



CULTURE

Quarterly Bulletin from the Culture Statistics Program

Catalogue no. 87-004-XIE

Vol. 14, No. 2

Hitting a high note: Canadian recording artists in 1998

By Erika Dugas

Canadian singers and musicians have taken the world by storm. A review of the Canadian and American top 100 recordings makes evident the resounding success of Canadian artists and bands over a significant period of time. Names such as Nickelback, Barenaked Ladies, Diana Krall, Nelly Furtado, Chantal Kreviazuk, Blue Rodeo, Our Lady Peace, and Garou, among others, demonstrate the visibility and saleability of Canadian recording artists. Over the past few years, the trio of Canadian divas – Céline Dion, Shania Twain and Alanis Morissette – has accumulated numerous international awards and has met unprecedented success. Each has topped the charts countless times in the United States, Europe and Asia. With the repertoire of Canadian artists flourishing, 1998 marked a triumphant year for Canadian stars. The sales generated by Canadian

bands and singers reached new heights, with over \$154 million reported in the sales of recordings by record labels in Canada, an increase of 15% over 1995-1996.

Note

The article is based on results from the 1998 Sound Recording Survey, our most recent data for this industry. This survey is conducted on a biennial cycle and data for the 2000 reference year are not yet available. Despite the age of these data, the premise of this article, that Canadian artists are making important in-roads in the recording sector, still rings true. This is confirmed by current national and international charts, which regularly cite Canadian artists, such as Avril Lavigne, in their listings of top-ten best-selling albums.

ERRATUM

In the last issue of *Focus on Culture*, Vol. 14, No. 1, there was an error in the article, "Facing the challenge: Performing arts in the 1990s". A sentence in the section entitled "Audience and market development", page 6, paragraph 3, sentence 2, should have read: "Opera and music suffered the greatest drop in attendance (9% and 7% respectively)."

In This Issue...

Articles:

- Hitting a high note: Canadian recording artists in 1998 1
- The culture of volunteering and donating: Helping culture organizations between 1997 and 2000 8

Provincial and territorial data:

- Movie theatres and drive-ins, 1999-2000 10



Canada in context

According to figures compiled by the International Federation of the Phonographic Industry (IFPI), Canada ranked 6th in terms of the value of sales of recorded music and 9th in terms of the units or volumes sold in the year 2000.¹ Industry estimates have placed the retail value of the Canadian sound recording market in

the \$1 billion range.² Retail sales in record and tape stores alone, are estimated to be close to \$800 million,³ counting neither direct sales (e.g. Columbia House) nor sales by such stores as Wal-Mart, Zellers or Chapters. In fact, average annual household spending on compact discs, tapes, videos and videodiscs in 2000 totaled \$114 in Canada.⁴

Over 18 million⁵ Canadians 15 years of age and over listened to cassettes, CDs or records in 1998, representing about 77% of the population. Over two-fifths⁶ of Canadians who listened to CDs, cassettes or records, did so on a daily basis. Besides listening to CDs in our homes, many of us listen to music while driving our cars or sitting on the bus on the way to work. Music can be heard on the traditional media, such as AM and FM radio stations or on our CD players, or via newer media such as radio over the Internet and cable TV or MP3 players. Not surprisingly, younger age groups (15 to 24 and 25 to 29) were more likely to listen to cassettes, CDs or records on a daily basis than other age groups.

What you should know about the Sound Recording Survey

This Sound Recording Survey includes data from enterprises that produce records, prerecorded tapes or compact discs manufactured from master tapes either owned by them or leased from others. Included also are companies with some revenue from the leasing, consignment or sale of master tapes. Generally speaking, this census of companies includes all known record labels or other companies with record labels, as well as record production firms. This article focuses on the results of the 1998 Sound Recording Survey. Currently, data are being processed from the Sound Recording Survey for the 2000 calendar year and will be released shortly.

Starting in 1995-1996, use of the term "Canadian content" in the Sound Recording Survey was changed to "Canadian artist". A musical selection is deemed to be by a Canadian artist if the instrumentation or lyrics were principally performed by a Canadian citizen or landed immigrant. Previously, a musical selection was deemed to be a "Canadian content selection" if it fulfilled any two of the following conditions (established by the Canadian Radio-Television and Telecommunications Commission): the music was composed by a Canadian; the instrumentation or lyrics were principally performed by a Canadian; the live performance was wholly recorded in Canada; or the lyrics were written by a Canadian.

In 1998, the reference period of the Sound Recording Survey was revised to coincide with the calendar year. The 1995-1996 survey asked respondents to report data for their financial year ending between April 1, 1995 and March 31, 1996, whereas the 1998 survey requested data for the financial year ending between January 1, 1998 and December 31, 1998. The impact of the above change is that for companies whose financial year ends in January to March there will be a two-year gap between the financial years for which data are reported in the 1995-1996 and 1998 surveys, while for companies whose financial year ends in April to December there will be a three-year gap. This implies that when comparing the 1995-1996 and 1998 Sound Recording Survey data (for companies reporting in both surveys), the gap between the two surveys cannot be considered as being over the same specified period of time for all companies. Rather, comparison between the two data sets is a mix of comparisons over a two-year period and comparisons over a three-year period. The impact of the companies with a three-year span relative to those with a two-year span varies depending on the variable being considered. In terms of number of companies, 87% of the companies reporting in both survey years were companies with a three-year span. However, from an economic point of view companies from a three-year span accounted for 73% of the total revenue in 1998.

New companies were added to the survey frame both in 1995-1996 and 1998. In some cases, companies that had been newly incorporated into the survey frame were discovered to have been active during a previous survey period. In 1998, 83 companies were added to the frame which had also been in operation in 1995-1996. These additional companies represented about 1.5% of the total revenue in 1998. In this article, percentage comparisons between 1998 and 1995-1996 survey years were based on adjustments that offset these changes to the frame and thus accurately reveal underlying trends.

