



**THE 2007
NOVA SCOTIA
MUSIC SECTOR
STRATEGY**





THE 2007 NOVA SCOTIA MUSIC SECTOR STRATEGY

The Plan

The Nova Scotia Music Sector Strategy 2007 is a plan for stability, development, and growth in the music industry of Nova Scotia. It is published by Music Nova Scotia and was prepared by Waye Mason Consulting and the Music Nova Scotia MSS Working Committee in the spring and summer of 2007.

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Music Nova Scotia

In 1989, Music Nova Scotia was formed through a democratic process led by an entrepreneurial group of Nova Scotian industry professionals. Through our efforts, we work to realize our vision of Nova Scotia as the leading center for independent music in Canada, recognized as a global center of creation and professional excellence and with all of our communities participating and benefiting in the music. Music Nova Scotia is a non-profit organization based in Halifax.

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Executive Summary

Nova Scotians are proud of our musical heritage. As the successes and achievements of our musicians and music sector increase, so too does our pride in, and love of, all types and genres of Nova Scotia music.

In the four years since the first Music Sector Strategy was brought forward in 2002, we have achieved some amazing things. Built on a foundation of talent that is second to none, we have seen significant industry growth. New Nova Scotian artists are making significant impacts nationally and internationally, and more music of a higher quality is being produced. Momentum in our sector has never been higher.

The steady and significant diminishment of conventional *hard format* or CD sales has created immense new challenges for the music sector. With this key revenue pillar fading further every day, new emphases will have to be placed on live performance and music publishing - because digital (internet) sales of sound recordings are not growing at the same rate that hard format sales are falling.

The core premise of the 2002 strategy remains true today:

Nova Scotian music is a renewable resource. Our music must be nurtured and developed with long-term objectives in view. The development of all parts of the Music Sector will result in a *large potential for growth* and represents a *sound investment* for the Province.

Music Nova Scotia continues to advocate a long-term strategy:

To increase the *added value* to the goods and services the Province exports and to ensure that our direct share of national commercial activity in the music sector evolves to match the *creative output* that is being generated in Nova Scotia.

The Nova Scotia Music Sector Strategy 2007 presents a compelling rationale for provincial investment and proposes a realistic framework to do so. It reviews the six core activities in the music sector, assesses and updates the current level of development in the Province in each activity, and then presents new proposals for growth and support.

Music Sector Strategy 2007 contains three strategic priorities that require action to ensure continued artistic and economic growth in the music sector of Nova Scotia.

- **Artist and Project Investment** in the creation and development of music, through maintenance and expansion of existing programs.
- **Business Climate** improvement through implementation of tax changes and tax credits to encourage live performance, new hires, and private investment.
- **Financial Capital** availability is a serious issue, which should be addressed through changes to criteria for funding by existing provincial economic development agencies.

Music Nova Scotia is the voice of the music industry of *Nova Scotia*. *Music Sector Strategy 2007* has been developed through surveys and interviews with the membership of our association. It builds on the extensive studies done from 2000 to 2002 to create the original *Music Sector Strategy*. This document, *The Nova Scotia Music Sector Strategy 2007*, is our collective voice.



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1 PLANNING CONTEXT & BACKGROUND

1.1 CONTEXT AND GOALS

The Nova Scotia Music Sector Strategy 2007 delivers a bold, insightful and above all achievable vision for the future of the music industry in Nova Scotia. It examines the goals first established in 2002, re-examines the core activities in the music industry, assesses the level of development and the progress that has been made, and presents a proposal for further growth and support.

1.2 PLANNING CONTEXT

The music sector, as both an industry and an artistic sector, exists as a part of the overall Nova Scotian economic and cultural milieu. Together, the provincial and federal governments, as well as the culture sector as a whole, have issued guidance and established strategic goals in a number of documents, and it is these that provide the planning context for the music sector's strategy.

1.3 PROVINCIAL

1.3.1 Opportunities for Sustainable Prosperity 2006

In the economic development document *Opportunities for Sustainable Prosperity 2006*, the Province of Nova Scotia creates a framework for achieving economic growth and prosperity. The document recognizes that the Information, Culture and Recreation Sector accounts for 5% of GDP and 4% of employment in Nova Scotia.ⁱ It identifies three goal areas:

1. Improved GDP-per-capita and higher earnings per-capita in Nova Scotia.
2. Becoming *the best place to live* as measured by GPI Atlantic.
3. Becoming *the best place to work* by offering a wide range of opportunities and attracting skilled and talented people.ⁱⁱ

The music sector contributes to both economic activity and quality of life. *Music Sector Strategy 2007* addresses the requirement to develop a better business climate in order to increase productive capacity. This is fundamental to achieving the goal of sustainable competitiveness regionally, nationally, and internationally.

