



MUSIC MEASURES UP

AN ECONOMIC IMPACT
ANALYSIS OF LIVE MUSIC
IN ONTARIO

music CANADA

Nordicity

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MUSIC MEASURES UP



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Foreword



Photo Credit: Mark Spowart

We are pleased to present the first-ever study of live music in Ontario that measures the industry's impact on the economy, employment and our communities.

Music Canada undertook this study in the days before the formation of Music Canada Live, the voice of Canada's live music industry. Together, we are committed to sharing the results of our research with the music community, corporate partners and government stakeholders in order to assist individual and collective efforts to grow the industry.

It has been widely understood that live music delivers many economic, social and cultural benefits. As a result, the Ontario government supported this research through the Ontario Music Fund, and also has supported the development of a live music portal (ontariolivemusic.ca/ontarioenconcert.ca).

Live Music Measures Up: An economic impact analysis of live music in Ontario, provides tangible evidence that live music companies (artist managers, promoters, agents, venues, and festivals) generate thousands of jobs in Ontario and contribute significantly to Ontario's economy. Live music companies directly accounted for a total of 7,300 full-time equivalent jobs (FTE) in 2013 while an additional 2,200 FTEs were generated indirectly through their suppliers and a further 1,000 FTEs were induced in the wider economy as a result of re-spending of labour income, totaling 10,500 FTEs generated by live music companies in Ontario's economy. In addition, tourism impacts from music



festivals alone, are estimated to have generated 9,500 FTEs in 2013. In total, the live music industry accounted for approximately 20,000 FTEs in Ontario's economy in 2013.

Spending by live music companies and the tourism activity generated by music festivals in Ontario in 2013 together contributed just under \$1.2 billion to Ontario's GDP and generated just over \$430 million dollars in combined tax revenue for all levels of government.

Live music companies in Ontario are also important programmers of Canadian artists. For example, just over two-thirds of artist managers in Ontario derive all of their income from Canadian artists, while almost 75% of music companies generate more than half of their ticket sales from shows featuring Canadian artists. Music companies are also diversified in their activities within the sector, with more than half indicating they are engaged in two or more business activities (e.g. artist management, promotion, venue operation, etc.) and almost a third engaged in at least three or more.

This study demonstrates that there is room for growth. Venues rarely operate at capacity and 72% of the tickets sold by venues, festivals and promoters are sold locally. That being said, the live music sector in Ontario presents an optimistic perspective on growth with 83% of companies expecting at least some increase in revenue over the next two years.

As the first-of-its kind, Live Music Measures Up provides a useful benchmark, not just for future examination of Ontario's live music industry, but also for the study of live music across the country.

We wish to thank all those music companies and individuals who generously gave of their time and insights to participate in this study.

Graham Henderson
President & CEO
Music Canada

Erin Benjamin
Executive Director
Music Canada Live

Executive Summary

The live music industry in Ontario seems to be thriving, and is organizing itself as a major component of the wider music ecosystem. At a time of increased private and public investment and international success, the industry is seeking to take the next steps to develop its capacity, increase growth, and effectively harness its strengths. In order to effectively strategize and implement a coordinated approach, the live music industry identified the need for a solid economic profile of companies operating in Ontario.

The development of an economic profile will provide the industry with a benchmark and enable the measurement of its progress over time. It will enable the live music industry to make informed strategic decisions, and to determine the impact the industry has on the Ontario and Canadian economies.

This benchmark study includes the following types of music organizations (recognizing that many music organizations perform a variety of tasks):

- Artist Managers;
- Promoters;
- Agents;
- Music Venues; and
- Festivals (those that are primarily focussed on music).

It should be noted that this study focusses on the companies operating in Ontario's live music sector. In so doing, it **does not directly account for artists** – with the notable exception of artists that assume the function of a music company (e.g., self-managed artists).

Given that this study is the first of its kind, Nordicity began by examining how the live music sector operates in Ontario. More precisely, the project team met with representatives of 11 live music organizations to better understand how they accounted for their revenue and expenses. Based on those meetings, Nordicity constructed a model of the economic transactions in the live music industry, noting any instance where expenses in one group become revenue for another.

The Nordicity team used that analysis to create an online survey, which subsequently captured usable information from **372 companies operating in live music in Ontario**. For the purposes of this study, a response was counted as usable if it contained responses to the industry segment and industry structure questions. Based on secondary research conducted in association with Music Canada, Nordicity identified a universe of **1,240 total companies operating in the live music industry in Ontario**, implying survey coverage of 30% of the total universe of potential respondents.

Revenue

- Live music companies in Ontario generated **\$628 million in revenue** from live music activities in 2013. Almost 40% of all revenue was derived from ticket sales. The total contribution of donations, sponsorships and grants across all such categories (government, corporate and private) amounted to 28% of total revenue.
- Live music in Ontario generated **profits of \$144 million** in 2013, representing a gross profit margin of 23% of total revenues.
- Two thirds (67%) of Artist Managers derive all of their artist management revenue from Canadian artists. In total, artist management revenue from Canadian artists totaled **\$34 million in 2013**, or 54% of all artist management revenue.
- Ticket sales: Almost half (46%) of respondents attribute all of their ticket sales revenue to Canadian artists, while only 10% attribute all revenue to foreign acts. The remaining 44% of respondents reported a mix of revenue from Canadian and foreign acts. Overall, ticket sales revenue from Canadian artists amounted to **\$75 million in 2013**, or around 32% of total ticket sales revenue for live music companies.



Photo Credit: Tom Pandi

Audience

- **Venues:** Research conducted by Nordicity along with Music Canada yielded a total universe of 616 venues offering live music performances operating in Ontario in 2013.¹ Together, these venues have a combined capacity of 3.6 million people.
- **Festivals:** In 2013, 558 festivals across the province sold a total of 15.7 million tickets (including free and complimentary tickets), **representing 13.7 million unique visitors.**
- **Promoters:** There were 775 promoters operating in Ontario in 2013. Together, they promoted 81,600 shows, which sold a combined total of **5.4 million tickets.**

Economic Impact

- **Expenditures:** Live music companies in Ontario were responsible for **\$484 million in total expenditure in 2013.** Programming costs (e.g., paying artists for shows) and fixed labour costs (e.g., for staff) were the largest expenditure categories, accounting for 26% and 21% of total expenditure, respectively.
- The **economic impact** of live music in Ontario was then estimated in two ways: i) as it relates to the operation of live music companies, and ii) as it relates to tourism created by live music in Ontario. In each case, Nordicity estimated employment, GDP and fiscal (tax) impacts. The following tables summarize the economic impact generated by the live music industry in Ontario.

Table 1: Total economic impact (companies and tourism)²

	Direct impact	Indirect impact	Induced impact	Total impact
Company Economic Impact				
Employment (FTEs)	7,300	2,200	1,000	10,500
Labour income (\$M)	152.4	105.3	47.8	305.5
Gross domestic product (\$M)	296	186.3	100.1	582.5

¹ The list of current operating venues was compiled from list provided by industry associations and other industry stakeholders.

² It should be noted that the company impact figures presented here are higher than the estimated national economic impact figures presented for the live music industry in Music Canada's 2012 report, *Economic Impact Analysis of the Sound Recording Industry in Canada*. The 2012 estimates for the national economic impact were based on 2010 data from Statistics Canada and did not include expenditures from key components of the live music industry value chain in the calculation, such as venues and festivals. Nordicity's estimates of the provincial economic impact, however, do include venues and festivals. As a result, the estimates of the economic impact of the live music industry in Ontario appear higher than the estimates of the industry's impact on the Canadian economy in 2010 published in the 2012 report.

	Direct impact	Indirect impact	Induced impact	Total impact
Tourism Economic Impact				
Employment (FTEs)	6,230	1,720	1,580	9,520
Labour income (\$M)	213.6	100.8	90.7	405.1
Gross domestic product (\$M)	317.7	149.1	142.4	609.1

Table 2: Total fiscal impact (companies and tourism)

	Federal	Provincial	Municipal	Total
Taxes - companies (\$M)	72.8	62	26.7	161.7
Taxes - tourism (\$M)	150.3	118.9	1.5	270.7
Total taxes (\$M)	223.1	180.9	28.2	432.4

Future Outlook

- **Growth:** 51% of respondent companies indicated that they were expecting between 1% and 14% revenue growth over the next two years while 20% predicted growth of 25% or more over the same period.
- **New lines of business:** 62% of respondent companies indicated that they did not plan to enter into any new lines of business over the next one to two years.
- **New jurisdictions:** 47% of live music companies predict an expansion of their business activities into other Canadian jurisdictions and 36% anticipate expanding into the US.
- **Factors facilitating growth:** Survey respondents reported that access to tax credits and other forms of government funding (e.g., grants), along with the availability of local Canadian talent, were the factors that most positively impacted their company growth.
- **Barriers to growth:** Respondents indicated that challenges associated with the legal and regulatory environment in Canada are impeding their ability to grow.

1. Background and Introduction

1.1 Mandate of the Study

The live music industry in Ontario seems to be thriving, and is organizing itself as a major component of the wider music industries. At a time of increased private and public investment and international success, the industry is seeking to take the next steps to develop its capacity, increase growth, and effectively harness its strengths. In order to effectively strategize and implement a coordinated approach, the live music industry seeks to compile a credible economic profile of companies operating in Ontario.

To that end, Music Canada – with the support of the Government of Ontario’s Ontario Music Fund – asked Nordicity to develop a profile and conduct an economic impact analysis of the live music industry in Ontario.

The development of an economic profile will provide the industry with a benchmark and enable the measurement of its progress over time. It will enable the live music industry to make informed strategic decisions, and to determine the impact the industry has on the Ontario and Canadian economies.

As such, this study should be viewed as a benchmark, marking the beginning of an increased focus on this vital element of Ontario’s creative industries. This benchmark study includes the following types of music organizations (recognizing that many music organizations perform a variety of tasks):

- Artist Managers;
- Promoters;
- Agents;
- Music Venues; and
- Festivals (those that are primarily focussed on music).

It should be noted that this study focusses on the companies operating in Ontario’s live music sector. In so doing, **it does not directly account for artists** – with the notable exception of artists that assume the function of a music company (e.g., self-managed artists).

1.2 About this Document

The following report presents the results of the Nordicity Survey of Live Music in Ontario (2014). First, in Section 2, the report outlines a profile of the live music industry including its size (by number of companies), structure and makeup. Section 2 also discusses the structure of the industry’s revenue streams and provides a profile of live music audiences in Ontario.

Section 3 of the report presents the results of an economic impact analysis of the live music industry in Ontario, including the direct, indirect and induced impacts of the industry on GDP and employment in the province. The section also includes a brief profile of industry spending.

In section 4, the report closes with a discussion of the future of the live music industry in Ontario including a discussion of industry growth over the next one to two years as well as description of the barriers and challenges that threaten growth.

