sound recording, DVD or video	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) increased promotion/marketing of the music recording or artist	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) enhanced the career of the funded artist	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) enhanced the capabilities (marketing, sales, etc.) of the organization	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
f) improved the financial performance of the organization	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

**C. FOR PROJECTS FUNDED BY COLLECTIVE INITIATIVES**

<b><i>Rate this project in terms of the following benefits</i></b>	1 Not at all	2	3	4	5 To a great extent	Too Early to Tell
a) increased skills development for artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) increased networking among artists and entrepreneurs	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) increased sharing of best practices among artists and entrepreneurs	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) increased market exposure for artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

19. What other benefits, if any, were achieved as a result of receiving funding for this project?

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- 02 None
20. What negative impacts, if any, did you or your organization experience as a result of the funding you received from the program for this project?

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- 02 None
21. Overall, to what extent was this project successful? Respond using a 5-point scale, where “1” is “very unsuccessful” and “5” is “very successful.” If the project is not completed, select “it is too early to tell.” *Select one:*

- 1 Very unsuccessful
- 2
- 3
- 4
- 5 Very successful
- 8 It is too early to tell, as the project is still ongoing

22. If the project had not received assistance from **[INSERT CMF COMPONENT NAME]**, what would have happened to this project? The project would have...*Check most appropriate response:*

- 01 Project would not have been carried out
- 02 Project would have been carried out, but significantly reduced in size or scope
- 03 Project would have been carried out, but slightly reduced in size or scope
- 04 Project would have been carried out, but at a later point in time
- 05 Project would have been carried out with no changes
- 09 Don't know/not sure

**VIEWS ON CMF**

23. Next, we would like to ask your level of satisfaction with various aspects of the **[INSERT COMPONENT NAME]**. Using a 1-5 satisfaction scale, where 1 is “very dissatisfied” and 5 is “very satisfied”, how satisfied were you with:

	1 Very dissatisfied	2	3	4	5 Very satisfied	Not sure / don't know
a) Availability of information about the	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

Summative Evaluation of the Canada Music Fund

program						
b) Clarity of information about the program	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) Clarity of application forms	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) Appropriateness of eligibility criteria	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) Helpfulness of staff in [INSERT NAME OF THIRD-PARTY DELIVERY ORG.]	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
f) Reporting requirements	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
g) Amount of funding received	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

24. Overall, what is your overall level of satisfaction with the [INSERT COMPONENT NAME]?

	1 Very dissatisfied	2	3	4	5 Very satisfie d	Not sure / don't know
Overall level of satisfaction	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

25. Do you believe that the federal government should continue to fund the [INSERT CMF COMPONENT NAME]?

- 01 Yes  
02 No

26. Why do you believe this?

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27. The federal government provides support to many types of activities under the Canada Music Fund. In your view, how important is each type of support to the growth and development of the Canadian music industry? Please use a 1-5 importance scale, where 1 is “not at all important” and 5 is “very important.”

<i>Type of support</i>	1 Not at all	2	3	4	5 Very	Not sure /
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## Summative Evaluation of the Canada Music Fund

	important				Important	don't know
a) Funding to <i>produce</i> CDs/videos of Canadian artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) Funding to <i>promote</i> new CDs/videos of Canadian artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) Funding to support the creation/production/marketing of specialized music (i.e., non-mainstream music) in particular	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) Funding support to workshops/events for professional development of members of the Canadian music industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) Funding support to television awards shows that reward excellence in Canadian music	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
f) Funding to the federal government's Libraries and Archives department for the preservation of Canadian musical recordings	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
g) Funding support to Canadian artists to perform at domestic and international showcases and tours	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
h) Funding support to Canadian music industry associations to provide their members with professional support and representation	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
i) Funding support to domestic and international business development for Canadian entrepreneurs	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

28. Finally, do you have any other comments on the Canada Music Fund, particularly in the area of suggested improvements?

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That ends the survey. Thank you for your participation!

SUBMIT QUESTIONNAIRE.

***Survey of the Canada Music Fund  
Non-Funded Applicants Questionnaire***

Thank you for agreeing to participate in a survey about the Canada Music Fund, a program funded by the Department of Canadian Heritage. We have randomly selected your name and/or company/organization from a list of applicants that was provided to us by **[INSERT 3RD PARTY DELIVERY ORG.]** for the **[INSERT CMF COMPONENT NAME]**, which is a component of the Canada Music Fund. **[INSERT 3RD PARTY DELIVERY ORG.]** recently sent you a brief letter by e-mail describing this survey and the purpose of the Evaluation of the Canada Music Fund.

As mentioned in the letter, all information collected by this survey will only be reported in aggregate form to ensure your anonymity. Your individual responses will be kept confidential by Kelly Sears Consulting Group and Phase 5, and will not be used for any purposes other than this evaluation study. This survey will take about 15 minutes to complete. Should you have any questions or technical problems with the survey, please contact **[INSERT PHASE 5 CONTACT NAME AND E-MAIL ADDRESS]**.

<b><i>INDIVIDUAL AND COMPANY INFORMATION</i></b>
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1. Did you apply to the **[INSERT CMF COMPONENT NAME]** as an individual, or as an organization? (Select one only):

- 1 Individual (Skip to “Individual Questions” – Q.2)
- 2 Organization (Skip to “Organization Questions” – Q.7)

***“INDIVIDUAL QUESTIONS”***

2. What is your current role in the music industry? *Check all that apply:*

- 1 Artist/performer
- 2 Songwriter/composer
- 3 Manager (of artists)
- 4 Promoter
- 5 Publisher
- 5 Producer
- 6 Distributor
- 7 Retailer
- 8 Label
- 9 Other (please specify) \_\_\_\_\_

3. What type of music do you perform, produce, compose, etc.? *Check all that apply:*

- 01 Adult contemporary
- 02 Alternative
- 03 Childrens
- 04 Classical
- 05 Country
- 06 Dance

- 07     Hard music  
08     Jazz  
09     Pop  
10     Reggae  
11     Rock  
12     Roots  
13     Urban  
14     World  
97     Other (specify) \_\_\_\_\_
4.     Over the past five years, did you receive funding from any other public or private sources to assist you with your music?
- 01     Yes  
02     No (SKIP to Q 15)
5.     From which sources? Check all that apply:
- 01     Federal government  
02     Provincial/territorial government  
03     Municipal government  
04     Private sector (SKIP TO Q. 15)  
05     Other sources (SKIP TO Q.15)
6.     From which particular government program or programs did you receive funding?
- 01     Program 1 (specify) \_\_\_\_\_  
02     Program 2 (specify) \_\_\_\_\_  
03     Program 3 (specify) \_\_\_\_\_
- (SKIP TO Q.15)**

***“ORGANIZATION QUESTIONS”***

7.     Is your organization a business or a non-profit organization?
- 01     Business  
02     Non-profit organization
8.     Which of the following best describes your business/organization’s primary role in the music industry? *Select all that apply:*
- NOTE: IF MORE THAN ONE SELECTED, ASK: Which is your primary role in the music industry?*
- 01     Manager (of artists)

- 02 Promoter
  - 03 Publisher
  - 04 Producer
  - 05 Distributor
  - 06 Retailer
  - 07 Label
  - 08 Membership association for artists/performers/labels
  - 09 Membership association for songwriters/composers
  - 10 Membership association for entrepreneurs
  