The music sector, and indeed, the culture sector, will grow through support in the key strategic focus areas identified in the provincial plan. Specific proposals that address these focus areas are identified later in this document.



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1.3.2 Department of Tourism, Culture and Heritage - Business Plan

The Department of Tourism, Culture and Heritage has outlined a broad plan to foster cultural growth in Nova Scotia. While the Culture Division is working in support of recommendations from the Nova Scotia Arts and Culture Partnership Councilⁱⁱⁱ (see 1.4), the departmental plan also calls for work with stakeholders, such as Music Nova Scotia, to "capitalize on existing cultural resources to bolster economic and trade initiatives"^{iv}, providing clearer linkage than ever between the growth of the tourism and cultural industries.

1.4 CULTURE SECTOR PLANNING AND GUIDANCE

There are two documents that define current provincial planning for the culture sector - the *Culture Sector Strategy* produced by the Department after heavy consultation with the sector in 1998, and *Creative Nova Scotia*, developed and promulgated by the Nova Scotia Arts and Culture Partnership Council in 2006.

1.4.1 The Culture Sector Strategy (CSS)

Currently, the CSS that remains in use, to guide culture sector planning in the Provincial Government, is almost a decade old and a new effort needs to be made to replace it with a stakeholder driven document that represents the entire sector both comprehensively and accurately (in the sense that some sections are out-of-date).

1.4.2 Creative Nova Scotia (CNS)

The Nova Scotia Arts and Culture Partnership Council created *Creative Nova Scotia* in 2006. The document contains a series of recommendations for immediate actions to be undertaken by the Provincial Government. Where appropriate, the *Music Sector Strategy 2007* proposals are identified in the context of the CNS proposals.

1.5 SECTOR STRATEGY 2007 REVISION

It has been five years since the Board of Directors of Music Nova Scotia directed the creation of a plan for the music sector and the first strategy was presented to the Province. *The Nova Scotia Music Sector Strategy* is a *living* document, revised periodically to ensure it reflects the current needs of the sector.

1.6 MUSIC NOVA SCOTIA

1.6.1 The Mission

The mission of Music Nova Scotia, adopted in the spring of 2004, is:

"Music Nova Scotia encourages creation, development, growth and promotes the music industry of Nova Scotia. It achieves its Mission through:

- *Provision of professional development opportunities*
- *Brokering of information and resources*
- *Advocating and lobbying of government, the private sector and the general public*
- *Guiding the distribution of funds*
- *Development of networking and promotional opportunities"*



1.6.2 The Vision

"Nova Scotia is the leading center for independent music in Canada, recognized as a global center of creation and professional excellence and with all of our communities participating and benefiting in the music."

1.7 MUSIC SECTOR AREAS OF ACTIVITY

There are six core areas of activity in the music sector, and a number of related areas and industries.

1.7.1 Music Sector Core Activities

The core activities of the sector are songwriting and composition, live performance, production, distribution and retailing of sound recordings, administration of copyright in composition and recordings (non-classical), management, and representation and promotion.

1.7.2 Music Sector Related Activities

Related sector activities are music press, multimedia content, digital media, retailing and distribution of digital music via internet, music for computer games, art and creative studios, production, distribution and retailing of printed music, production, retailing and distribution of musical instruments, jingle production, photography, and education and training.

1.7.3 Music Sector Related Industries

Related industries are internet/e-commerce, publishing, television and radio, film and video, advertising, performance arts, interactive leisure software, and software and computer services.^v

1.8 MUSIC SECTOR MARKET SIZE

Canada:	Sound Recording Industry 2004:	CAN \$901.9 million.
World Wide:	Sound Recording Worldwide 2004:	CAN \$33.6 billion.

1.9 PARAMETERS FOR INVESTMENT HAVE NOT CHANGED

Confidence in the fairness of government and Music Nova Scotia programs has been maintained by ensuring that all programs are accessible for application, that the decision-making process is transparent, that the results are made public and that those making the decisions are accountable.

The principles of fairness, transparency, and financial responsibility outlined in Section 3 of the *2002 Music Sector Strategy* will continue to guide program development and administration in the Province and at Music Nova Scotia.

1.10 REGIONAL COOPERATION ESSENTIAL

Music Nova Scotia will continue to work with the East Coast Music Association, the Atlantic Film Festival and other music industry associations when appropriate. These projects include delivery of music sector trade missions to international events and bringing representatives from targeted markets to the region as delegates to provincial and regional industry events, such as Nova Scotia Music Week and the ECMAs.