2. Industry Profile

2.1 Overview: The Context of Live Music in Ontario

In an era characterized not only by digital content consumption, but by growing “subscription-based” digital content consumption, the role of experience-based platforms such as live music performance is shifting. Technology has changed the relationship between artists and their fans in a variety of ways, presenting new challenges as well as opportunities.



Photo Credit: Anna Encheva

According to interviewees consulted during this study, live music has become a complementary content consumption platform that is enjoyed alongside the consumption of recorded music and that provides a richer, more holistic musical experience. As one interviewee put it, live music is about providing an experience to audiences, allowing them to connect with the artists they discovered online (or elsewhere).

While many interviewees agreed that live music is experiencing a renaissance of sorts as a result of this shift – a certain coming of age – artists and stakeholders across the live music industry value chain are facing a number of challenges and opportunities. For example, as artists receive lower royalties from digital sales (which leads to decreasing revenue) they are relying increasingly on live music as a revenue stream. However, as many interviewees indicated, increased costs associated with touring, particularly within Ontario and Canada where rising travel costs are becoming a hindrance, means that artists are finding that they are no longer able to rely as heavily on live music to earn a living. Moreover, interviewees explained that higher costs are making it more challenging for artists to finance tours, forcing them to do fewer shows or downsize the shows they are doing. All this puts further strain on their ability to earn revenue. In addition, many of the venues that were consulted indicated that they are increasingly dealing directly with artists, likely indicating that fewer artists are hiring agents and managers.³

³ Nordicity key stakeholder interviews. Interviews were conducted in November 2014.

According to interviewees consulted for this study, independent artists are being the hardest hit by these trends, which is only compounded by the low supply of smaller, more affordable, venues that cater to them. In addition, independent artists who tend to perform at smaller events, face increased competition from a growing number of large, commercial stadium events and festival-type events.⁴ And many interviewees believe that while consumer demand for live music is increasing,⁵ most of that demand is being met by a significant increase in the number of large-scale live music events such as large stadium concerts and music festivals, several of which have cropped up in Ontario in the last several years. For example, in the last five years or so new festivals such as OVO, Field Trip, Boots and Hearts (pictured below), Bestival and most recently the Way Home festival have been established in and around the greater Toronto area.



Photo Credit: Darren Eagles

The live music industry in Ontario is also facing the challenge of increased competition – not only from other live music events, but from other forms of live and digital forms of leisure and entertainment. In addition, interviewees expressed the perception that audiences' discretionary income is shrinking as demographics shift to younger age groups and consumers are becoming increasingly demanding and selective about how they spend their disposable dollars. According to

⁴ Nordicity key stakeholder interviews. Interviews were conducted in November 2014.

⁵ PwC predicts that Canadians' spending on live music entertainment will increase by 3.5% by 2019. *Global Entertainment and Media Outlook: 2015-2019*, PwC, 2015.

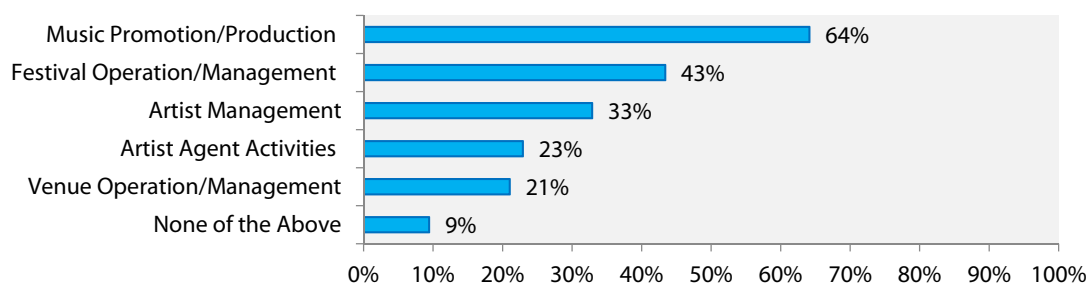
several interviewees audience consumer patterns have changed in recent years; audience members are attending fewer events and performances each year on average and as a result are being more discerning about which ones they choose to attend. Moreover, interviewees explained that a major challenge is that audiences are increasingly making their entertainment choices last-minute rather than planning months in advance, making it hard to accurately predict the success or profitability of an event. It is also difficult for venues and promoters to make decisions around cancellations for fear of prematurely cancelling a show that might see a surge in ticket sales a few weeks before the opening date. According to interviewees, the unpredictable nature of attendance also makes contract negotiations with artists much more arduous as all parties try to protect themselves in the face of uncertainty.

2.2 Industry Structure

Ontario is home to a thriving live music industry, containing both smaller independent players and a selection of much larger music companies, and well-represented in every segment of live music. The following chart shows the total percentage of respondents engaged in each music-related activity. Responding companies were free to select as many activities as applied to them, so totals will not sum to 100%.

Music promotion and production was by some margin the most common music-related activity, with almost two thirds (64%) of respondents selecting it.

Figure 1: Distribution of music-related activities (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=372

The chart below displays the number of music-related activities in which responding companies are engaged. Slightly more than half (53%) of respondents are engaged in two or more activities, and almost a third (29%) are engaged in three or more.

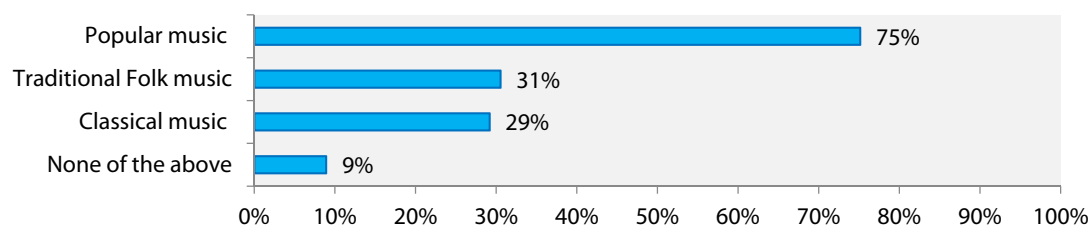
Figure 2: Number of music-related activities per company



Source: Nordicity survey of live music in Ontario (2014)
N=372

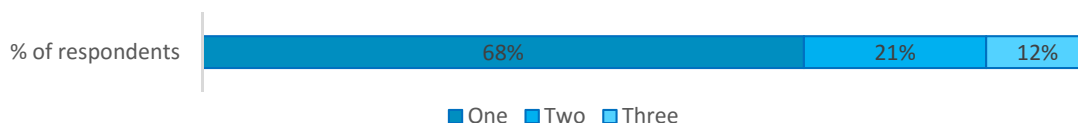
The charts that follow show the music genres in which live music companies in Ontario are active. Three quarters of respondents are active in the realm of popular music. As Figure 4 shows, most music companies are active primarily in a single genre; two-thirds of respondents (68%) indicated this was the case.

Figure 3: Music genres (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=370

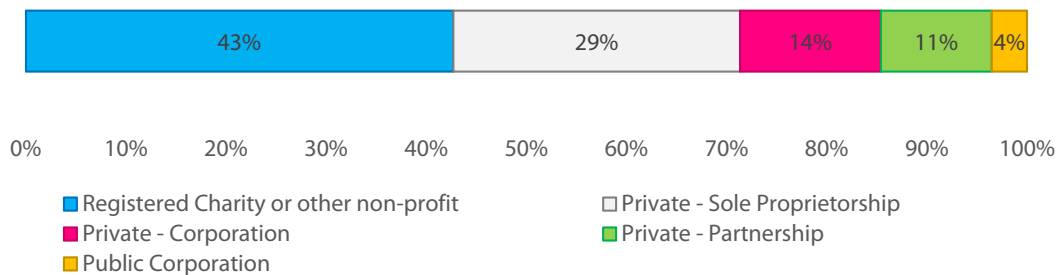
Figure 4: Number of genres per company



Source: Nordicity survey of live music in Ontario (2014)
N=370

The chart below breaks down companies by organizational structure. Many players in the Ontario live music scene are registered charities or nonprofits, with 43% of respondents indicating that this was the case. For-profit corporations (both private and public) make up a relatively small percentage (18%) of the live music ecosystem (that is, by number of companies – this chart is agnostic about the share of revenue, expenditure or employment associated with each company). The remaining 42% of companies in the industry are either private partnerships or sole proprietorships.

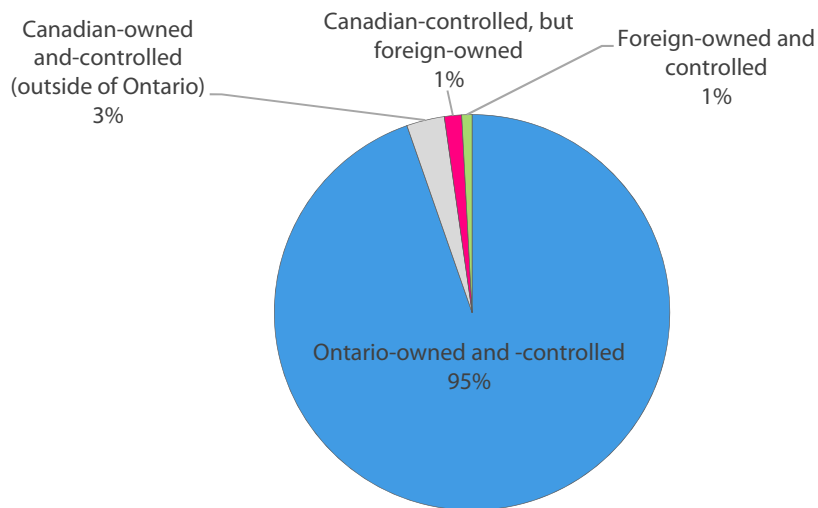
Figure 5: Company Structure



Source: Nordicity survey of live music in Ontario (2014)
N=370

As the following chart illustrates, almost all music companies active in live music in Ontario are Ontario-owned and –controlled. Only five percent of respondents indicated any other form of ownership.

Figure 6: Company ownership



Source: Nordicity survey of live music in Ontario (2014)
N=356

Over a third (34%) of music companies in Ontario have been in operation for more than 20 years, as indicated by the chart below. The same percentage (34%) have been in operation for six years or less, and only six percent indicated they are still in the start-up phase.