  - 97 Other (please specify) \_\_\_\_\_
9. What are the main types of music that your organization focuses on? *Check all that apply:*
- 01 Adult contemporary
  - 02 Alternative
  - 03 Children's
  - 04 Classical
  - 05 Country
  - 06 Dance
  - 07 Hard music
  - 08 Jazz
  - 09 Pop
  - 10 Reggae
  - 11 Rock
  - 12 Roots
  - 13 Urban
  - 14 World
  - 97 Other (describe) \_\_\_\_\_
10. Over the past five years, has your organization received funding from any other public or private sources to assist your organization with its music?
- 01 Yes
  - 02 No (SKIP to Q. 13)
11. From which sources? Check all that apply:
- 01 Federal government
  - 02 Provincial/territorial government
  - 03 Municipal government
  - 04 Private sector (SKIP TO Q. 13)
  - 05 Other sources (SKIP TO Q. 13)
12. From which government program or programs?
- 01 Program 1 (specify) \_\_\_\_\_

- 02      Program 2 (specify) \_\_\_\_\_
- 03      Program 3 (specify) \_\_\_\_\_
13.      How many employees (“full-time equivalents”) currently work for your business/organization? (Note, one full-time equivalent is defined as one full-time employee; two part-time employees who each work half a day would be equal to one full-time equivalent).
- \_\_\_\_\_ # of employees
14. What is the geographic scope of your business/organization? Is it...
- 01      Local/regional
- 02      Provincial
- 03      National
- 04      International?

<b>CMF APPLICATION INFORMATION</b>
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- The next few questions are about a particular application you submitted to the **[INSERT CMF COMPONENT NAME]**. The one application that we would like you to think about specifically is **[INSERT PROJECT TITLE FROM RANDOM PROJECT]**. According to program records, you applied for funding in **[INSERT FISCAL YEAR]**.
15.      Do you recall this application?
- 01      Yes
- 02      No (SKIP TO Q.18)
16.      For this application that your business/organization applied for under **[INSERT CMF COMPONENT NAME]**, what did you plan to use the funding for? *Select all that apply:*
- NOTE: USE RESPONSE SET THAT CORRESPONDS TO PARTICULAR CMF COMPONENT*

**FOR CANADIAN MUSICAL DIVERSITY PROJECTS**

- 01      Production of a CD, DVD or video
- 02      Distribution of a music recording

**FOR NEW MUSICAL WORKS PROJECTS**

- 01      Production of a sound recording or DVD
- 02      Production of a video
- 03      Marketing and promotion of a sound recording
- 04      Touring and showcasing of an artist
- 05      Funding to companies to assist with domestic and international business development



FOR COLLECTIVE INITIATIVES PROJECTS

- 01 Educational or professional information session/seminar/conference
- 02 Songwriter's workshop or seminar
- 03 Television awards show
- 04 Other industry event

17. What happened to this project? Select one:

- 01 Project was not carried out
- 02 Project was carried out, but significantly reduced in size or scope
- 03 Project was carried out, but slightly reduced in size or scope
- 04 Project was carried out, but at a later point in time
- 05 Project was carried out, with no changes

**VIEWS ON CMF**

18. Next, we would like to ask about the application process to the [INSERT CMF COMPONENT NAME] with the [INSERT NAME OF THIRD PARTY DELIVERY ORG.]. Using a 1-5 satisfaction scale, where 1 is "very dissatisfied" and 5 is "very satisfied", how satisfied were you with:

	1 Very dissatisfied	2	3	4	5 Very satisfie d	Not sure / don't know
a) Availability of information about the program	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) Clarity of information about the program	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) Clarity of the application forms	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) Helpfulness of staff in [INSERT NAME OF THIRD-PARTY DELIVERY ORG.]	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) Feedback received on your application	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

19. Overall, what is your level of satisfaction with the [INSERT COMPONENT NAME]?

	1 Very dissatisfied	2	3	4	5 Very satisfie d	Not sure / don't know

## Summative Evaluation of the Canada Music Fund

Overall level of satisfaction	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
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20. Do you believe that the federal government should continue to fund the **[INSERT CMF COMPONENT NAME]**?

01 Yes

02 No

21. Why do you say so?

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22. The federal government provides support to many types of activities under the Canada Music Fund. In your view, how important is each type of support to the growth and development of the Canadian music industry? Please use a 1-5 importance scale, where 1 is “not at all important” and 5 is “very important.”

<i>Type of support</i>	1 Not at all important	2	3	4	5 Very Importa nt	Not sure / don't know
a) Funding to <i>produce</i> CDs/videos of Canadian artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
b) Funding to <i>promote</i> new CDs/videos of Canadian artists	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
c) Funding to support the creation/production/marketing of specialized music (i.e., non-mainstream music) in particular	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
d) Funding support to workshops/events for professional development and networking of members of the Canadian music industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
e) Funding support to television awards shows that reward excellence in Canadian music	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
f) Funding to the federal government's Libraries and Archives department for the preservation of Canadian musical recordings	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
g) Funding support to Canadian artists to perform at domestic and international	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

## Summative Evaluation of the Canada Music Fund

showcases and tours						
h) Funding support to Canadian music industry associations to provide their members with professional support and representation	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>
i) Funding support to domestic and international business development for Canadian entrepreneurs	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	8 <input type="checkbox"/>

23. Finally, do you have any other comments on the Canada Music Fund, particularly in the area of suggested improvements?

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That ends the survey. Thank you for your participation!

SUBMIT QUESTIONNAIRE.

## **Interview Guide – Evaluation of the Canada Music Fund: Interviews with Key Informants**

### **A. Background**

Kelly Sears Consulting Group has been engaged by the Department of Canadian Heritage to conduct an Evaluation of the Canada Music Fund (CMF). The evaluation covers the period 2001-2006 and is examining the following CMF components:

- Canadian Musical Diversity.
- New Musical Works.
- Music Entrepreneur.
- Support to Sector Associations.
- Creators' Assistance.
- Collective Initiatives.
- Canadian Music Memories.

The objectives of the study are to:

- Assess the continued relevance of the CMF.
- Assess the results achieved over the 2001-2006 timeframe and the program's cost-effectiveness.
- Identify and assess possible alternative strategies given the rapidly changing environment in the music industry.

The evaluation study involves several data collection methods, including interviews with: the Department of Canadian Heritage, provincial funding agencies, the third-party administrators and other representatives from the Canadian music industry. Your interview will not last more than 90 minutes. Your views will be kept confidential and will be aggregated with all of the responses we receive. We thank you for your time and input.

### **B. Questions**

*Please review the following questions in advance of your interview. If you have no opinion on a particular question, feel free to skip it.*

1. **Your relationship with the Canada Music Fund.** Please briefly describe your relationship with the CMF.
2. **Trends and issues in the Canadian music industry.** What are the major trends and issues in the Canadian music industry?

3. **Results achieved by each CMF component.** To what extent has each CMF component achieved its main objective?

CMF Component	Objective
a) Canadian Musical Diversity	“Greater availability to Canadians of artistically-driven Canadian music.”
b) New Musical Works	“Increased production and promotion of new Canadian music works by Canadian music artists.”
c) Music Entrepreneur	“Creating financially-solid Canadian sound recording firms.”
d) Support to Sector Associations	“Enhancing the capabilities of industry associations to support and represent their members.”
e) Collective Initiatives	“A strengthened market presence of Canadian music artists, creators and sound recording labels.”
f) Canadian Music Memories	“Canadian sound recordings will survive beyond their initial distribution and continue to be listened to by Canadians in the future.”
g) Creators’ Assistance	“The skills of Canadian music creators are enhanced, thereby increasing the quality, quantity and diversity of songs written by Canadians.”