¹ *International Federation of the Phonographic Industry, Recording Industry in Numbers 2000, London, England.*

² *Canadian Independent Record Production Association (CIRPA), "Sound Recording Market Profile," Music Industry, <http://www.musicbusinesscanada.com>.*

³ *Statistics Canada, Quarterly Retail Commodity Survey, 2000. Annual data for the commodity L6000: Pre-recorded audio and videotapes, DVDs, discs (and records) sales and for Trade Group 150 (Other Durable Goods Stores). Trade Group 150 includes the following stores: sporting goods stores, bicycle shops, musical instrument stores, record and tape stores, jewelry stores, watch and jewelry repair shops, and camera and photographic supply stores. For commodity L6000 in Trade Group 150 the data would mostly come from SIC 6552 Record and Tape Stores. Data from this survey specifically exclude sales by direct sellers (i.e. electronic shopping and mail-order houses).*

⁴ *Statistics Canada, Survey of Household Spending, 2000. Data were not collected in the territories for 2000.*

⁵ *Statistics Canada, General Social Survey, 1998.*

⁶ *Luffman, Jacqueline, "Variations on a Theme: The Changing Music Scene," Focus on Culture, Vol. 11, no. 4, Winter 1999.*

Despite the popularity of listening to recordings, a study conducted by the Recording Industry Association of America (RIAA)⁷ suggests that listening to music may not always translate into purchases. It points out that the younger age groups do not account for the largest share of purchases. A consumer profile study in 1998 by the RIAA indicated that women tend to purchase more units (of recordings) than men. Women over 30 accounted for the largest share of purchases among women while the contrary was true among men, with the purchases of men under 30 representing a larger share than those of their older counterparts. It found that, in general, the proportion of purchases accounted for by the 15- to 24-year-old group dropped slightly between 1997 and 1998.

An American study found that the percentage of Internet users downloading songs was highest among the younger age groups.⁸ The survey showed that more than half the children (53%) between 12 and 17 had downloaded music. There was some evidence that the prevalence of downloading increased with age. For instance, 44% of the kids between ages 12 to 14 had downloaded music and fully 61% of those 15 to 17 had done so. Given that music downloads were in their infancy in 1998, one would expect this phenomenon to have had little influence on the music sales of that time.

Canadian-controlled labels take the helm in Canadian artist sales

It was a spectacular year for Canadian artists in 1998 and for many Canadian-controlled companies. Canadian artists racked up impressive sales that were reflected

by their critical as well as popular success. According to the 1998 Sound Recording Survey, sales by all artists reached \$891.6 million, with over 96 million units sold. Canadian artists accounted for 17% of the sales of sound recordings by labels in Canada, an increase over the 15% reported in 1995-1996. The growth of sales by Canadian artists was a boon for many record labels, including a number of Canadian-controlled independent companies. Canadian-controlled record labels reported almost \$79 million in sales of recordings by Canadian artists, representing a 51% share of that market in 1998. This represents a gain of 5 percentage points in market share since 1995-1996.

However, not all was rosy, even with the increase in Canadian artist sales. The year 1998 also saw a drop in the sales of recordings by foreign artists. In fact, the sales of recordings by foreign artists released by Canadian-controlled labels plummeted to \$25 million in 1998, a decrease of 63% from 1995-1996. Foreign-controlled labels, on the other hand, saw a minimal increase in the sales of recordings from foreign artists, with the volume of these sales continuing to dominate the industry.

The 'major' influence

The Canadian sound recording industry is very concentrated, with foreign-controlled subsidiaries of multinational music companies dominating the industry. In 1998, there were 17 foreign-controlled companies reporting in Canada and these firms held a 71% share of the total number of releases and an 88% share of the sales of recordings (Table 1). An important focus of these foreign-controlled firms, comprised mostly of the 'majors', is to promote

Canadian artists on a roll in 1998

1998 proved to be a banner year for Canadian artists. Sarah McLachlan's album *Surfacing* was a tremendous success and received certification as having reached Diamond status as did Céline Dion's album which bore her name. Shania Twain's *Come On Over* was certified Eight Times Platinum, as was Céline Dion's *These Are Special Times* and Our Lady Peace's *Clumsy* while both Alanis Morissette's and Jann Arden's albums released that year reached Double Platinum status. Certified Platinum albums included Dubmatique's *La Force de Comprendre*, Jean Leloup's *Le Dôme*, Kevin Parent's *Grand Parleur Petit Faiseur*, and Chantal Kreviazuk's 1997 album, *Under These Rocks and Stones*. Even children's albums sold well: two Classical Kid titles, *Mozart's Magic Fantasy* and *Mr. Bach Comes To Call* from The Children's Group label reached record sales in 1998. Certified gold albums included those by Hagood Hardy, Bran Van 3000, Isabelle Boulay, Lhasa, Rush, Wild Strawberries and Sloan.

Source: Canadian Recording Industry Association (CRIA).

the releases of foreign singers and bands that have been signed by their parent companies. It is hardly surprising, then, that the bulk of sales for these firms derive from foreign artists.

Even so, foreign-controlled firms took in almost half of the sales generated by Canadian artists. This interest in domestic artists is not limited to the

⁷ Recording Industry Association of America (RIAA), Market data, 1998 Music consumer trends, <http://www.riaa.com>.

⁸ "The Music Downloading Deluge: 37 million American adults and youths have retrieved music files on the Internet," April 24, 2001, Pew Internet and American Life Project at <http://www.pewinternet.org>.