Music Nova Scotia will take an active role in negotiating a new framework for regional cooperation on international trade missions with four-province support for market-driven decisions to determine which businesses and artists attend any trade mission.



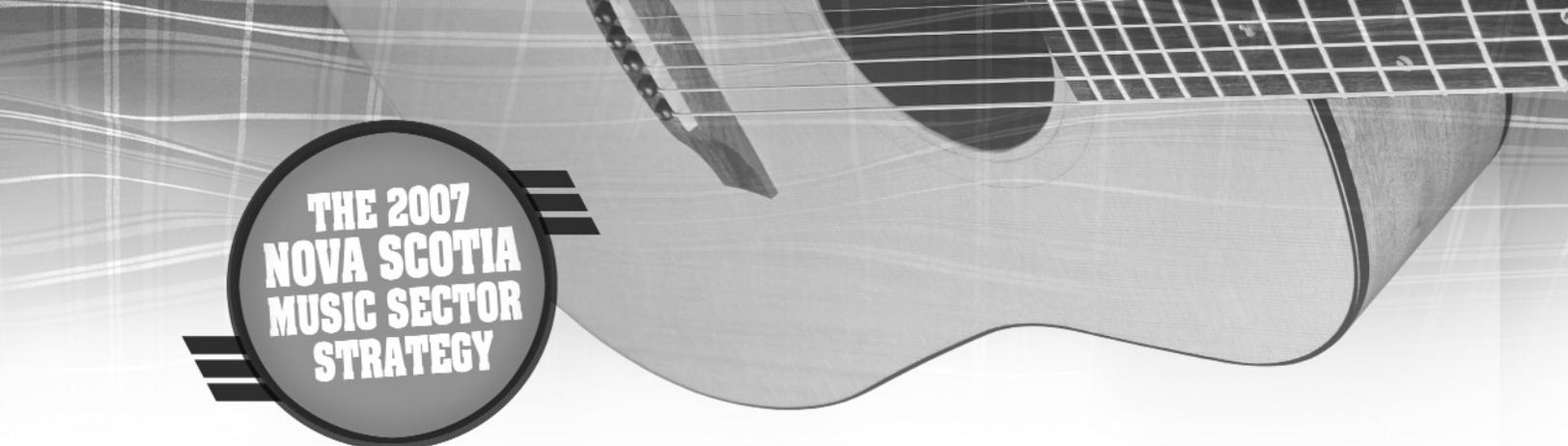


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1.11 SOURCES OF FUNDING

Music Nova Scotia will redouble its effort to secure funding from other sources, beyond the Department of Tourism, Culture and Heritage.

Bridges will be built to ensure that other provincial departments, most notably Economic Development; and federal departments and agencies, such as ACOA, the Department of Canadian Heritage, and Enterprise Cape Breton Corporation, support *Music Sector Strategy 2007*.



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2 THE MUSIC SECTOR

This section presents an overview of the music sector, the challenges and opportunities, and the recommendations for action.

The music sector is comprised of six core activities. These are:

1. Songwriting
2. Publishing
3. Live Performance
4. Representation
5. Production
6. Distribution.

A decade of rapid advancement in the digital distribution of media has had a deep impact on the conventional distribution channels for CDs and DVDs, known in the industry as *hard format* distribution (discussed in detail in 2.6). While conventional distribution has faded, the music industry as a whole continues to thrive, with other areas of activity, principally publishing and live performance growing to become the key revenue sources.

The following sections detail each core activity, describe each activity's challenges and opportunities, and then recommend solutions to meet those challenges. It is only by addressing the needs of all six, core activities that the music sector can achieve significant progress.

2.1 CORE ACTIVITY #1 - SONGWRITING

What is songwriting? A song, or vocal music, is the creative core and foundation for all activities in the music industry, excluding instrumental composition. The popular reception of a song, whether by a mass population or a dedicated core, determines the success of the songwriter. Thus, the need for many artists and their supporting professionals to concentrate considerable energy on the writing, production and exposure of the song, or single, is essential to building recognition and profitability.^{vi}

In Nova Scotia, commercial songwriting success has not been a consistent accomplishment. There are several reasons for this. Songwriting ability is not one of the obstacles, whereas, the opportunity to develop this creative force into skill is. To develop this skill, opportunities for collaboration and expression are needed to support the creative process.

2.1.1 Collaboration

Collaboration exists in many forms. Senior songwriters sharing their knowledge with junior artists and experienced songwriters working together on one or more songs are proven practices that increase the abilities of all songwriters involved. Providing more conduits or encouragement for these connections is essential to the viability of the song market.