4. **Results achieved by the CMF as a whole.** To what extent has the program as a whole achieved its two main objectives:
- Strengthening the economic viability of the Canadian music industry.
  - Enhancing the careers of Canadian music artists and creators?
5. **Strengths and weaknesses of the CMF’s design.** What are the strengths and weaknesses of the CMF’s design, in terms of its ability to achieve its intended objectives?
6. **Other positive/negative impacts of the CMF.** Have there been other positive or negative impacts from the CMF that were not discussed above?
7. **Rationale and relevance.** Is the CMF still needed? Why or why not?
8. **Changing business models.** Some in the industry have stated that non-traditional sources of revenue, such as concert earnings, digital downloads and merchandising are becoming increasingly important to the music industry, especially as CD sales have declined. Do you agree with this statement? If so, how should the CMF be modified in light of this change?
9. **Impacts of technology.** Do you think the CMF should be changed in any way given the sweeping technological changes that have occurred in this sector, such as the digitalizing and downloading of music?
10. **Delivery of the CMF by the third-party administrators.** What are the strengths and weaknesses of the delivery of the program components by the various third party administrators?
11. **Broadcaster support.** What would be the impacts on the CMF if broadcasters decide to transfer the funds they are required to provide for the development of

- artists within the sound recording sector to another organization (i.e., other than FACTOR and Musciaction)?
12. **Alternatives to the CMF.** Is there some other approach to supporting the Canadian music industry that would be more effective?
  13. **Improvement opportunities.** If the CMF were to continue, what changes should be made that would make the program more successful?
  14. **Other comments.** Finally, do you have any other comments that have not been covered above?

## **Evaluation of Canada Music Fund – Questionnaire for Expert Panel**

### **A. Introduction**

Thank you for accepting the invitation from Department of Canadian Heritage to participate in the panel of experts as part of the overall Evaluation of the Canada Music Fund (CMF). We would appreciate having:

- (a) Your views on the current state of the Canadian music industry.
- (b) Your assistance in validating and interpreting some of the findings of the evaluation;
- (c) Your views on the impact of the CMF on the industry and its importance to the continued growth and development of the sector; and
- (d) Your suggestions on ways to improve the CMF, including any alternatives in light of the current environment and the evolving nature of the music industry in Canada.

Please note that by agreeing to participate in the expert panel, panel members shall not use or disclose any such information or data or personal information for any purpose other than completing the work requested of the panel in the context of the Evaluation of the Canada Music Fund. The experts shall not dispose of such information or data or personal information except by returning it to Kelly Sears Consulting Group. The experts shall maintain the confidentiality of such information, data, or personal information.

### **B. Instructions to Expert Panel**

Section E below provides you with some of the findings of the evaluation study to date. Each section includes one or more questions for you to respond to.

Please provide written responses to the questions listed in section E. If you have no opinion on a particular question, feel free to skip it.

### **C. The Expert Panel**

The members of the expert panel are:

- Rob Braide – Vice-President & General Manager, CJAD/MIX96/CHOM-FM, Montreal.
- Dave Kusek – Vice-President, Berklee Media, Boston.
- Pierre Rodrigue – Vice-Président, Développement et Technologies, Astral Radio, Montréal.

Please note that the names of the panel members will be listed in the final evaluation report.

## **D. Background**

Kelly Sears Consulting Group has been engaged by the Department of Canadian Heritage (PCH) to conduct an independent Evaluation of the Canada Music Fund (CMF). PCH's Corporate Review Branch has overall responsibility for the evaluation. The objectives of the study are to:

- Assess the continued relevance of the CMF.
- Assess the results achieved over the 2001-2006 timeframe and the program's cost-effectiveness.
- Identify and assess possible alternative strategies given the rapidly changing environment in the music industry.

The evaluation covers the period 2001-2006. The program is managed by Music Policy and Programs (MPP) in PCH, and the annual CMF budget is about \$28 million. The evaluation is examining the following CMF components (administrators in parentheses):

- **New Musical Works (FACTOR/MUSICACTION)** – Invests in Canadian sound recording creators, artists and entrepreneurs by funding the production of demo or full-length recordings or music videos, as well as the promotion of new albums and artists and touring costs. This support helps them to develop their profile, talent, craft and expertise. The emphasis tends to be on increasing the production and promotion of new Canadian talent and works.

**Expected outcome:** Production and promotion of new Canadian content works by Canadian music artists.

**Expenditures in 2005-2006:** \$15.2 million.

- **Music Entrepreneur** (was Telefilm Canada, now PCH) – Previously known as the Music Entrepreneur Program (MEP), it was re-designed in 2005-2006. Now administered by PCH, the re-named Music Entrepreneur Component (MEC) – “Aid to Canadian Sound Recording Firms” provides lump-sum annual funding to eligible Canadian sound recording firms using a funding formula based on an applicant's recent Canadian artists' sales. MEC recipients are no longer able to receive funding from other CMF components (most notably New Musical Works). The evaluation covered both the former MEP and the current MEC, although due to the recent formation of MEC, it was premature to assess its results.

It supports Canadian record labels in developing Canadian talent while making the transition to the digital economy. The program provides conditionally repayable contributions to eligible established sound-recording firms with viable multi-year business plans, giving them assistance to consolidate and develop their human, financial, and technological resource base.



**Expected outcome:** Emergence of financially-solid Canadian sound recording firms.

**MEC expenditures in 2005-2006:** \$3.0 million.

- **Canadian Musical Diversity** (Canada Council for the Arts) – Provides resources for the production, distribution and promotion of specialized music recordings that reflect the diversity of Canadian voices. “Specialized music” is music that falls outside the realm of the mainstream music industry because it emphasizes artistic considerations – creativity, self-expression and/or experimentation – in ways that do not meet the demands and format expectations of the popular music market. This component has two sub-programs. The first is Grants for Specialized Sound Recording, which supports the production of specialized music. The program’s clientele includes Canadian music professionals who are: individual music artists; ensembles, groups and bands; independent record producers; and record companies. The second is Grants for Specialized Music Distribution, which supports the distribution of specialized music by Canadian distribution companies.

**Expected outcome:** Greater availability to Canadians of artistically-driven Canadian music.

**Expenditures in 2005-2006:** \$1.3 million.

- **Collective Initiatives** (FACTOR/MUSICACTION) – Helps create opportunities for Canadian creators and music entrepreneurs to gain greater profile and showcase their excellence and creativity. It is targeted to not-for-profit organizations, as well as Canadian-owned and controlled firms, and supports conferences and awards shows, physical and online musical showcases, as well as market development initiatives that offer participants in the sound recording industry opportunities to share best practices, inspire young artists and entrepreneurs, and attract media attention.

**Expected outcome:** A strengthened market presence of Canadian music artists, creators and Canadian sound recording labels.

**Expenditures in 2005-2006:** \$2.1 million.

- **Creators' Assistance** (SOCAN Foundation) – Funds projects carried out by Canadian not-for-profit music sector organizations and associations related to the craft or business of songwriting, the creative process and the promotion of musical works. By supporting training and career opportunities for young and new Canadian composers, the program helps to ensure that Canadian performers and producers continue to have access to quality Canadian musical compositions.

**Expected outcome:** The skills of Canadian music creators will be enhanced, thereby increasing the quality, quantity and diversity of songs written by Canadians.

