



Baseline Study on the Membership and Industry of the Screen Composers Guild of Canada

Final Report

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Executive Summary

The objectives of this study are to document the professional environment of screen composers in Canada and to provide a baseline against which subsequent studies may be measured. Screen composers are professional creators and producers of original music scores and songs used in audio-visual productions viewed on screens in cinemas, on television, and on digital and wireless devices. The study is based on a survey of members of the Screen Composers Guild of Canada (SCGC) and an analysis of existing documentation and published statistics. Key findings of the study are presented below.

In 2013, it is estimated that there were 262 members of SCGC who were professional screen composers active in English-speaking productions in Canada; screen composers active in French-speaking productions are represented by the Société professionnelle des auteurs et des compositeurs du Québec (SPACQ). SOCAN data suggest that there are thousands more screen composers in Canada but SCGC regroups the bulk of the individuals who earn a living through full-time screen composing.

Over half of SCGC's members are based in Ontario (57%). About one-fifth of SCGC members (19%) are aged 35 or less, and almost one-third (29%) are 56 or more. On average, SCGC members have accumulated 14 years of full-time screen composing experience and 7 years part-time.

SCGC members are involved in a wide variety of projects. About one-half of members are involved in projects of theatrical form of at least 75 minutes (49%) and the same proportion is involved in projects of theatrical form of less than 75 minutes (54%). Three-quarters of members work on television projects (76%). One-third of SCGC members work on games and on-line projects (35%), advertising (39%), and stock music (34%).

Eight out of ten SCGC members are owner-operators of a screen composing business with half of them running an incorporated entity. In 2013, 49% of gross revenues from screen composing were obtained through ownership of a company, 59% from self-employment as a screen composer, and 4% from salaried employment as a screen composer. Screen composing businesses are micro-enterprises: 81% of them have no employees other than the owner. Including owner-operators, it is estimated that 321 (full-time equivalent) individuals are employees of members of SCGC; some 210 of these are based in Ontario. In addition, it is estimated that the SCGC members hired 202 full-time equivalent contract employees in 2013; 120 of them were based in Ontario.

Of all SCGC members' gross screen composing revenues in 2013, 91% were derived from "package deal" contracts where the composer

assumes all costs involved in creating and recording music, delivers finished, produced music, and grants the producer authorization to use the music. Nine percent of SCGC members' 2013 gross revenues were associated with "creative deal" contracts where the composer receives a separate creative fee for composition work only and the production company pays all associated costs involved with the production, recording and mixing of the music. Only 6% of SCGC members received a salary in 2013 for screen composition performed as an employee of a company other than their own.

SCGC members reported average gross revenues from screen composing in 2013 of \$109,297. Screen composers with 10 or fewer years of experience bring in one-third the income earned by those with more than 10 years of experience. SCGC members involved in the gaming and online industries as well as advertising and library/production/stock music earn significantly less than those involved in film and television. It is estimated that the total industry revenues were \$28.6 million. In 2013, 76% of gross earnings of SCGC members were from screen composing. Overall, 48% of screen composing revenues are front-end (e.g. commissioning, composing, initial use licensing, production fees) and 45% are back-end (e.g. royalties). Most 2013 screen composing revenues were from sources located in Canada (78%). Equal shares of revenues were obtained from sources located in the United States (13%) and outside Canada and the United States (12%).

Data from US sources suggest that screen composing fees have declined by about 20% between 2006 and 2011. This is corroborated by member survey data which document clear perceptions of decreasing fees for a given project in parallel with increased demands on screen composers' time.

For screen composers running a business, average total business expenses amount to \$50,749 in 2013. This is in comparison to 2013 gross revenues of \$109,297 from screen composing. Therefore, expenses represent 46% of gross revenues. Overall, 65% of expenses go to overhead or fixed costs (27% to rent, 13% to studio equipment, 20% to salaries, and 5% to other overhead cost) and 31% of expenses are dedicated to production or variable costs (19% go to performers and musicians, and 12% to other production costs).

The most significant challenges to business growth are the value given by clients to screen composing and the level of demand for services – two factors that are basically outside the control of screen composers. Local competition and client demands are the next most important challenges. The last two significant obstacles to growth are management and sales expertise, and access to foreign markets. Screen composers who do not run an incorporated entity (essentially, self-employed individuals) sense significantly more challenge to growth than those running an incorporated business, as do screen composers located outside of Ontario.

1 Introduction

1.1 The Screen Composers Guild of Canada

The Screen Composers Guild of Canada (SCGC)¹ originated in 1980 as the Guild of Canadian Film Composers.² It was renamed Screen Composers Guild of Canada in 2010 to better represent its nature and focus. The SCGC's vision is to promote the music, status and rights of film, television and media composers in Canada. SCGC's mandate is to:

- » Promote the music, status and rights of Canadian screen composers;
- » Improve the skills of screen music composers through education and training;
- » Improve the quality of Canadian screen music by providing professional development and information;
- » Represent the rights and interests of our members with industrial organizations, governments, and consumers of audio-visual content; and,
- » Collaborate with other creator collectives and industry associations to develop and maintain professional standards, protect composers' rights, and promote the interests of Canadian screen composers.

SCGC activities include seminars, workshops, publications, industry outreach, mentoring of entry-level composers, and research to support the mandate and activities.

As of May 2014, the SCGC had 280 members. It is thought that this group comprises most of the individuals who work in screen composing in English Canada. Screen composers who work in French in Canada are represented by the *Société professionnelle des auteurs et des compositeurs du Québec (SPACQ)*. From a legal standpoint, the SCGC

¹ Also Guilde des Compositeurs Canadiens de Musique à l'Image.

² <http://www.screencomposers.ca/about-us-2/>

represents all Canadian screen composers – members and non-members – not represented by SPACQ and may sign collective agreements on behalf of them all.

1.2 Objectives of the Project

The objectives of the study are to:

- » Create and execute a survey about the work environment, terms of employment, and creator revenue sources and amounts for screen composers in Canada's screen-based media industries, particularly film, TV, and digital media, including video and mobile games;
- » Aggregate, analyze, and publish statistics and relevant information gathered from the questionnaire about the employers, jobs, and revenue streams for screen composers including commissioning, licensing, and aftermarket royalty revenues;
- » Begin to quantify the economic contributions of screen composers to the screen-based media sectors; and,
- » Provide a baseline against which subsequent studies may be measured so that changes in the remuneration and business environment for screen composers may be quantified and government policies designed or adapted to best address the trends.

The project's primary data collection focuses on SCGC membership because it constitutes a reasonable proxy for the entire screen composing industry. It also takes a glimpse at the wider industrial positioning of screen composing within the film, television, and other visual media industries. Consequently, the study included two core components:

1. A large-brushstroke picture of the relevant industries (film, television, and other visual media) and of the screen composing niche within them, based on a review of existing published and grey-literature³ materials, particularly government publications; and,
2. A detailed profile of SCGC membership with regard to the nature of their screen composing work, the place of screen composing in their professional activities, the level and types of revenues they derive from screen composing, the types of contractual arrangements they have, and the barriers they encounter to

³ Grey literature is "that which is produced on all levels of government, academics, business and industry in print and electronic formats, but which is not controlled by commercial publishers". <http://www.greylit.org/about>

increased activity in screen composing. Methodological information on the survey is found in Appendix A.

This report is organized into five chapters. Chapter 2 describes the screen composing industry and the screen composers themselves. Chapter 3 focuses on business structures and business models. Chapter 4 details revenues and expenses associated with the production of screen compositions. Chapter 5 delves into the barriers to the growth of the screen composing industry. Finally, chapter 6 pulls key information from a number of existing studies to paint a picture of the cultural industries associated with the screen composing industry: music, film and television, digital media, and commercials.

2 Screen Composing

2.1 Overview of the Sector

Screen composers are the professionals who create and produce original music scores and songs to be used in audio-visual productions that are viewed on screens in cinemas, on television, and on digital and wireless devices. In addition to actually composing music, screen composers may be hired by producers of audio-visual works to fill any of the following roles, depending on the nature of the project: arranger, conductor, lyricist, music director, music editor, music producer, music supervisor, on-set music consultant, orchestrator, electronic music instrument programmer, sound designer, or synthesist.⁴ Due to the wide number of functions that screen composers typically fulfil in the creation of their scores, as well as the diversity of projects in which they are engaged, there are a larger number of business models, rights issues, and revenue streams than might be found with other creative content suppliers in the media industry. The resulting complexity of the business of composing for media is reflected in this study.

The Screen Composers Guild of Canada (SCGC) is the industry's national, not-for-profit, professional trade association. Since 2003, the SCGC has been certified under the *Federal Status of the Artist Act* to represent all screen composers, songwriters, music arrangers, orchestrators, and music editors who work in English-language Canadian audio-visual productions, whether or not they are SCGC members. SPACQ does the same for French-language productions,⁵ but the present study is focused on English-language production. In 2013, SCGC entered into an alliance with the Directors Guild of Canada (DGC) aimed at developing collective bargaining strategies.⁶

⁴ <http://www.screencomposers.ca/find-a-composer/>

⁵ <http://www.screencomposers.ca/about-us-2/>

⁶ <http://www.screencomposers.ca/forums/topic/canadas-screen-composers-directors-alliance/>

2.2 Who Screen Composers Are and What They Do

In 2013, over half of SCGC's members were based in Ontario (57%). British Columbia is home to 20%, and Quebec, 11%, based on membership records. These members include all three 2014 Canadian Screen Award (CSA) winners in screen composing categories,⁷ and the majority of CSA, Genie and Gemini award-winners for scoring in prior years.⁸

SCGC members are predominantly male (94% based on survey results) with an average age of 47. About one-fifth (19%) are aged 35 or less, and almost one-third (29%) are 56 or more.

On average, SCGC members have accumulated 14 years of full-time screen composing experience and 7 years part time. One-third of SCGC members (34%) have more than 15 years of full-time experience. Members who score for television tend to have more full-time experience (15 years) than others, particularly compared to members involved in gaming and on-line productions (8 years).

SCGC members are involved in a wide variety of projects (Exhibit 2.1).

- » About one-half of members are involved in projects of theatrical form⁹ of at least 75 minutes (49%) and the same proportion is involved in projects of theatrical form of less than 75 minutes (54%); there is some overlap between these two groups as 65% of those involved in shorter projects are also involved in longer projects and 73% of those involved in longer projects are involved in shorter projects.
- » Three-quarters of members work on television projects (76%).
- » One-third of SCGC members work on advertising (39%) and stock music (34%).
- » One-quarter to one-fifth are involved in online projects (e.g. webisodes, audiobooks) (26%) or gaming (18%).

⁷ John Welsman, Tom Third, and Rob Carli.

⁸ B. Barkman, Hal Beckett, Geoff Bennett, Amin Bhatia, Cheri Camp, Rob Carli, Graeme Coleman, Serge Côté, P. Coulman, Michael Cusson, Jeff Danna, Mychael Danna, Victor Davies, Christopher Dedrick, Claude Desjardins, Micki Erbe, Micky Erbe, Terry Frewer, Longo Hai, E. Haines, Carolyn Hay, Paul Intson, James Jandrisch, Ben Johannesen, Gary Koffinoff, Mark Korvan, Mark Korven, David Krain, C. Lenox, Laurel MacDonald, Glenn Morely, Glenn Morley, Trevor Morris, Louis Natale, Ray Parker, Michael Plowman, Ari Posner, Eric Robertson, Daniel Séguin, J. Shaw, Mike Shields, Howard Shore, Lawrence Shragg, Maribeth Solomon, Marybeth Solomon, Philip Strong, Tom Szczesniak, Tom Third, T. Thorney, John Welsman, and Anne Wheeler.

⁹ "Theatrical form" includes as subsets full-length feature films, made for television movies (Movie of the Week or MOW), long form documentaries, and other linear non-episodic forms. The distinction based on a 75-minute length between short and long theatrical forms is an industry standard used for subsidies and awards.