Figure 7: Number of years in operation



Source: Nordicity survey of live music in Ontario (2014)
N=370

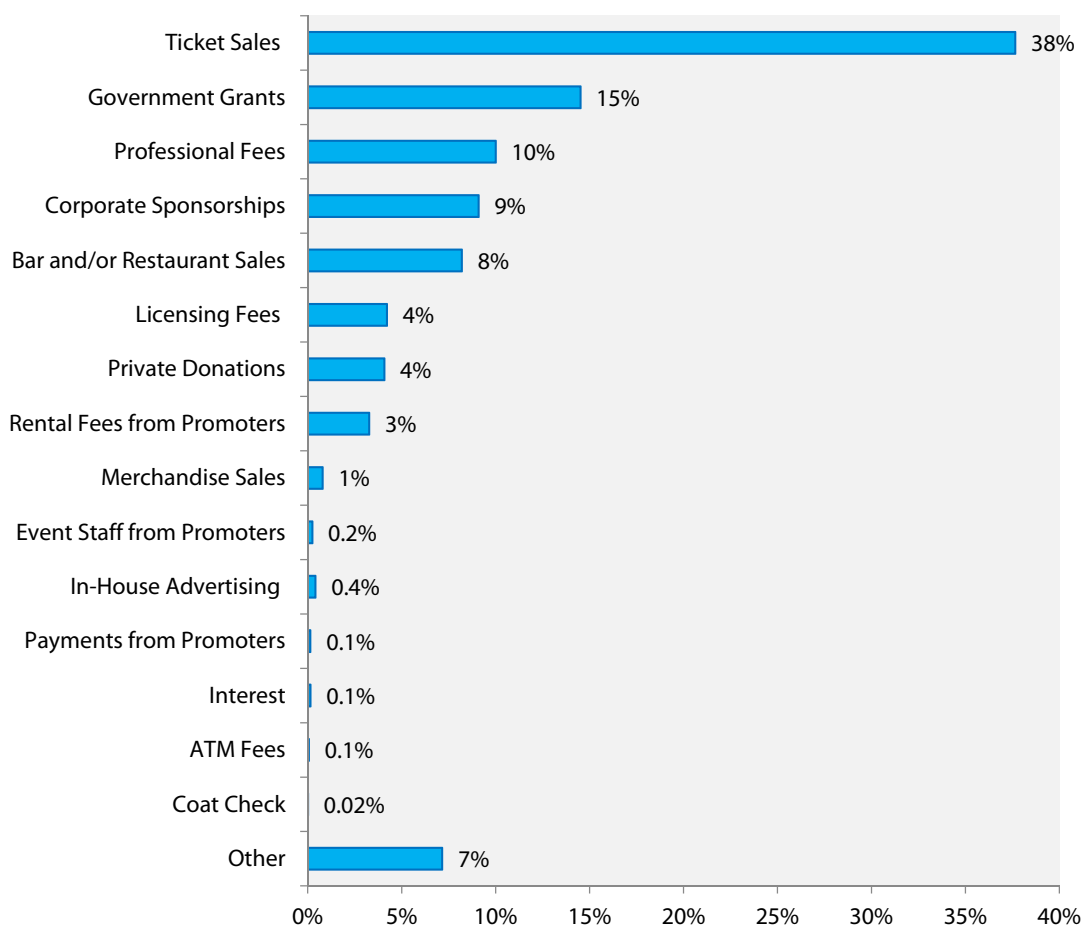


Photo Credit: Joshia Dockrell

2.3 Revenue

Live music in Ontario generated **\$628 million in revenue** for music companies in 2013. The following chart gives the breakdown of this revenue by source. Almost 40% of all revenue was derived from ticket sales. The total contribution of donations, grants, and sponsorships across all such categories (government, corporate and private) amounted to 28% of total revenue.

Figure 8: Revenue from live music in Ontario (% of total revenue)



Source: Nordicity survey of live music in Ontario (2014)
N=158

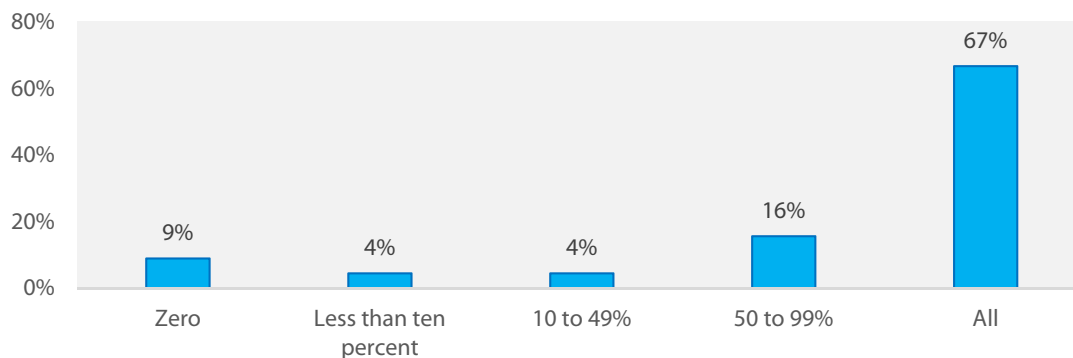
Live music in Ontario generated profits of \$144 million in 2013, representing an operating profit margin of 23%.

2009, companies indicated that they had, overall, seen total revenue grow by \$117 million in that period, or just under 19% of 2013 topline revenue. Among those who engage in artist management activities, two thirds (67%) derive all of their artist management revenue from Canadian artists. Less than 10% derive all of their artist management revenue from foreign talent, with the balance falling somewhere in between. In total, artist management revenue from Canadian artists totaled \$34 million in 2013, or 54% of all artist management revenue.



Photo Credit: Anna Encheva

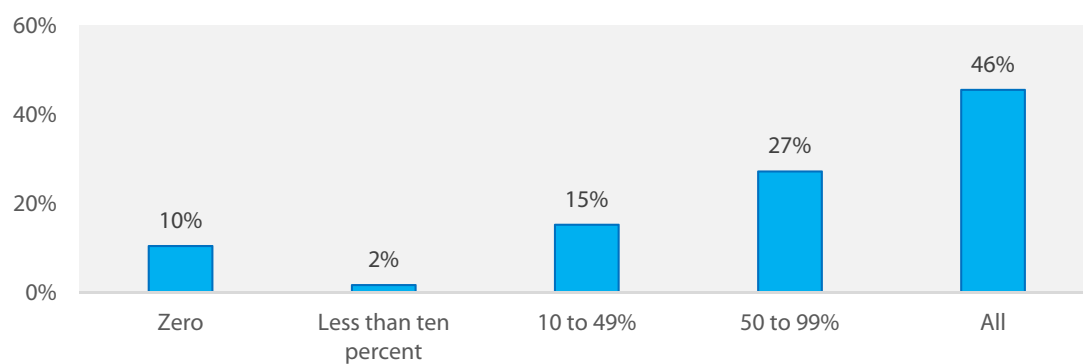
Figure 9: Artist management fees attributable to Canadian artists (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=43

In terms of ticket sales revenue, the distribution is slightly less uneven, as shown in the chart below. Slightly less than half of respondents attribute all of their ticket sales revenue to Canadian artists, while only 10% attribute all revenue to foreign acts. Overall, ticket sales revenue from Canadian artists amounted to \$75 million, or around 32% of total ticket sales revenue in 2013.

Figure 10: Ticket sales revenue attributable to Canadian artists (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=125

2.4 Audience



Photo Credit: Kim Jay

Venues

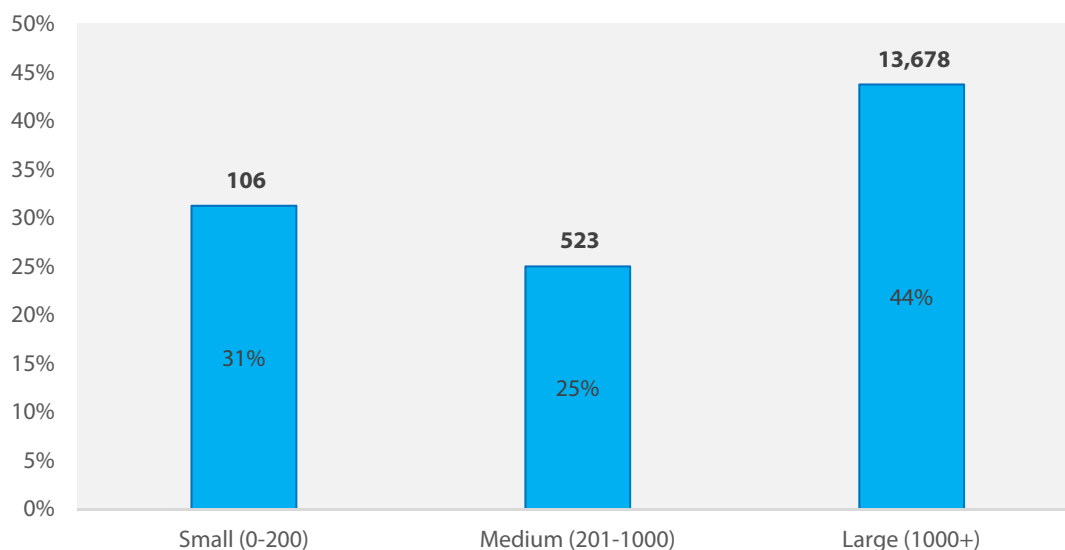
The Nordicity survey of live music in Ontario 2014 captured data from 32 venues operating across the province in 2013. Research conducted by Nordicity along with Music Canada yielded a total universe of 616 venues offering live music performances operating in Ontario. Together, these venues have a combined capacity of 3.6 million people.



Photo Credit: Joshia Dockrell

For the analysis of survey results, venues were subdivided into small (less than 200 capacity), medium (201-1000 capacity), and large (more than 1000 capacity) categories. This division permits a slightly more accurate picture of average venue size for the sample of venues captured by the survey, as there are some substantially larger venues that would otherwise skew the average upwards. The chart below summarizes the distribution of respondent venues across the different venue size categories. The columns indicate the percentage of venues in each size category, while the bold figure at the top of each column represents the average capacity for venues within that category. Large venues, for example, account for 44% of all respondent venues, and their average capacity is 13,678. On the other hand, more than half of the venues in Ontario captured by the survey have a capacity of fewer than 1,000.

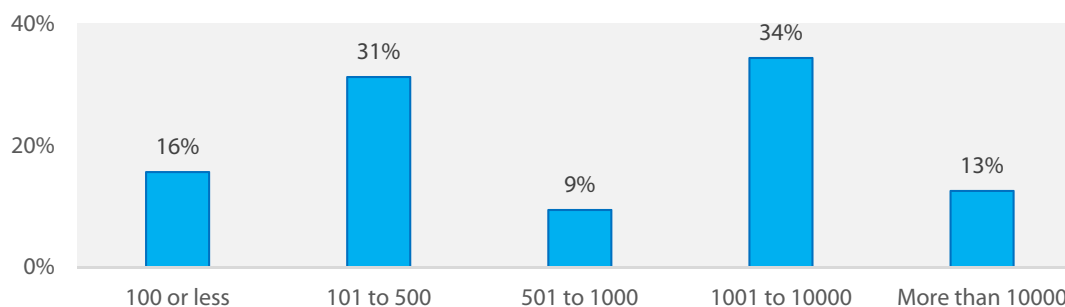
Figure 11: Venue size



Source: Nordicity survey of live music in Ontario (2014)
N=32

The chart below summarizes the distribution of venue capacities across the sample of respondent venues in more granular detail than the chart above.

