

Canada's Live Music Sector

Leveraging the Economic, Social and Cultural Value and Power of Live Music

An Ontario pre-budget submission from the Canadian Live Music Association (CLMA), February 2023

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Canadians Value Live Music

New research indicates that 86% of Canadians say live music plays an important role in mental health (socialization, stress management, connectedness) and 82% say live music is an important part of building our social connections and sense of community.

- *82% of Canadians agree that a strong live music sector is important for our Canadian cultural identity*
- *81% of Canadians agree that live music plays an important role in showcasing the diverse backgrounds and identities of people in Canada*
- *81% of Canadians agree Canada has a positive impact on our country's economy and 80% say live music has a positive impact on the economy of their province ^a*

^a [Perceptions in Live Music](#), CLMA Fall 2022

Setting the (Next) Stage

The Canadian Live Music Association (CLMA) represents the stages upon which our artists stand, both indoors and out, and the supply chain that surrounds them – we are behind the people behind live music. From small venues to Canada’s large-scale concerts, arenas and festivals, to promoters and performing arts centres, talent agents, production crew, freelance service providers, suppliers and many others including both for and non-profit companies and organizations.

Live music plays a vital role in creating vibrant cities and destination development, driving value in multiple ways including job creation, economic impact, tourism development, city brand building and artistic growth. Pre-COVID, the industry contributed upwards of \$3 billion to Canada’s GDP and supported 72,000 jobs – the lifeblood for many of our artists for whom touring and live performance was their primary source of revenue.

Looking more closely at the sector’s trajectory through COVID, nominal gross domestic product for the live performance domain increased 30.4% during the fourth quarter of 2021, reaching \$468 million. This is the second consecutive increase for a sector that hadn’t seen any recovery at all up until last summer. The live performance domain also welcomed 5,423 workers back.¹

However, while these increases are significant, we remain deeply challenged by a range of both COVID and inflationary realities. The ‘myth’ that “live music is fully back” is inaccurate – consumer habits have changed and our systems are severely disrupted. Exorbitantly priced commercial insurance, 25-40% increases in the cost of business, a chaotic supply chain, ongoing labour challenges, upended consumer buying and attendance patterns and other realities. Our SME’s and non-profit members still have a road to travel to “fully recover”. At the worst of the pandemic, during the second quarter of 2020, the live performance real GDP (taking inflation into account) was 66.2% lower than during the last quarter of 2019. With this second consecutive increase, the live performance real GDP is now 40.1% lower than its pre-pandemic level.

A thriving live music economy not only contributes enormous touristic, social, and cultural benefits, but is essential to our quality of life as Ontarians and most certainly, the careers of today’s – as well as tomorrow’s – artists. Labour shortages, supply chain issues and difficult economic conditions including ballooning insurance premiums and infrastructure costs continue to take their exacting toll on this hard-hit sector. After two-years of being forced into a state akin to a ‘medically induced coma’ by governments, many live music businesses and organizations are still in the “rehabilitation” phase, very much so. We also know that tourism, as a sector, is much more “recession-proof” – that it’s a sector that performs well despite inflation, making us an even stronger partner for government as we head towards uncertainty. “Pandemic lockdowns, which caused many people to reassess what matters most to them. Travel, tourism and food represent freedom and fun. Those are the last things anyone wants to give up again.”²

With strategic and targeted support, Ontario’s live music sector can more quickly and positively impact economic, social and cultural life in the province, for our collective & future prosperity.

¹ [Encouraging Signs of Recovery for the Performing Arts](#), CAPACOA, April 2022

² [Market Sectors That May Be \(Mostly\) Recession-Proof](#), Forbes, Nov 2022

Today's Reality

First and foremost, we would like to thank the government for small business COVID supports. After more than 35+ months of unprecedented challenges and extreme disruption, there can be no question that government relief programs were directly responsible for the survival of the majority of our companies, businesses and organizations.