**Expenditures in 2005-2006:** \$0.9 million.

- **Support to Sector Associations (PCH)** – Provides contributions to not-for-profit Canadian sound-recording industry associations, with a view to building the capacity of these associations to provide their members with professional advice and representation, undertake analysis of public policy initiatives and monitor industry trends.

**Expected outcome:** The capacity of industry associations to support and represent their members and to help shape the government's policies for the sound recording sector will be enhanced.

**Expenditures in 2005-2006:** \$0.6 million.

- **Canadian Musical Memories** (Library and Archives Canada/Audio-Visual Preservation Trust of Canada) – Supports initiatives related to the acquisition, preservation and storage of, as well as access to, Canadian musical works. It also supports efforts aimed at raising Canadians' awareness of Canada's recorded musical heritage.

**Expected outcome:** Canadian sound recordings will survive beyond their initial distribution and continue to be listened to by Canadians in the future.

**Expenditures in 2005-2006:** \$0.6 million.

## **E. Questions for the Expert Panel**

There are five sections to the questionnaire:

- Section I: Your experience with CMF.
- Section II: Need for the CMF.
- Section III: Impacts of the CMF components.
- Section IV: Cost-effectiveness and Alternatives.
- Section V: Other comments.

**Section I – Your Experience with the CMF**

**Q.1: Please briefly describe your experience with (if any), as well as your level of familiarity, with the CMF.**

INSERT RESPONSE STARTING HERE

**Section II – Need for the CMF**

**Findings:** A key element of the rationale for the introduction of the CMF in 2001 was the need to support the development of independent Canadian record companies, due to the important role these companies play in producing and marketing the recording of Canadian artists. While the large, multinational record companies were believed to have the resources to make the digital transformation, it was felt this transition would be more difficult for the smaller, Canadian-owned companies.

The evaluation found that the independent labels sector is still viewed as important to the development of Canadian artists. In fact, many stated that the independent labels sector would become increasingly important, given that the major foreign labels were cutting back on the signing of new talent in Canada.

CMF funding is viewed as having been critical to the survival of the Canadian-controlled segment of the music industry.

The evaluation found that government support was viewed as particularly important as the industry continues to adapt to online distribution. The smaller record labels were noted to have had more difficulty getting access to online music stores, such as iTunes, Puretracks.com or Archambault.com. Also, they often lack the resources to, for example, launch viral marketing campaigns to promote their artists and releases.

Some key informants believe that the federal government provides insufficient support to the Canadian music industry, especially when compared to other cultural industries, such as film, television and book/magazine publishing. This was perplexing to some, given the tremendous commercial success achieved by a long list of Canadian artists.

**Q.2: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

INSERT RESPONSE HERE

**Q.3: Do you believe that the CMF is still required? Why or why not?**

INSERT RESPONSE HERE

### **Section III: Impacts of the CMF Components**

The next series of questions cover four of the seven CMF components. This is simply because some of the components are either very small or the evaluation findings were less controversial. However, should you wish to share with us your thoughts on the remaining three components, space is provided at the end of this section for you to do so.

#### **III.1 Music Entrepreneur Component**

**Findings:** Most key informants agreed with the decision made by PCH to take the MEP/MEC companies out of FACTOR/MUSICACTION and to fund them separately, so that they cannot access FACTOR/MUSICACTION programs (those funded by the CMF), thus providing increased support to smaller record labels.

The evaluation analyzed financial information provided to PCH by ten MEP beneficiary companies. There has not been an across-the-board improvement in any of the financial measures, such as net sales of eligible recordings or net profit margins. Some of the companies are highly dependent on government support and would likely not survive without it. However, only 3 years of data is available; thus it is premature to fully assess this component.

Some key informants believed that the MEP/MEC component has not been successful, as they stated that the group of MEP/MEC companies have not achieved a sufficient return compared to the millions of taxpayer dollars invested over a period of many years. A typical comment from those critical of the component was, “MEC is keeping old companies alive on government crutches.”

However, some PCH representatives disagreed with this view, stating that the objective of CMF is not to increase the profitability of companies but to keep them “viable under constraint,” i.e., to encourage them to take risks that they would not otherwise take and invest in more Canadian content than pure economics would dictate.

The general view is that MEP/MEC has not yet led to a more stable industry. Several key informants stated that they would have expected further consolidation or partnerships to have occurred by this point.

However, key informants who were critical noted that at least some of the MEC labels had been successful in identifying Canadian talent.

In summary, the view was that the concept of this component made sense; however, there were concerns about its effectiveness. The issues are which companies are selected for funding, and, after several of years of assistance, to remove companies from the component if they are not making progress towards financial sustainability.

With the launch of MEC in 2005-2006, MPP decided to consult annually with a selected group of industry experts to discuss and review the design of the component. This

process is perceived favourably by stakeholders, and is seen as an opportunity to make program changes if performance is lacking in terms of meeting program objectives.

**Q.4: What are your views on these findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

Note: The expert panel may wish to comment on the number of years that might be necessary to see this component achieve its objective of financial stability.

INSERT RESPONSE HERE

### **III.2 New Musical Works Component**

**Findings:** The survey of funding recipients and non-funded applicants found a high level of support for this component. The main improvement suggestions were to provide greater support to smaller, less-established artists. Some key informants were critical of the Juried programs and felt that too many established artists were receiving funding.

A key requirement of an evaluation study, following the passing of the Federal Accountability Act in December 2006, is to assess the overall “value for money” of the program being evaluated. In the case of the NMW component, we created a measure, called “cost per unit.” This compares sales of funded albums with the government’s investment. Some key informants agreed that cost per unit is a useful measure, while a few (including MPP) thought it was inappropriate. The two administrators, FACTOR and MUSICACTION do not report on this measure in their annual reports.

FACTOR provided the evaluation study with data on the sales of 490 funded albums and the dollars invested for the four-year period, 2001-2002 to 2004-2005. A total of \$19,245,548 of NMW funds was invested in these 490 albums, an average of \$39,277 per album.

Of these 490 albums, 363 reported sales data (presumably the other releases either had zero sales or the record label had not reported any sales data to FACTOR). The total sales of these 490 albums were 3,533,798 units, an average of 7,211 units per album. The top selling album had sales of 446,100 units. Overall, the cost per unit for the Government’s support of FACTOR albums was \$5.45.

Another way of looking at the data was to calculate the percentage of revenues accounted for by NMW funding. According to CRIA, the average income to record labels during the 2001 to 2004 timeframe was \$11.59 per CD sold. Thus, the 3,533,798 units sold would have generated an estimated \$40.956 million in revenues. NMW funding thus accounted for about 47 per cent of the estimated wholesale value of NMW-funded CDs. The consultant’s view is that this appears to be quite high, and is consistent with the view of some key informants that this component is not achieving a sufficient return on investment.

Turning to MUSICACTION, comparable data on the dollars invested have not yet been provided, so the cost per unit has not been calculated. This administrator supported a total of 414 recordings over the four years from 2002-2003 through 2005-2006. These supported projects generated a total of 4.9 million unit sales during this period, with average sales of 12,014 units per project. These figures are higher compared than for FACTOR, which likely is due, in part, to the unique features of the Quebec market.

**Q.5: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

Note: Please comment on the return-on-investment achieved by this component and what an acceptable return might be.

INSERT RESPONSE HERE

**Q.6: In your view, is “cost per unit” for NMW support a useful measure for monitoring the performance of this component? If not, what would be a more appropriate measure?**

INSERT RESPONSE HERE

### **III.3 Canadian Musical Diversity Component**

**Findings:** As noted above, the CMD component has two sub-programs. The first is Grants for Specialized Sound Recording, which supports the production of specialized music. The second is Grants for Specialized Music Distribution, which supports the distribution of specialized music by Canadian distribution companies.

