

Economic Impact of Canada's Music Industry Extends Far, Rotman Prof's Study Finds

But new research finds Canadian artists earn just \$16,500 a year from music; most see unauthorized file sharing as a threat

Toronto (June 6, 2008) – Canada's music industry has a wide-ranging economic impact that extends far beyond the recorded music sales traditionally used to evaluate its size and strength, according to a new study by Rotman School of Management Professor Douglas Hyatt.

But in parallel with rapidly declining CD sales, new POLLARA research commissioned for the study revealed that Canadian artists struggle to earn a living from music, taking home just \$16,500 a year on average from their craft, after expenses. At the same time, the survey found that strong majorities of artists see unauthorized file sharing as a threat to the music industry and want copyright owners to have control over the use of artistic works.

The POLLARA poll, based on a national online survey of 700 musicians, songwriters and vocalists, is believed to be the first systematic research into Canadian artists' financial performance and their views on issues affecting the music industry.

Music's Far-Reaching Economic Scope

The independent national study, "An Overview of the Financial Impact of the Canadian Music Industry," explores for the first time the full economic scope of music in Canada. In addition to the production and sales of recorded music such as CDs and digital songs, the report covers music publishing, live performances, the use of music in radio broadcasting, and musical instruments and lessons.

The study found that major record label sales of \$538 million in 2006 represent only a portion of Canada's music economy. Over and above this, gross revenues from live musical performances were estimated at \$752.8 million in 2005; retail sales of musical instruments and recording and live performance equipment exceeded \$900 million in the same year; and earnings by Canadian music publishers totaled \$103 million in 2004. Citing the "considerable use of music" in broadcasting, particularly radio, the report also noted that commercial radio stations in Canada posted \$1.3 billion in revenues during 2005.

In addition, the report found that 15 percent of Canadians purchased music or singing lessons for themselves or for someone in their family. Those who purchased lessons for themselves spent an average of \$578 in the last year, while similar purchases for other family members averaged \$439. Additional expenditures were made for sheet music and other support materials.

"This study is a first step in building a comprehensive economic picture of music in Ontario and across Canada," said Karen Thorne-Stone, President and Chief Executive Officer, Ontario Media Development Corporation (OMDC), an agency of the Ontario Ministry of Culture. "Going forward, the report will serve as a baseline for the sector's financial performance, and as a tool both to assess the success of our current programs and guide future investments."

Tough Times for Recorded Music, Tough Times for Artists

Alongside the sharp decline in recording industry sales, the study separately found that Canadian artists earn a relatively meagre income from music that averages just under \$25,000. After subtracting expenses of more than \$8,300, musicians take home a "margin" of about \$16,500 a year, according to the POLLARA survey cited in the report.

Almost two-thirds of the survey respondents indicated that they also work at one or more extra jobs other than songwriting and/or performing, earning just under \$21,000 on average from supplementary

employment. Forty-four percent of this group reported that “they have become more reliant over the past three years on income from sources other than music to support themselves,” the report found.

"This report by my Rotman School colleague, Doug Hyatt, paints a clearer picture of the challenges facing one of the most important and influential of all creative industries – music," said Richard Florida, Professor of Business and Creativity and Director, Martin Prosperity Institute, Rotman School of Management. "A thriving Canadian music scene is key to our prosperity, creative energy and quality of life in the 21st century."

Canadian Artists Concerned About Internet Downloading and Unauthorized Use of Their Work

Most Canadian artists are concerned about the impact of file sharing and strongly oppose the unauthorized use of their music, according to POLLARA's survey of musicians.

As reported in Hyatt's study, the survey found that:

- About 71 percent of the musicians surveyed view unauthorized file sharing as either a major threat (38 percent) or a minor threat (33 percent) to the music industry, while 15 percent do not view it as a threat.
- Almost 38 percent of musicians agree that unauthorized file sharing is bad for artists compared with 14 percent who agree it isn't bad for artists. Another 34 percent view unauthorized file sharing as both good and bad for artists.
- The vast majority of musicians believe that owners of copyrighted artistic works should have either complete control (67 percent) or some control (27 percent) over its use. About 1 percent said they should have very little control.