Table 1
Foreign-controlled companies spend more on marketing and promotion, 1998

	Foreign-controlled	Canadian-controlled	Total
Number of companies	17	263	280
Number of releases	4,778	1,950	6,728
By Canadian artists	202	821	1,023
Other	4,576	1,129	5,705
Total recording sales (\$ millions)	788.2	103.4	891.6
Canadian artists sales	75.5	78.5	154.0
Others	712.7	24.9	737.6
Total revenue (\$ millions)	1,153.2	170.6	1,323.9
Total expenses (\$ millions)	977.5	156.5	1,134.0
Marketing and promotion	226.1	25.3	251.4
Profit margin (%)¹	15.2	8.3	14.3
Total employment (#)²	2,402	975	3,377
Averages per firm			
Number of releases	281	7	24
By Canadian artists	12	3	4
Other	269	4	20
Total recording sales (\$)	46,364,594	393,336	3,184,448
Canadian artists sales	4,441,576	298,634	550,170
Others	41,923,018	94,702	2,634,278
Total revenue (\$)	67,837,292	648,844	4,728,142
Total expenses (\$)	57,499,795	595,229	4,050,149
Marketing and promotion	13,297,713	96,217	897,736
Total employment (#)	141	4	12

¹ The profit margin is the difference between revenue and expenses, expressed as a percentage of total revenue.

² Includes freelancers.

Source: Sound Recording Survey.

Canadian recording scene. A major report from IFPI states that “the international recording industry is producing more national repertoire than ever before, with 7 out of every 10 records sold worldwide carrying music by local artists.”⁹ IPFI reported that recordings by domestic artists and acts signed to local music labels rose from 58% to 68% of sales between 1991 and 2000. It seems likely, therefore, that domestic acts will continue to be in demand and sought by both domestic and foreign-controlled companies in Canada.

Industry representatives have credited Canadian content requirements as a factor in the growth of the industry¹⁰ and in the success of homegrown talent. By regulating that a percentage of radio play be Canadian content, record companies have been encouraged to develop Canadian acts that meet

such a demand. The publicity generated by radio play, in turn, has promoted Canadian artists in Canada. A U.S. study by Edison Media Research,¹¹ which examined influences on music purchases, pinpointed radio airplay as the biggest influence on record buying, for all age groups. On average, Canadians listen to approximately 20 hours of radio per week primarily to stations which have a music format. Television also draws an audience for music. For younger consumers (aged 16 to 24) music videos have an important influence. Younger age groups (aged 12 to 17) spend 4% of their viewing time watching music and dance channels (e.g. Much Music) almost four times that of all age groups 2+ and over combined.¹²

Despite this encouragement, the music industry remains a tough

business. Canadian-controlled companies have to compete with the foreign-controlled firms for Canadian repertoire and the competition is fierce. Producing records for the international market is a costly business and requires substantial investment; the Canadian Recording Industry Association (CRIA) reported that production costs now range between \$300,000 and \$500,000 for a single recording.¹³ At such levels, Canadian-controlled labels may be able to obtain the working capital to fund only a few select productions. Even when funds are available for a production, companies may not be able to promote it adequately, particularly in international markets.

Data from the Sound Recording Survey reveal that foreign-controlled firms allocate a larger percentage of their total expenses to marketing and promotion than do domestic companies. In 1998, foreign-controlled companies spent almost a quarter of their budgets on promotional activities compared to less than a fifth spent by Canadian-controlled companies. This differential makes it extremely difficult for Canadian-controlled companies to compete with the services, such as international distribution and a large-scale

⁹ IFPI, Recording Industry in Numbers 2001, September 6, 2001, <http://www.ifpi.org>.

¹⁰ Straw, Will, “In and Around Canadian Music,” *Journal of Canadian Studies*, Vol. 35, no. 3, Fall 2000, pp. 173-183.

¹¹ “Major Influences on Music Purchase Decisions,” February 4, 2002, abstracted from The National Record Buyers Survey, Edison Media Research, <http://www.musicbusinesscanada.com>.

¹² Statistics Canada, Television Viewing Data Bank, Fall 2000.

¹³ Robertson, Brian, “An Industry Out Of Tune,” *Letter to the Editor*, Globe and Mail, March 1, 2002.

publicity and promotion infrastructure, offered by foreign-controlled firms. Consequently, foreign-controlled firms have been very successful at attracting and signing established Canadian talent. While multinational firms reported only 20% of new releases by Canadian artists, they accumulated 49% of the sales generated by Canadian artists.

Canadian-controlled firms are the traditional repositories of new Canadian talent. These domestic labels have a prominent role in representing talent and searching out potential stars. The result is that Canadian-controlled firms reported the dominant share (80%) of new releases by Canadian artists. With current technology, even small artist-run companies can enter the market by producing their own CDs and

selling them at their concert venues, retail stores and over the Internet. Short-term or one-time financing, through federal government and private sector programs, is also available for domestic productions, providing a welcome cushion that helps companies meet the ever-expanding costs of doing business. Nevertheless, success in this sector also requires releases that appeal to a wide enough spectrum of the population that income is generated after expenses. Not all CDs are profitable, however, and the risks are great. Media reports suggest that only about 1 in 10 CDs released turns a profit.¹⁴

The lack of financial strength of many Canadian-controlled labels is an underlying theme in many evaluations of the industry. Talent scouts,

artist development, marketing and promotions, high quality productions, management training, and distribution networks all require major financing. It is the larger foreign-controlled firms that are more likely to have the infrastructure required to succeed.

Sizing it up

The 1998 Sound Recording Survey revealed that larger firms – those with record industry-related revenues of \$1 million and over – outperformed the smaller ones. These firms dominated the industry with larger numbers of releases, greater revenues, and higher profit margins (Table 2). Small companies (revenues of under \$100,000) battled deficits while the larger firms reported profit margins of about 15% (as a percentage of total revenue).

As it is most likely that larger companies are better able to compete for established or emerging Canadian artists, it is hardly surprising that these same companies have been a dominant force in the release and sale of recordings by Canadians. In 1998, companies with revenues greater than \$1 million had, on average, five times the number of releases by Canadian artists as the small companies. Larger firms earned, on average, over \$3 million from the sales of recordings by Canadian artists as compared with only \$14,000 reported by firms in the smallest revenue grouping.