The sound recording sub-program supports non-mainstream artists who are not able to obtain support from either FACTOR or MUSICACTION, as their music is specialized and does not typically sell more than a few thousand units (because it does not meet the demand of radio formats within the Canadian popular (commercial) radio market.)

The component was criticized for being focused on only certain musical genres, e.g., classical, world, jazz, folk, but excluding rock, country, new age, r & b, soul and reggae. Thus artists-labels who fall outside the genres of interest to the Canada Council and who are not commercial enough for FACTOR/MUSICACTION were felt to be largely ignored by the CMF.

The Canada Council provides other support programs to its targeted clientele, which raised the question among key informants of why this component was included under the CMF’s umbrella. Some did not understand why the CMF had two separate programs that both support the production of sound recordings (the other being New Musical Works). The application form notes that the applicant can obtain support from both the CMD component and from FACTOR/MUSICACTION.

The sound recording program is heavily over-subscribed and the approval rate is low, about 20 per cent annually. The survey of CMD recipients conducted as part of the evaluation study found a very high level of support for this component.

A strength of the program delivery process is that it involves a formal peer review of each application.

The administrator does not capture any information on the results achieved by funded projects, such as sales. The average budget per project is very small (\$10,650). The evaluation concluded that the CMD component is very important to recipient artists: a significant percentage of projects would not have proceeded without CMD funding support. This is probably explained by the nature of many recipients: emerging artists with limited access to capital.

An issue for the sound recording sub-program is that most of the funding on a particular project is devoted to the production of the sound recording (e.g., hiring of musicians, booking a recording studio, manufacturing the CD) and, given the small budget for each project, few dollars are available for the marketing and promotion of the recording. In other words, the program likely leads to the production of sound recordings; whether they achieve any significant sales is less likely given the difficulty of achieving market exposure.

The second CMD sub-program, Grants for Specialized Music Distribution, was viewed as requiring a re-design. Although the program was intended to support distributors, in reality, all of the recipients except one are record labels, due to the blurring of roles in the industry. There is little demand for this program: only eight applicants and six recipients in 2005-2006.

**Q.7: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

INSERT RESPONSE HERE

### **III.4 Support to Sector Associations Component**

**Findings:** Nine associations received funding under this component in 2005-2006. The two major recipients are CIRPA and ADISQ. The evaluation found good support from the industry for this component. Given the fragile state of the Canadian-owned sector, membership fees for these associations typically cover only a small percentage of operating costs.

The federal government wants strong industry associations, so that the government can benefit from having high quality advice on policy. PCH viewed the SSA component as important for enabling the associations to support the department in developing and managing changes to programs. A couple of key informants felt that some of the major

industry associations were weak in terms of their policy analysis capacity, and depended on outside experts.

Key informants agreed that the SSA component has been very important as most associations would not survive if they had to rely on membership fees alone. However, some of the associations appear to be highly dependent on government support.

It was impossible to fully assess the effectiveness of this CMF component, as none of the industry associations formally report on their performance. The consultant's view is that the major associations lag behind other organizations (in other sectors) in that they do not have a performance measurement framework that would track such measures as client satisfaction, financial performance, process efficiency, etc.

A related issue is that it is not evident when government support to a particular association would no longer be needed. It might be useful if each association were to develop a long-term sustainability plan.

**Q.8: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

INSERT RESPONSE HERE

**Q.9: Do you have any comments on the other CMF components not covered above, i.e., Collective Initiatives, Creators' Assistance and Canadian Musical Memories?**

INSERT RESPONSE HERE

**Q.10: To what extent do you feel that the changes observed in the Canadian music industry since 2001 have been due to the CMF? Which particular CMF component(s) has (have) been particularly important to these changes?**

INSERT RESPONSE HERE

## **Section IV – Cost-Effectiveness and Alternatives**

### **IV.1 The Overall Design of CMF**

Findings: One of the strengths of the CMF is that it is viewed as being sufficiently flexible to respond to changes in the music industry. For example, MUSICACTION recently decided to provide support to music singles intended for online distribution, reflecting the change in consumer preference for singles rather than albums.

Key informants stated that the CMF will need to adjust to the increasing convergence taking place in the industry; e.g., music labels are moving into publishing and managing, and artists are taking greater control. The implication is that the CMF's programs will



need to be increasingly complimentary and delivered on an integrated basis. For example, at present, a record label could be interacting with various CMF components and sub-programs (including Sound Recording, Marketing and Promo, Showcase Support, Tour Support and Video Grants), as well as the private broadcasters' Radio Starmaker Fund. The issue of applying to various sources of support within a single program results in increased administrative costs for both the applicant and the program, and also can create critical timing issues for the effective deployment of initiatives within the life of a project. One potential implication is that the program might be delivered by a single administrator (or one administrator for each language market).

Many key informants noted the complexity of the CMF. The CMF is not viewed as a single program, but as a collection of distinct programs administered by a diverse range of organizations. There was a call for a simplification of the program, although no one had a clear vision on what a re-designed program would look like.

Support was strong for most CMF components. A specific issue: several key informants stated that one of the CMF components, Canadian Musical Memories, does not "fit" well with the goals of the overall program. While recognizing it is important for the Government to support the acquisition, preservation and archiving of sound recordings, the view was that this component did not link directly to the overall objectives of the CMF. The advantage of including this component within the CMF was not evident, compared to the alternative of Library and Archives Canada delivering this activity on its own.

Most types of CMF support (i.e., production, marketing, tour support) were viewed as important by CMF recipients. The one exception was support for television music awards shows (under the Collective Initiatives component), which received a relatively lower level of support.

Regarding the question of whether the program might be delivered by PCH versus by a third party, there was support for the external delivery agent concept. A third party is viewed as nimble and responsive to industry needs; has more flexibility in managing multi-year funding/cash management; and can achieve greater leverage through the combined funding received from the CMF and the broadcasters. There were some concerns raised about conflicts of interest among the board members of some of the current administrators. PCH indicated that an internal audit examined this issue in 2004 and changes have since been implemented; however, key informants still expressed some concerns during the course of this evaluation study.

Some key informants believe that PCH exerts insufficient control on changes made to the program design criteria, and that the administrators have too much authority over this process. They suggested that the Government should assume responsibility for program design and the administrator should stick to delivering an efficient program according to specified rules.

**Q.11: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

INSERT RESPONSE HERE

**Q.12: In light of the above, and more importantly given the rapidly evolving music industry, what changes, if any, should be made to the overall design/structure of the CMF?**

INSERT RESPONSE HERE

**Q.13: If funds were to be re-allocated across the various CMF components or to a new component(s), what do you believe the distribution should be? Please enter your suggested percentages in the table:**

<b>CMF Components</b>	<b>Current Allocation (%)</b>	<b>Your Proposed Allocation (%)</b>
New Musical Works	64.1	
Music Entrepreneur	12.7	
Canadian Musical Diversity	5.5	
Collective Initiatives	8.9	
Creators' Assistance	3.8	
Support to Sector Associations	2.5	
Canadian Musical Memories	2.5	
A <b>new component</b> , please specify:	NA	
A <b>new component</b> , please specify:	NA	
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## **IV.2 Overlap and Duplication with Other Programs**

**Findings:** Only two overlap/duplication issues were identified.

First, several interviewees believed that there is a lack of clarity regarding the support provided by the New Musical Works component to “diverse” or specialized music compared to the support provided by the Canadian Musical Diversity component for this genre. They did not understand why the CMF had two separate programs that both support the production of sound recordings. The Canada Council provides other support programs to its targeted clientele, which raised the question of why the CMD component was included under the CMF umbrella.