Figure 12: Venue capacity (% of respondents)

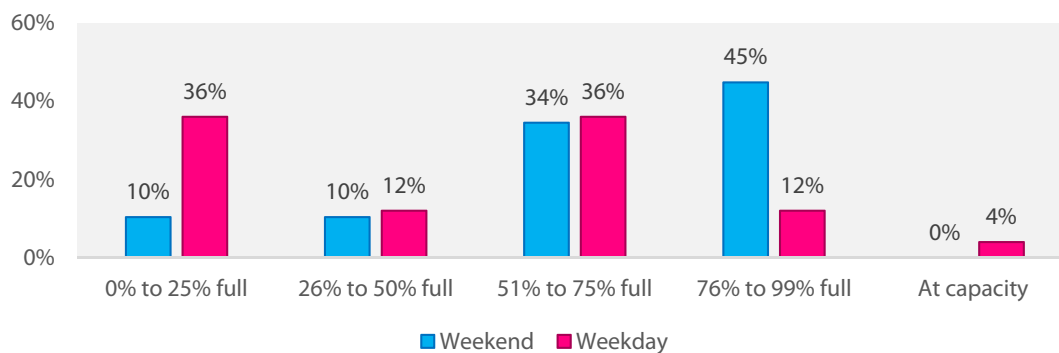


Source: Nordicity survey of live music in Ontario (2014)
N=32

The following chart shows the saturation of venue capacity for average weekday and weekend openings. As one might expect, venues tend to be more crowded on weekends than weekdays. For example, 45% of venues indicated that they operate at 76-99% of capacity on a typical weekend performance (i.e. Friday or Saturday). On the other hand, nearly half (48%) of the venues captured by the survey indicated that they operate at 50% capacity or less during a typical weekday performance.

Interestingly, none of the venues that responded to the survey indicated that their venues were at full capacity during typical weekend performances.

Figure 13: Average saturation of venue capacity (weekends versus weekdays), by % of respondents



Source: Nordicity survey of live music in Ontario (2014)
N=29

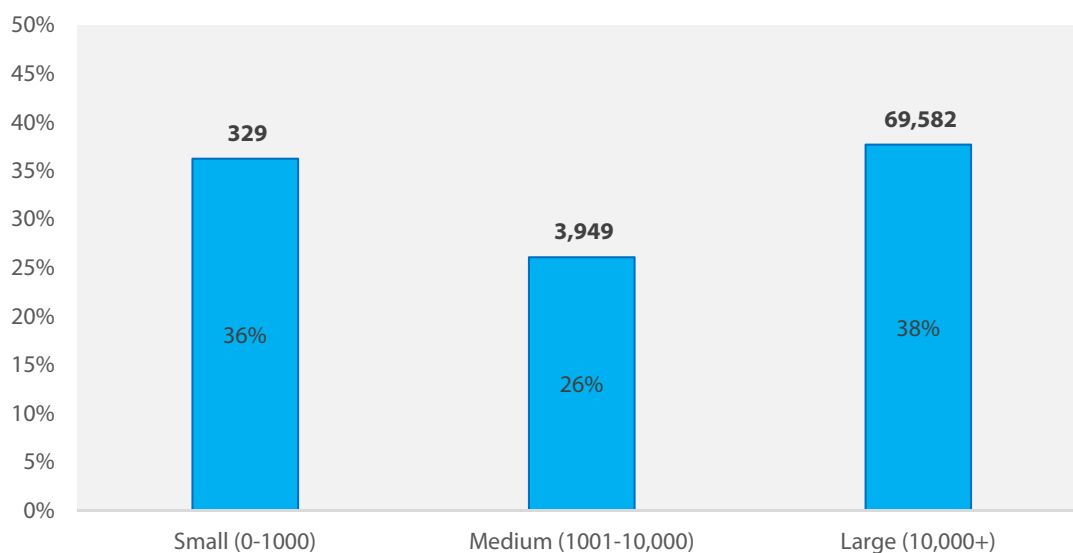
Festivals



Photo Credit: Tom Pandi

Ontario is home to a thriving ecosystem of live music festivals, large and small. Research by Nordicity and Music Canada revealed a total universe of 558 festivals offering live music in Ontario. Survey data captured responses from 69 festivals operating in the province. In 2013, festivals across the province sold a total of 15.7 million tickets (including free and complimentary tickets), **representing 13.7 million unique visitors.**⁶ In order to more accurately represent average festival sizes, festivals were broken down into small, medium and large sizes, as shown in the chart below.

Figure 14: Festival size

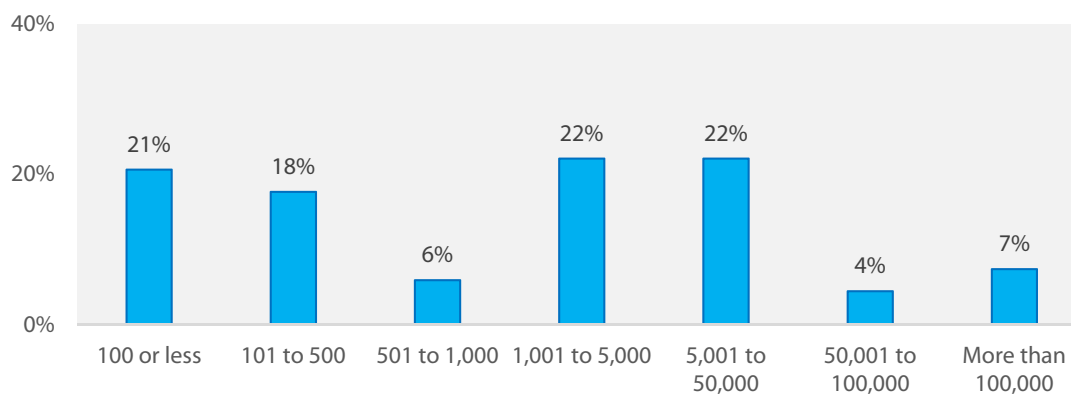


Source: Nordicity survey of live music in Ontario (2014)
N=69

The chart below shows the distribution of festival sizes across the province. It is fairly clear that music festivals in Ontario range from very small, niche gatherings to truly enormous events attended by hundreds of thousands of people.

⁶ Please note that some of the festival tickets were sold by promoters, not all were sold to audiences directly by the festival. As such, there is a possibility that some ticket sales were counted under both festival promoter sales. Therefore these figures should **not** be considered cumulative.

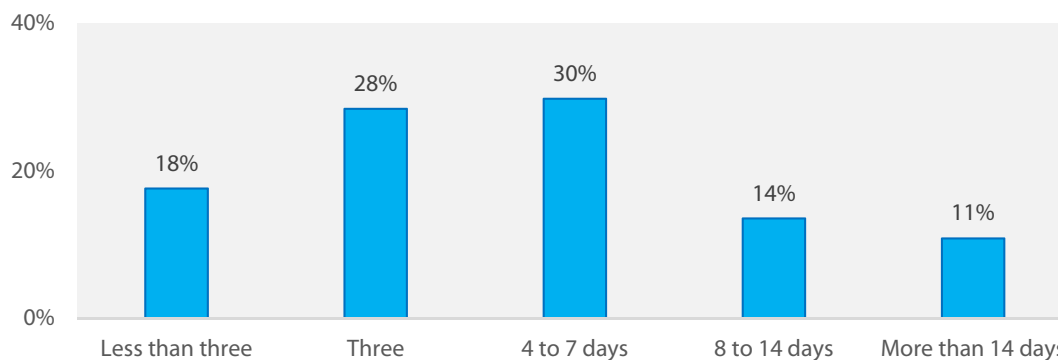
Figure 15: Festival attendance (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=69

The following chart breaks down festivals by duration. Most festivals (76%) last less than a week, while around one in ten last longer than two full weeks.⁷ Overall, the average duration of a music festival in Ontario is 6.5 days.

Figure 16: Festival duration (% of respondents)



Source: Nordicity survey of live music in Ontario (2014)
N=74

⁷ Please note that the average duration of festival does not necessarily indicate consecutive days, it only indicates the total number of active festival days in a given year, which could be non-consecutive.

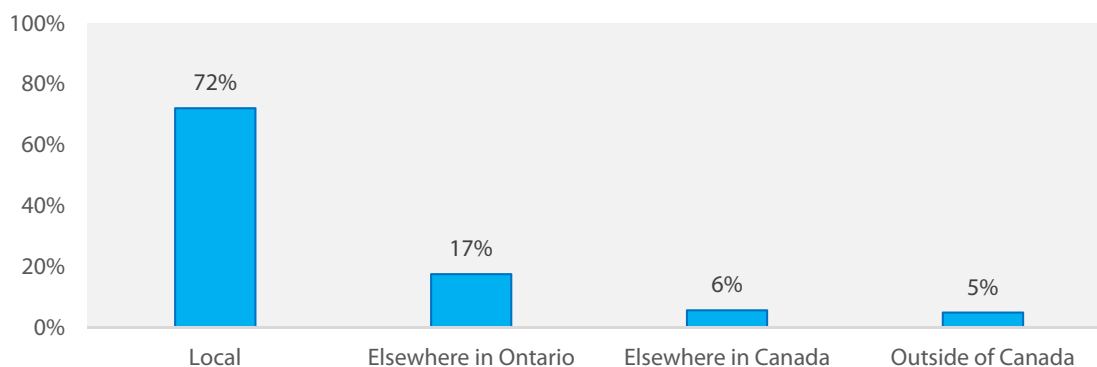
Promoters

Nordicity's survey of live music in Ontario captured data from 90 promoters of live shows. Research in conjunction with Music Canada yielded a total universe of 775 promoters operating in Ontario in 2013. Together, they promoted 81,600 shows, which sold a combined total of 5.4 million tickets.⁸

Audience Origin (for venues, festivals and promoters)

The following chart shows the origin of audiences as reported in the survey. Over three quarters (72%) are local (i.e. reside within the local region – municipality, county, etc. – where the event is taking place) and only 11% of audiences are coming from outside the province to attend.

Figure 17: Geographic location of audiences (% of total visitors)



Source: Nordicity survey of live music in Ontario (2014)
N=87

⁸ Please note that some of the ticket sales counted under festivals were sold by promoters. As such, there is a possibility that some ticket sales were counted under both festival promoter sales. Therefore these figures should **not** be considered cumulative.

3. Economic Impact

To estimate the impact that live music had on Ontario's economy in 2013, Nordicity used two methods. First, company expenditures were used to estimate the impact of live music companies operating in Ontario. This activity could also be viewed as representing the *supply* of live music in Ontario. At the same time, Nordicity considered the impact of the tourism stimulated by live music in Ontario, or the *demand* for live music in Ontario. As illustrated below, the combination of the supply of and demand for live music creates the total economic impact of live music in Ontario.