The importance of having “deep” catalogues, which generate regular dependable revenues, has an important role to play in the profitability of

Table 2
Larger sound recording firms have higher number of releases, 1998

	Revenue less than \$100,000 ¹	Revenue \$100,000 to \$999,999 ¹	Revenue \$1,000,000 and over ¹	Total industry
Number of companies	167	72	41	280
Number of releases	317	449	5,962	6,728
By Canadian artists	276	355	392	1,023
Other	41	94	5,570	5,705
Total recording sales (\$ millions)	2.5	18.1	871.0	891.6
Canadian artists sales	2.3	15.6	136.2	154.0
Others	0.2	2.5	734.9	737.6
Total revenue (\$ millions)	6.6	28.8	1,288.5	1,323.9
Total expenses (\$ millions)	8.0	26.8	1,099.2	1,134.0
Marketing and promotion	0.9	3.3	247.2	251.4
Profit margin (%)²	-21.3	6.9	14.7	14.3
Total employment (#)³	257	296	2,824	3,377
Averages per firm				
Number of releases	2	6	145	24
By Canadian artists	2	5	10	4
Other	0	1	136	20
Total recording sales (\$)	15,105	251,155	21,244,870	3,184,448
Canadian artists sales	13,793	216,369	3,321,111	550,170
Others	1,312	34,787	17,923,760	2,634,278
Total revenue (\$)	39,633	400,095	31,425,716	4,728,142
Total expenses (\$)	48,067	372,364	26,809,859	4,050,149
Marketing and promotion	5,414	45,449	6,029,018	897,736
Total employment (#)	2	4	69	12

¹ Revenue groups are based on revenue from industry-related activities.

² The profit margin is the difference between revenue and expenses, expressed as a percentage of total revenue.

³ Includes freelancers.

Source: Sound Recording Survey.

¹⁴ Philips, Chuck, “Record Label Chorus: High Risk, Low Margin,” Los Angeles Times, May 31, 2001.

recording companies.¹⁵ Industry experts have long argued that the size and quality of a company's catalogue (including numerous previously released works) has a measurable impact on a company's success.¹⁶ They suggest that "profits come largely from having a large catalogue...generating income without the expenses attached to a new release."¹⁷ Given the costs of signing the talent, producing the album and video, promoting and marketing the release, an album has to sell many copies to recoup expenses and for sales to reach profitability. Depending upon the label, the quality of the album and video and intended audience, expenses for production could range from thousands to several hundreds of thousands of dollars. The same can be said for publicity and promotion campaigns. Costs can include the hiring of independent promoters (to 'pitch' the recording and secure radio play¹⁸), supporting promotional appearances, paying imaging costs (e.g. hair and make-up) and covering advertisements in magazines or newspapers. Therefore, it is not surprising that companies depend on their blockbuster releases, including past hits from their catalogue, to offset losses of any new products that may be less successful.

The Canadian recording industry is very volatile; many artist-run companies or small labels struggle to remain economically viable, while moving in and out of the industry, being active one year but not the next. In such an environment, it is a challenge for many of these companies to develop sufficient industry experience and maintain trained staff. In 1998, the average number of employees for smaller revenue firms was half that of medium sized firms and approximately 35 times less than

New initiatives to strengthen the Canadian sound recording industry

The Department of Canadian Heritage has recently launched a comprehensive policy framework that invests in the Canadian sound recording sector at every level – from creator to audience. In support of the framework objectives, the new Canada Music Fund (CMF) has been established. Built on the success of the former Sound Recording Development Program (SRDP), the CMF is a series of eight programs designed to ensure that both in Canada and internationally, consumers have access to a diverse selection of Canadian music.

This fund introduces a new and integrated range of both proven and innovative programs. The Music Entrepreneur Program (MEP), a new component of the CMF, will provide company-based funding to Canadian music entrepreneurs to make the transition to the global and digital economy, to effectively develop Canadian talent, and to ultimately become self sufficient. Another new program is the Creator's Assistance Program, which will help artists create high-quality Canadian musical works. The various components of the Canada Music Fund are administered by FACTOR (Foundation to Assist Canadian Talent on Records), MUSICACTION, the Canada Council for the Arts, the SOCAN (Society of Composers, Authors and Music Publishers of Canada) Foundation, Telefilm Canada, the National Library and by the Department of Canadian Heritage.

Overall, public funding for the sound recording sector provided by the federal, provincial and territorial governments totalled about \$15 million in 1999-2000. Examples of provincial or territorial support programs for sound recording include those administered by SODEC (Société de développement des entreprises culturelles du Québec), the Ontario Media Development Corporation and Manitoba Film and Sound.

The Canadian Radio-television and Telecommunications Commission's (CRTC) Commercial Radio Policy also requires radio broadcasters to make financial contributions in support of Canadian musical talent. As part of this Canadian talent development initiative, broadcasters are required to make payments to third party funding programs, on an annual basis, as well as upon approval of transfers of ownership or control of radio stations. Third party funding organizations (for example, FACTOR, MUSICACTION, Radio StarmakerFund, Fonds RadioStar) that receive these financial contributions provide assistance to all facets of the Canadian recording industry.

Sources: Department of Canadian Heritage; Statistics Canada, Survey of Government Expenditures on Culture; Canadian Radio-television and Telecommunications Commission.

the average number of employees in larger sized firms. Moreover, many smaller companies rely mostly on freelancers, while firms in the largest revenue grouping primarily hire staff, both full time and part time. Even so, it is probable that many of the larger revenue Canadian-controlled firms still have a formidable task as they try to develop the business skills needed to succeed in this highly competitive sector.

Technology and new challenges

The Internet today provides untold opportunities for illegal file downloads and the swapping of song

files. Music industry representatives argue that the 'music for free' mentality is causing the industry to face one of the greatest challenges in

¹⁵ *Étude Économique Conseil*, Evaluation of the Sound Recording Development Program (SRDP/PADES). Hull: Department of Canadian Heritage, 2000. See also Straw, Will, Ibid.