EXHIBIT 2.1 – Percentage of SCGC Members Involved in Various Types of Projects
 (a member can be involved in more than one type of project)

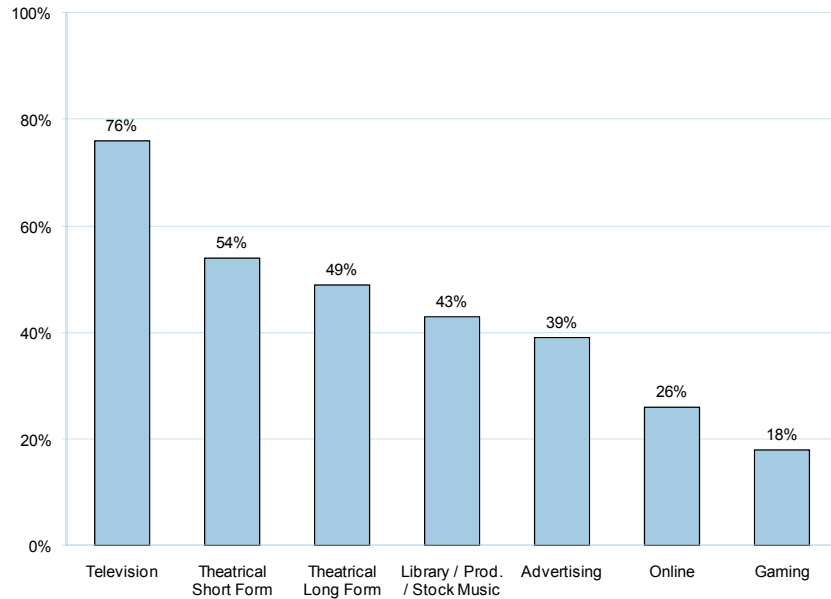


Exhibit 2.2 provides information on project sub-types. For example, there are as many members involved in regional advertising (22%) as there are in national advertising (22%), and Internet advertising (23%).

Members indicated that their work is presented around the world: 92% stated that their work is presented in Canada, 61% in the United States, 47% in Europe, and about 15% in Latin America, in Asia, and elsewhere.

Members of the SCGC who did not work in screen composing in 2013 (20 survey respondents) attribute this situation mainly to not pursuing work in the sector (8 out of 20), to the fact that there was no work (5 out of 20) and to the absence of lucrative work (4 out of 20).

EXHIBIT 2.2 – Percentage of SCGC Members Involved in Various Types of Projects (detailed list)

	Theatrical Long Form	Theatrical Short Form	Television	Online excluding games	Gaming	Advertising	Library / Production / Stock Music
Drama	34%	34%	32%	7%	Console 1%	Regional 22%	Self managed 26%
Documentary	24%	23%	37%	7%	Computer 6%	National 22%	Published Library 24%
Comedy	10%	20%	21%	9%	Mobile 10%	Internet 23%	
Animation	3%	7%	20%	4%	Online 6%		
Variety	2%	0%	3%	1%			
Reality/lifestyle	4%	4%	29%	2%			
Trailer/promo	9%	12%	8%	14%			

Source: 2014 survey of SCGC members.

3 Business Structures and Models

3.1 Business Structures

Screen composing is typically conducted as an owner-operated business, rather than in an employer/employee relationship. According to survey results, 82% of SCGC members own a business that offers screen composing; 96% own a business among those involved on a full-time basis in screen composing for more than 10 years.

Approximately one-half of survey respondents (53%) run their screen composing business as a non-incorporated entity, one-half (51%) run an incorporated entity. Additionally, 14% have formed formal business partnerships with others.¹⁰ That said, 49% of 2013 gross revenues from screen composing were obtained through ownership of a company, 59% from self-employment as a screen composer, and 4% from salaried employment as a screen composer. Of these three revenue arrangements, self-employment is the only one that survey respondents expect to see grow in 2014.

Among respondents, all incorporated businesses are Canadian-owned based on the location of the person or company that owns 51% or more of the company. Using the same criterion, 59% of businesses are Ontario-based within the survey sample.

Screen composing businesses are micro-enterprises: 81% of them have no employees other than the owner. Including the survey participants themselves as full-time employees, each business has, on average, 1.23 employees on payroll in 2013. We estimate that SCGC members employ 321 (full-time equivalent) individuals.¹¹ Some 210 of these full-time equivalent jobs are based in Ontario according to survey results. SCGC believes (and the survey data support this conclusion) that its members

¹⁰ These proportions total more than 100% because any one entrepreneur can run or be involved in more than one business.

¹¹ To arrive at that result, we assumed that the owner worked full-time, we added screen composers not working within these companies, and we weighted the data by a factor of 3 to account for the survey response rate of 34%.

comprise the vast majority of active composers making a living from full-time screen composing in Canada.

One-half of survey respondents running their business indicated that they hired contract employees in 2013. Contract employees were defined as those typically hired for a specific task or a short duration and not accruing benefits. Based on survey data, we estimate that the screen composing business hired 202 full-time equivalent contract employees in 2013; 120 of them were based in Ontario.

Screen composing businesses are quite traditional in the way they finance their activities. Self-funding by the entrepreneur is the source of private capital used in 2013 by 82% of SCGC members. About one-third (31%) used bank loans, and 11% used private equity.

3.2 Business Models

Screen composers typically do business under one of two models: the "package deal" and the "creative fee deal". Other models also exist.

3.2.1 Package Deal Model

In a typical "package deal" between a screen composer and the producer of an audio-visual work, the composer assumes all costs involved in creating and recording music, delivers finished, produced music, and grants the producer authorization to use the music through two key licences: the master use licence permits use of the actual *recording* of a song or composition, and a "sync" licence authorizes the *incorporation* of the songs or score into the audio-visual work.¹²

These licences are required because each musical work composed for an audio-visual production is protected by copyright. Under Canada's *Copyright Act*, composers have the following exclusive rights, including the right to authorize these acts: to reproduce the work, to perform the work in public, to communicate the work to the public by telecommunication, to publish the work in printed form, and to translate or adapt the work. In SCGC's model agreement, all copyright is retained by the composer, including publishing rights.

¹² <http://www.screencomposers.ca/working-with-a-composer/>

The SCGC developed an annotated model contract and makes it available on its website for general use.¹³ The model contract is based on a typical "package deal". Note that the SCGC model agreement is used about one-third (34%) of the time as the basis for members' contracts, based on survey results; the incidence is higher among SCGC members with 10 or fewer years of experience (44%) than among those with more than 10 years of experience (24%).

Importantly, both licences contained in the model agreement cover the use of the recorded music in synchronization with the production "throughout the world in perpetuity", permitting copies in any media, including downloads and streaming in the case of the sync licence.¹⁴ The only other copyright-protected use that is not covered in the agreement is the possible creation of a soundtrack album. That would explicitly require negotiation of a separate licensing agreement. This buy-out model is so common in part because broadcasters have begun to demand all domestic rights to programming that they acquire or commission from producers, including not just the rights for TV outlets in Canada for a set period, but also for other emerging platforms, such as video-on-demand (VOD), mobile, and on-line.¹⁵

According to the survey conducted as part of this study, 91% of members' gross screen composing revenues in 2013 were derived from "package deal" contracts.

3.2.2 Creative Deal Model

In a "creative deal" contract, the composer receives a separate creative fee for composition work only and the production company pays all associated costs involved with the production, recording and mixing of the music.¹⁶ This arrangement is relatively rare: according to the survey results, 9% of members' gross screen composing revenues in 2013 were derived from "creative deal" contracts. Moreover, 65% of survey respondents indicated that the tendency over the past five years has been toward more and more reliance on package deal contracts; 33%

¹³ <http://www.screencomposers.ca/model-contract/>

¹⁴ <http://www.screencomposers.ca/model-contract/>

¹⁵ In its recent decision on SODRAC's arbitration with CBC and Astral, the Copyright Board of Canada reviewed a large sample of licensing agreements and concluded that licensing practices for the use of music in audio-visual works are complex and varied. The extent to which other users, uses or markets are licensed in addition to the producer (who only requires a bare synchronization licence) seems to depend in large part on budget – Hollywood studios were found to favour 'through-to-the-viewer' buyouts, covering all copies of a musical work by all parties in the course of delivery to the ultimate consumer in the intended market, but that is not the dominant model in Canada. (*Decision*, November 2, 2012, paragraphs 65-79)

¹⁶ <http://www.filmmusicmag.com/kb/questions/1/Where+can+I+find+examples+of+composer+contracts%3F>

indicated that the balance between creative deals and package deals had not changed for them.

3.2.3 Music Publishing

Music publishing in the broadest sense is described as follows in the most recent national study of music publishing, *A Statistical Profile of the Canadian Music Publishing Industry*: "The primary role of a music publisher is to act on behalf of authors of musical works, based upon an assignment of rights, an agency or administration agreement, or otherwise. This involves representing the copyright holders in their dealings with users of their works, collecting royalties on their behalf from copyright collectives or individual users, and seeking to achieve the most extensive and profitable use of their works that is possible".¹⁷

In the music industry, the standard agreement between a composer and publisher has them sharing equally in any royalties earned by the use of a musical work. When composers handle their own administration (self-publishing), they retain 100% of royalties. Such is the arrangement described in SCGC's model agreement. However, the annotation in clause 5.1 contemplates two other possible arrangements, each of which would require the negotiation of a separate agreement:

- » the composer and producer may enter into a publishing agreement, where the producer acts as publisher and collects 50% of royalties; or
- » the composer and producer enter into a co-publishing agreement, in which the author shares in the publisher's half of royalties.¹⁸

With respect specifically to composition for the screen, Exhibit 3.1 depicts the reality of the handling of the writer's and publisher's shares of rights royalties based on survey results. Screen composers tend to retain larger proportions of the writer's share than of the publisher's share. Between 6 and 9 screen composers out of 10 retain the entire writer's share, depending on the sector of activity, whereas between 2 and 6 out of 10 retain the entire publisher's share. Gaming and advertising are the two areas where the screen composers retain the lower proportion of the writer's and publisher's shares.

¹⁷ *A Statistical Profile of the Canadian Music Publishing Industry*, December 13, 2005, by Paul Audley & Associates Ltd. and Circum Network Inc. for the Canadian Music Publishers Association and the Professional Music Publishers Association, page 4.

¹⁸ *A Statistical Profile of the Canadian Music Publishing Industry*, December 13, 2005, by Paul Audley & Associates Ltd. and Circum Network Inc. for the Canadian Music Publishers Association and the Professional Music Publishers Association, page 5 and Appendix A.

EXHIBIT 3.1 – Retention of Royalties

	Writer's Share		Publisher's Share	
	Average Retained	% Retaining All Rights	Average Retained	% Retaining All Rights
Theatrical long form	89%	83%	54%	27%
Theatrical short form	93%	91%	74%	64%
Television	88%	79%	40%	19%
Online excluding games	75%	67%	51%	42%
Gaming	60%	57%	29%	22%
Advertising	70%	61%	32%	25%
Library / Production / Stock Music	89%	80%	46%	34%

Source: 2014 survey of SCGC members.

Note: the percentages were calculated on the basis of the respondents to whom the question applied. They are approximations based on the mid-point of the categories that were offered to the respondents.

According to a 2011 U.S. study by *Film Music Magazine*, the publisher's share of royalties is typically a point of negotiation between producer and composer. Network television and medium- to high-budget films may insist on obtaining publishing royalties, whereas on lower-budget film productions, composers may negotiate the retention of publishing royalties, though that can mean accepting a lower creative fee.¹⁹

3.2.4 Employment

The model agreement does not address a situation where a composer is an employee of the producer and the production company is the holder of copyright. Notes in the model agreement itself suggest that, in almost all cases, composers are contractors in Canada, not employees; however such is not necessarily the case for American productions.²⁰ The survey results indicate that only 6% of SCGC members received a salary in 2013 for screen composition performed as an employee of a company other than their own.

¹⁹ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey*, page 4.

²⁰ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey*, page 3.