It was noted that the application form for the CMD component (recording production program) states that the applicant can obtain support from both the Canada Council and FACTOR/MUSICACTION, thus suggesting that there is duplication between the two programs. PCH stated that few applicants apply to both programs.

Second, several interviewees commented that, in the English market, it is inefficient for the private broadcasters’ Radio Starmaker Fund and the New Musical Works component to be administered by two different organizations. (In Quebec, MUSICACTION administers the CMF’s NMW component as well as Fonds Radiostar.)

The Radio Starmaker Fund helps to take promising artists/releases (i.e., which have already reached specified sales thresholds) to “the next level” by providing financial assistance for marketing/promotion and international touring.

Some key informants raised a specific concern with the potential for “double-dipping”. The administrators stated that they try to prevent this from occurring. The Radio Starmaker Fund indicated that a few instances of double-dipping occurred in the past, although the amounts involved were marginal, and steps have been taken to share information on project applicants with FACTOR.

As part of our file review, we noted one recent project where a recipient had received approval from the New Musical Works component and had started the project, but subsequently cancelled the agreement, because support had subsequently been received from the Radio Starmaker Fund. This suggests that the two funds may not be sufficiently distinct, although further research would be required to fully investigate this issue.

**Q.14: What are your views on the above findings? Please explain your answer. Please identify any points that you do not agree with, and add any other considerations that should be taken into account.**

INSERT RESPONSE HERE

### **IV.3 Improving the CMF**

**Findings:** In terms of program delivery improvements, the main suggestions received were for administrators to provide more feedback to rejected applicants and to reduce the reporting requirements for recipients (less paperwork).

In terms of the types of support provided by the CMF, the suggestion was made that the CMF should be broadened to add new forms of support in response to industry needs. Smaller record labels could use some assistance to help them make the transition to online distribution. The sorts of expertise identified as lacking including both technical and business skills (information technology, digital rights management, negotiation of business deals, etc.). Some sort of labour subsidy program might be warranted.

Several segments of the music industry were viewed as receiving insufficient support from the CMF, including publishers, songwriters, managers, distributors and promoters. (Note: the NMW component offers limited assistance to some of these segments).

It was suggested that PCH should increase its emphasis on industry research.

**Q.15: Given the CMF program is already complex, with numerous components/sub-programs and administrators, does it make sense to add more components and/or additional beneficiary groups (e.g., managers, promoters, etc.)? Please explain your answer.**

INSERT REPONSE HERE

**Q.16: In light of the changing industry, do you have any other suggestions to improve the CMF?**

INSERT RESPONSE HERE

### **Section V – Other Comments**

**Q.17: Finally, do you have any other comments that have not been covered above?**

INSERT RESPONSE HERE

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Thank your for your input!

## Appendix E – Government Support in Other Countries

As recounted in The Canadian Music Industry 2005 Economic Profile, the value of the world retail market for recorded music has been declining since 2000, with a few markets, including Canada, showing small increases in overall sales in 2004.<sup>55</sup> Within this overall global trend, sales of compact discs and cassettes continue to trend down, while music DVDs and paid digital downloads are healthy and growing markets. On a global basis, Canada ranked as the seventh largest market retail music market in 2004, following, in order, the US, Japan, UK, Germany, France, and Australia.<sup>56</sup> The modest increase in market size for Canada reported for 2004 was reversed for 2005; according to IFPI, Canada saw a 3% decline in market size in 2005, falling to \$659 million, though Canada moved to the sixth largest world retail music market, replacing Australia.<sup>57</sup> Canadian artists continue to maintain a strong presence on international pop charts, with their albums being certified in 2004 for exceptional sales volume in the US (19 albums), the UK (11 albums), and France (9 albums).<sup>58</sup>

By far the most comprehensive survey available of international music support programs is produced by PCH; the most recent update was published in 2004.<sup>59</sup> As noted in this report, there is a wide variety of support programs utilized by governments to support music, some of which are targeted towards industry, others of which are more oriented towards art or performance rather than industry per se – and yet, for every rule, there is an exception; in Jamaica, the music industry has blossomed despite a complete lack of government support. Some of the key themes are the following:

- ❖ Governments provide both direct and indirect support, which may be delivered through a variety of agencies and affiliated administrators.
- ❖ Support tends to be provided in a number of common areas, including performing assistance, recording assistance, promotional activities, support for creativity and innovation, professional hiring and development, music events, touring support, business planning, and export.
- ❖ In addition to funding, tax incentives may be used to support the sector, as well as export assistance.

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<sup>55</sup> The Department of Canadian Heritage; written by Paul Spendlove. See [http://www.pch.gc.ca/pch/pubs/esm-srm\\_e.cfm](http://www.pch.gc.ca/pch/pubs/esm-srm_e.cfm), pps. 22-23, citing IFPI statistics.

<sup>56</sup> Ibid.

<sup>57</sup> Statistics from IFPI; see “2005: Key Facts and Figures”, at [http://www.ifpi.org/site-content/publications/rin\\_order.html](http://www.ifpi.org/site-content/publications/rin_order.html)

<sup>58</sup> *The Canadian Music Industry, 2005 Economic Profile*, Paul Spendlove, Department of Canadian Heritage, p.8.

<sup>59</sup> This summary relies extensively upon a survey of international support mechanisms, *International Review of Support Measures for Sound Recording: 2004*, prepared by Donna Mandeville, updating a paper originally prepared by Heather De Santis/Erin Cassidy, and subsequently updated by Liudmila Kirpitchenko, the Socio-Cultural and International Comparative Research Group, Strategic Research and Analysis, Department of Canadian Heritage, January, 2005, Reference SRA-928.

- ❖ These supports are complemented in some cases by programming obligations such as music quotas, or blank tape levies which are used to compensate artists for the recording of their music for personal use.

What is evident is that in many cases support programs reflect the fragmented and diverse nature of the music sector itself. While an array of support programs provides assistance to the various elements of the sector, it is not clear that such an approach supports development of an industry, and there continues to be discussion within many national industries as to the best support policy.

## **1. Australia**

In Australia the government has a number of support programs that provide assistance ranging from support for touring, tax support, a variety of grants administered by the Music Board, which administers Australia Council for the Arts programs, and support for industry organizations such as associations. In 2005-2006, the Music Board reports that it gave a total of 270 grants to individuals and organizations, a total sum of A\$4.77 million. In addition, although there are no statutory programming quotas, there is a voluntary industry code under which radio broadcasters are bound to play certain amounts of domestic music.