¹⁶ Philips, Chuck, Ibid.

¹⁷ Copeland, Miles, "Are Record Labels Greedy?" <http://www.riaa.com>.

¹⁸ Ordonez, Jennifer, "Record Labels Rely on Stars to Finance Big-Money Flops – Vivendi Universal's \$2 million Has Failed to Create a Hit – I'm Gonna Blow Your Mind," *The Wall Street Journal Europe*, February 26, 2002.

its history.¹⁹ In addition, there is the issue of duplicating houses that manufacture and distribute illegal or pirated copies of CDs and the retailers who sell these copied CDs in foreign markets.

An IFPI report on pirate sales showed that sales of illegal music outnumbered that of legal sales in 21 countries.²⁰

Advances in technology in the past few years have not only made it possible to record music on blank CDs (CD burning), but have also given rise to the MP3, an audio format, which enables audio files to be compressed to a size suitable for transmission over the Internet. Such transmission capabilities have encouraged the proliferation of free but illegal music swapping sites. While Napster, which was one of the most popular sites, has been curtailed by a much-publicized lawsuit, other free music swapping sites have blossomed, possibly exceeding Napster's success. File-sharing sites such as Audiogalaxy, KaZaA, Madster, Gnutella and MP3.com have sprung up. More recently, some file-swapping sites have settled lawsuits with recording industry associations although others are still pending.

According to the Household Internet Use Survey, 44% of all Internet households downloaded music from the Internet in 2000 whereas only 27% of Internet households did so in 1999.²¹ Recording industry sources contend that illegal file swapping and downloading of music (free of charge) will have a negative impact on the sales of recordings as well as the royalties earned by record companies and artists. A Canadian copyright

collective asserts that only 1 in 10 Canadians who copy sound recordings actually owns the original.²² The debate continues, with some artists arguing that such downloading may actually encourage fans to buy records. Many underground or unsigned bands may feel the Internet gives them wider exposure, while others are worried about the long term impact that illegal file swapping may have on music sales.

Critics argue that consumers are interested in compiling their own CDs of songs and having the flexibility to copy and listen to music on portable players or in their cars. Record companies in the U.S. are trying to address consumers' needs for such services by launching their own on-line subscription services. Only time will tell as to their success. EMI (partnered with Liquid Audio Inc.) through its Internet subscription service called "BurnITFIRST.com"²³ is trying to meet such requirements for its Christian record label. Using this service, with certain restrictions, consumers can create their own custom-made compact discs and download songs from EMI's Christian label to portable devices. Other digital music subscription services include Rhapsody, MusicNet, Pressplay, FullAudio and Emusic.com. While online music sharing may be inevitable, the music industry's concern about its impact on record sales, and the need to find measures to combat it, are far from resolved.

Another problem facing the industry is the "burn and return" phenomenon that involves the burning of personal CDs from albums bought from retailers. The HMV music store chain put an end to their no-

questions asked return policy as of January 2002 and now only accepts unopened merchandise for refund. This policy change was effected to discourage customers from buying a recording, burning it onto a compact disc and then returning it.²⁴

To discourage CD copying, record firms are looking into new technologies that will make it impossible to produce copies of discs. Copy-protected CDs by Midbar,²⁵ Macrovision, and SunnComm are being released by some labels in the U.S. and Europe while other firms are looking into releasing music in a

¹⁹ "A 'music for free' mentality is challenging the future of the European recording industry", *IFPI press release, July 11, 2002*, <http://www.ifpi.org>. Also see Keefe, Bob, "CD piracy a growing problem; But recording industry, some artists differ on whether it hurts sales," *Austin American-Statesman, June 12, 2002*.

²⁰ "Global report shows disc piracy 50% up despite sharp increase in enforcement action," *IFPI press release, http://www.ifpi.org*. Also see Masson, Gordon, "IFPI Report Shows Surge in Pirate Sales" (reprinted from *Billboard*), *June 23, 2001* on IFPI website.

²¹ *Statistics Canada, "The Internet: Who's connected - who's shopping?" Focus on Culture, Vol. 13, No. 2, Summer 2001, pp. 10-13.*

²² "Only 1 in 10 who copy own original, group says," *The Globe and Mail, March 20, 2002*.

²³ Richtel, Matt, "Technology Briefing Internet: Online Sale of Christian Music," *The New York Times, April 30, 2002*.

²⁴ "HMV puts a lid on 'no-hassle' return policy to prevent CD burning," *The Canadian Press Newswire, January 7, 2002*.

²⁵ "10 Million Copy-protected CDs now in stores", *February 12, 2002 abstracted from "Shelves Hold 10 Million Copy-Locked CDs" by Gwendolyn Mariano, ZD Net News (www.zdnet.com), http://www.musicbusinesscanada.com*.

new format, a DataPlay disc.²⁶ The European edition of Céline Dion's album, *A New Day Has Come*, used Key2Audio protection technology. These new technologies come with their own set of challenges. Consumers' complaints about the CDs not working on some CD players or on standard DVD players or their PCs suggest that further refinements will have to be developed to keep consumers happy.

Difficult times face the music industry with technology creating many of the most difficult challenges. With the passing of time, the industry hopes that new technologies will no longer be a threat but will provide record labels with opportunities to share their wares over the information highway.

Regardless of the challenges faced by the sound recording industry, one thing is clear – Canadian artists continue to top the charts. Avril Lavigne's first album *Let Go* was released in Canada in June 2002 and had reached number one within weeks of its release. By August it had gone nearly double platinum in Canada (200,000 units) and in the United States (2 million units) and was dominating the charts in many other countries. Céline Dion's album *A New Day Has Come* topped the charts in both Canada and the U.S. Diana Krall's *The Look of Love* has captivated audiences and record buyers around the world while Alanis Morissette's *Jagged Little Pill*, released in 1995, had sold over 16 million units in the United States by 1998. Artists such as Kevin Parent, Daniel Boucher, Loreena McKennitt, Rufus Wainwright, Remy Shand, Sum 41,

Swollen Members and Jann Arden continue to sell well and regularly reach the charts.