While venues, promoters, festivals, live events, artists and suppliers are grateful to be back at work showcasing Ontario artists and live performance spaces, we are far from 'back to normal' – ticket sales and revenues continue to trend well below pre-pandemic levels (excluding blockbuster shows, CLMA members consistently report average declines in ticket sales of 30-50%, as well as 20% no-show rates since March 2022. "No-shows" are ticket holders who don't end up coming to the show, for whatever reason). Supply chain disruption and inflation mean upwards of 25-40% higher costs for vulnerable, in many cases now debt-laden, small and medium-sized businesses who are making every effort not to pass along those costs to fans. Consumer confidence is inconsistent at best, with some audiences still afraid to gather at all, indoors or out (compounded by ongoing fears of 'new variants'). The labour crisis is resulting in scaled back or canceled events. Incomprehensibly expensive insurance rates continue to plague festivals and venues, some who have seen costs triple or worse (in some cases rising from 3% of operating costs to now 10%). Additionally:

- 71% of Canadians say I have everything I need at home to entertain me, there's less reason to go out these days
- 64% say I'm not as interested in going to concerts as I was a few years ago
- 57% say I find I'm not completely comfortable going out in crowded public places like I was before the pandemic
- In terms of attending shows, only 40% say they are comfortable attending a large concert/indoor arena, 43% a medium-sized venue, 48% in a small bar, 49% in a community space (indoor) and 62% at an outdoor venue ³

What this means is that the live music industry continues to face a myriad of unique, complex and substantial issues created by COVID restrictions – ultimately hindering a more robust and timely recovery, restricting the positive benefits concert activity creates across a local business and economic spectrum. By focusing on small business stabilization, and making targeted investments in key programs, live music can help to lead the Ontario economy, and restore its rightful place as one of the most incredible concert destinations in the world.

The following are recommendations from the CLMA on how we can do this critical work together.

³ [Perceptions in Live Music](#), CLMA Fall 2022

Recommendations

- 1.** Solve today's biggest problem faced by so many hardest-hit **small businesses** in the tourism and culture sectors: create a program that helps to offset the upwards of 40% increase in operating costs. Keep the doors of small business open while we wait for true recovery in the hardest-hit sectors.
- 2.** Restore the annual budget of the Ontario Music Investment Fund to \$15M and work with industry on a plan for growth including revenue optimization, profits, job creation, private investment and tax revenue helping to increase the profile and prestige of Ontario on the world stage.
- 3.** Sustain and make permanent \$50M for the Reconnect Ontario program, helping festivals and events with a tourism economic impact to motivate visitors to rediscover Ontario, reconnect people with local experiences and generate increased tourism spending.

1. Solve today's biggest problem faced by so many hardest-hit small businesses in the tourism and culture sectors: create a program that helps to offset the upwards of 40% increase in operating costs. Keep the doors of small business open while we wait for true recovery in the hardest-hit sectors.

Three-years into the global pandemic, with on-going and disproportionately challenging market conditions, small businesses and organizations across the hardest-hit (such as live music venues, tourism, travel, hospitality and event producers) continue to struggle. With inflation reaching upwards of 40% and no end in sight, with a global recession looming, these SME's face a barrage of exorbitant increases in a range of goods and services, across the supply chain. For example, commercial insurance now represents a staggering 10% of some operating budgets (when pre-COVID it was 3%). The threat of unaffordable or unobtainable insurance may force more venues out of business, even after surviving COVID shut-downs. These businesses and organizations represented by the CLMA are at the heart of Ontario's music ecosystem and a cornerstone of Ontario's cultural identity - crucial development grounds for artists, and gathering spaces for their audiences. They have survived this far thanks in part to targeted small business COVID support from the Province. Unfortunately, for some, the worst is not over.

Ontario has historically enjoyed the direct and indirect benefits of a thriving live music economy, with hundreds of bricks-and-mortar venues featuring live music as a primary or secondary element of their business found in all areas of the province. In a 2020 study, the CLMA set out to measure the impact of these spaces and found that Toronto's venues, for example, were generating over \$850 million in annual GDP contributions and providing the equivalent of 10,500 FTEs. Today, they continue to face an uncertain future whether it be due to the inflated price of insurance or overall operating unaffordability. The business models taking the brunt of 'first COVID, now inflation' in the hardest-hit were never built to withstand such unique and lasting market forces.

We watched as the government worked furiously to try to save small businesses during the early days of the pandemic. Thank you again for all of your efforts. However, we also know this was never the intended outcome, to deliver business from the jaws of COVID only to see them writhe under the soaring cost of inflation. A great deal is at stake here, in our community and beyond. This problem is standing immediately in the way of more than just recovery, but the future of the industry in the province as a whole and everything that accompanies it including thriving businesses, working artists,



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workers working, Ontario's international reputation as a world-class concert destination, global tourism, healthy neighbourhoods and more.

To combat this extraordinary level of disruption we urge the government to immediately launch a temporary Business Recovery grant program, open to hard-hit businesses and organizations.