"For the first time, we know definitively that most artists – the people on the front lines of the music industry – view file sharing as a threat," said Duncan McKie, President and CEO of the Canadian Independent Record Production Association. "This, along with their strongly expressed wish for control over the use of copyrighted works, is not surprising given the financial challenges they face."

Artists Must Tour to Make Ends Meet

According to survey findings reported in the study, Canadian musicians depend on live performances for almost half of their music-derived earnings. Many noted that live performances are becoming an increasingly important part of the mix.

Paul Sharpe, Director, Freelance Services Division, American Federation of Musicians (Canada), pointed to the strong links between widespread unauthorized music downloading in Canada, the precipitous decline in recorded music sales, and the increasing time spent by artists on the road.

"File-sharing has made it impossible for most Canadian artists to earn an adequate living from recorded music today," Sharpe said. "That has forced many of them not only to get a second job, but also to spend more grueling days and nights on tour to make ends meet."

Survey Methodology

Data on musicians were collected during December 2006 and January 2007 using a web-based survey conducted by POLLARA, with the cooperation of the Canadian arm of the AFM. In total, 684 musicians, songwriters and vocalists responded to the survey. The musicians who responded to the survey were primarily AFM members, all of them in Canada.

Research underlying the study was conducted independently by POLLARA with cooperation and/or financial assistance from OMDC in association with Canadian music industry organizations including CIRPA, AFM, the Canadian Music Publishers Association, the Canadian Recording Industry Association and the Music Managers Forum.

“I would like to express my gratitude to OMDC and Canada’s music industry for providing much of the data used in this study, and to the many individuals who provided important insights into how the industry works,” said Hyatt, a Business Economics Professor at Rotman. “Their cooperation formed a key part of the project’s foundation while respecting the need for independence and academic integrity in my work.”

Web Access to the Music Study

The full report can be found at www.omdc.on.ca.

About the American Federation of Musicians of United States and Canada

The American Federation of Musicians of the United States and Canada (AFM Canada) is the largest organization in the world representing the interests of professional musicians, with approximately 15,000 members in Canada. AFM Canada is committed to raising industry standards and placing the professional musician in the foreground of the cultural landscape.

About the Canadian Independent Record Production Association

The Canadian Independent Record Production Association (CIRPA) is the trade organization representing the independent sector of the Canadian music and sound recording industry. For 30 years CIRPA has been the collective voice of independent music in English-speaking Canada.

About the Canadian Music Publishers Association

Since 1949 the Canadian Music Publishers Association (CMPA) has ensured the views of music publishers working in Canada and its members are heard. It is our mission to promote the interests of music publishers and their songwriting partners through advocacy, communication, and education.

About the Canadian Recording Industry Association

The Canadian Recording Industry Association (CRIA) promotes the interests of Canadian record companies.

About Music Managers Forum Canada

The Music Managers Forum (MMF) is an international not-for-profit association that was founded in 1992 in the U.K. Its formation was intended to give managers an opportunity to discuss, educate each other and create a much-needed voice within the industry. Inspired by the UK example, the MMF Canada was launched as an ad-hoc organization in 1994, and was federally incorporated as a not-for-profit association in 2000.

About Ontario Media Development Corporation

Ontario Media Development Corporation (OMDC) is an agency of the Ontario Ministry of Culture that facilitates economic development opportunities for Ontario’s cultural media industries including book publishing, film and television, interactive digital media, magazine publishing, and music industries.

For more information:

Paul Sharpe, AFM Canada
416-391-5161; psharpe@afm.org

Duncan McKie, CIRPA
416-485-3152 x232; duncan@cirpa.ca

Catharine Saxberg, CMPA
416-926-7952; csaxberg@musicpublishing.ca

Don Hogarth (for CRIA)
416-967-7272; don@hogarthpr.com

Brian Hetherman, Music Managers Forum
416-596-6793; brian@cerberusartists.com

George McNeillie, Ontario Media Development
Corporation 416-642-6619; gmcneillie@omdc.on.ca

Prof. Doug Hyatt, Rotman School of Management
(416) 946-0737; Hyatt@Rotman.Utoronto.Ca