²⁶ Harmon, Amy, "CD Technology stops copies but it starts a Controversy," *The New York Times*, March 1, 2002. Also see Arthur, Charles, "Record firms push new anti-piracy discs," *The Independent*, March 20, 2002 and Bickers, James, "Copy protected CDs: Piracy defense or rip-off? Encrypted discs may hurt systems if copying tried," *USA Today*, June 25, 2002.

Erika Dugas is Manager of the Sound Recording Survey in the Culture Statistics Program.

□

The culture of volunteering and donating: Helping culture organizations between 1997 and 2000

By *Jacqueline Luffman and Mary Cromie*

A recurring theme of social research today is that of social cohesion. Some of the key indicators of social cohesion are charitable giving and various forms of civic participation such as volunteering time and membership in organizations. It has been stated that a diverse and vibrant voluntary sector brings wide benefits to any society. "Volunteer activity helps strengthen the bonds of trust, reciprocity and mutuality".¹ To help us track the changes in volunteerism and giving over time, Statistics Canada's National Survey on Giving, Volunteering and Participating (NSGVP) is conducted

every three years, providing data on the state of philanthropic activity in Canada.

Canadians give dollars and hours

While 91% of Canadians 15 years and over made donations to charitable and non-profit organizations between October 1999 and September 2000, the 2000 NSGVP also revealed that over the same period less than a third of Canadians volunteered their time. The survey also showed that there had been a decline from 1997 of over 4 percentage points in the proportion of Canadians who volunteered their time. While this represented a 15% decline in the total number of volunteers, there was an increase in the amount of time volunteered by those people, as the average hours per person contributed in a year increased from 149 to 162. Also, the total dollar value of charitable donations went up in 2000 with the average amount donated increasing by 8%. The proportion of the population donating was about the same in 2000 as three years earlier.

The profile of Canadians who donate or spend time volunteering has not changed. Volunteering and donating both tend to increase with age, level of education and income, females participate slightly more than males, and married people more than those in any other marital circumstance.²

¹ Editorial in *isuma*, *Canadian Journal of Policy Research*, Vol. 2, no. 2, Summer 2001, p. 7.

² Caring Canadians, *Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, *Statistics Canada Catalogue no. 71-542-XIE*, p. 17 and 33.

Dollars to arts and culture organizations still increasing, though volunteering declining

Arts and culture organizations throughout the 1990s continued to rely on the time provided by volunteers and, to a lesser extent, on the dollars of their donors.³ In fact, throughout the decade, over 65% of the workforce of not-for-profit heritage institutions were volunteers. Individual donations in 1997, totalling \$23.8 million, made up just over 2% of these institutions' total operating revenues. While the rate was lower for not-for-profit performing arts companies, volunteers still comprised more than 40% of their workforce over the period while individual donations accounted for 5% of total company operating revenues in 1998.

Despite the important role played by individuals, arts and culture not-for-profit organizations nonetheless had to cope with declines in the proportion of the population supporting them. The percentage of Canadians donating dollars dropped from 2.4% to 1.8%, while the percent donating

their time declined over the three years from 1.8% to 1.4%. The good news is that even so, the actual dollars donated to culture increased and the total number of hours volunteered decreased by only 2%.

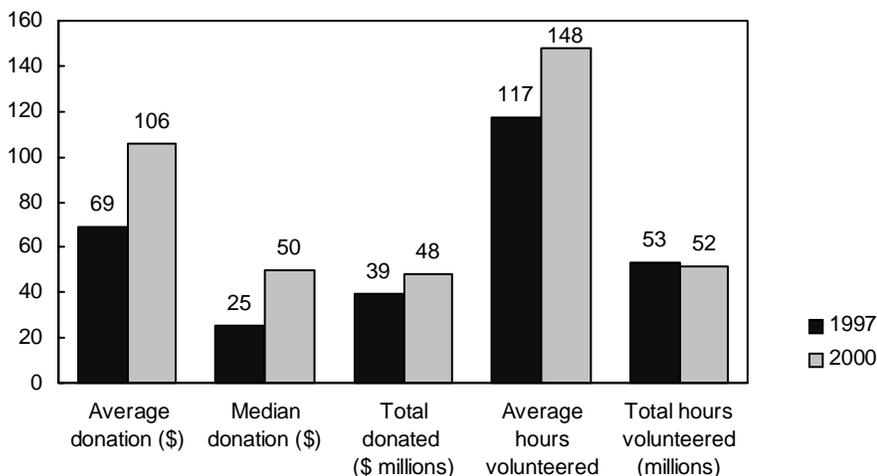
Culture organizations dependent on core group of donors to give more

Culture organizations as a whole actually received a very small share of Canadians' donations. Of the total \$4.9 billion donated to all charities in 2000 less than 1% went to arts and culture organizations (as defined by the NSGVP⁴). This amounted to \$48 million. In contrast, religious organizations received over \$2.4 billion or almost half of the value of all donations in 1997 and in 2000 and they continued to receive larger average donations than non-religious organizations. The bulk of other donations went primarily to health and social services organizations. However, while overall total donations to all organizations increased by 11% between 1997 and 2000, donations to culture organizations increased by a substantial 21% (or over \$8 million).