The program could include criteria such as:

- Under \$5M operating budget to be eligible;
- Exclusively for cultural (such as live music venues)/tourism/hospitality small businesses and/or not-for-profit organizations to help offset costs such as insurance, rent and other expenses key to operational stability and longevity;
- Deliver the program through Ministry of Heritage, Sport, Tourism and Culture Industries who have the pre-existing relationship with small business in the hardest-hit sectors;
- Seed the program with enough investment to last for 2 years to ensure positive impacts;
- Cap grants at \$20,000 per applicant.

With the 2023 spring budget, the government can successfully and immediately address one of today's biggest problems faced by so many hardest-hit small businesses in the tourism, hospitality and culture sectors by creating a Temporary Business Recovery grant program to help off-set ongoing impacts of COVID, restrictions and inflation. Help remains urgently required to keep the doors of small business open while we work towards true recovery across the hardest-hit sectors like live music venues, companies and organizations.



2. Restore the annual budget of the Ontario Music Investment Fund to \$15M and work with the live music industry on a plan for growth including revenue optimization, profits, job creation, private investment and tax revenue helping to increase the profile and prestige of Ontario on the world stage.



It's estimated that pre-pandemic, live music contributed approximately \$3 billion to Canada's GDP. According to PwC, live music revenues reached \$342 million USD in 2021, and revenues are anticipated to rise at a 16.5% CAGR until 2026. However, PwC highlights that even with this forecasted growth, the live music segment is **unlikely to reach its pre-pandemic levels** (\$801 million USD in 2019) by 2026.⁴

There are serious concerns about the ability of the live music industry to fully recover from the effects of the COVID-19 pandemic, even as audiences are eager to return to concert experiences. Live music venues, festival operators and concert promoters have highlighted ongoing travel difficulties and delays, labour shortages, as well as rising costs for necessary equipment like stages, gear, backline, fences, and portable toilets.⁵ Similarly, touring musicians have expressed increasing concern with the economic viability of touring, given increases in the cost of fuel, airfare, and accommodations.^{6,7}

The Ontario Music Investment Fund (OMIF), the only provincial government program accessible by many live music companies and organizations, is today still a \$7 million fund administered by Ontario Creates and designed to provide "targeted economic development to the province's vibrant and diverse music industry". It supports companies with strong growth potential to maximize ROI and create more opportunities for emerging artists to both record and perform in Ontario. The OMIF has three streams: Creation, Music Industry Initiatives (including sub-stream of Global Market Development for Music Managers), and Live Music.

In 2019, before COVID - suddenly and to the great disappointment of industry, the OMIF was reduced from its original budget of \$15M to today's \$7M, which remains wholly insufficient for many reasons. Focusing on the live music-specific allocations from the program, the CLMA maintains that the Province is leaving considerable opportunity on the table especially given how challenging the recovery "reboot" has been for many segments of economy. Concerts are top economic impact drivers around the world, and should be regarded as a critical financial engine for helping to ignite the Ontario economy. This is because while the national/federal impact of the live event industry is significant, live's impact actually starts locally.

⁴ [PwC](#), Global Entertainment & Media Outlook 2022-2026: Canada, pg. 26

⁵ David Friend, "From travel woes to inflation, music festivals face most unpredictable summer yet", *CBC News*, July 19, 2022

⁶ David Friend, "It's a fuel summer: Gas prices, soaring costs leave touring musicians in a tough spot", *Toronto Star*, June 26, 2022

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Concerts and live entertainment events generate significant economic returns at the provincial and local level as venues spend money in local economies to sustain daily operations, including spending on payroll, marketing costs, legal services, and professional services. And, the economic impact of live events extends beyond the jobs, event, and venue itself to local restaurants, hotels, bars, travel, accommodations, retailers, and small businesses. From a 2021 Oxford Economics study, if an out-of-town attendee were to spend \$100.00 on a concert ticket, the local economy would benefit from an additional \$334.92 in spending, resulting in a total spending impact of \$434.92.⁸

The absence of greater investment in the live music industry in Ontario is a major missed opportunity not only for the above reasons, but also because fostering more activity is critical for Ontario's artists, many of whom continue to suffer the long-term economic (and otherwise) consequences of being among the hardest hit during COVID. We risk losing our creatives to jurisdictions like British Columbia, with a music fund of \$8.3M (with 1/3 of Ontario's population) or Quebec, whose support of especially small live music venues during the height of COVID served as an international beacon that live music spaces are tantamount, not only to local culture, but also to local economies.