3.2.5 Stock Music Libraries

Another way producers commission music is to have screen composers create stock music libraries. These consist of a variety of generic "cue oriented" music. Custom stock music may be purchased outright, and pre-existing libraries may be made available for purchase or rental in blocks of time (30 seconds, 5 minutes, etc.).²¹

3.2.6 Collective Licensing

As acknowledged in section 5 of the model agreement, screen composers may be members of a number of copyright collectives that collect relevant copyright payments on their behalf and distribute the royalties back to rights holders. Performing rights royalties are collected and paid in Canada by the Society of Composers, Authors and Music Publishers of Canada (SOCAN), and in the United States by Broadcast Music Inc. (BMI), the American Society of Composers, Authors and Publishers (ASCAP), and SESAC. Reproduction rights royalties for audio-visual uses are collected and paid in Canada by the Society for Reproduction Rights of Authors, Composers and Publishers in Canada (SODRAC). Both Canadian societies also have reciprocal agreements with many international collectives and therefore also distribute royalties from those other territories to Canadian screen composers.

According to our survey, many members of the SCGC are members of copyright collectives and other professional organizations including SOCAN (96% of SCGC members), the Canadian Federation of Musicians (CFM, 36%), SODRAC (27%), BMI (21%), and ASCAP (18%). Members who run an incorporated business are more likely to be members of SODRAC (49%) and of DGC (24%).

²¹ *A Statistical Profile of the Canadian Music Publishing Industry*, December 13, 2005, by Paul Audley & Associates Ltd. and Circum Network Inc. for the Canadian Music Publishers Association and the Professional Music Publishers Association, page 6.

4 Revenues and Expenses

In this chapter, we document the screen composing revenues of SCGC members and we describe the expenses incurred in producing these revenues.

4.1 Revenues

Based on survey responses, 76% of 2013 gross earnings of SCGC members were from screen composing. This proportion varies somewhat, from a low of about 75% for those involved with film production to a high of 85% for those involved in advertising.

SCGC members reported average gross revenues from screen composing in 2013 of \$109,297. The median of the screen composing gross revenues was \$50,000, meaning that half of respondents earned less than that amount and half earned more. Because revenue distributions are usually characterized by a few individuals earning significantly more than most, the average is typically higher (sometimes much higher) than the median.

Gross revenues vary considerably from one subgroup to the next, as can be expected (Exhibit 4.1). Screen composers with 10 or fewer years of experience bring in one-third the income earned by those with more than 10 years of experience (\$56,043 vs. \$171,356). Those who run an incorporated entity earn three times as much as those who don't (\$185,349 vs. \$58,388) – although a corporate structure might be dictated by the revenues rather than the opposite. Similarly, screen composers who hired contract employees in 2013 earned four times as much as those who did not (\$204,707 vs. \$52,708); it could be that higher revenues come with a requirement to hire contract employees. Finally, although the difference is not statistically significant²², members

²² The sample is not sufficient to assure, within commonly accepted levels of precision, that the difference observed is not due to simple 'luck of the draw'.

located in Ontario earned less in 2013 (\$94,984) than those located elsewhere (\$143,779).

EXHIBIT 4.1 – Average Screen Composing Gross Revenues in 2013 (\$000)

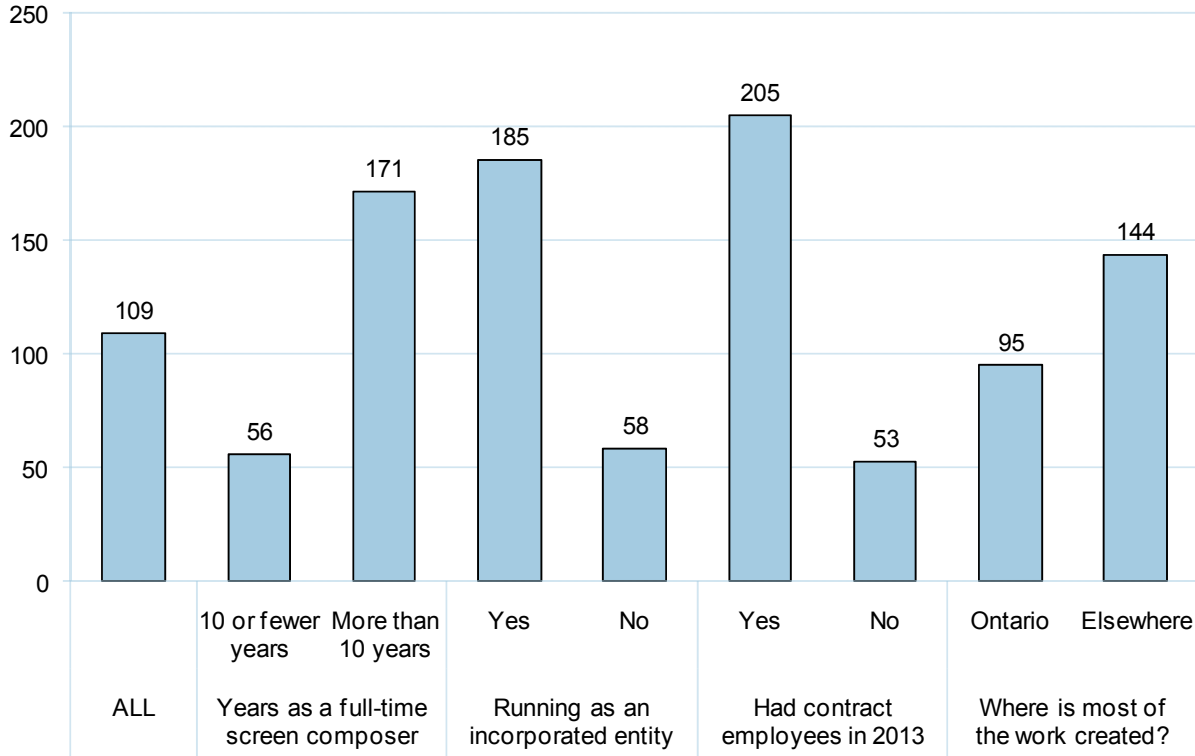
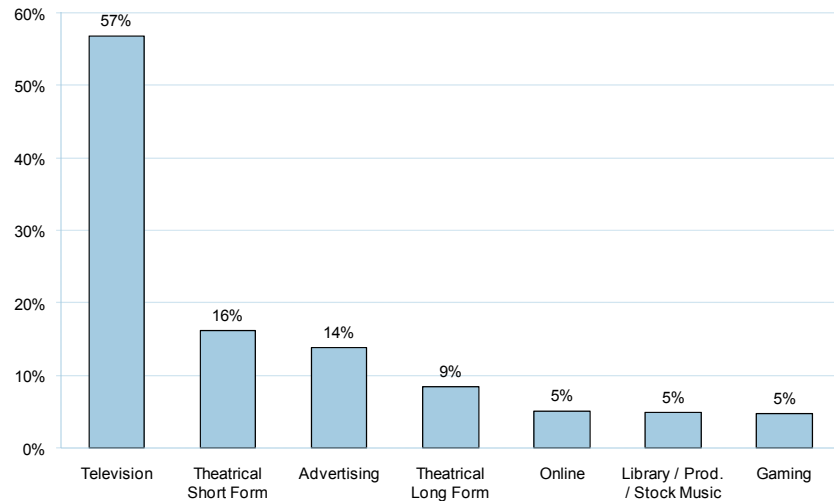


Exhibit 4.2 breaks down respondent gross revenues according to categories of projects. It demonstrates that television-related projects produce most of the screen composing income (57% across all respondents, including those who indicated that they had no revenue from this type of project). Short-form theatrical projects and advertising generate similar shares of gross revenues (16% and 14%) and long-form theatrical projects add 9% to that count. Online projects, gaming projects, and revenues from stock music are associated with equal shares of about 5% of screen composing revenues.

EXHIBIT 4.2 – Percentage of Gross Screen Composing Revenues from Different Types of Projects in 2013



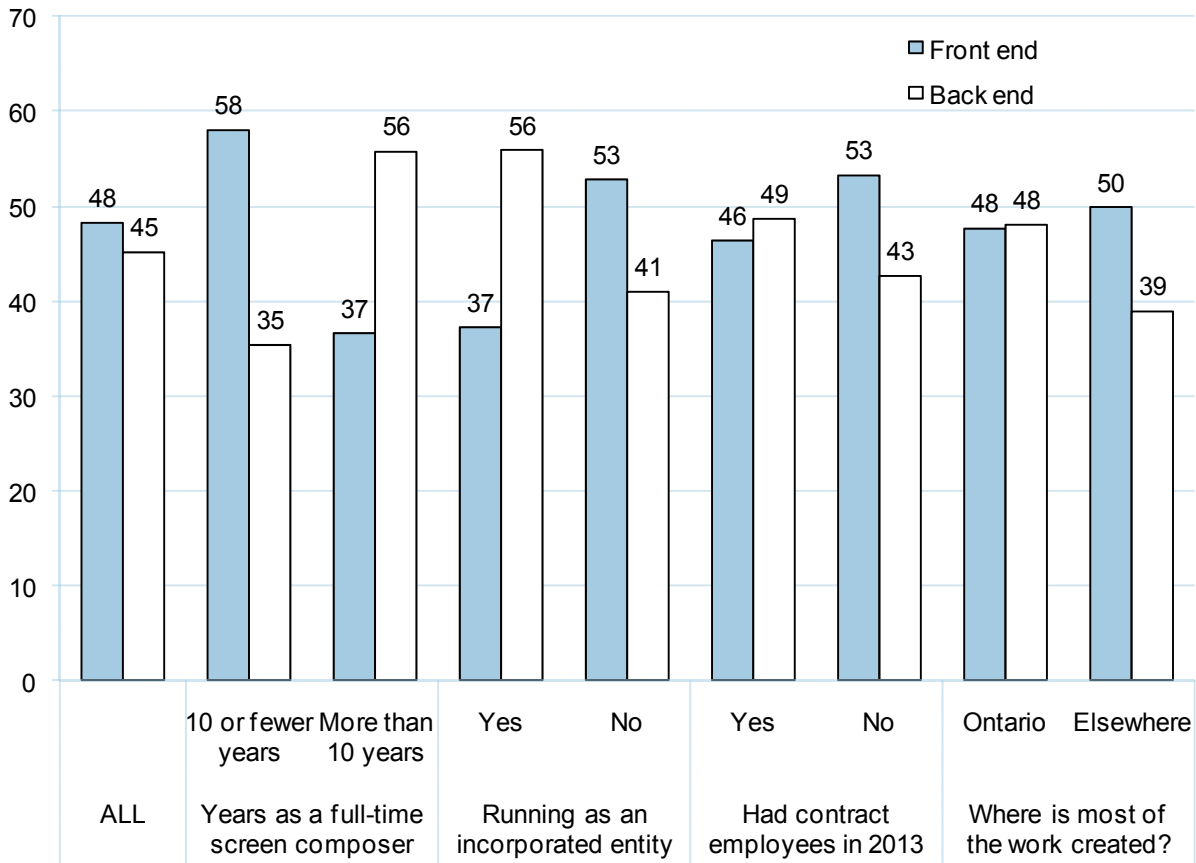
Based on the SCGC member survey results, we estimate that there were 262 members of SCGC who were professional screen composers active in English-speaking productions in Canada in 2013.²³ Other sources suggest that there are thousands more screen composers in Canada²⁴ but SCGC regroups the bulk of the individuals who earn a living through full-time screen composing. From a legal standpoint, the SCGC represents all Canadian screen composers not represented by SPACQ.

Since the average revenue from screen composing in 2013 was \$109,297, we can estimate that the total gross revenues produced by active SCGC members were \$28.6 million.

²³ See Appendix A. Screen composers active in French-speaking productions are represented by the Société professionnelle des auteurs et des compositeurs du Québec.

²⁴ Some 12,600 writers and 3,055 publishers would have received performing rights royalties distributed by SOCAN to music publishers and composers for usage in Canada of the different types of music incorporated into audio-visual works in 2013. Further analysis suggests that there are substantial differences between SCGC membership and this group in receipt of SOCAN payments. See SOCAN data cited in section 4.3 for more details.

EXHIBIT 4.3 – Percentage of 2013 Gross Screen Composing Revenues from Front-End and from Back-End



Screen composing revenues can be divided between front-end income (e.g. commissioning, composing, initial use licensing, production fees) and back-end income (e.g. royalties). Overall, according to survey results, 48% of revenues are front-end and 45% are back-end.²⁵ Screen composers with 10 or fewer years of experience rely more on front-end income (58%) while those with more than 10 years of experience rely more on back-end income (56%). Front and back-end income are balanced for those involved in theatrical long form work and television, but front-end income is prominent for all other activity.