Donating is a reflection of individual values and economic as well as social conditions. Between 1997 and 2000, per capita disposable income grew 12%, about the same rate as the increase in donations (11%). However, of the larger recipients, a number experienced larger than average gains in dollars donated, such as health (25%), philanthropic (42%) and culture and recreation organizations (42%), although other large beneficiaries such as religious and social services organizations fared quite differently (+6.7% and -0.3% respectively). Although the value of donations to culture organizations over this period increased by 21%, the actual number of donations dropped, coincidentally by almost the same amount, 22%. Data from the NSGVP show that generally fewer Canadians are giving more dollars and this rings true for culture organizations as well. Both average and median donations to culture organizations were up in 2000 (Figure 1) although about a quarter of culture donors were responsible for 76% of the total donations.

The early 1990s saw very modest increases in federal and provincial government operating and capital grants, contributions and transfers to culture. In fact, by the mid 1990s

Figure 1
Change in financial donations and volunteer hours to culture organizations, 1997 and 2000



³ Statistics Canada, *Performing Arts Survey, 1998-1999, and Survey of Heritage Institutions, 1997-1998*.

⁴ Culture and Arts organizations are a sub-group of the Culture and Recreation category as classified by the International Classification of Non-Profit Organizations (ICNPO). These include organizations under the categories: media and communications; visual arts, architecture, ceramic art; performing art; historical, literary and humanistic societies; museums; and zoos and aquariums.

these had turned into declines in expenditures. The last three years of the decade saw these amounts start to increase again although the year to year percentage increase had not stabilized.⁵ Both the public and private sectors have limits to their resources and have had to make choices among various sectors such as health, education, culture, religion and sport. Contemporary values may also change with shifts in the demographic structure of the population so the priorities of the private sector may be starting to reflect more those of an increasingly large aging population. Traditionally, patronage of the arts and heritage institutions has increased with higher levels of education and household income. Both the donating rate and average donation given to culture organizations increase with age. More research, which looks at the age, education and income characteristics of culture donors, is needed to predict how activity in this sector may fare as the large cohort of baby boomers ages. Perhaps the variety of inducements offered by not-for-profit arts and heritage organizations to attract donations – from memberships to newsletters to subscription packages – are paying off for those individuals who are already committed to supporting the arts and culture. Whether or not they are penetrating into new markets must still be assessed.

A core group of volunteers devoting more time to culture

While the work of volunteers is very important for many culture organizations, we have seen that the number of culture volunteers declined from 1997 to 2000 (by 22%), although the total hours volunteered dropped by just 2%. This was because the

average hours spent volunteering by each volunteer in culture organizations went up 31 hours from 117 to 148. A core group of culture volunteers (only one-quarter of them) contributed almost three quarters of the total volunteered hours for culture organizations (around 52 million in both 1997 and 2000).

The 1998 General Social Survey, which targeted the time use of Canadians, found that compared with six years earlier, many Canadians were feeling more time-crunched. Married people in the 25 to 44 age group who were working full time were particularly likely to feel this way.⁶ Perhaps these pressures had an impact on the level of volunteering, especially for those with households with small children. In fact, in the age group 35 to 44, the percentage volunteering dropped from 37% in 1997 to 30% in 2000. Even though volunteers still make up a large part of the not-for-profit culture sector, the NSGVP demonstrates that fewer people are willing or able to donate their time and money to these organizations.

How long will culture organizations be able to rely on a decreasing number of individuals? The aging of the population, while providing a larger pool of retired persons to volunteer over the next 5 to 10 years, does not guarantee success. At least as seen in 1997, those aged 55 and over were not the most likely to volunteer their time to culture. Nonetheless, as with culture volunteering in general, those who did commit themselves, donated more hours on average.

Since culture organizations need to rely on private households for financial support, and are also

dependent on the time and talents of unpaid individuals, it has become increasingly important for them to understand the underlying motivations that prevent or contribute to fuller engagement in arts and cultural organizations. The challenge will then be to determine how best to capitalize on this knowledge.

⁵ Statistics Canada, *Survey of Government Expenditures on Culture*.

⁶ The Daily, *Statistics Canada Catalogue no. 11-001-XIE, November 9, 1999*.

Note

It is important to note that the International Classification of Non-Profit Organizations (ICNPO) uses a broad category called Culture and Recreation. When this category is analysed as a whole (as it is in most of the published articles from the NSGVP), it may give a different picture than if culture is analysed separately.

Jacqueline Luffman is no longer with the Culture Statistics Program.

Mary Cromie is Unit Head of Dissemination and Publication, Culture and Tourism. □

Provincial and territorial data

Often in our analysis of survey data, we look at the national picture only, and do not highlight particular provincial or territorial patterns. In order to place more provincial culture data in front of our users, we are presenting selected provincial and territorial data in each issue of *Focus on Culture*. This time, we have chosen to include recently released data on movie theatres and drive-ins, by province and territory.