We urge the government to take a close look at this sector and realize that potential for accelerated growth is at your fingertips. Restore the Ontario Music Investment fund to \$15M (increasing by \$7M, or est. .003% of Ontario's budget) with a plan for year-over-year strategic growth.

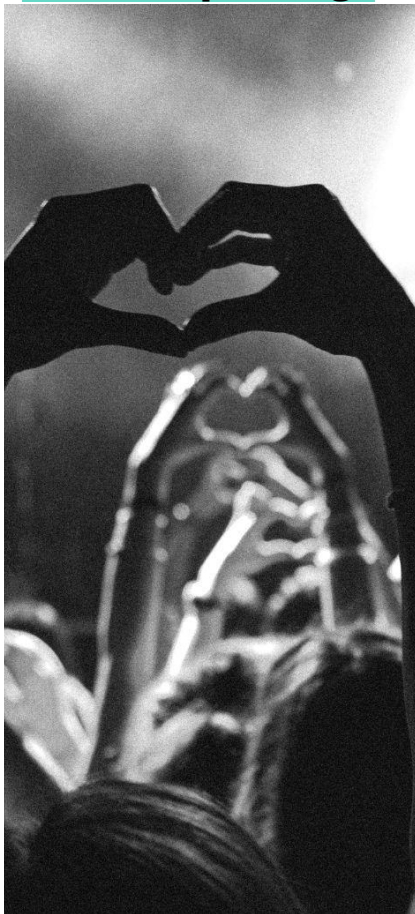
Ontario benefits greatly from a range of investment into its cultural industries – such as film, tv and screen-based media – all funded through Ontario Creates programs at exponentially higher amounts. Live music deserves the chance to fully recover from the pandemic (and now inflation), and to be restored as one of Ontario's leading economic partners. Through the diverse voices of our artists and creators, we can better identify as Ontarians while we show the world what makes us unique. This year more than ever, we need the Ontario government to stand with us and take clear action on the growth of this industry.

⁷ [Ontario Creates Music Industry Profile](#)

⁸ [The Concerts and Live Entertainment Industry: A Significant Economic Engine](#), July 2021



3. Sustain and make permanent \$50M for the Reconnect Ontario program, helping festivals and events with tourism-focused economic impact to motivate visitors to rediscover Ontario, reconnect people with local experiences and generate increased tourism spending.



Reconnect Ontario is essential to the festival and live event ecology in the province. Highly-successful in accelerating increased tourism spending and creating positive economic impact for communities, Reconnect makes a difference on the ground, locally. The CLMA is recommending a permanent increase to the program and also, better delivery of the program to maximize success for clients and impacts for government.

The recent history of this program offers important context-setting: The annual budget of the program was increased from \$19.2M to approximately \$50M during 2021 and 2022 to foster and nurture even more live events and happenings throughout Ontario as travellers, tourists and fans were incentivized to “staycation” during the ‘height’ of COVID. In 2022 the program saw over 800 applications with approximately 547 events funded, a huge increase in both applications and clientele. It’s also extremely important to remember that just before COVID and following the drastic 2019 cut to the OMIF, larger festivals (long-time clients delivering *key* provincial events) were “streamed out” of OMIF and into Reconnect in an effort to alleviate the pressure on the half-sized OMIF. The competition dollars were already very high inside Reconnect, and its importance to live music festivals and events cannot be overstated.

Additional context, historically Reconnect (even when it was known as Celebrate Ontario) has for some reason struggled to be delivered in a timely manner. Thinking back to at least 2018, every year the application process has been chronically late to launch, internal timelines stretched to a point when recipients were learning results and decisions up to seven weeks **after** their event had ended. This creates an extremely difficult scenario for event and festival planners, many of whom have barely survived COVID and who, as a result of the protracted way in which Reconnect rolls out, are oft forced to spend money they would not (and don’t) have if no grant was ultimately offered. In other words, the way the program runs makes it at worst impossible, at best difficult, to plan. This increases anxiety, exacerbates mental health concerns and creates entirely unnecessary challenges in the sector and supply chain.

Despite its problems and room for improvement, **Reconnect works.** Investment in festivals and events that drive tourism is win-win. Permanent investment of \$50M beginning in 2023 and moving forward, coupled with a renewed commitment to better program delivery would net government and industry the kind of economic results that both rural and urban Ontario need, today more than ever. We urge the government to harness the many direct and indirect benefits local live music events provide on behalf of regional economies, province-wide through the Reconnect Ontario program.

Thank You

We appreciate the opportunity to make this submission on behalf of Ontario's live music industry.



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