²⁵ Some 8% were "other music-related income", less than 1% from grants, government support programs, and tax credits, and 2% from other sources of revenues.

For 2014, more survey participants expect that their front-end income will increase (36%) than decrease (27%); the opposite is true of back-end income (21% expect an increase, 28% a decrease).

Television production represents the greatest source of income for screen composers: 70%. Long-form theatrical projects represent the distant second source at 12%, followed by short-form theatrical projects (6%) and advertising (6%).

Collectively, more survey respondents indicated that they expect their gross income to increase from each of the types of projects presented to them than there were respondents who indicated that their income would decrease. For example, 48% of respondents indicated that they expect increased revenues from long-form theatrical projects in 2014 whereas 13% expect decreased revenues from the same type of projects.

Most 2013 screen composing revenues were from sources located in Canada (78%).²⁶ Equal shares of revenues were obtained from sources located in the United States (13%) and outside Canada and the United States (12%). Survey respondents indicated that they expect more percentage growth in revenues from non-Canadian sources than from Canadian sources in 2014, but since Canadian sources are so much more important than non-Canadian sources, the bulk of the absolute increase in earnings is expected to be from Canada.

²⁶ These data are based on answers to the following question: "What percentage of your 2013 gross earnings derived from screen composing did you obtain from sources located in Canada, in the United States and elsewhere outside Canada and the US?"

EXHIBIT 4.4 – Average 2013 Gross Screen Composing Revenues by Type of Project
(averages for all respondents, including those not involved)

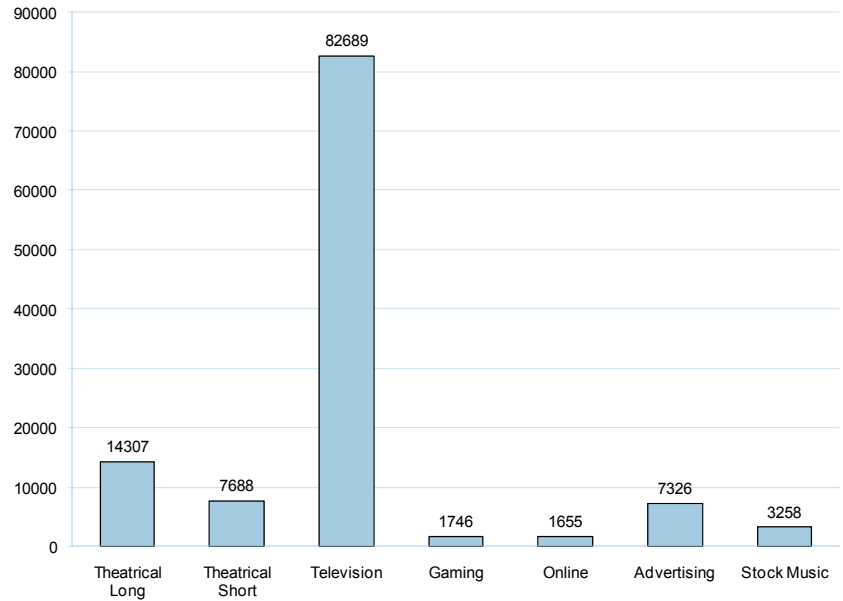


EXHIBIT 4.5 – Expected Trend in Gross Income from Various Projects in 2014

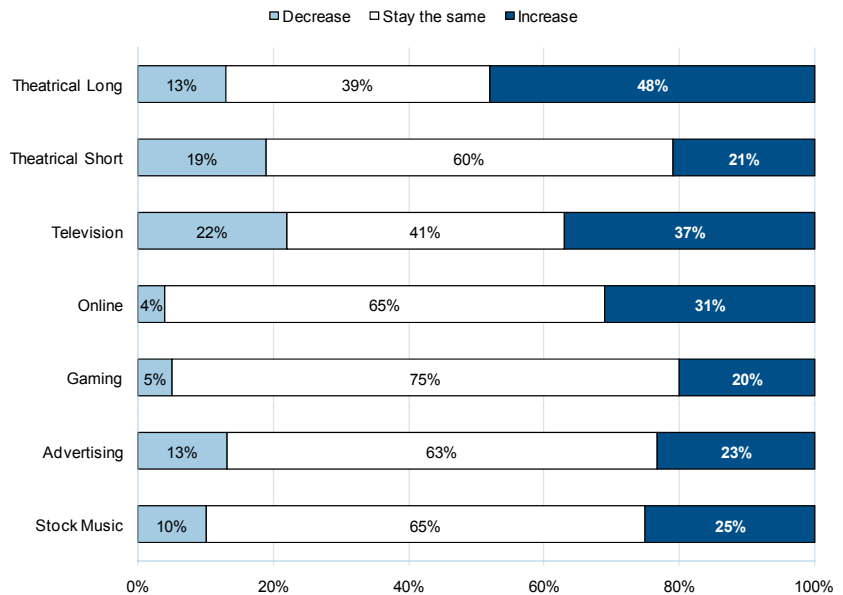
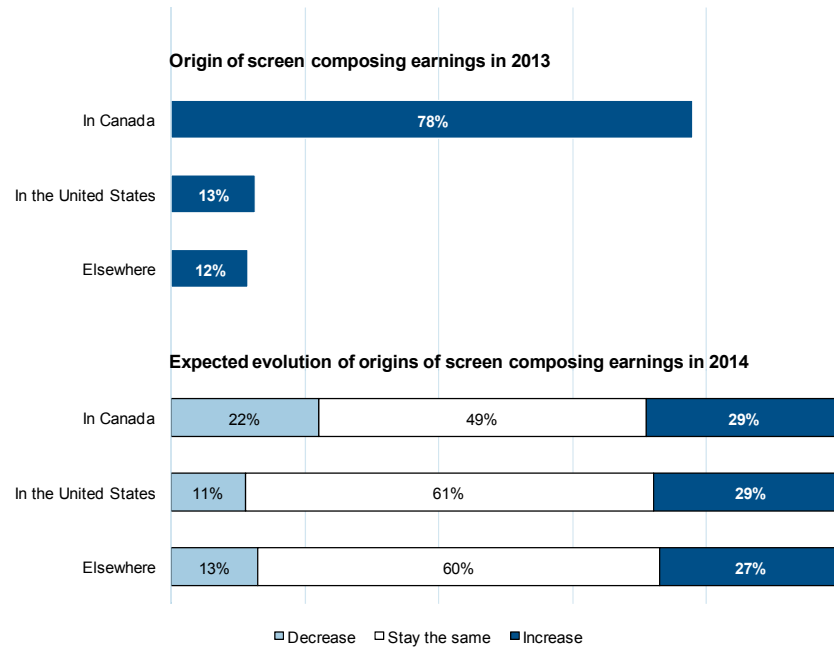


EXHIBIT 4.6 – National Origin of 2013 Screen Composing Earnings



4.2 Fees

This section presents information from existing documentation regarding fees paid to screen composers in various settings.

The 2011 *Film Music Magazine* study referred to on page 12 included tables of typical rates paid to composers for projects in film, television, television advertising and video games.²⁷ The rates vary depending on the budget category (low – medium – high), the type of production and the type of deal (package deal vs. creative fee deal). They can also vary significantly depending on a composer's experience, reputation or credits, as well as the specifics of the project, and the most extreme survey responses were not included.

Although these rates are exclusively for U.S. productions, this is the most comprehensive such information available, and would include rates paid by American producers to Canadian composers. Further, the survey has been conducted for a number of years, permitting some observation of change over time. To this end, figures from the 2006 iteration of this

²⁷ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey.*

study²⁸ are included in brackets below where change was significant. Note that all figures in this section are in US dollars.

Other "pay factors" not reflected in the survey figures for film, TV and advertising are publishing rights and soundtrack album royalties (for film and TV only, as advertising does not attract royalties), and deferred compensation agreements that may be based on distribution and/or profits.²⁹

4.2.1 Film

Not surprisingly, the lowest fees were for low-budget student or guerrilla (very low budget) indie feature films, which may only cover a composer's costs, and the highest fees were the package fees for major budget studio feature films.³⁰ The latter ranged from \$60,000 (\$75,000 in 2006) to over \$2 million. Indie feature film packages were as low as \$2,500 (\$3,000 in 2006) but could also be over \$75,000 (\$150,000+ in 2006). Creative fees for a studio feature ranged from \$150,000 to over \$2 million.

In March 2014, FilmL.A., the not-for-profit film office serving the Greater Los Angeles region, released the findings of its *2013 Feature Film Production Study*, which analyzed a sample of 108 U.S. major feature films released theatrically last year.³¹ They found that musical scoring on a large-budget movie can generate \$250,000 or more in wages and provide jobs for between 80 and 100 studio musicians. A single example is provided of a medium-budget film's costs for scoring: the \$35 million feature *Saving Mr. Banks* which created 16 music preparation jobs totalling wages of \$26,278 and 104 jobs for scoring musicians amounting to \$167,390 in wages. The study notes the extreme difficulty of tracking these jobs, given that musicians are rarely included in a film's final credits.

Just under half of the film projects in the FilmL.A. study were scored in California, and 26 in London, U.K., California's closest competitor for music and scoring work. Canada was not identified as the music scoring location for any of the films in the study.³²

²⁸ *Film Music Magazine 2006-2007 Film & TV Salary and Rate Survey.*

²⁹ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey.*

³⁰ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey.*

³¹ Their sources included, among others, provincial tax credit data from annual film tax credit/transparency reports and the CMPA's annual Profile study. Study methodology is found at page 20 of the report.

³² *2013 Feature Film Production Report*, 2014, FilmL.A. Research (pages 17-18 and Appendix C)

4.2.2 Television

There were no examples of creative fees for television in the *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey*; all rates are package deals. Thirty-minute series yielded the lowest rates, starting at \$1,500 per episode, and television movies ranged from \$5,000 to \$55,000 (\$75,000 in 2006). Fees for national cable news packages also run as high as \$50,000 (\$200,000 in 2006). Sixty-minute dramas/reality series range from \$2,000 to \$15,000 per episode.

4.2.3 Television Advertising

According to the *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey*, creative fees for local ads only appear in the High Budget category, at \$10,000 or more, and three times that for national. (In 2006, these fees started at \$1,200 for regional/local and \$4,000 for national.) Package fees for local ads post scoring garnered from \$1,500 to \$5,000+, and national ad figures are again roughly two to three times that (slightly higher than in 2006).

4.2.4 Video Games

Creative fee deals for 30 minutes of music, typically offered on higher-end game projects with known composers, went from \$30,000 to \$75,000³³ (\$55,000 in 2006). Package fee deals, more typical on low-mid level game projects, range from \$30,000 to \$60,000 (\$18,000-\$45,000 in 2006). "Casual Games" attracted creative fees of \$300-\$600 per minute of finished music.³⁴ Other pay factors included bonuses for additional sales or cross-platform releases; large-scale orchestral live music production; and modifications to delivered music.

4.3 Royalties

Unlike fees, which are a one-time payment, royalties are paid to rights holders each time their work is used. Section 6 of Canada's *Copyright Act* specifies that copyright in a musical work endures for the life of the author plus 50 years³⁵, providing potentially life-long revenue to screen composers and, subsequently, income to their descendants. As noted in

³³ *Film Music Magazine 2011-12 Film & TV Salary and Rate Survey*.

³⁴ This category did not exist in 2006.

³⁵ <http://laws-lois.justice.gc.ca/eng/acts/C-42/page-6.html#h-6>

section 3.2.1, copyright includes a group of rights controlled by music creators: to reproduce the work, to perform the work in public, to communicate the work to the public by telecommunication, to publish the work in printed form, and to translate or adapt the work.