Movie theatres and drive-ins, 2000-2001

	Newfoundland and Labrador		Prince Edward Island	Nova Scotia	New Brunswick			
	Total	Total	Total	Total	Theatres	Drive-ins	Total	
Number of theatres	14	5	22	14	8	22		
Number of screens	25	12	83	53	8	61		
Full-time employees	18	4	48	38	15	53		
Part-time employees	112	42	458	279	43	322		
Paid admissions ('000)	728	430	3,280	2,267	78	2,345		
Average ticket price (\$)	5.99	5.90	6.43	6.16	6.35	6.17		
Box office receipts (\$'000)	3,696	2,279	18,172	11,992	428	12,420		
Total operating revenue (\$'000)	5,763	3,377	27,666	17,959	740	18,699		
Salaries and benefits (\$'000)	1,092	424	4,377	2,621	307	2,928		
Total operating expenses (\$'000)	5,152	2,742	24,385	15,322	877	16,199		
Profit margin (% of total revenue)	10.6	18.8	11.9	14.7	-18.5	13.4		
	Quebec			Ontario				
	Theatres	Drive-ins	Total	Theatres	Drive-ins	Total		
Number of theatres	131	18	149	212	21	233		
Number of screens	784	40	824	1,163	33	1,196		
Full-time employees	568	60	628	759	19	778		
Part-time employees	3,216	248	3,464	8,910	192	9,102		
Paid admissions ('000)	27,059	754	27,813	43,968	537	44,505		
Average ticket price (\$)	6.16	5.99	6.15	6.78	7.28	6.79		
Box office receipts (\$'000)	156,226	4,178	160,404	272,333	3,535	275,868		
Total operating revenue (\$'000)	211,596	9,001	220,597	397,653	5,011	402,664		
Salaries and benefits (\$'000)	34,305	2,605	36,910	60,773	756	61,528		
Total operating expenses (\$'000)	222,261	8,070	230,330	425,382	4,304	429,687		
Profit margin (% of total revenue)	-5.0	10.3	-4.4	-7.0	14.1	-6.7		
	Manitoba			Saskatchewan				
	Theatres	Drive-ins	Total	Theatres	Drive-ins	Total		
Number of theatres	35	5	40	46	5	51		
Number of screens	100	5	105	111	7	118		
Full-time employees	47	1	48	41	2	43		
Part-time employees	824	43	867	387	31	418		
Paid admissions ('000)	4,116	66	4,182	3,528	68	3,596		
Average ticket price (\$)	5.33	6.19	5.35	4.12	5.72	4.15		
Box office receipts (\$'000)	20,464	391	20,855	13,730	378	14,108		
Total operating revenue (\$'000)	31,321	551	31,872	22,159	536	22,695		
Salaries and benefits (\$'000)	4,685	97	4,781	3,308	87	3,395		
Total operating expenses (\$'000)	34,918	498	35,416	19,497	536	20,033		
Profit margin (% of total revenue)	-11.5	9.6	-11.1	12.0	-	11.7		
	Alberta	British Columbia		Yukon, Northwest Territories, Nunavut	Canada			
	Total	Theatres	Drive-ins	Total	Total	Theatres	Drive-ins	Total
Number of theatres	89	113	4	117	4	679	67	746
Number of screens	399	430	4	434	8	3,159	106	3,265
Full-time employees	287	292	3	295	7	2,103	106	2,209
Part-time employees	2,116	3,187	33	3,220	92	19,555	658	20,213
Paid admissions ('000)	15,240	17,129	75	17,203	296	117,921	1,696	119,617
Average ticket price (\$)	5.56	6.59	7.07	6.60	5.89	6.29	6.55	6.29
Box office receipts (\$'000)	84,678	112,930	527	113,457	1,744	697,431	10,250	707,681
Total operating revenue (\$'000)	127,416	159,603	716	160,319	2,684	1,006,019	17,730	1,023,749
Salaries and benefits (\$'000)	19,235	25,125	138	25,263	456	156,141	4,249	160,390
Total operating expenses (\$'000)	120,627	162,570	711	163,281	2,431	1,034,224	16,058	1,050,282
Profit margin (% of total revenue)	5.3	-1.9	0.7	-1.8	9.4	-2.8	9.4	-2.6

Note: The sum of the items does not always add to the total due to rounding.

Source: Statistics Canada, Survey of Motion Picture Theatres, 2000-2001.

□

HOW TO FIND OUT MORE...

For information on special data tabulations, the content of specific surveys, concepts, methods or data quality, please contact Client Services, Culture, Tourism and the Centre for Education Statistics by:

- **Telephone:** Toll-free at 1 800 307-3382 or (613) 951-7608
- **Fax:** (613) 951-9040
- **E-mail:** cult.tourstats@statcan.ca



OTHER PUBLICATIONS FROM THE CULTURE STATISTICS PROGRAM...

87-211-XPB	Canadian Culture in Perspective: A Statistical Overview 2000 Edition (paper copy)	\$31.00
87-211-XIB	Canadian Culture in Perspective: A Statistical Overview 2000 Edition (electronic copy)	\$23.00

To order publications:

- **Telephone:** Call the national order line toll-free: 1 800-267-6677
- **Fax:** 1 877 287-4369
- **Internet:** order@statcan.ca
- **National TDD Line:** 1 800 363-7629

IF YOU'RE ON THE MOVE...

Make sure we know where to find you. Please forward the necessary information (subscriber name, old address, new address, telephone number and client reference number) to:

Operations and Integration Division
Circulation Management
Statistics Canada
120 Parkdale Avenue
Ottawa, Ontario
K1A 0T6

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership involving Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

The paper used in this publication meets the minimum requirements of American National Standard for Information Sciences - Permanence of Paper for Printed Library Materials, ANSI Z39.48 - 1984.



Focus on Culture

Editor-in-Chief:

Mary Cromie
Telephone: (613) 951-6864
E-mail: mary.cromie@statcan.ca

Composition and production:

Dissemination Division, Statistics Canada

Printing: Statistics Canada Printing Centre

Subscription Information

All prices exclude sales tax

Focus on Culture (Catalogue no. 87-004-XPB) is published quarterly as a standard printed publication at a price of CDN \$9.00 per issue and CDN \$27.00 for a one-year subscription. ISSN 0843-7548

The following additional shipping charges apply for delivery outside Canada:

	Single issue	Annual subscription
United States	CDN \$6.00	CDN \$24.00
Other countries	CDN \$10.00	CDN \$40.00

This product is also available in electronic format on the Statistics Canada Internet site as Catalogue no. 87-004-XIE at a price of CDN \$7.00 per issue and CDN \$20.00 for a one-year subscription. To obtain single issues or to subscribe, visit our Web site at www.statcan.ca, and select Products and Services.
ISSN 1481-1030

June 2003

Copyright

Published by authority of the Minister responsible for Statistics Canada. © Minister of Industry, 2003. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission from License Services, Marketing Division, Statistics Canada, Ottawa, Ontario, Canada K1A 0T6.

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner and in the official language of their choice. To this end, the agency has developed standards of service which its employees observe in serving its clients. To obtain a copy of these service standards, please contact your nearest Statistics Canada Regional Reference Centre.