Figure 18: Impact of live music

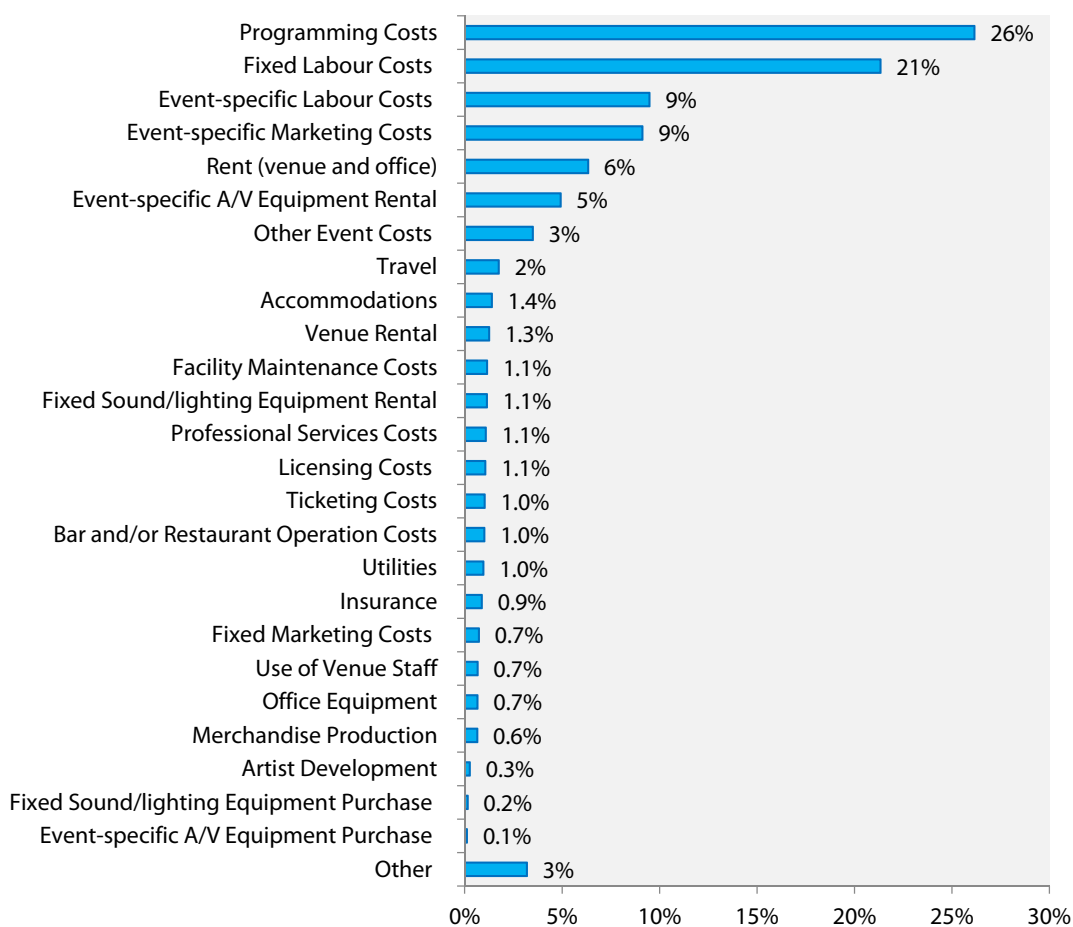


Given the two types of impact, Nordicity used models appropriate to each to estimate an economic impact (in terms of the Gross Domestic Product (GDP), jobs and labour income). For the supply-side impact, Nordicity's MyEIA model was used, while the Tourism Regional Economic Impact Model was used to estimate the impact of the demand for live music in Ontario.

3.1 Company Expenditures

Live music companies in Ontario were responsible for \$484 million in total expenditure in 2013. Programming costs (e.g., paying artists for shows) and fixed labour costs (e.g., for staff) were the largest expenditure categories, accounting for 26% and 21% of total expenditure, respectively.

Figure 19: Live music expenditure (% of total expenditures)



Source: Nordicity survey of live music in Ontario (2014)
N=196

When asked about how their expenditure has changed since 2009, companies indicated a total increase in expenditure of \$87.5 million during that period, which amounts to 18% of total 2013 expenditure.

3.2 Economic Impact of Live Music Companies

The economic impact of the live music industry refers to the GDP, jobs and labour income generated by the Province's expenditures by companies operating in the live music industry – or those companies that supply live music in Ontario.

The **direct economic impact** refers to the impact (in GDP, employment and labour income) created by the live music industry in Ontario (typically via labour spending and the amassing of profits). In 2013, the live music industry was directly responsible for 7,300 full time equivalents (FTEs), \$152.4 million in labour income and \$296 million in GDP.



Photo Credit: Tom Pandi

The **indirect economic impact** refers to the increase in GDP and employment in the industries that supply inputs to the live music industry in Ontario, as a result of the industry's activities. Lighting and equipment services would be one example of an industry that supplies a key input to Ontario's live music industry. Nordicity estimates the indirect impact of the live music industry in 2013 contributed 2,200 FTE jobs, \$105.3 million in labour income and \$186.3 million in GDP.

The **induced economic impact** refers to the additional economic activity associated with the re-spending of wages earned in the live music industry (i.e., the incremental household income) in the Ontario economy. In 2013, this effect contributed 1,000 FTEs, \$47.8 million in labour income and \$100.1 million in GDP to the Ontario economy.

The **total economic impact of the supply of live music in Ontario** is equal to the sum of the direct, indirect and induced economic impacts outlined above. It is summarized in the table below.

Table 3: Economic impact of live music in Ontario⁹

	Direct impact	Indirect impact	Induced impact	Total impact
Employment (FTEs)	7,300	2,200	1,000	10,500
Labour income (\$M)	152.4	105.3	47.8	305.5
Gross domestic product (\$M)	296	186.3	100.1	582.5

Source: Nordicity MyEIA Model and Statistics Canada.

The fiscal impact of supply of live music represents the total tax revenues generated for the government as a result of the industry's economic activity. Like the economic impact, it consists of direct, indirect and induced portions. Nordicity estimates the total fiscal impact of the live music industry in 2013 was \$161.7 million in tax revenues to all levels of government. These tax revenues comprised \$70.4 million in personal income taxes, \$20.2 million in corporation taxes, \$44.4 million in consumption taxes and \$26.7 million in local property taxes and other fees.

- **Federally**, the live music industry in Ontario contributed \$42.9 million in personal income taxes, \$12.7 million in corporation taxes and \$17.3 million in consumption taxes to government.
- **Provincially**, the live music industry in Ontario contributed \$27.5 million in personal income taxes, \$7.5 million in corporation taxes, \$27.1 million in consumption taxes and \$26.7 million in local property taxes and other fees to government.

Table 4: Fiscal impact of live music in Ontario

	Federal	Provincial	Municipal	Total
Personal income taxes (\$M)	42.9	27.4		70.4
Corporation income taxes (\$M)	12.7	7.5		20.2
Consumption taxes (\$M)	17.3	27.1		44.4
Local property taxes and other fees (\$M)	-	-	26.7	26.7
Total taxes (\$M)	72.8	62	26.7	161.7

Source: Nordicity MyEIA Model and Statistics Canada.

⁹ It should be noted that the company impact figures presented here are higher than the estimated national economic impact figures presented for the live music industry in Music Canada's 2012 report, *Economic Impact Analysis of the Sound Recording Industry in Canada*. The 2012 estimates for the national economic impact were based on 2010 data from Statistics Canada and did not include expenditures from key components of the live music industry value chain in the calculation, such as venues and festivals. Nordicity's estimates of the provincial economic impact, however, do include venues and festivals. As a result, the estimates of the economic impact of the live music industry in Ontario appear higher than the estimates of the industry's impact on the Canadian economy in 2010 published in the 2012 report.

Employment and salary

Based on the labour spend and the total direct FTE count, Nordicity calculates an average cost-per-FTE of \$20,800. This figure includes a large number of part-time staff (folded into the FTE count) who earn, on average, much less than full-time workers in the industry. It also includes a significant number of jobs, both full- and part-time, who earn little or no income at all. An example would be a festival organizer who does not pay themselves a salary, relying on income from other sources to support what is essentially a labour of love.

Based on responses collected in the survey, the average salary for full-time employees working in the live music industry in 2013 was \$38,500. Notably, this latter figure does not account for any part time or casually employed workers.

3.3 Tourism Impact



Photo Credit: Tom Pandi

In addition to their contribution to Ontario's economy through their own spending, live music companies also play a role in attracting visitors to Ontario who in turn, also have a significant economic impact. This demand-side impact stems not from the visitors' direct attendance or spending at live music events, but rather from the spending that occurs *around* and *as a result of* that event. From hotels to taxis to restaurants, many businesses outside the live music industry value chain also benefit from live music activity.

Due to limitations in the survey response (i.e., the lower than expected participation from venues), it is only possible to present the tourism impact of music festivals in 2013.¹⁰ As noted in Section 2.4, those festivals attracted some 13.7 million attendees in 2013. As Figure 17 illustrated above, most (72%) attendees to live music events in Ontario (in 2013) were from the local area (i.e. residing in the municipality, county, etc. in which the event was taking place), with a further 17% of visitors coming from other parts of Ontario. As such, 11% of all attendees came from outside of Ontario (either from elsewhere in Canada or from other countries), and so create incremental economic impact.

For festivals, that ratio suggests that festivals attracted 1.4 million people to Ontario in 2013 (or an average of 2,500 out-of-province visitors for each of the 558 festivals operating in Ontario). These festivals were held over approximately 3,620 days throughout the year, meaning that on any given day of 2013, there were about 10 festivals operating somewhere in the province, and that on average length the festivals lasted roughly 6 days.

In order to estimate the impact of these visitors had on Ontario's economy, Nordicity used data obtained from the Ontario Ministry of Culture, Tourism and Sport. This data was used to estimate the spending by visitors that can be attributed to Ontario-based music festivals. This spending was then entered into the Province's Tourism Regional Economic Impact Model (TREIM). Further detail on how TREIM was used to generate the tourism impact can be found in Appendix A.4.

With the above in mind, festivals in Ontario have the following tourism impacts:

Table 5: Economic impact of live music tourism in Ontario

	Direct impact	Indirect impact	Induced impact	Total impact
Employment (Jobs)	6,230	1,720	1,580	9,530
Labour income (\$M)	213.6	100.8	90.7	405.1
Gross domestic product (\$M)	317.7	149.1	142.4	609.1

Source: TREIM.

Like the operation of the companies themselves, this economic activity generated tax revenue for various levels of government, as depicted below.

Table 6: Fiscal impact of live music tourism in Ontario

	Federal	Provincial	Municipal	Total
Direct taxes (\$M)	75.1	72.5	0.5	148.1
Total taxes (\$M)	150.3	118.9	1.5	270.7

Source: TREIM.

