CIMA

Canadian Independent Music Association

Remarks to the Standing Committee on Finance and Economic Affairs

For its study of recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on the arts and culture sector

Delivered by Stuart Johnston, President, Canadian Independent Music Association

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Thank you, Mr. Chair and thank you for the invitation to present to the committee today.

My name is Stuart Johnston and I am president of the Canadian Independent Music Association.

CIMA is the national, not-for-profit trade association representing the English language, Canadian-owned and controlled companies of the domestic music industry.

The majority of our members are based here in Ontario including independent record labels, managers, publishers, distributors, artist-entrepreneurs, recording studios and the like - all small businesses, almost half of which are sole proprietors.

As a member of Minister MacLeod's COVID 19 working panel for the Music sector, I am here to fully support and endorse the recommendations of our final report to the Minister. Representatives of that panel will be presenting this afternoon, so I will leave it to them to share our findings with you.

I do want to acknowledge all of the hard work done by Minister MacLeod, her team and all the good people at her Ministry and at Ontario Creates…...and for the leadership shown by the Minister, the government and all of our elected and public officials during this time of crisis. Thank you to all of you.

The Canadian and global music industry is experiencing unprecedented upheaval and turmoil due to the pandemic, with consequences that will be felt for years to come. Many are experiencing severe impacts to their revenues; some, particularly in the live sector, have been reduced to zero or close to zero revenues for the foreseeable future.

The music industry was one of the first to experience dramatic loss resulting from the pandemic and will be one of the very last to recover.

Tours, gigs and live events are cancelled and will likely not resume in earnest this year due to the physical distancing requirements. And even then, it will still take many more months before we feel comfortable stating that our recovery has truly begun.

For instance, a Music Canada study found that 43% of Canadians said it would take six months or more before they would feel comfortable going to a music festival or a concert in a large venue; another quarter said that they may never feel comfortable going to this type of event again.

Our industry will not be on a true road to recovery until live events involving critical masses of people will be permitted again and international exporting activities resume, which by most conservative estimates will be well into next year.

During these past several months, most music releases had been cancelled or postponed. Physical distribution of records had come to a virtual standstill because of store closures.

The film and television closures resulted in a severe decline in work for media composers and the opportunity for music placement in productions. Music revenues from broadcast radio have taken a significant hit as advertisers reduced their advertising spends.

Every revenue stream available to the music industry is and continues to be affected. Every element of the supply chain has been dramatically impacted. The scope of the devastation captured in industry surveys is staggering.

Companies are barely operating and surviving. The majority of businesses in our industry predicted in May they will be able to sustain their operations for no more than three months without help, and only 6% will be able to keep their business going for up to a year.

Staff layoffs have occurred across the industry, and many more are expected. Some companies may still lay off up to 100% of their employees in certain sectors of our industry. The livelihood of artists and musicians is at stake with over 88% seeing reductions in their contracts or work activity and over 50% say that this represented between 50-100% of their income.

Our artists are hit particularly hard.

Independent music companies are leaders in discovering, developing, and investing in new talent. These small businesses make their living by finding and signing new artists, creating intellectual property, and commercializing the world over.

But our province's ability to create, perform, own, and globally commercialize valuable intellectual property- our music- is at severe risk. Ontario’s music industry and its supply chain are in desperate need of robust financial support and flexibility in funding dedicated to supporting our industry.

I am not strictly referring to immediate, emergency help, but a longer-term recovery plan. Again, we were one of the first hit by COVID, and will likely be the last to emerge.

On June 1, the Quebec government presented a $400 million recovery fund for its cultural sector to help it get through the COVID-19 crisis. As the second largest music market in Canada - next to Ontario - our colleagues in Quebec are receiving a dedicated envelope of $33.5 million to support their independent music industry.

Unfortunately, COVID hit us about a year after our small businesses saw a 57% cut to the Ontario Music Investment Fund budget. I'm not here to argue about the merits of the cut when they were made. That was a different time. But we are living in a completely different world now.

Ontario's industry is the largest music market in the country and has less support now than it otherwise would have had -- support that it now needs for the foreseeable future.

CIMA's Ontario members and their artists need the government, <u>as a start</u>, to partner with the industry and reinstate the music fund's original budget of $15 million annually to help them get through this pandemic and beyond.

The music fund is a public-private partnership that is designed to strengthen and develop the small and medium sized businesses that contribute to economic and cultural growth of the music industry in Ontario. It is a matching dollars fund, meaning that for every music fund dollar the industry also invests another dollar.

Leveraging these funds enable Ontario music companies and their artists to develop and retain intellectual property (music), meaning the economic benefits of commercializing the music stays in Ontario. This is an important net-benefit to Ontario's economy. Most importantly, the OMIF provides substantial stability to Ontario's music companies at a time when the music industry is at its most vulnerable.

Also, **we ask the government to increase incentives for media such as film, tv, video games to use music content from Ontario companies in their productions, through augmented tax credits**.

Further, Ontario should initiate a '**Buy' or 'Support Canadian Creators' marketing strategy** to encourage people to buy, stream or otherwise support our great Canadian artists.

In conclusion, what is at stake is the survival of our domestic music industry as we know it, and its significant economic, social and cultural contributions. Ontarians will lose their jobs. Companies and businesses will shut their doors. Artists are and will continue to suffer, particularly those from marginalized communities.

In these uncertain times, Ontarians are turning to artistic creators more than ever for comfort, community, and hope. It is our responsibility to support them in every way we can.

Thank you.