2.1.2 Composition

Combining the parts into a flow of music without lyricism is composition. Traditionally, composition is used to describe the creation of classical music, but this form of songwriting can encompass all genres of music, from Acadian to rock to turntablism.



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2.1.3 Publishing

Music publishing is usually a subset of songwriting. However, due to the importance of developing music publishing in Nova Scotia, music publishing will appear as a separate core activity (see 2.2).

2.1.4 Challenges and Opportunities for Nova Scotia

There is no formal education process for songwriting, but songwriters can benefit from attending a general music program at a university or the Nova Scotia Community College. The Songwriters Association of Canada (SAC), the ECMA, and Nova Scotia Music Week all play a role in providing education in songwriting.

Songwriters face the same challenges as any artist. They often have difficulty making the leap from part-time to professional and need support in creation. Often, even the most accomplished and productive songwriters face difficulties in finding ways to bring their craft to market, or to support the expense of finding markets for their songs.

2.1.5 Goals for Nova Scotia

Goal - To provide a creative environment that encourages Nova Scotian songwriters.

To achieve this goal, action needs to be taken in several areas:

- P-12 funding for music education must be maintained and enhanced to foster future generations of songwriters and musicians.
- Informal education through songwriter workshops, songwriters' circles, etc, should be supported by the Provincial Government and Service Canada, and administered by Music Nova Scotia and the SAC.
- Increased funding and broadening the criteria for creation grants would allow more songwriters to benefit from the Emerging Music Program administered by the Province.
- Increased funding to the Export Development Program would allow more songwriters to take advantage of the program to travel to songwriter workshops and other collaborative efforts.

2.2 CORE ACTIVITY #2 - MUSIC PUBLISHING

Music publishing is quickly becoming the single largest area of the music industry. As emerging technology puts stress on distribution of conventional products, publishing will become the most important means to promote and sustain Nova Scotian songwriters, and in turn, grow the sector as a whole. There are two areas of publishing that are important to Nova Scotia:

2.2.1 Music Publishers

A music publisher strives to maximize the circulation, impact and profitability of songs, and to coach and mentor promising writers. Additionally, a music publisher has the role of seeking recording contracts for artists. These roles are vital ingredients in a songwriter achieving his/her career potential.

The essential role of a music publisher is to promote the works of the songwriter. Since the publisher's entire business is music, the publishing company will have a wealth of contacts and experience that will expand the



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possibilities for a song through print, recording, video, radio and television airplay, and even foreign sub-publishing. A knowledgeable and energetic music publisher can create exposure for a song and generate payments for its use.

A publisher is also a coach and mentor. Songwriters who write exclusively for a certain music publishing company (staff songwriters) have a great advantage in that they have personal access to the expertise of the publisher for opinions on the songs they are creating. The publisher may arrange for a writer to collaborate with other writers who are stronger in certain aspects of the craft, thereby offering a *cross-training* advantage in the development of the writer's talent. Good publishers, like good coaches, can inspire, cajole, and encourage the maximum from those they mentor.

2.2.2 Music Supervisors

An executive who manages the licensing of music for a film or television production. The Music Supervisor handles music clearance and rights licensing of existing music, and also may be involved with supervising the score composer. Choosing appropriate music, especially Source Cues and Songs is usually the responsibility of the Music Supervisor.

2.2.3 Challenges and Opportunities for Nova Scotia

Music publishing and revenue related to copyright is the cornerstone of the post-record sale music sector. As identified in the *2002 Music Sector Strategy*, the key to developing a strong economic base for music in this Province is to keep ownership of the products of our songwriters here.

In addition to Nova Scotia based music publishers, we must encourage the development of homegrown music supervisors and build relationships with national and international music publishing companies.

The growth of the music publishing core activity continues to be a key part of the growth strategy for the Nova Scotia music sector. Encouraging the establishment and growth of a music publishing industry within Nova Scotia is a priority, as *direct access equals self-reliance*. There continue to be no music publishers or music supervisors operating in Nova Scotia.

Over the last decade, many music publishers and supervisors have said, "the music is great, but the recordings are not of a high enough quality to place in a feature film." Steps need to be taken to ensure our music is recorded or re-recorded with sufficient quality to be placed in major productions.

2.2.4 Goals For Nova Scotia

Goal - To foster local ownership of music publishing businesses, including rights administration, music supervision, and music publishing.

To achieve this goal, action needs to be taken in several areas:

- Music Nova Scotia must provide education and networking opportunities for stakeholders to increase understanding of, and access to, the music publishing business.



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- The Export Development Program must encourage applications for the purpose of producing higher quality, industry standard recordings.
- NSFDC and the Province's film policies should reflect an expectation that local musicians be used as much as possible in film and television scores. Production companies that do so should be rewarded.
- Business climate and financial capital proposals in section three will address challenges to business growth.