Exhibit 4.7 provides a breakdown of **performing rights royalties** distributed by SOCAN in 2013 to music publishers and composers for usage in Canada of the different types of music incorporated into audio-visual works.³⁶ While screen composers may receive royalties from rights other than performing rights, the latter are the dominant category of rights in their revenues. Note that the SOCAN data cannot be directly compared with data collected through the survey, as it includes royalties for French-language productions, which are not the target of the current study, as well as royalties paid out to rights holders who don't self-define as screen composers and make a living out of full-time screen composing.

EXHIBIT 4.7 – Performance Royalties Distributed by SOCAN to Music Publisher and Writers from Canadian Usage of Audio-Visual Works, 2013

(data include French-language productions)

Type of Music	AV Writers	AV Publishers	Total
Logo	\$5,000	\$70,000	\$75,000
Theme	\$2,577,000	\$3,418,000	\$5,995,000
Background music	\$14,481,000	\$28,198,000	\$42,679,000
Subtotal excluding feature	\$17,063,000	\$31,686,000	\$48,749,000
Feature	\$1,638,000	\$3,520,000	\$5,158,000
Total	\$18,701,000	\$35,206,000	\$53,907,000
Number of SOCAN members in receipt of such payment	12,600	3,055	

Source: SOCAN; values are rounded to the thousand.

If we assume that all logo, background, and theme music is composed for the screen, and that all feature music is licensed, pre-existing music, the estimate of performance royalties paid to Canadian screen composers in 2013 is \$49 million. The bulk of that, almost \$43 million, was earned for background music, or scoring.

³⁶ Included in these totals are performing rights royalties from the following tariffs: 2A Commercial Television, 2B Ontario Educational Communications Authority, 2C Société de télédiffusion du Québec, 2D CBC Television, Retransmission of Distant Television Signals, and 17 Pay, Specialty or Other Television Services. Internet royalties are not included.

While the SCGC has just under 300 members, SOCAN paid the above amounts to 3,055 publishers and 12,660 writers ("AV members"). Accordingly, the average amount received in 2013 by an AV publisher was roughly \$10,370, and \$1,350 by an AV writer. In comparison, survey respondents reported that 45% of their screen-composing revenues were from back-end sources (royalties); with average 2013 gross revenues from screen composing of \$109,000, this translates to \$49,000 of royalty revenues on average in 2013. The comparison of the payments made to its AV members by SOCAN with the declarations of SCGC members through the survey suggests two points:

- » that screen composers constitute a fractured community of thousands of creators with low involvement in the specific activities of screen composing, and
- » that, among screen composers, SCGC members constitute a highly professional group dedicated to their trade.

Ontario writers and publishers received the great majority of 2013 SOCAN AV distributions (including for feature music): \$33.5 million, or 62%. Quebec followed with 13% and BC accounted for almost 5%.

Approximately 65% of the total was paid to publishers (\$35.2 million), notwithstanding the above-noted typical 50/50 split of royalties with writers. This reflects at least in part the existence of sub-publishing agreements, whereby Canadian publishers administer, in the Canadian market only, the publisher's share of rights in a work created by a foreign composer.

An additional \$34.8 million was paid to writers and publishers in international royalties, for a total audio-visual distribution by SOCAN (including feature music) of \$88.7 million.

In terms of **reproduction rights**, SODRAC reports that \$209,683 was collected in DVD royalties (i.e. for video copies of TV and cinematographic productions). This marked a year-over-year drop of nearly 34%, due in large part to an ongoing tariff dispute with the Canadian Association of Film Distributors and Exporters (CAFDE), as well as to the growth of Internet video streaming services. With respect to royalties from television broadcasters, these are only reported in combination with all other general agreements, including radio. Those royalties were down 12% to \$5,243,249 in 2012 after three years of growth, and will be affected for subsequent years by the outcome of an

ongoing judicial review process and, in particular, the courts' interpretation of new exceptions to copyright included in the 2012 amendments to the *Copyright Act*.³⁷

4.4 Business Expenses

4.4.1 Self-Declared Business Expenses

The survey of SCGC members provides information on the expenses incurred by screen composers in producing their work. The following exhibit reports, for screen composers running a business (i.e. the vast majority of screen composers as seen earlier), the total business expenses incurred in 2013 toward producing their screen composing work.

The average total business expenses amount to \$50,749 in 2013 across all categories of screen composers.³⁸ This is in comparison to 2013 gross revenues of \$109,297 from screen composing. Therefore, expenses represent 46% of gross revenues.

Not surprisingly, business expenses vary considerably among the various groups represented in the exhibit. The proportion that expenses represent of gross revenues is more stable, but still presents significant variations. It runs from a low of 21% for screen composers who do not run an incorporated entity to a high of 65% for screen composers located outside Ontario.

³⁷ *SODRAC Annual Report 2012*, page 9. SODRAC's negotiated agreements for television usage are with CBC/SRC and Canada's French-language broadcasters (plus Teletoon Retro in English). The rights for the vast majority of the English-language market are not administered by a collective.

³⁸ In order to avoid the deleterious effect of missing values ("don't know"), we report only on the basis of the 40 cases of business-based respondents who provided valid response to each of the seven categories of expenses outlined in the questionnaire.

EXHIBIT 4.8 – Business Expenses Incurred in the Production of Screen Compositions in 2013
(in \$000 and as a percentage of gross revenues from screen composing)

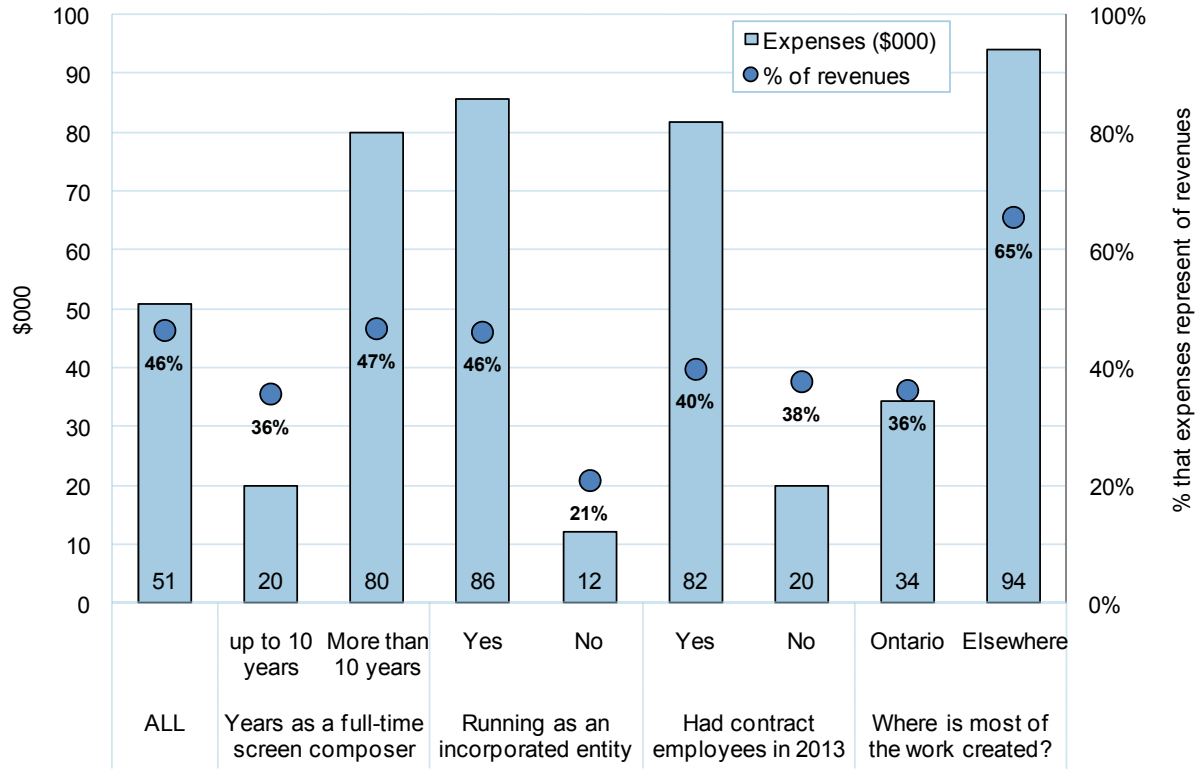


Exhibit 4.9 breaks down expenses incurred in the production of screen compositions in 2013 into six categories:

- » Overhead (fixed) costs
 - Rent and associated costs
 - Studio equipment
 - Salaries
 - Other
- » Production (variable) costs
 - Performers/musicians
 - Other

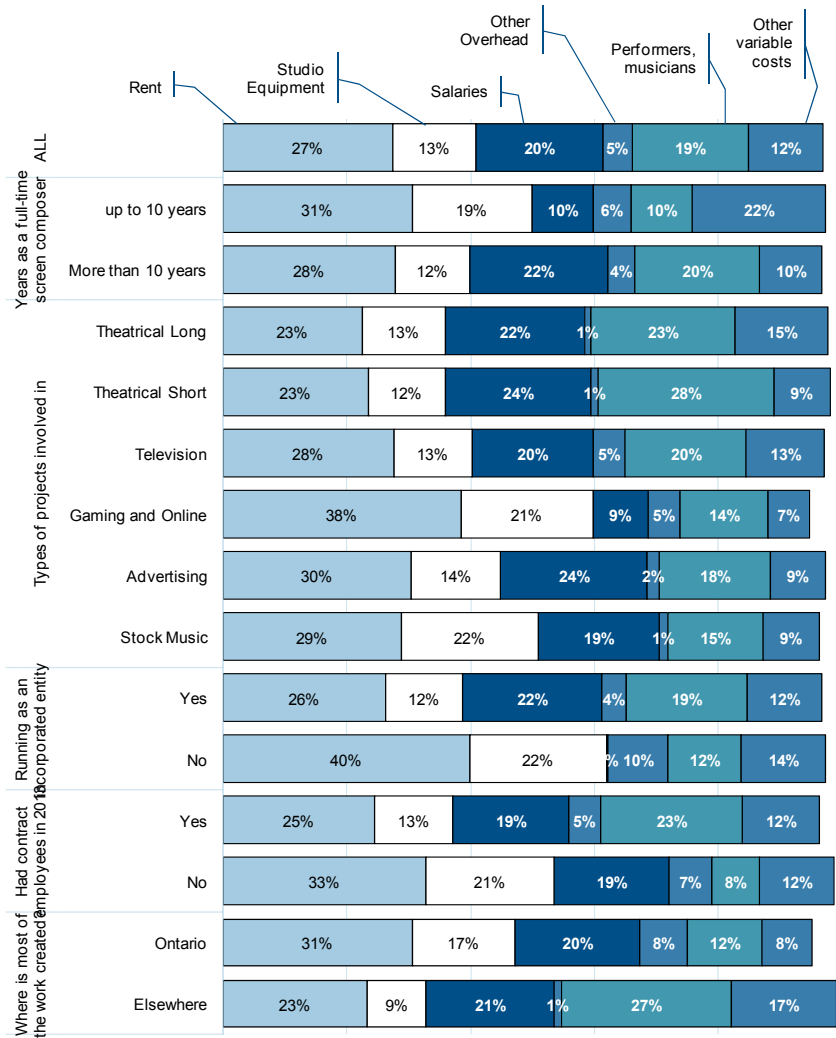
On the whole, 65% of expenses go to overhead or fixed costs: 27% to rent, 13% to studio equipment, 20% to salaries, and 5% to other overhead cost. Some 31% of expenses are dedicated to production or variable costs: 19% go to performers and musicians, and 12% to other production costs. A residual "other expenses" category (not shown in the exhibit) includes 3% of expenses.

There are some variations in cost structures according to the screen composers' circumstances:

- » Costs associated with rent are proportionately highest for those who compose for games and online applications (38%) and for those who do not run an incorporated entity (40%).
- » Studio equipment costs are also proportionately highest for the same two groups (21% and 22%) as well as for those who did not hire contract employees in 2013 (22%).
- » Salary costs are proportionately highest for screen composers involved in short-form theatrical projects (24%) and advertising (24%).
- » The variable costs of performers and musicians are proportionately highest for those involved in short-form theatrical projects (28%) and for those who work outside of Ontario (27%).³⁹
- » Other variable costs are proportionately highest for SCGC members who have 10 or fewer years of experience (22%).