In the wake of the lapse of one support program, the Contemporary Music Development Program, industry has formed the Contemporary Music Working Group (CMWG), which has been working to encourage the Government to adopt an industry action agenda for music. Action agendas are a central element of the Government's industry strategy, overseen by the Department of Industry, Tourism, and Resources, and have the purpose of fostering industry leadership for the purpose of developing strategies for growth, agreeing on priorities and making commitments to change. The CMWG met with members of Parliament in September 2006, pushing for the adoption of a music agenda. The goal of the CMWG, overall, is to encourage the government to move away from a policy focus on specific instruments, institutions and government programs, and instead focus on an overall strategy intended to support the careers of artists, rather than individual grants or supports. It is premature, however, to assess how the industry's push for an action agenda and a desire for more integrated policy instruments, will be undertaken.<sup>60</sup>

The CMWG has described the state of the industry as having done well, but not yet realized its potential. According to the Australia Industry Recording Association, (ARIA), during the first six months of 2006 recorded music sales in Australia increased by over \$12 million, or 5.8 percent, to over \$224 million in the six months to June 2006, when compared to the corresponding period in 2005. The Australian market for CD albums experienced an increase of 3 million extra units shipped to retail, representing a 17% increase on the same period for the prior year (although revenues were up only 4.65% due to price decreases). During this period, retail sales of albums by local artists grew to represent 31.8% of the top 100 albums chart for the period, up from 23% in the

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<sup>60</sup> Requests to the Chair of the CMWG for a copy of recent a CMWG report went unanswered.

prior period, and 31.7% of the top 100 singles sales were by local acts, a total of 27 Australian titles.<sup>61</sup>

## **2. New Zealand**

Music support efforts in New Zealand are overseen by a number of government bodies, including the Minister of Culture and Heritage, which oversees NZ On Air, a government body charged with increasing the presence and success of New Zealand artists on the airwaves, New Zealand Trade and Enterprise, which is especially focused on the export potential of New Zealand's music industry, The New Zealand Music Industry Commission, which supports projects, partnerships, and media in the industry, and the Arts Council of New Zealand, which provides funding for artists, performance, and composition, including funding derived from lottery sales that is provided to artists by Creative New Zealand. There are also airplay supports for industry, with the national networks having programming targets for local music, and commercial stations bound by a voluntary programming goal, which has generally been met or exceeded.

New Zealand On Air will spend NZ\$4.0 million in 2005-2006 to get New Zealand Music aired, and in 2005 the Arts Council New Zealand received 266 applications for Music projects, and was able to fund 77 (29%) of them. Grants ranged from \$1,300 to \$40,000. Overall funding for Creative New Zealand in 2005-2006 (for all programs, not just music) amounted to NZ\$17.3 million from direct government allocation, and another NZ\$18.6 from the New Zealand Lottery Grants Board.

For 2005-2006, the government has targeted the creative industries as a priority sector for development; however, the focus of that strategy with respect to media is on screen entertainment, by strengthening ties to international media conglomerates, and music is a priority within that strategy to the extent that music is incorporated into audiovisual media.<sup>62</sup> With respect to music, New Zealand Trade and Enterprise sponsored the formation of a Music Industry Export Development Group in 2003, which released its report, "Creating Heat: Tumata Kia Whita", in July 2004.<sup>63</sup> The report proposed that over the following ten years the New Zealand music industry increase its foreign exchange earnings by a factor of ten and develop the ability to deliver at least one headline international success story annually. (Currently this is happening about once in every five or six years.) The report's detailed recommendations fell into 7 categories, including regulatory (copyright reforms and content requirements), business development (the provision of resources, legal advice, and databases for industry), international development (support for networking and a greater international presence for New Zealand artists), market penetration (promotional support to help raise the profile of New Zealand artists) live music (assistance with regulations to create more venues), statistics, and technical support for New Zealand artists working overseas. The purpose of these recommendations is to grow the sector, but also to "create career paths for young New

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<sup>61</sup> See: <http://aria.com.au/pages/httpwww.aria.com.aupagesnews-ARIAhalfyearResults.htm>; accessed October 11, 2006.

<sup>62</sup> See: <http://www.nzte.govt.nz/common/files/ses-creative05.pdf>; accessed on October 14, 2006.

<sup>63</sup> See: <http://www.nzte.govt.nz/section/13673/10931.aspx>; accessed on October 19, 2006.

Zealanders...place New Zealand at the forefront of innovation and global creativity...[and] also reinforce national pride in New Zealand music and ensure that music plays a key role in promoting the New Zealand brand internationally.”<sup>64</sup>

According to New Zealand Trade and Enterprise, the music industry is a \$146 million dollar industry with growing exports of around \$5 million annually. RIANZ, the New Zealand Trade Association representing major and independent recording companies, has reported that the retail value of the industry is NZ\$173.3 million, a decline of 14% since 2001.

### **3. United Kingdom**

In the UK, the Department for Culture, Media, and Sport oversees the government’s agenda with the music industry, with funding for the subsidized sector coming principally from the Arts Council of England. Arts Council funding comes both from the Treasury and from proceeds of the National Lottery. Since inception of the lottery in 1994, the Council, has, on average, disbursed approximately £40 million per year for music-related activities.<sup>65</sup> Awards by the Council may be quite substantial; for example, in 2005-2006, over £10 million was awarded to the English National Opera, and close to £7 million for the Bournemouth Symphony Orchestra.

The government’s current support effort is focused on four areas: 1) encouraging new talent, focusing on live performance; 2) promoting export; 3) financial support, with respect to raising capital; and, 4) support for small businesses.

Recently the Department of Culture, Media, and Sport commissioned a project to poll small and medium music businesses across the UK, surveying 339 small and medium sized businesses in the music sector (businesses employing less than 250 employees); small and medium sized businesses make up about 90% of the sector.<sup>66</sup> Building on earlier research, the project was intended to assess what might be done to better support the sector. The report found that:

- Most businesses in this class need basic business support, including financial and management skills.
- Many businesses could benefit from support in embracing e-commerce.
- While access to financing is not a major issue in the sector, a small portion of companies could use assistance, and could grow significantly with financial support.
- Support for companies in the sector needs to be tailored, as the needs of companies vary significantly.<sup>67</sup>

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<sup>64</sup> See: <http://www.nzte.govt.nz/section/13607/10934.aspx>; accessed on October 19, 2006.

<sup>65</sup> See <http://www.artscouncil.org.uk/aboutus/investment.php#ownart>, where Council reports having disbursed £491 million in Lottery proceeds since commencement of Lottery funding in 1994.

<sup>66</sup> See: <http://www.culture.gov.uk/NR/rdonlyres/76D31D34-6F7D-4A8B-8C27-01B898D829D2/0/MusicBusinessSurvey.pdf>; accessed on October 13, 2006.

<sup>67</sup> Ibid, pp. v, vi.



Album sales in the UK dropped 2.7% in 2005 compared to 2004, the decline due in large part to a significant decrease in the sale of compilation albums. Sales of single artist albums increased slightly (1.4%), and the download of digital tracks skyrocketed, up in 2005 by 357%. Interestingly, this was the first downturn in sales of albums by single artists since 1999. British artists again dominated the local charts, taking seven of the top ten sales places in 2005.<sup>68</sup>

#### **4. Ireland**

The Department of Arts, Sport, and Tourism oversees the cultural sector in Ireland, and leads a number of programs intended to support music. These programs include tax exemptions for musical artists in some circumstances, tax relief for new or emerging musical acts, and funding under the Arts Council for musical collectives, touring, preservations, recording, and other forms of financial support. The Arts Council had an overall budget in 2006 of €72.3 million.

The Music Board of Ireland, a joint industry/government initiative, was established in 1996, and renewed in 2001 for a three year period; however, in 2004 the Board was not further renewed, and was disbanded, not without some controversy. The Board did issue two reports in February, 2003, "Shaping the Future", and "The Economic Significance of the Irish Music Industry", neither resulting in major policy initiatives. Critics of the Board's demise maintain that the Board's death confirms that there is a lack of support for popular music by the Irish Government, and a filmmaking company, Second Aspect Productions, is reportedly working on a documentary about the Board.