2.3 CORE ACTIVITY #3 - LIVE PERFORMANCE

Support for performance in Nova Scotia, Canada, and internationally is integral to the growth of the Nova Scotia music sector. Live performance has always been the foundation of the industry, the means whereby musicians gain exposure and earn income. The traditional or roots sector of music in Nova Scotia continues to be a vibrant and well-known part of our industry. Artists in our industry focus on keeping traditional music alive, from Gaelic songs to Acadian compositions. Live performance will continue to be one of the most important core activities for revenue generation.

2.3.1 Challenges and Opportunities for Nova Scotia

Live performance in Nova Scotia continues to be stressed by economic factors and is under increasing threat. Increased travel costs are having an impact on the ability of performing artists to tour. Private establishments such as bars, private promoters and presenters, and institutional presenters (arts centres) face serious challenges. These include:

- Insufficient capital investment in arts centres.
- Insufficient operating support for arts centres.
- High taxes on live entertainment and on alcohol in both private and public sector venues.

Bringin' It Home has created a new level of support for small rural community presenters of events, who are too small to be members of the Atlantic Presenters Association. Music Nova Scotia has helped these presenters network and communicate.

A major issue for the region's touring show scene is the lack of an institutional presenter in Halifax. Trade and security barriers with the United States have impaired the ability of Canadian artists to access the biggest, closest market.

There is a diminishing number of qualified technical professionals within Nova Scotia able to critically analyze the needs and perform the tasks involved in live production. This includes Sound Engineers, Lighting Engineers, Lighting Designers, Set Designers, Production Managers and Technical Directors, Stage Managers, Tour Managers and Equipment Managers. Some occupations such as Sound, Lighting and Set, do have educational programs within Community College or Arts College curriculums but charge a significant fee to attend. The other careers are learned primarily through osmosis by mentoring and trial by fire.



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2.3.2 Goals for Nova Scotia

Goal - Live performance goals are, first, to increase support to venue operators and to reduce the obstacles that stand in their way, second, to encourage musicians to stay the course and to continue to perform live and third, to increase the number of live performance technical professionals in the province.

To achieve these goals, action needs to be taken in several areas:

- Elimination of provincial component of HST on live performance of Canadian music.
- Music Nova Scotia will endorse the call for volume discounts on liquor purchases by restaurants and bars, proposed by the Restaurant Association of Nova Scotia.^{vii}
- Funding for the Export Development Program must be maintained and ideally increased.
- Additional funding for operation for venues and anchor organizations that serve the entire culture sector is required.
- It is important to encourage and develop the performance of both original and traditional music, no matter which culture it is derived from, because it ultimately reflects our core identity and uniqueness and helps to maintain our heritage.
- Additional funding for those learning technical support skills at recognized technical institutions and funding to develop mentorship programs in the area of technical support.

2.4 CORE ACTIVITY #4 - REPRESENTATION

The representation core activity consists of three elements:

2.4.1 Management

The person or company who advises and manages all of the business affairs between an artist and the outside world is the manager. Managers are the interface between all other parts of the industry, from booking to recording, from lawyers to record labels. Arguably, it is the manager who requires the broadest base of skill and who, more than any other part of the industry, is exposed to risk.

2.4.2 Booking Agent

Performers require assistance from professional booking agents to secure gigs and to book tours. Agents maintain relationships with clubs, live performance venues and live event promoters.

2.4.3 Marketing

Many music businesses engage publicity and marketing specialists to create and/or administer marketing campaigns. This can include media relations, street campaigns and retail awareness campaigns.

2.4.4 Challenges and Opportunities for Nova Scotia

Management is the cornerstone of the industry, and, as the industry moves away from sales of CDs, management is more important than ever. There is a critical need to encourage new managers and increased staffing at existing management companies. The time required to develop an act can be two to three years,



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during which the manager often works with no remuneration. There are no serious incentives in place to encourage the hiring of staff to assist.

There is little financial support available for the process of developing artists, and many new artists continue to find it difficult to attract qualified management. The Emerging Music Program has funded some mentorship opportunities, but does not offer enough financial support to create programs of sufficient length to better ensure success.

There are regional booking agents in the province, but no national booking agencies operate in Nova Scotia. Several public relations, publicity and marketing companies are established, secure and growing.

Education and professional development are the concerns raised repeatedly by industry professionals working in representation. Lack of high-end, skilled professional development continues to be an issue.

While the NSCC programs for Music Business and Music Arts diplomas are important and valuable steps in the right direction, concern remains that many businesses need, but are unable to hire, new staff. Programs need to be put in place to encourage apprenticeship and new hires.