³⁹ Note that any level of involvement in a type of work led to including the respondent responses in that category; as such, some results may be contaminated by the inclusion of the responses of individuals with comparatively low involvement in some categories (e.g. the responses of a respondent who spent 10% of their time on gaming were given the same weight in the gaming data as those from someone spending 100% of their time on gaming projects).

EXHIBIT 4.9 – Types of Business Expenses Incurred in the Production of Screen Compositions in 2013
(as percentage of expenses)



4.4.2 Earnings of CFM Members for Audio-Visual Projects

While external data are not available on all of these costs of doing business, the Canadian Federation of Musicians (CFM) has provided information summarizing amounts earned in 2012 by musicians for work on screen-based projects, under union contracts.

EXHIBIT 4.10 – Earnings by CFM Member Musicians for Audio-Visual Projects, 2012 and 2013

Source of the Payment	Canada 2012	Canada 2013	Ontario 2012
International/Canadian TV Films or Series	\$815,000	\$1,000,100	\$330,000
International/Canadian Motion Picture Films	\$180,000	\$290,000	\$131,000
Canadian Broadcasting Corporation (CBC)	\$3,500,000	\$2,700,000	\$845,000
Total (app.)	\$4,495,000	\$3,090,100	\$1,306,000

Source: Canadian Federation of Musicians

In some cases, the musicians paid under these contracts are the screen composers themselves, but it is not possible to estimate how frequently that is the case. Further, it is not possible to estimate what share these figures represent of all such fees earned by musicians because there are also many recording sessions that do not involve the union. Not included in the breakdown above are the amounts earned for commercial and jingle recordings, which CFM estimates to be \$5.9 million annually (\$5 million of this in Ontario).

5 Barriers to Growth

In this chapter, we describe the key challenges encountered by screen composers in growing their business and we report the ten-year trend observed in market demands placed on screen composers.

5.1 Challenges to Growth

SCGC members were asked to rate how much of a challenge each of 14 factors was in the growth of their screen composing business. They rated each factor as "not at all a challenge", a "small challenge", a "moderate challenge", a "significant challenge", or an "extreme challenge". For analytical purposes, we coded "not at all a challenge" as 0 points, "small challenge" as 25 points, "moderate challenge" as 50 points, "significant challenge" as 75 points, and "extreme challenge" as 100 points. Exhibit 5.1 reports the average responses obtained for each factor.

The most significant challenges to business growth, as identified by screen composers themselves, are the value given by clients to screen composing (64 points) and the level of demand for services (59 points). These factors are basically outside the control of individual screen composers.

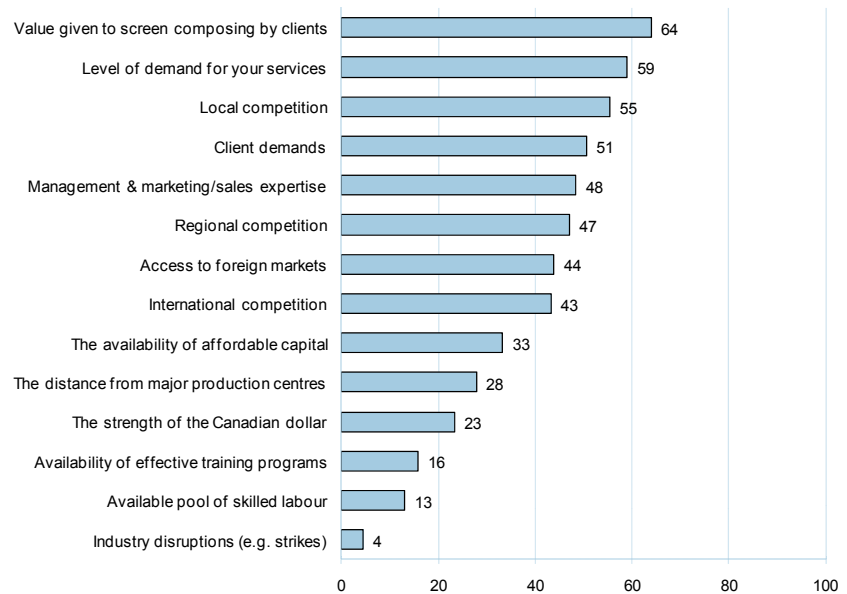
The next two challenges, local competition (55 points) and client demands (51 points) are also related in a way. Clients are demanding (more demanding than in the past, as will be documented in the next section) and there is local competition available to substitute a screen composer who would not want to abide by these demands.

In the middle of the pack lie two challenges that screen composers may be able to tackle individually. Management and sales expertise garnered 48 points on the challenge scale, and access to foreign markets, 44 points.

Finally, this exhibit documents that issues related to staffing are not a challenge to business growth. The lowest three challenges on the list

relate to staff management. Considering how few employees or contract workers are found in screen composing companies, it comes as no surprise that screen composers would not attach much importance to these factors in their business growth. If growth strategies were successful, however, staff-related issues could gain in importance as barriers to further expansion.

EXHIBIT 5.1 – Level of Challenge to Growth
(points on a 100-point scale rescaled from 1 to 5)



Screen composers who do not run an incorporated entity (essentially, self-employed individuals) sense significantly more challenge to growth from the following sources:

- » the demand for their services (72 points versus 47 for incorporated entities);
- » regional competition (63 vs 38);
- » availability of capital for expansion (40 vs. 18); and
- » management and sales expertise in their business (60 vs. 35).

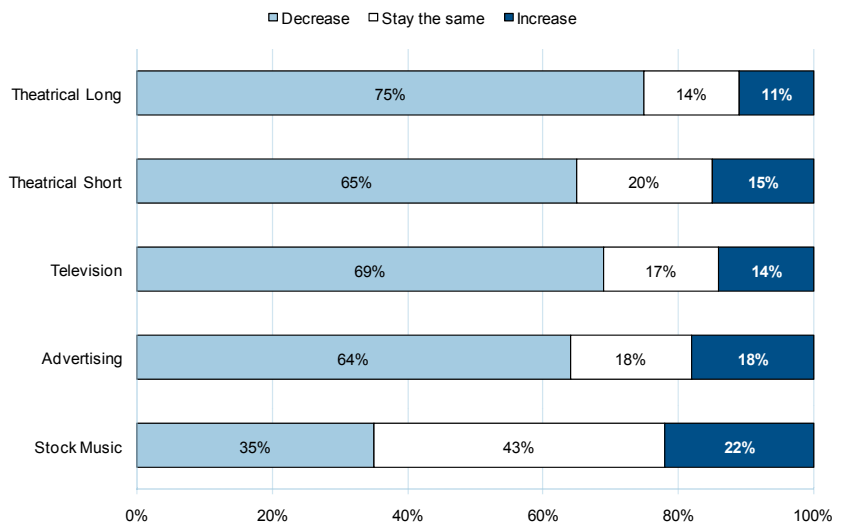
Screen composers located outside of Ontario rated the following challenges higher than Ontario screen composers:

- » the value given to screen composing by clients (72 points versus 60 in Ontario);
- » client demands (61 vs. 46);
- » the strength of the Canadian dollar (32 vs. 19); and
- » the distance from major production centres (44 vs. 20).

5.2 Long Term Trends in Market Demands

Results from our survey indicate that market demands on screen composers have increased over the past ten years while the fees paid have decreased. Exhibit 5.2 describes the ten-year trends in contracted fees for a given project for each of five different types of projects.⁴⁰ Far more respondents indicated that their fees decreased over the past ten years than indicated that they increased. That is true for all types of projects, although less so with regard to library/production/stock music.

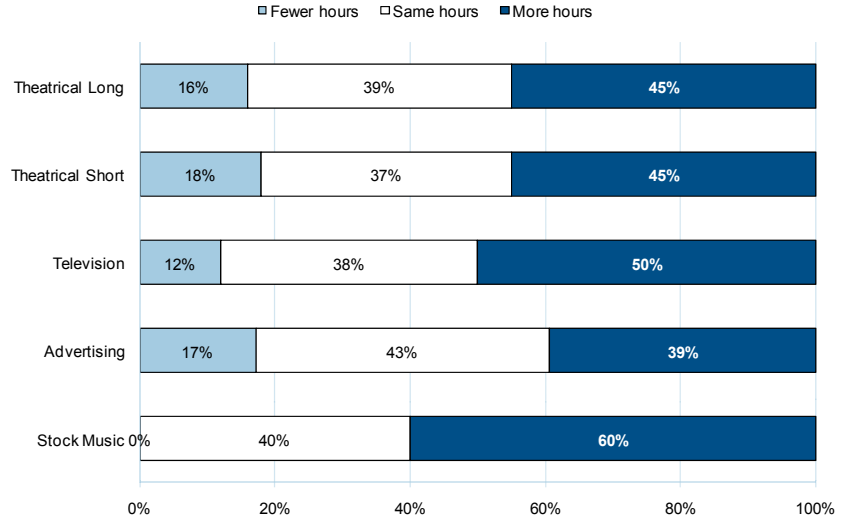
EXHIBIT 5.2 – Trend in Contracted Fees over the Past Ten Years



In addition to reducing fees, screen composers face increased demands on their time for a given project. As Exhibit 5.3 shows, more screen composers report increased demands on their time than reduced demands, in all project categories.

⁴⁰ There were too few answers about the Gaming and Online projects to report the results. This is not surprising given that these types of projects were rare ten years ago.

EXHIBIT 5.3 – Trends in Demand for Hours for a Given Project over the Past Ten Years



6 Overview of Related Sectors

The livelihoods of screen composers are affected to a greater extent by the sectors that produce and distribute audio-visual content: film, television and interactive digital media, as well as by the music industry. What follows is a brief summary of key statistics and information on each of these four industries, to illustrate the broader context within which screen composers operate.

Chapter 2 of this report situated the importance of each related sector: three-quarters of SCGC members work on television projects; as many are involved in projects of theatrical form of at least 75 minutes and of less than 75 minutes (one-half); one-third work on advertising and stock music; and one-quarter to one-fifth are involved in online projects or gaming.

6.1 Film and Television

6.1.1 Production

FilmL.A. estimates that in 2013, roughly 75% of the world's box office market share belonged to "the Majors" (the six largest production studios).⁴¹ The five best-known independent production companies ("Mini Majors") represent another 18% of market share, for a total of 93% of the worldwide box office.

Fifteen of the majors' and mini majors' 2013 releases were principally produced in Canada (British Columbia, Ontario and Quebec each hosted five), with a total budget value of \$1.267 billion, 70% of which was spent on location. Of their 10 animated features, 2 were made in Canada (British Columbia), making it California's closest competitor in that genre last year. Canada was found to have the highest count of credited jobs among the locations of 2013's major releases, with approximately 14,000

⁴¹ 2013 Feature Film Production Report, 2014, FilmL.A. Research, page 13.

out of an estimated total of 84,000.⁴² By comparison, Telefilm data cited in the most recent edition of CMPA's annual study of the industry, *Profile 2013, Economic Report on the Screen-based Media Production Industry in Canada (Profile 2013)*, indicate that the average budget of an English theatrical feature film (fiction) in 2012/13 was \$3.9 million, and has been on a declining trend since 2003/4.⁴³

Movies and television programs filmed in Canada by foreign producers or by Canadian service producers represent 30% of national production volume. Canadian theatrical film production accounts for just 6% of total national film and television production. It is Canadian television that dominates the sector, at 40% of total production spending in Canada, and Canadian broadcaster in-house production accounts for the balance of 24%.⁴⁴

Of course, these national figures vary by province. In 2013, the Ontario Media Development Corporation (OMDC) supported the production in Ontario of 15 foreign and 29 domestic feature films, generating \$97.7 million and \$134.1 million respectively of spending in the province. Domestic television was still the dominant category, though, accounting for \$641 million in production spending, or 83% of all domestic film and television production, and 56% of all foreign and domestic production combined (\$1,147.8 million).⁴⁵

The Canadian film and television production sector is made up largely of independent production companies, and production companies affiliated with Canadian broadcasters. Their total production budgets have been generally increasing over the last ten years, peaking in 2011/12 at \$5.9 billion. Only the Canadian television segment decreased in 2012/13, leading to a minor overall decrease of 0.8% to \$5.8 billion. Following are estimates from *Profile 2013*.⁴⁶

- » Canadian film and television production reached its all-time high in 2011/12, at \$2.91 billion. In 2012/13, it dropped 8.2% to \$2.67 billion.