¹⁰ Some data does exist for tickets sold by promoters, but those figures may overlap with festival data. To avoid the risk of double-counting economic activity, promoter tourism data will not be presented. In addition, due to a low response rate from venues, the tourism impact does not include tourism generated by venues. As such, the tourism impact represented in this report is likely under-estimated.

3.4 Combined Impact

When one combines the economic impact of live music companies with that of the tourism spending stimulated by those companies, the true picture of the economic footprint of Ontario's live music industry emerges – one that accounts for both the supply of and demand for live music.

As mentioned in Section 3.3 above, due to limitations in the survey response (e.g., the lower than expected participation from venues), the tourism impact calculation only includes tourism impact generated by music festivals in Ontario. As a result, the tourism impact, and accordingly the total combined economic impact of the live music industry, is likely under-estimated.

The table below presents the combined economic impact generated by live music companies and the tourism spending stimulated by music festivals.

Table 7: Total economic impact of live music in Ontario

	Direct impact	Indirect impact	Induced impact	Total impact
Employment (FTEs)	13,530	3,920	2,580	20,030
Labour income (\$M)	366.0	206.1	138.5	710.6
Gross domestic product (\$M)	613.7	335.4	242.5	1,191.6

Source: TREIM; Nordicity MyEIA Model and Statistics Canada.

Furthermore, in combination, live music generates, significant tax revenue for federal, provincial and municipal governments, as shown in the following table:

Table 8: Total fiscal impact of live music in Ontario

	Federal	Provincial	Municipal	Total
Total taxes (\$M)	223.1	180.9	28.2	432.4

Source: TREIM; Nordicity MyEIA Model and Statistics Canada.

4. Future Outlook



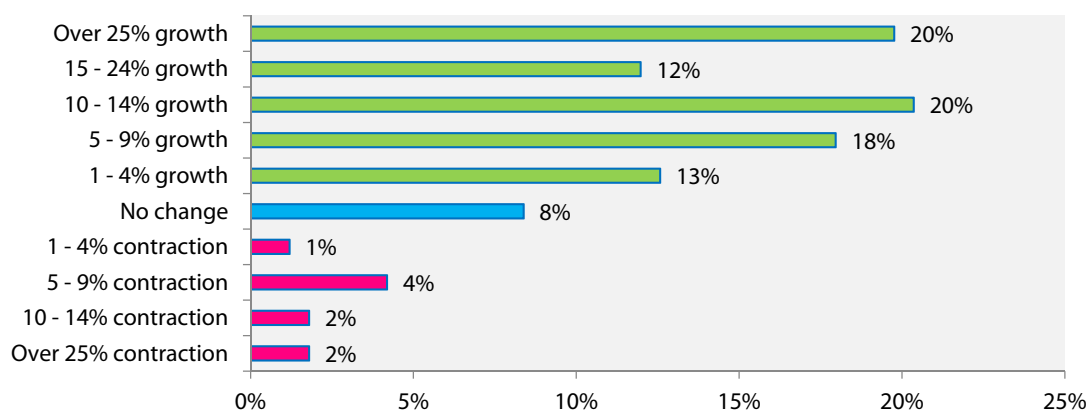
Photo Credit: Tom Pandi

4.1 Overview: Perspectives on the Future of Live Music in Ontario

The survey results indicate that most live music companies are expecting at least some growth over the next two years. Indeed, as the chart below indicates, 51% of respondent companies indicated that they were expecting between 1% and 14% revenue growth over the next two years while 20% predicted growth of 25% or more over the same period. Corroborating this optimistic outlook, several interviewees predicted that recent efforts by the provincial government to both promote live music from a tourism perspective and provide additional financial support to the industry (e.g., via the Ontario Music Fund) will help drive growth in the industry in the coming years.

That being said, there are a number of challenges that the industry faces and some interviewees were more cautious, predicting little to no growth (though not necessarily expecting any contraction either) and calling for a focus on improving sustainability rather than reaching for growth.

Figure 20: Anticipated revenue growth over the coming two year period (% of respondents)

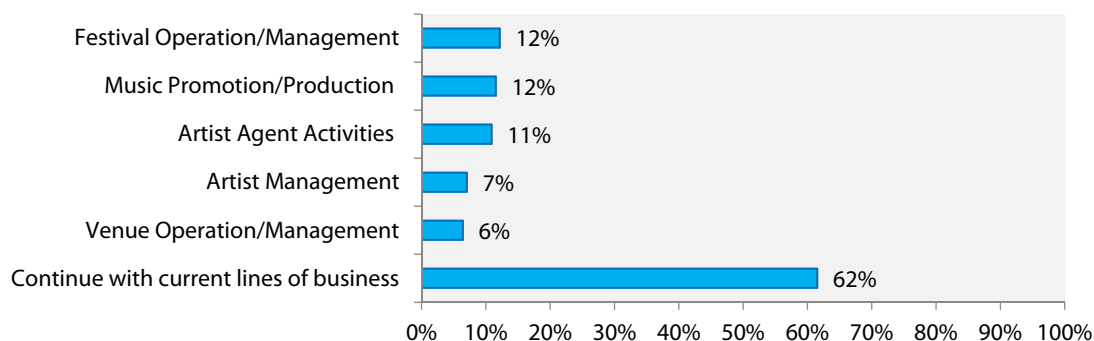


Source: Nordicity survey of live music in Ontario (2014)
N=167

4.2 Growth Areas

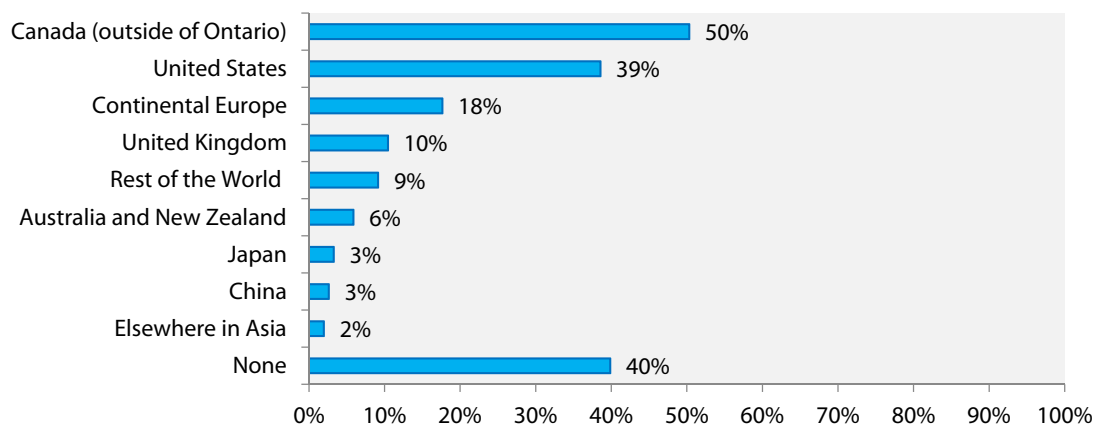
The following charts show the anticipated areas of industry growth as reported by companies responding to the Nordicity survey of Live Music in Ontario 2014. Most of the growth anticipated by companies in the live music industry over the next two years is related to the expansion of their current lines of business into other jurisdictions, rather than expansion into other lines of business (in addition to their current lines of business). Indeed, as Figure 19 indicates almost two thirds (62%) of respondent companies indicated that they plan to continue to focus on their current lines of business and did not plan to enter into any new lines of business over the next one to two years. On the other hand, Figure 20 shows that 47% predict an expansion of their business activities into other Canadian jurisdictions and 36% anticipate expanding into the US. Still, 44% of respondent companies indicated that they do not anticipate initiating business activities in new jurisdictions over the next one to two years.

Figure 21: Planned new music-related activities (% of respondents)¹¹



Source: Nordicity survey of live music in Ontario (2014)
N=156

Figure 22: Planned new jurisdictions (% of respondents)¹²



Source: Nordicity survey of live music in Ontario (2014)
N=153

The results presented in the charts above may indicate that despite anticipating at least some moderate revenue growth over the next two years, few companies plan to expand their business

¹¹ Note that percentages presented in the chart will not sum to 100% as respondents could select as many answers as applied to them.

¹² Note that percentages presented in the chart will not sum to 100% as respondents could select as many answers as applied to them. In addition, note that responses from companies that identified themselves as only venues (e.g., not also a festival, promoter, etc.) have been excluded from the analysis presented in this chart as venues are unlikely to expand into other jurisdictions.

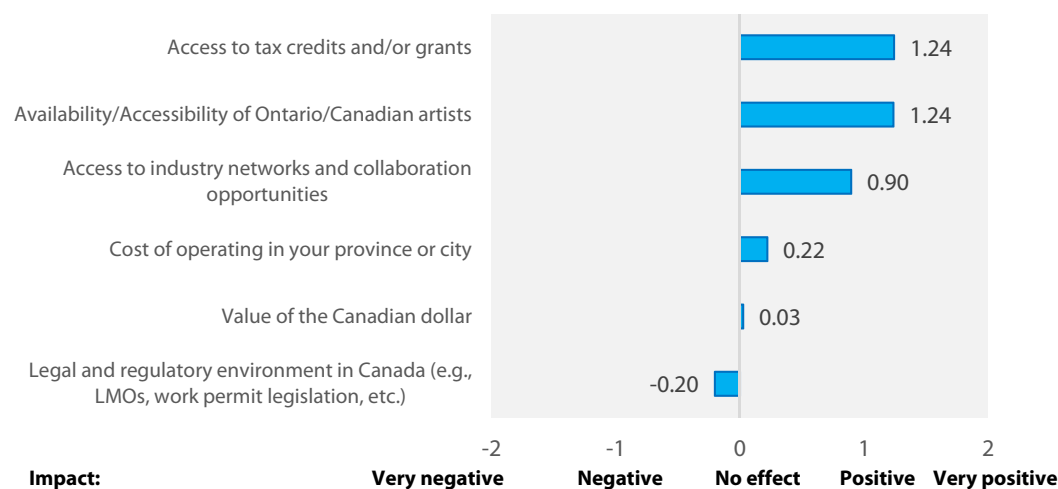
activities whether in terms of expanding from their current lines of business or expanding their business activities to other jurisdictions. When it comes to geography, the most common trajectory seems to be expansion within Canada. It could also indicate that companies who are likely to expand their business activities to new lines of business are not likely to also explore expanding their business into new jurisdictions and vice versa.

4.3 Factors Impacting Success

The following charts describe the factors that are affecting the success of live music companies in Ontario. The first shows the average score for the top and bottom three factors – access to tax credits and availability of Canadian artists both have large positive impacts, while challenges related to the legal and regulatory framework in Canada have a net negative impact.