2.4.5 Goals for Nova Scotia

Goal - The representation goals are, firstly, to create an environment that supports managers, booking agents and marketing specialists, and secondly, to encourage education and development programs so that Nova Scotian performers are represented to the highest standard possible.

To achieve this goal, action needs to be taken in several areas:

- Emerging Music Program funding must be maintained or increased.
- A Labour Tax Credit modeled on the film and digital media tax credits should be introduced to encourage and support new hires.
- A Music Development Tax Credit modeled on the Ontario Sound Recording Tax Credit should be created to support private sector investment in the industry.
- The Provincial Government should change existing regulations to allow and encourage support by provincial business development agencies in culture-based business.
- Music Nova Scotia should facilitate workshops and information sessions to help the music sector understand and access existing employment support programs.
- Music Nova Scotia should work with Nova Scotia Economic Development and Service Canada to adapt existing programs to work in support of apprenticeship and mentorship in the music sector.



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2.5 CORE ACTIVITY #5 - PRODUCTION

The task of taking and refining the creative output of an artist or bringing the performance of 1) a great live act, 2) talented musicians, and 3) an inspired songwriter, to market as a sound recording, is the act, or art, of production. This core activity includes several distinct types of business: the record label, the sound studio, the video production company, and the publicity and marketing company.

2.5.1 Record Labels

The role that the record label plays in an artist's career varies from contract to contract. Roles can include funding, distribution, promotion, marketing and publishing.

2.5.2 Sound Studios

The recording studio is where artists record compositions. These recording sessions are in collaboration with, or at the direction of, a record producer and an engineer. Together they create the master tapes from which albums are manufactured. Sound studios record, edit and master recordings.

2.5.3 Video Production

Companies that create music videos are either dedicated to that purpose or, more often, they are general-purpose companies that also do work in video and film production.

2.5.4 Challenges For Nova Scotia

Nova Scotia has produced great recordings from great talent. Over one hundred and fifty records were released in Nova Scotia in 2006 alone. However, the scale of operations continues to be small, and the work challenging, especially in light of the digital revolution and its effect on the music industry.

Record labels are changing as the focus of the industry shifts to publishing and live events. Most successful labels are moving to a 360-degree contract model, where the label is also the manager of the artist and manages all aspects of the band's business, from touring to merchandising.^{viii}

Video production has not gained traction in Nova Scotia. Most independent music videos are funded by FACTOR or Chum/City/VideoFACT. FACTOR and VideoFACT grants require a company to have sufficient cash to produce a video. The company must then submit to the funding body to be reimbursed for the production. Because the company is required to have sufficient cash to produce the video prior to receiving funding, most videos are produced in Ontario by companies with larger cash flows. No steps have been taken to encourage production in Nova Scotia.



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2.5.5 Goals for Nova Scotia

Goal - The production goal is to support the Nova Scotia music industry through programs that allow projects to be brought to market.

To achieve this goal, action needs to be taken in several areas:

- The Export Development Program should be maintained and funding expanded.
- A Labour Tax Credit, modeled on the film and digital media tax credits should be introduced to encourage and support new hires.
- NSFDC should automatically top up any FACTOR or VideoFact grant to the maximum "stacking limit" if the video is produced in Nova Scotia.
- A Music Development Tax Credit, modeled on the Ontario Sound Recording Tax Credit, should be created to support private sector investment in the industry.
- The Provincial Government should change existing regulations to allow and encourage support by provincial business development agencies in culture-based business.
- Music Nova Scotia should continue to work with the East Coast Music Association, the Atlantic Film Festival, other music industry associations, and, where appropriate, by itself, to bring representatives from targeted markets to the region as delegates to provincial and regional industry events such as Nova Scotia Music Week and the ECMAs.

2.6 CORE ACTIVITY #6 - DISTRIBUTION

"Despite costly efforts to build buzz around new talent and thwart piracy, CD sales have plunged more than 20 percent this year [2007], far outweighing any gains made by digital sales at iTunes and similar services. Aram Sinnreich, a media industry consultant at Radar Research in Los Angeles, said the CD format, introduced in the United States 24 years ago, is in its death throes. 'Everyone in the industry thinks of this Christmas as the last big holiday season for CD sales,' Mr. Sinnreich said, 'and then everything goes kaput...' *The New York Times*, May 2007^{ix}

2.6.1 Challenges and Opportunities for Nova Scotia

Distribution of recorded music for payment is at a crossroads. While CDs continue to sell, the amounts sold are decreasing faster than most people in the music industry had anticipated. While the *hard format* continues to have its place, especially when sold from stage or genres that appeal to older consumers (i.e., traditional music, classical), deep concern remains. As sales trail off precipitously, it is likely that the sale of CD players of all types will also start to trail off, in a fashion similar to the marginalization of the VCR several years ago. Retail corporations, such as Walmart, made the decision to stop supporting VHS in June 2005 and by March 2006 VHS had been virtually eliminated from all conventional retail channels. Accordingly, purchasing CD players may become a challenge before the end of the decade.