Detailed statistics for the industry are not generally available, as they tend to be combined with the UK market, but IFPI<sup>69</sup> has reported that the market is over 80% comprised of international artists rather than local; four of the top twenty single titles in Ireland for 2005 were by Irish artists, as were three of the top twenty albums.<sup>70</sup>

#### **5. France**

As in other cultural sectors, the French Government provides a broad array of support to the music sector, including financial assistance in many areas, ranging from disc production to training, touring, performance, internet presence, publishing, and music videos, as well as radio quotas. Funding supported provided through Le Fonds pour la création musicale (FCM), the principal vehicle for the provision of direct financial support, amounted to €3.2 million in 2005.

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<sup>68</sup> British Phonographic Industry (BPI), as reported in Variety; see: <http://www.variety.com/article/VR1117935627?categoryid=16&cs=1>; accessed on October 13, 2006.

<sup>69</sup> The International Federation of the Phonographic Industry (IFPI)

<sup>70</sup> Irish Recorded Music Association; nationality of artist identified by Kelley Sears Consulting Group. See: <http://www.irma.ie/best2005.htm>; accessed on October 14, 2006.

In addition, last year France received approval from the EU Commission for a music industry tax credit. The program, when implemented, would provide aid of up to an estimated total of €10 million per year, and would cover part of the costs of production and promotion of CD for new talent and instrumental music when the CDs are considered cultural products. The benefit would be limited by being directed at small- and medium-sized enterprises.

As in other countries, physical sales of music have been declining in recent years, from 55 million units in the first half of 2003 to 40.1 million in the first half of 2006, a decline of 37%, while downloads of music have been increasing steadily, up 22% in the first half of 2006 in terms of sales volume (euros) at such sites as iTunes, Sony Connect, E-compil, Fnacmusic, starzik, and virginmega.<sup>71</sup> According to IFPI, approximately 60% of music sales are generated by local acts, with the balance by international artists.

## **6. United States**

In the US, the government has several industry support programs, including tax exempt status and financial support from the National Endowment for the Arts.

Tax exempt status may be obtained by non-profit groups or organizations involved in the music industry. In addition to industry groups that have general non-commercial purposes (such as trade bodies), musical endeavours such as operas or civic orchestras may also utilize this type of legal organization, which allows them to be exempt from both taxes on income, as well as sales taxes.

The National Endowment for the Arts (NEA), an independent US Government federal agency, offers several programs that support music, from classical to contemporary to America's indigenous jazz.<sup>72</sup> The NEA supports both performing ensembles and music presenting institutions including chamber music ensembles, choruses, early music programs, jazz ensembles, music festivals, and symphony orchestras.

Organizations of all types and sizes may apply for a variety of music production, presentation, and service projects. The Arts Endowment is particularly interested in innovative presentation methods and the development of skills that can help organizations attract new audiences for music. In addition to projects that focus on the standard repertoire, the Arts Endowment encourages the commissioning and performance of new American works.

Funding Opportunities in Music include: i) Access to Artistic Excellence program, which is intended to encourage and support artistic excellence, preserve the US's cultural heritage, and provide access to the arts for all Americans, with grants from \$5,000 to \$150,000; ii) Challenge America Program, which provides support for projects that

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<sup>71</sup> Sales data from SNEP, le Syndicat National de l'édition Phonographique, the French trade body acting as an intermediary between music producers and distributors; see:

[http://www.disqueenfrance.com/actu/ventes/vente2006\\_2.asp](http://www.disqueenfrance.com/actu/ventes/vente2006_2.asp); accessed on October 19, 2006.

<sup>72</sup> See: <http://www.nea.gov/grants/apply/Music.html>; accessed on December 17, 2006.

extend the reach of the arts to underserved populations, with grants at \$10,000; and, iii) Learning in the Arts for Children and Youth program, intended to advance arts education for children and youth in school-based or community-based settings, with grants ranging from \$5,000 to \$150,000.

The NEA also establishes specific programs from time to time, such as “American Masterpieces: Choral Music”, a component of the American Masterpieces program, which was intended to celebrate “the extraordinary and rich evolution of choral music in the United States”, with grants ranging from \$25,000 to \$75,000, or “Arts on Radio and Television”, which supports projects for radio and television arts programs that are intended for national broadcast, with grants ranging from \$20,000 to \$200,000.

In addition, the NEA sponsors award programs to help provide financial assistance to individuals and groups involved in musical performance.

In fiscal year 2005, the NEA had just over US\$133 million available for all programs in all areas, but did not break out that portion of support which went towards supporting music.

The NEA itself has declared that it has been successful at supporting music, citing historical statistics such as the fact that the number of symphony orchestras in America has grown from about 400 in 1965 (the year that NEA was created), to over 1,800 at present, or that the number of professional opera companies has grown from “a few” in 1965 to approximately 130 at present; however, there is no clear link made by NEA to directly connect the NEA with this growth in musical institutions.

The US market for prerecorded music was worth approximately US\$12.3 billion in 2005, as measured by the value of shipments by manufacturers, down US\$1.4 billion since 2001, a decline of 11% (Table 1).

**Table 1**  
**US Recorded Music Sales (Shipments), 2005<sup>73</sup>**

<b>Format</b>	<b>Value (US\$ millions)</b>	<b>Percentage of Total Market</b>
CD, Full Length	10,520.2	86.0
Physical, Other	674.8	5.6
Subtotal, Physical	11,195.0	91.2
Digital Downloads	503.6	4.1
Digital, Mobile	421.6	3.4
Digital, Subscriptions	149.2	1.2
Subtotal, Digital	1,074.4	8.8
Total	12,269.4	100.0

## **7. Jamaica**

The Jamaican music industry has developed with little support from government. In 2000 the government established a Film, Music, and Entertainment Commission, and has provided support as recently as January 2006. Despite this low level of support, rampant piracy, and a highly fragmented market, Jamaican music finds a steady, if cyclical, export market, with estimates of the market ranging from such as leading a delegation, and providing support, for a trip to the Midem music market.

Statistics on the Jamaican music industry are dated and subject to debate, however one study estimated that the domestic music market is worth an estimated US\$31-35 million, with the export market worth between US\$60-100 million. While these numbers are small in the context of the global music market, the domestic music market is estimated to represent 10% of gross domestic product, while the export market generates more foreign exchange than important earners such as the sugar crop.<sup>74</sup> If nothing else, the Jamaican music industry suggests that many factors, including notoriously fickle public tastes, can play a leading role in supporting an industry. Although the industry was largely carried on the shoulders of reggae's Bob Marley and the Wailers in the 1970's, a number of factors, including the cultural interplay between US, Caribbean, and African influences, connections to multi-national companies by a local entrepreneur, Chris Blackwell (of Island Records), and a continuing adoption and invention of musical styles such as ska, rocksteady, dub and dancehall have permitted Jamaican music to retain its popularity and appeal.

<sup>73</sup> Statistics from the Recording Industry Association of America; see reports found at <http://www.riaa.com/news/marketingdata/yearend.asp>; accessed on December 17, 2006.

<sup>74</sup> *Music and the Jamaican Economy*, a report prepared for UNCTAD/WIPO, Dr. Michael Wittner, March 16, 2004; see [http://www.wipo.int/about-ip/en/studies/pdf/study\\_m\\_wittner.pdf](http://www.wipo.int/about-ip/en/studies/pdf/study_m_wittner.pdf); accessed on October 13, 2006.

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