⁴² 2013 Feature Film Production Report, 2014, FilmL.A. Research, pages 5, 6, and 15.

⁴³ *Profile 2013, Economic Report on the Screen-based Media Production Industry in Canada*, by Nordicity for Canadian Media Production Association, page 73.

⁴⁴ CMPA *Profile 2013*, page 7.

⁴⁵ OMDC production statistics, http://www.omdc.on.ca/collaboration/research_and_industry_information/production_statistics/Ontario_Film_and_Television_Production_in_the_calendar_years_2011_2013_sorted_by_format.htm

⁴⁶ CMPA *Profile 2013*, pages 7 and 10.

- » Foreign location and service production volume was \$1.74 billion in 2012/13, a 3.1% increase from 2011/12 but a 7.2% decrease from 2010/11.
- » Broadcaster in-house production value has been increasing since 2009/10. In 2012/13, it was worth \$1.41 billion, an 11.3% increase from the previous year and a 27.5% increase from 2009.
- » In each year since 2003, Ontario has led the provinces in production volume, followed by either British Columbia or Quebec.

Statistics Canada, which includes production of commercials in its data, reports that the Canadian film, television and video production industry had operating revenues of \$3.5 billion in 2011, an increase of 13.2% over 2010, mirrored by an 8.9% increase in operating expenditures to \$3.3 billion. Of these, 59.8% relate to television production, 13.6% to commercials, and 11.4% to feature films. Almost half of all revenues accrued to Ontario firms, followed by Quebec (36.1%) and British Columbia (11.5%).⁴⁷

The value of salaries, wages and benefits for the broader Canadian film, television and video production industry has been following a declining trend since 2007. From \$740.9 million in 2007, they reached a low of \$636.8 million in 2010, before increasing back to \$667.2 million in 2011.⁴⁸ The overall decrease for this period is 9.9%.⁴⁹ CMPA's figures show that between 2010/11 and 2012/13, direct jobs generated by the film and television industry were relatively stable around 51,000 full-time equivalents.⁵⁰

Statistics Canada compilations indicate that the average weekly salary in October 2012 in the motion picture and sound recording industries was \$875 – or \$45,500 annually.⁵¹ Comparisons with the revenues documented earlier for SCGC members should be drawn with care as the data are likely not comparable; for one thing, Statistics Canada figures relate to salaries whereas only 6% of SCGC members derive a salary (as opposed to a business profit) from their activity.

⁴⁷ *Service Bulletin, Film, Television and Video Production, 2011*, Catalogue no. 87-010-X, Statistics Canada.

⁴⁸ Forty percent of those payments were disbursed in Ontario (\$286 million) in 2010, more than any other province. (source: *Service Bulletin, Film, Television and Video Production, 2011*, Catalogue no. 87-010-X, Statistics Canada.)

⁴⁹ *Service Bulletin, Film, Television and Video Production, 2011*, Catalogue no. 87-010-X, Statistics Canada. Data for 2007 is from *Film, television and video production, summary statistics, by North American Industry Classification System*, Table 361-0016, Statistics Canada

⁵⁰ *CMPA Profile 2013*, page 8.

⁵¹ Statistics Canada, *Estimates of employment and average weekly earnings for all employees, by industry — Canada*, <http://www.statcan.gc.ca/pub/72-002-x/2012010/t128-eng.htm>

In addition to infrastructure and talent, one of the factors responsible for attracting production to Canadian locations is the availability of tax credits at both the federal and provincial levels. Feature film producers can also access the Canada Feature Film Fund (CFFF). In 2012-13, the CFFF provided approximately \$94 million in financial support to the development, production, distribution and marketing of Canadian feature films.⁵² In order for a production to qualify as Canadian Content, and to be eligible for various sources of public funding, including provincial tax credits, it can be helpful to have a Canadian composer as one of the key creative personnel.⁵³

6.1.2 Post-Production

The most recent data available from Statistics Canada on the film and video post-production sector are for 2010. The following are highlights:⁵⁴

- » \$755 million in operating revenue was generated nationally in 2010, down from \$789 million in 2008 and \$845,601 in 2009. Ontario accounted for 48.4% of national revenues (\$366 million), followed by Quebec firms with 36.1% and British Columbia firms with 11.5%.
- » Overall operating expenses decreased from \$761 million in 2008 to \$701 million in 2010, however, such that the industry's operating profit margin increased from 3.5% in 2008 to 7.1% in 2010.
- » Salaries, wages and benefits, worth \$265 million in 2008, were up to \$282 million in 2010. Wages, salaries and benefits have been occupying an increasing proportion of the film and television post-production industry's operating expenses. In 2008, they made up 35.5% of operating expenses, but by 2010 that proportion had increased to 40.5%. In contrast, the cost of goods sold decreased as a proportion of expenses over this period from 37.1% to 31%.
- » Domestic clients were responsible for 52.7% of the industry's sale outputs, which represented \$375.5 million in 2010.

6.1.3 Distribution

Film and video distributors in Canada include Canadian-controlled companies like eOne and Mongrel Media, and the distribution arms of major Hollywood studios, all of whom distribute audiovisual content to

⁵² CMPA *Profile 2013*, page 79.

⁵³ See, for example, *Program Guidelines for the Canadian Film or Video Production Tax Credit*, <http://www.pch.gc.ca/eng/1332443014216/1332443541505>, accessed April 13, 2014.

⁵⁴ *Service Bulletin: Film, Television and Video Post-Production, 2010*, Catalogue no. 87-009-X, Statistics Canada. Note that this survey does include sound editing and design services but not screen composers.

motion picture theatres, DVD retailers, television broadcasters and other platforms. Statistics Canada data for 2011 describe this sector's activity as follows:⁵⁵

- » Operating revenue declined by 9.4% between 2009 and 2011 to \$1.8 billion from \$2 billion.
- » Canadian television distribution accounted for over half the revenue.
- » Expenses declined 7% over the 2009-2011 period to \$1.5 billion.
- » Profit margins were 18.5% in 2011, a slight decline in comparison to 2009 (20.6%), but a more noticeable decrease from 2010, when 24.5% operating profit margins were recorded.
- » \$82.9 million were spent on salaries, wages and benefits, a 9% increase from the previous year.
- » Distribution of non-Canadian productions accounted for the great majority of revenues: \$1.1 billion, versus \$210 million for Canadian productions.

The broadcasting distribution sector includes cable, direct-to-home (DTH) satellite, multipoint distribution systems (MDS) and Internet protocol TV (IPTV) services through which Canadian households and businesses subscribe to conventional, pay and specialty services. While not producers of audiovisual content themselves, distributors do provide financial contributions to Canadian television production through the Canada Media Fund, and through carriage fees remitted to television services. CRTC data cited in the CMPA *Profile* study show the sector earning total revenues of just under \$8.7 billion in 2012, following six years of steady increases.⁵⁶

Not included in CRTC data are online, or "over-the-top" (OTT), distributors. OTT services like Netflix are not subject to the same regulatory framework as traditional Canadian distributors, and they do include original productions in their programming.⁵⁷

For 2010, Statistics Canada reports national box-office revenues of \$960.7 million, a 4.2% increase over the previous year, though this was mainly due to a 6.2% increase in average ticket price over that period. The Movie Theatre Association of Canada (now the Motion Picture Association – Canada) data cited in the CMPA *Profile* study indicate that

⁵⁵ *Service Bulletin: Film and Video Distribution, 2011*, Catalogue no. 87F0010X, Statistics Canada.

⁵⁶ CMPA *Profile 2013*, page 67.

⁵⁷ *Market Impact and Indicators of Over the Top Television in Canada: 2012*, prepared for the Canadian Radio-television and Telecommunications Commission (CRTC) by Peter H. Miller and Randal Rudniski, March 30, 2012, <http://www.crtc.gc.ca/eng/publications/reports/rp120330.htm#section2-5>

Canadian feature films only captured 2.5% of box office revenues in 2012, with over 82% accruing to U.S. productions.⁵⁸ Statistics Canada also found that total operating revenues for motion picture theatres reached \$1.6 billion in 2010 (41% of this in Ontario), continuing an upward trend since 2005, though expenses have also been increasing, to \$1.4 billion in 2010, and attendance declined that year for the first time in five years. Large, chain-operated theatres dominate the industry.⁵⁹

6.2 Digital Media

The digital media industry is the broader sector within which screen composers contribute music for use in video games, other interactive web content, and cross-platform entertainment like webisodes and mobisodes. It is an increasingly important industry for screen composers.

6.2.1 Convergent Digital Media

The *Profile* study reports that, in 2012/13, Canadian production companies and broadcasters commissioned an increasing amount of screen-based content and applications for digital media platforms (e.g., video games, interactive web content, on-demand content, podcasts, webisodes, and mobisodes) associated with films and television programs. A total of 324 such projects generated \$43.4 million. In 2012/13, Canadian digital media producers made a total of 324 convergent digital media projects, at a cost of \$43.4 million. However, the average project budget fell 16%, from \$159,000 in 2011/12 to \$134,000 in 2012/13.⁶⁰

Funding is available through the not-for-profit Canada Media Fund (CMF), a public-private partnership between the Government of Canada and cable and satellite distributors, to support the creation of Canadian convergent digital content across multiple platforms, replacing the former Canadian Television Fund (CTF) and the Canada New Media Fund. The 2014-2015 Program Budget is set at \$368 million.⁶¹

⁵⁸ CMPA *Profile 2013*, page 82.

⁵⁹ *Service Bulletin: Motion Picture Theatres, 2010*, Catalogue no. 87F0009X, Statistics Canada.

⁶⁰ CMPA *Profile 2013*, page 12.

⁶¹ <http://www.cmf-fmc.ca/funding-programs/overview/>, accessed April 16, 2014.

6.2.2 Interactive Digital Media

According to the most recent national study of *interactive* digital media (IDM), the *Canadian Interactive Industry Profile 2012 (CIIP)*⁶², there were approximately 1,684 core IDM companies (i.e., creators of truly interactive content) in Canada in 2011, 94% of which were under Canadian control. About a third of them were headquartered in Ontario (31%), over a quarter were based in British Columbia (27%), and 18% had their headquarters in Quebec. Over half (57%) of these companies had been in business for 6 years or less and almost three quarters (72%) of IDM companies in Canada were small or medium, with annual revenue of less than \$1 million in 2011.⁶³

Mobile platforms were found to be the platform most often targeted by the IDM industry (75%), with Web platforms coming in second place (56%). The most common distribution channel was going directly to the customer (71%), followed by distribution via a digital store (54%).⁶⁴

Games were the line of business of more than half of the IDM companies (54%), generating the highest proportion of industry revenue as well, at 43%. Total 2011 industry revenue for core IDM companies is estimated to have been \$3.8 billion. The broader interactive digital media industry in Canada (i.e., core plus peripheral companies, as measured in the 2008 CIIP study) has grown significantly over the past few years, from total revenue of \$4.7 billion in 2008 to \$7.5 billion in 2011, though the number of jobs generated decreased slightly during the 2008-2011 period from 52,489 full-time equivalents in 2008, to 50,283 jobs in 2011. Over 80% of surveyed firms project at least 10% growth in the next year or two years with more than half projecting 25% growth or more.⁶⁵

Provincial tax-credit and funding programs as well as the federal Scientific Research and Experimental Development (SR&D) program are the most frequently accessed public sources for both operational/project financing and for financing for capital investments.⁶⁶

⁶² Page 8 of the study contains an important note to readers: "Readers cannot draw top-line comparisons between CIIP 2012 and previous reports on the IDM industry in Canada. The 2008 CIIP presents data that represents a much broader definition of the IDM industry."

⁶³ *2012 Canadian Interactive Industry Profile*, October 2013, by Nordicity for Canadian Interactive Alliance, pages 18, 19, 20, 26.

⁶⁴ CIAIC, *2012 Canadian Interactive Industry Profile*, pages 22 and 24.