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While paid digital distribution through iTunes, Puretracks and similar download services has grown, it is not growing fast enough to make up for the loss of revenue.

2.6.2 Goals for Nova Scotia

Goal - To assist Nova Scotia musicians and business owners in transforming their businesses to succeed in the age of digital distribution and marketing.

To achieve this goal, the following actions should be taken:

- Facilitate education and training in the industry concerning how to list music on digital download portals.
- Create a portal to access Nova Scotian music.

3 STRATEGIC PRIORITIES

There are three strategic priorities that require action to ensure continued artistic and economic growth in the music sector. These are artistic and project investment, business climate, and financial capital.

The recommendations that address these three areas, combined with the proposals contained in section 2, create a comprehensive strategy that will capitalize on the growth the music sector is experiencing. Action in these areas will ensure that the industry will take this growth and develop stable, vital and profitable enterprises.

In addition to these areas, a significant number of issues raised in *Section 2 - The Music Sector* - involve concerns about the adequacy of provincial funding in the Culture Division.

Music Nova Scotia supports a general and substantial increase to provincial funding to the Culture Division, with the expectation that such an increase would result in increased funding to all areas and organizations of the culture sector, including anchor organizations, other Culture Division programs, and existing service contracts, such as the Music Nova Scotia Export Development program.

3.1 ARTIST AND PROJECT INVESTMENT

The programs created by the Province in response to the *2002 Music Sector Strategy* have created demonstrable results that have greatly elevated the national and international profile of the music of Nova Scotia.

3.1.1 Emerging Music Program

The Emerging Music Program is established to enhance skills and enhance the marketability of Nova Scotia produced music for artists who have not yet realized provincial, national or international sales or exposure. It also provides investment for emerging industry professionals and limited investment in not-for-profit societies to create employment-training opportunities.

3.1.2 Export Development Program

The objective of the Export Development Program for Music is to expand market opportunities, to increase earned revenue potential, and to increase the sale of music products through support for travel and related marketing expenses. Financial need must be demonstrated and substantiated.

3.1.3 Bringin' It Home

The program has the objective of creating excitement and demand for Nova Scotia artists presented by community presenters. This program has grown in terms of demand. Audience participation and results demonstrate an increasing demand for local music in community venues throughout the province.

3.1.4 Export Readiness and Trade Missions

Music Nova Scotia has played a lead role in providing export opportunity development through export readiness, trade missions and participation in Tourism and Culture joint initiatives. However, limitations of current Industry Growth Program funding, in terms of timeliness and funding availability, are having a



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negative impact on Music Nova Scotia's ability to create multi-year strategic plans for export readiness and development, education and trade missions.

3.1.5 Recommendations

- The Emerging Music Program and the Export Development Program are successful and must continue to be funded at present levels in order to maintain current success.
- The Emerging Music Program criteria should be amended to clearly encourage application for funding for higher quality sound recordings, both as demos and commercial recordings.
- Bringin' it Home has achieved its goals, and while the brand should be maintained, a comprehensive planning and consultative process must be undertaken to re-design the program to meet the community's future needs, with the community presenters taking an active role in determining the direction of this program.
- Music Nova Scotia should negotiate a single comprehensive service contract for yearly funding for export readiness and development, in support of a multi-year strategic export plan.

3.2 BUSINESS CLIMATE

A goal of the *Opportunities for Sustainable Prosperity 2006* is to "Create a business climate that attracts out of province investors and encourages local business to start and grow in ways that support sustainable competitiveness."^{xi}

3.2.1 Tax Structure Uncompetitive

The Nova Scotia Music Sector suffers from a tax system that is uncompetitive compared to other provinces, and other Nova Scotia cultural industries. Accordingly, it does not encourage private sector investment.

3.2.2 Tax on Live Performance

All live performances in Nova Scotia are subject to HST. HST is currently 14%, of which 8% is allocated to the Province. Just prior to the HST being introduced, Nova Scotia had begun a program of Amusement Tax Rebates, demonstrating that, at that time, there was recognition that some tax relief was required.

The Province of Ontario has no amusement tax or PST on any live event where over 90% of performers are Canadian. This means that 8% more of each ticket collected goes to operating and overhead for Ontario performances. Quebec producers also pay no provincial tax on live event tickets.