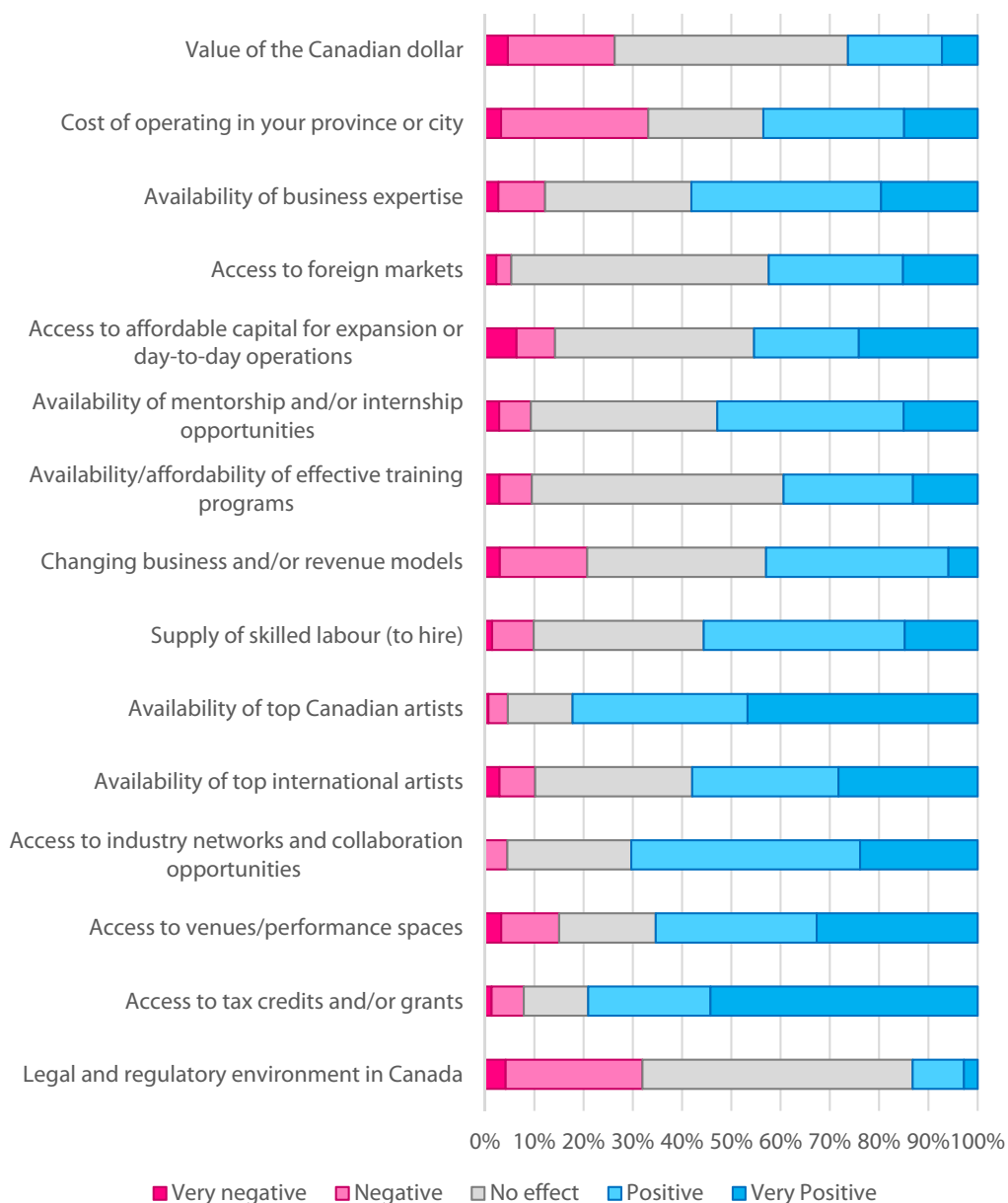
The second chart gives a more detailed breakdown of the response set for each factor – negative impacts are recorded in pink/fuchsia, and positive impacts are indicated in light and darker blue. Thus, for the value of the Canadian dollar, which has a net impact very close to neutral, the full breakdown shows that almost half of all respondents indicated that this factor had a neutral net impact on their success (the grey area). In terms of the legal and regulatory framework, the net impact is negative because of the relatively small number of companies who indicated it had a positive impact, coupled with the majority of responses, which indicated no impact at all. Thus, though only a third of companies indicated any negative impact related to this factor, it was enough to push the net impact below a score of zero.

Figure 23: Factors affecting success – top and bottom three selections



Source: Nordicity survey of live music in Ontario (2014)
N=167

Figure 24: Factors affecting success – full breakdown



Source: Nordicity survey of live music in Ontario (2014)
N=167

As shown in the charts above, survey respondents reported that access to tax credits and other forms of government funding (e.g., grants), along with the availability of local Canadian talent, were the factors that most positively impacted their company growth (see full results in the figure above). Access to networking and collaboration opportunities, venues and spaces, and top international talent were also among the top-rated factors that support or positively impact company growth. That being said, while companies rated these factors as those that most positively impact their business growth, interview results and text comments from the survey indicate that these factors are not always fulfilling their potential in supporting business growth in the live music industry in Ontario. For example, interviewees and survey respondents cited the following challenges and trends that are impacting their company growth:

- **Access to public funding.** Many survey respondents indicated that access to government funding was a constant challenge, particularly for non-profit organizations who rely more heavily on government funding to cover operational costs or to support indie and emerging artists that are perceived as higher risk. Additionally, with shrinking budgets among public funding agencies (despite the institution of the Ontario Music Fund in 2013), there is greater competition for fewer dollars, making access to public funding even more challenging for everyone. Moreover, companies and non-profits indicated during interviews that they struggle to compensate for any reduction or stagnation in public funding support because increasing ticket prices is not a viable option (ticket prices are already on the high side and increasing prices would likely impact sales).
- **Increasing touring costs.** The cost of traveling both within Canada (and internationally, see below) has been increasing, impacting profit margins for tours. There are also logistical challenges associated with touring to more rural regions away from major urban centers in Ontario and the rest of Canada. These rising costs and logistical issues pose challenges for agents, managers, and the artists they are trying to develop, as well as for venues and festivals located outside of urban centres that struggle to attract talent and audiences.
- **Declining audiences and shifting audience behavior.** A major challenge for the live music industry is that some music genres (e.g., classical) are facing declining audiences due to demographic shifts (e.g., an aging population) and increased competition from more mainstream events such as large commercial stadium concerts and festivals. In addition, audiences now have access to a wide variety of options for spending their increasingly limited leisure time. Those same audiences also find themselves with less and less disposable income. As a result, audiences are becoming more selective with their choices for entertainment. Add a shift in audience behaviour toward last-minute planning that makes it challenging to predict



Photo Credit: Mark Spowart

the success or profitability of an event and it creates a very challenging environment to sustain a successful business let alone achieve business growth.

- **Accessing foreign markets for Canadian artists.** In addition to challenges associated with bringing foreign artists into Canada, companies in Ontario’s live music industry indicated that they struggle to help homegrown artists access foreign markets. For example, increasing travel costs are making it difficult to tour internationally in a profitable way, not to mention the cost and effort required to acquire foreign work visas. High travel costs also create barriers for artist representatives to attend industry events in other jurisdictions where important business connections are made with promoters, venues and events from a variety of foreign markets.
- **Attracting foreign talent to Canada.** While most companies rated access to top foreign talent as having a positive impact on their success, some respondents also commented that attracting non-Canadian artists to Canada was a challenge. Many respondents indicated that when non-Canadian artists are successfully recruited to events in Ontario, red tape associated with current foreign worker policies and taxes can complicate the process and make it more costly.
- **Lack of adequate venues.** Many survey respondents and interviewees also pointed to access to adequate venues as a significant challenge. In areas outside the GTA, there is a general lack of venues for live music events. Within the GTA, it is becoming nearly impossible to access venues for affordable prices. In addition, some industry stakeholders indicated that there is a lot of competition in Ontario among events and venues within close proximity and/or with a similar focus that divide audiences and create competition for attracting talent. Many stakeholders indicated that better collaboration within the industry would benefit all players.



Photo Credit: Sarah Rix

A Appendix A: Methodology

The study was conducted largely based on the results of an online survey, supplemented by a series of one-on-one interviews. The following sub-sections expand upon this methodology.

A.1 Initial Economic Mapping

Given that this study is the first of its kind, Nordicity began by examining how the live music sector operates in Ontario. More precisely, the project team met with representatives of 11 live music organizations to better understand how they accounted for their revenue and expenses. Based on those meetings, Nordicity constructed a model of the economic transactions in the live music industry, noting any instance where expenses in one group become revenue for another. For example, a promoter may pay for the use of a venue, which would be recorded as an expense for the promoter and revenue for the venue. Nordicity used this model to create an online survey that presented only those revenue and expense categories relevant to a given music company. Also, the model was integrated into Nordicity's proprietary economic impact modelling tool (called *MyEIA*). In particular, the capital and operating expenditures within the live music industry in 2013 were allocated or "mapped" to the commodity groups found in Statistics Canada IO tables. On the basis of this allocation, the *MyEIA* model was used to derive estimates of the direct, indirect and induced impacts in terms of employment, labour income and GDP. It also provided estimates of federal, provincial and local tax revenue. The sections below provide additional descriptions of the methodology and models used to calculate the economic impact of the live music industry.

A.2 Data Collection

Online Survey

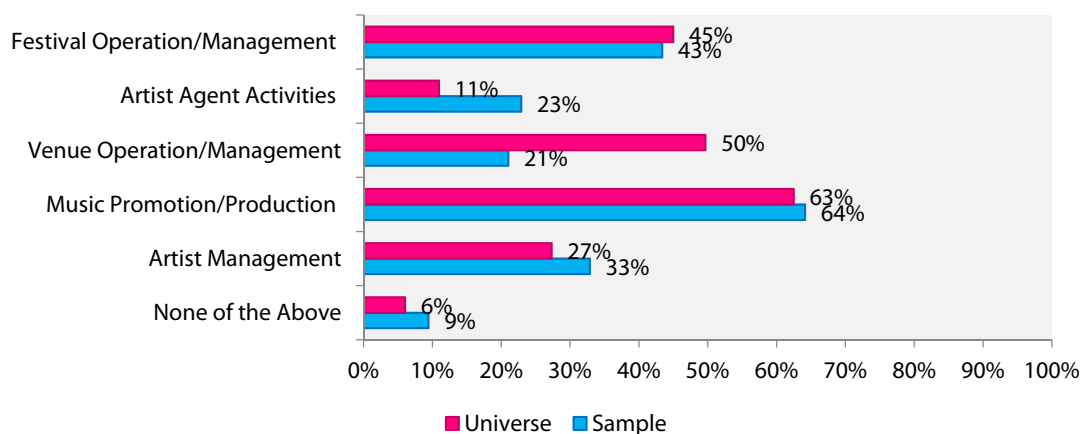
In order to measure the quantitative output as well as take stock of qualitative perceptions about live music in Ontario, Nordicity deployed an online survey (**Nordicity survey of live music in Ontario 2014**). Data was collected from all segments of the industry, with an emphasis on venues, festivals, artist managers, agents and music promoters. This data was used to construct the inputs for the economic impact assessment, as well as to identify trends in industry perceptions of growth and barriers to success.