⁶⁵ CIAIC, *2012 Canadian Interactive Industry Profile*, page 8, 13, and 21.

⁶⁶ CIAIC, *2012 Canadian Interactive Industry Profile*, page 34.

6.2.3 Video Games

In 2013, the Entertainment Software Association, Canada's trade organization for makers of video games, updated its earlier study of the national industry. Key findings include the following:⁶⁷

- » There were 329 video game companies operating in Canada in 2012, generating nearly \$1.4 billion that year. Employment was up 5% from 2011, with 16,500 full-time equivalents (FTEs) in 2012.
- » As the leading province in the industry (followed by British Columbia and Ontario), Quebec was home to approximately 97 companies in 2012 (up from 87 in 2011, an 11.5% increase), which employed 8,750 FTEs and generated an estimated \$741 million in spending. Large, established studios, like Ubisoft, generate the majority of that employment.
- » British Columbia had about 67 video game companies in 2013, which employed 5,150 full-time equivalents, and had expenses of \$568 million. Ontario has more firms (96) but they employed fewer FTEs (approximately 1,850) in 2012. These companies were responsible for \$134 million in gross expenditure.
- » Micro companies (4 employees or less) comprised 54% of companies, and small companies (5-99 employees), 35%. Conversely, nearly 7 in 10 jobs (68%) in the video game industry are with large firms (500+ employees), although they account for only 4% of firms. Console games were still the primary product in 2012, with an average project budget of \$8.7 million, an average team size of 65 people and average project length duration of 583 days. However, analysts expect online games overtake them in 2013.
- » The business model in this industry is still evolving. The ubiquity of smartphones and tablets is increasing the time consumers spend on gaming. While the norm is that those games are "free-to-play", developers and publishers generate significant revenues through in-game spending.

6.3 Commercials

The Commercial Production Association of Toronto (CPAT) has just completed a study of Ontario's commercial production and post-

⁶⁷ *Canada's Video Game Industry in 2013*, July 2013, by Nordicity for Entertainment Software Association of Canada; and ESAC, *2013 Essential Facts about the Canadian Video Game Industry*

production sectors. Key findings from survey responses about the year 2012 include the following.⁶⁸

- » About a third (32%) of business units are involved in both production and post-production. Almost four in ten (38%) were involved solely in post-production in 2012, and 38% were strictly production.
- » The industry generated 5,670 full-time equivalents in 2012, which amounted to \$284.9 million in labour income.
- » Ontario-based commercial producers generated a total of \$369.5 million in revenue, nearly three-quarters of which (\$269.2 million) related to production activities, \$33.5 million to non-commercial production activities (film and television), and the remaining \$100.4 million came from post-production activities.
- » Overall, advertising agencies were the source of 92% of production and 98% of post-production revenue. Canadian clients in particular account for the lion's share: 84% of production and 95% of post-production revenue.
- » In production, average revenue per project was \$110,030, with a 5.3% profit margin. For the post-production sector, the average revenue per project was \$9,734, and the overall profit margin was 7.5%.
- » Total expenditures amounted to \$347.7 million in 2012. Production activities accounted for approximately three quarters (73.3%, or \$254.8 million) of the total. Audio expenses, which would include fees to screen composers, accounted for 14% of direct project expenditures for post-production, or roughly \$3 million (14% of 24% project expenditures of \$92.9 million total expenditures).
- » Survey respondents raised a few key concerns for the industry overall:
 - increased competition in the marketplace for shrinking budgets;
 - agencies and major advertisers retaining work "in-house"; and
 - untenable pricing practices.

6.4 Music Industry

Screen composers are often both composers and music publishers, and they perform in some instances as a musician on recordings of their works. They are therefore affected by music industry issues in all three of these capacities, and likely more, depending on their endeavours outside

⁶⁸ *Economic Contribution of the Commercial Production Industry in Ontario*, March 4, 2014, by Nordicity for Commercial Production Association of Toronto.

of screen-based projects and how financially reliant they are on such work.

A 2012 survey of the national music industry by the Canadian Independent Music Association (CIMA) used the following list of music-related activities to define the music industry.⁶⁹ The most relevant for screen-based work are highlighted in bold.

» Record Label	» Music Production	» Music Publishing
» Recording Studio Operation/Management	» Publicity/PR	» Performance Venue Operation/Management
» Physical Retail	» Digital Retail	» Education
» Artist Management	» Artist-Agent Activities	» Performance/Tour Promotion
» Event/Festival Operation/Management	» Professional Services Provision	» Music association/Non-profit Organization
» Instrument/Equipment Sales and Services	» CD Duplication, Manufacturing	

The sound recording and distribution sector in Canada is dominated by three foreign-controlled firms, though a much greater number of smaller Canadian-controlled firms is responsible for the great majority of recordings by Canadian artists.⁷⁰ Music publishing is also dominated by a small group of foreign-controlled firms.⁷¹

6.4.1 Music Industry Revenues and Expenses

CIMA's study estimates that the indies (music companies not owned or controlled by a major international music or media firm) generated approximately \$292.2 million in 2011, with only 10% of these companies earning more than \$500,000 per year. The study also reports that almost half of company expenses related to wages, overhead and equipment, with royalties accounting for 13%. Excluding artists, industry employment was estimated at approximately 4,300 full-time equivalent jobs.⁷²

The following are highlights from the most recent Statistics Canada survey of both major and independent companies involved in the sound

⁶⁹ *Sound Analysis, An examination of the Canadian Independent Music Industry*, February 2013, by Nordicity for Canadian Independent Music Association, page 10.

⁷⁰ *Service Bulletin: Sound Recording and Music Publishing, 2011*, Catalogue no. 870008X, Statistics Canada, page 13.

⁷¹ *A Statistical Profile of the Canadian Music Publishing Industry*, December 13, 2005, by Paul Audley & Associates Ltd. and Circum Network Inc. for the Canadian Music Publishers Association and the Professional Music Publishers Association, page 27.

⁷² *Sound Analysis, An examination of the Canadian Independent Music Industry*, February 2013, by Nordicity for Canadian Independent Music Association, pages 20 and 40.

recording and music publishing industries for 2011 (note that this is a narrower segment of industry activities than CIMA's study but includes the major labels and publishers):⁷³

- » National revenues for record production and distribution were \$524 million, of which Ontario accounted for 81.9%, or \$429 million. Foreign-controlled firms generated 71.3% of industry operating revenues and their operating profit margin increased to 14.6% while that of Canadian-controlled firms dropped to 5.6%.
- » Record production and distribution employed 844 full-time, 35 part-time and 1,081 contract workers, with over 40% of them in Ontario.
- » Music publishing operating revenues were \$152.1 million, with operating expenses of \$136.4 million. Their operating profit margin hovered around 10% for the period 2009-2011. Publishers employed 115 full-time, 42 part-time and 189 contract workers.
- » Sound recording studios' operating revenues were \$104.6 million, and operating expenses were \$89.9 million. Profit margins have increased in this industry since 2009 from 12.4% to 14.0%. Studios employed 388 full-time, 70 part-time and 1,091 contract workers, over 40% in Ontario.

6.4.2 Royalties

SOCAN data for 2013 indicate that the total amount of performing rights royalties distributed last year was \$108.1 million. Recalling that performing rights royalties paid in the context of audio-visual tariffs in 2013 are estimated to be \$49 million (see section 4.3 for the analysis and for cautionary notes), we find that these earnings accounted for almost half of all SOCAN royalties last year.⁷⁴

Publicly available information on reproduction rights shows that television "broadcast mechanical" rights alone represented over \$2.2 million in 2009-2010, or 2.9% of royalties collected by SODRAC and CMRRA, though this amount includes the use of both original compositions and pre-existing works, and only covers French-language broadcasters.⁷⁵

Some of the changes made to the *Copyright Act* in 2012 threaten important streams of rights-holder revenue, both new and traditional. In

⁷³ *Service Bulletin: Sound Recording and Music Publishing*, 2011, Catalogue no. 870008X, Statistics Canada.

⁷⁴ As reported by SOCAN to SCGC, April 2014.

⁷⁵ *Submission of CMRRA-SODRAC Inc. (CSI) to the Legislative Committee on Bill C-32*, January 2011, page 3, retrieved from http://parl.gc.ca/Content/HOC/Committee/411/CC11/WebDoc/WD5401532/403_C32_Copyright_Briefs/CMRRA-SODRACINCCSIE.pdf

terms of reproduction rights, CMRRA and SODRAC estimated that over 45% of their 2009-2010 revenues would be at risk of elimination upon implementation of the revisions, including the television "broadcast mechanical" right royalties.⁷⁶

A series of copyright-related Supreme Court decisions in July 2012 have also begun to affect royalty revenue. Due to one particular ruling, SOCAN can no longer collect a performing right royalty for online downloads of music.⁷⁷ The full effect of these developments will only become evident over time as users of copyright begin to challenge the status quo, and the revised *Act's* application to new uses, through the Copyright Board and court system.

Other categories of copyright royalties available to music creators are from so-called "neighbouring rights", for performers of recorded music, and the private copying regime, which collects levies on blank audio recording media sold in Canada and distributes them to eligible performers, publishers and record companies. The latter regime has also been circumscribed through the recent revisions to the *Copyright Act* such that it only applies at present to CD-Rs, a declining technology.

⁷⁶ *Submission of CMRRA-SODRAC Inc. (CSI) to the Legislative Committee on Bill C-32*, page 3

⁷⁷ <http://www.cb-cda.gc.ca/tariffs-tarifs/certified-homologues/2012/socan-al-factsheet.pdf>, accessed April 8, 2014.

APPENDIX A. Survey Methodology

A survey of SCGC members was conducted to collect up to date information on their professional practice.

The questionnaire was designed for Web delivery. Existing film, television, and other media industry studies were scanned to identify information needs. Past studies dealing with other cultural industries were also mined if they shared the purposes of the present study.

With the help of SCGC leadership, we clarified the type of information that would constitute a useful baseline for the organization. The following topics were included in the questionnaire:

- » screen composing activity (as an survey eligibility criterion);
- » association membership;
- » type of screen composing done in 2013;
- » business structure;
- » earnings from screen composing;
- » breakdown of screen composing earnings by type of work, by type of screen composing, type of employment, and national source;
- » expectations regarding 2014 screen composing revenues;
- » expenses incurred in producing screen compositions;
- » contractual arrangements;
- » barriers to growth of screen composing activity; and,
- » trends in contracted fees and in working hours.

Questions asked in previous surveys and relating to these topics were identified and reused. New questions were developed as required. In-depth discussions took place with SCGC representatives to ensure that the questions were sensitive to different screen composing circumstances. A pre-test was conducted with a small number of individuals and no significant problem was identified.

The target population was all SCGC members at the time of the initiation of the survey. We received a list of 280 members on April 6, 2014. We

also received an additional list of 40 individuals on April 9; it comprised screen composers known to SCGC who are not SCGC members.

On April 4, 2014, SCGC sent an informational e-mail to every one of their members to inform them about the study and to let them know to expect communication from us – and requesting that they take part in the survey. On April 7, 2014, we communicated by e-mail with members to formally invite them to fill out the survey on-line. We gave them assurances that their responses will remain confidential and that only aggregate numbers and qualitative data would be shared with SCGC or used in reports. The same communication was sent to the additional list on April 9. Reminder messages were sent on April 14, April 21, and April 28. One additional informational message was issued by SCGC on April 18, 2014. The data collection was closed on May 5, 2014.

Some 130 individuals participated in the survey in some way. Twenty-four (or 18%) indicated either that they did not consider themselves a screen composer or that they did not engage in any professional activities as a screen composer in 2013. Extrapolating to all 320 individuals found in the survey data base, we conclude that 58 of them were not active screen composers in 2013 (18% x 320) and, therefore, that the population of interest amounts to 262 individuals. Ninety active screen composers completed the entire questionnaire; this translates into a 34% response rate (90/262). Such a response rate is adequate for an industry survey.

The data was analyzed using the StatXP software. Data conditioning took place as required to ensure that the data are valid and reliable. Minimal conditioning was required because the programmed questionnaire already performed several validations.