A large part of any Nova Scotia production budget includes expenses that do not have HST input tax credits, such as payroll for staff, and in many cases, performance fees. Clearly, producers of live events in Nova Scotia are at a serious competitive disadvantage with Ontario and Quebec based producers because of this tax.



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3.2.3 Tax Credits to Stimulate Private Sector Investment

It is imperative that programs be put in place to stimulate private sector investment in the music sector. There are abundant examples of cultural or creative industries in Nova Scotia and Canada that receive support through investment tax credits:

- In Nova Scotia, the film and digital media industries receive aggressive 35% tax credits to encourage the hiring of Nova Scotia workers.
- In Manitoba the base rate for film tax credits has increased to 45%.
- In Quebec, credits ranging from 20% to 40% are available for research and production of film and new media.
- In Ontario, there are similar film and digital media incentives. Additionally, there is the Ontario Sound Recording Tax Credit, which supports the creation and marketing of sound recordings in Ontario with a 20% credit.

3.2.4 Recommendations

- HST Relief - Removal of the provincial component of HST from all live performances when 90% or more performers are Canadian.
- Music Sector Tax Credit - Introduce support to music sector producers and encourage them to hire Nova Scotia workers. The intent is to give these companies a 35 per cent credit on eligible Nova Scotia expenditures, similar to the credit provided for film production and digital media.
- Sound Recording Tax Credit - This credit of 20% would be based upon eligible production and marketing costs incurred by a qualifying corporation with respect to an eligible Canadian sound recording.

3.3 FINANCIAL CAPITAL

The music sector faces many challenges obtaining financing and investment, despite greatly increased opportunities created by project financing since 2004.

3.3.1 Debt Financing - a Challenge

Financial capital has continued to be a challenge, even for businesses with multi-year track records of returning profits on investments. Provincial investment on a project basis through the EDP and Emerging Music programs has resulted in even greater opportunity for growth, but lack of financial capital has in turn limited the sector's ability to capitalize on these opportunities.

While some of these challenges will be addressed through the tax credits outlined in section 3.2, the most pressing issue facing the sector is the lack of access to debt financing.



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3.3.2 Public Sector Financing Required

The *Creative Nova Scotia* document calls on Government, in proposal 1, to "focus existing and identify new resources to grow the culture sector" and in proposal 7 to "ensure the [culture] sector is represented in initiatives under the Economic Development Strategy."

Agencies and offices already in existence in Nova Scotia to serve other sectors must be directed to provide similar support to and investment in music sector businesses.

3.3.3 Nova Scotia Economic Development

Nova Scotia Economic Development (NSED) offers several programs and initiatives, such as Exportability and the Go-Ahead Program, which can be tasked to support music sector based businesses.

NSED is also responsible for the Credit Union Small Business Financing Program. During the preparation of this strategy several industry members expressed difficulty in accessing this program, in that additional conventional securities are required.

3.3.4 Nova Scotia Business Inc.

Nova Scotia Business Inc (NSBI) exists for the expressed purpose of investing in businesses that find it challenging to access lending through conventional avenues.

NSBI's mission is, "*to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia*".

NSBI's strategic objectives are:

1. To help existing companies in Nova Scotia expand business opportunities, with a particular focus on exporting.
 2. To attract leading edge and sustainable business investment to Nova Scotia.
 3. To provide access to capital for businesses.
 4. To increase recognition of Nova Scotia, its business climate and capabilities.
 5. To develop an action-oriented organization that supports high performance, professionalism and excellence.
- All of NSBI's strategic objectives are met by supporting the Nova Scotia music sector.

3.3.5 Recommendations

The music sector's financing needs can be met through existing programs at Nova Scotia Economic Development and Nova Scotia Business Inc.

3.3.5.1 Nova Scotia Economic Development Recommendations

- The Provincial Government should ensure that existing programs permit access by music sector businesses.
- The program needs to be investigated to see if either the existing or a modified program can be used to support music sector growth.



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- The Department should appoint a contact person, or persons, to be responsible for maintaining client service relationships with music sector businesses and agencies.

3.3.5.2 Nova Scotia Business Inc. Recommendations

- Loan criteria should be expanded to include music-based businesses. Specific direction should be given to allow for small (\$100,000+) value loans to qualified business.
- Venture Capital criteria should be broadened to include music-based initiatives, especially where investment in private sector enterprises will result in multiple social, business, tourism and cultural goals of the Government being met. Large-scale investment in programs such as DRUM! can and should be made through equity investments.
- Culture sector investment requires specific skill sets that will require NSBI to designate a specific staff person as the primary contact point for music investments.



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