After a detailed data cleansing and validation exercise, Nordicity captured usable information from **372 companies operating in live music in Ontario**. For the purposes of this study, and to increase the depth of the mapping data, a response was counted as usable if it contained responses to the industry segment and industry structure questions. Based on secondary research conducted in association with Music Canada, Nordicity identified a universe of 1,240 total companies operating in the live music industry in Ontario, implying survey coverage of 30% of the total universe of potential respondents.

In the absence of recent, reliable data on the live music industry in Ontario, it was somewhat difficult to determine the degree to which the collected sample represents the wider industry. Accordingly, Nordicity compared the types of companies in the sample to those in the wider industry. As the following chart illustrates, in three of the five areas, the distribution of the sample roughly matches the industry as a whole. Notably, the collected sample over-represents artist agent activities, and

under-represents venues. As such, conclusions drawn in this report with respect to venues should be treated with caution.

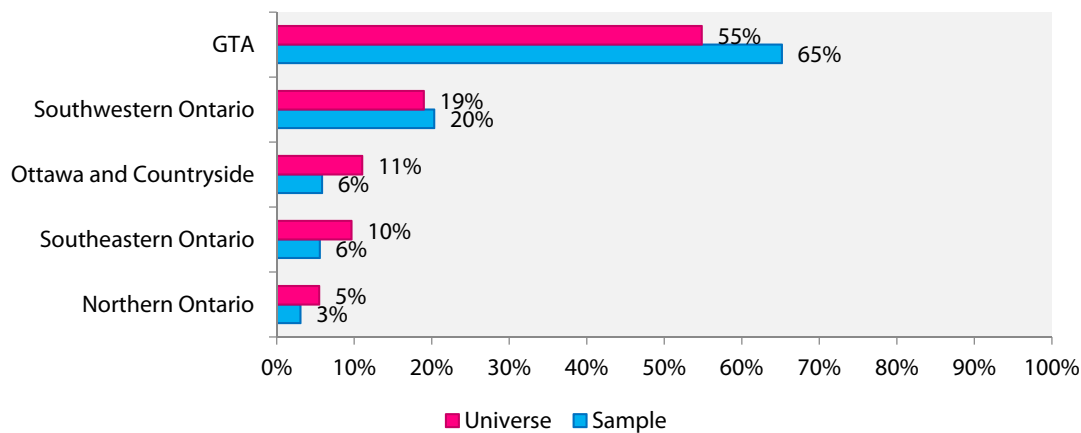
Figure 25: Distribution of Companies (Universe vs. Sample)



Source: Nordicity survey of live music in Ontario (2014)
N=372

The following chart describes the distribution of companies by region, comparing the survey sample with the total universe. The distributions are roughly congruent, though the sample may slightly over-represent companies within the GTA and under-represent the national capital region and southeastern Ontario.

Figure 26: Distribution of companies by region (Universe vs. Sample)



Source: Nordicity survey of live music in Ontario (2014)

Interviews

Nordicity conducted a series of qualitative interviews with key stakeholders across the live music industry in order to gather qualitative data regarding perceptions about key issues facing the industry in Ontario. Interviews focussed on topics related to changes in the environment that impact industry, challenges and opportunities facing live music companies in Ontario, and the future outlook of the industry.

A total of 13 interviews were conducted. Interviewees represented all segments of the live music industry (i.e., Agents, Managers, Promoters, Venues, Festivals and Industry Support Organizations). Interviewees were also located across the province with representation from the Greater Toronto Area, Ottawa and region, South Eastern Ontario and Southwest Ontario.¹³

A.3 Data Analysis

Given that the sample from the survey is reasonably representative, one can estimate the margin of error for those questions that a) reflect the industry as a whole, and b) use all 372 responses. In such cases, the margin of error is no more than +/- 4.3% (19 times of 20). That said, as not all respondents answered all questions the actual margin of error varies for each question.

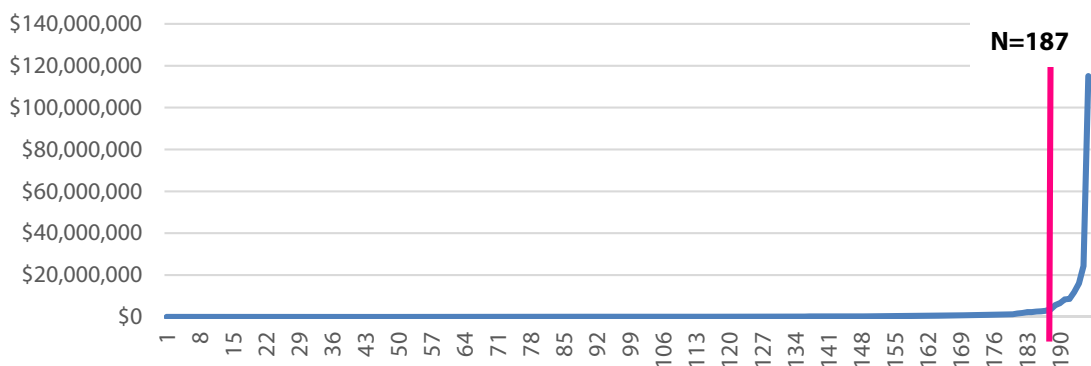
For example, the sample size for the economic impact calculation is different. In order to be included in the economic impact calculation, a response needed to provide expenditure data at a minimum. The total number of companies that provided the necessary expenditure data was 197.

In any mapping exercise of this kind, there will be some responses that do not fit the distribution of the rest of the industry (i.e., outliers). These firms are typically the major players in the industry, with revenues and expenditure often orders of magnitude larger than the average company. Any attempt to extrapolate from the sample to the universe without considering such outliers risks overestimating the contribution of these large companies. Outreach conducted by Nordicity and Music Canada throughout the survey process aimed to ensure that almost all outlier companies were covered in the survey sample.

To achieve a reasonable extrapolation, Nordicity extracted the very largest companies (by volume of expenditures) from the sample. These outlier responses were re-added to the sample after the fact, producing a more accurate depiction of industry expenditures. The following chart shows the distribution of companies by expenditure – the vertical fuchsia line at n=187 indicates the boundary for consideration as an outlier. Ten companies were extracted from the sample as outliers. A similar process was undertaken for all figures presented in the report that required extrapolation.

¹³ Unfortunately, no interviewees located in the northern regions of the province were successfully reached for an interview.

Figure 27: Companies by expenditure category



A.4 Economic Impact Analysis

Overall Approach

To complete the economic impact analysis, Nordicity utilized two different models. The economic impact associated with companies operating in the live music industry was estimated using Nordicity's in-house MyEIA model. Since live music also draws tourists to Ontario, Nordicity used the Ontario Ministry of Tourism, Culture and Sport's Regional Economic Impact Model (TREIM) to estimate any economic impact that could be attributed to incremental tourism expenditures within the province.

Since the vast majority of these tourism expenditures do not represent revenue of companies in the live music business, but rather, represent revenues of hotels and restaurants outside of venues, there is little overlap between the models. Furthermore, while the MyEIA model, which is based on Statistics Canada's Provincial input-Output (I-O) and thereby can provide reliable estimates of standard economic shocks, TREIM is most appropriate model for estimating any economic effects from live music audiences.

To arrive at an estimate of the overall we removed any potential sources of double counting between the MyEIA and TREIM and summed the results.

Company Impact

Using the data collected through the survey, desk research, and interviews, the economic and fiscal impacts associated with companies operating in Ontario's live music industry were analyzed using Nordicity's economic impact assessment methodology, including its MyEIA Model. Nordicity's methodology and MyEIA Model have been developed for the creative industries and the live music industry in particular. This model customization is based on previous analysis of data for the live music industry and a series of interviews held at the beginning of this study).

About MyEIA Model

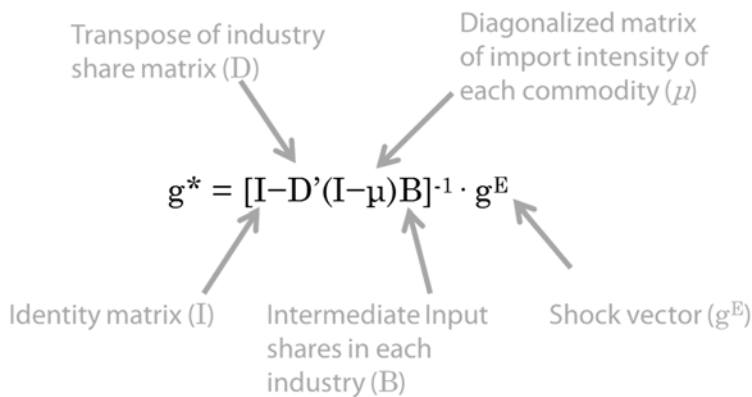
The MyEIA Model is Nordicity's customized in-house model for estimating the direct, indirect and induced economic impacts of economic shocks in the creative sector. These economic shocks can include any increase in economic activity on account of government funding or intervention, or can simply include the economic activity generated by companies or individuals operating in a specific industry.

The MyEIA was constructed using Statistics Canada's Provincial I-O tables and economic multipliers, and provides users with estimates of direct, indirect and induced employment (FTEs), labour income and GDP. It also uses effective tax ratios for different provinces to estimate the tax revenue generated by incremental economic activity.

Statistics Canada's I-O tables provide a detailed breakdown of how 66 commodities (i.e. inputs) are utilized in varying degrees to generate output in 35 different industries. It also indicates the portion of output associated with the value added from suppliers of labour and capital.

These I-O tables can be combined with import ratio (derived from Statistics Canada's final demand tables) to derive the parameters for various matrices, which themselves can be combined into the economic impact model equation in Figure 28.

Figure 28 Equation MyEIA Model Economic Impact Model

$$g^* = [I - D'(I - \mu)B]^{-1} \cdot g^E$$


Labels for the equation components:

- Transpose of industry share matrix (D)
- Diagonalized matrix of import intensity of each commodity (μ)
- Identity matrix (I)
- Intermediate Input shares in each industry (B)
- Shock vector (g^E)

This economic impact model can be used to estimate how output in other industries within the provincial economic respond to an economic shock. The input matrix and average salary data from Statistics Canada can then be used to estimate how changes in output in other industries translate into increases in labour income, GDP and employment.

Before applying this economic impact model, the MyEIA model allows users to enter industry or company data in a format that resembles their own operation rather than Statistics Canada commodity classification. The data-input template for the live music industry is found in Figure 29 (below).

Figure 29 Input Template for MyEIA Live Music Model

Legend		Input data template		
Input cells: <input type="text"/>				
Click on item for definition:				
		Share paid to suppliers inside Ontario	Ontario supply	
Total revenue / operating budget (\$)	<input type="text" value="0"/>			
Operating expenditures (\$):				
1 Employee wages and benefits	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
2 Freelancers/Contract worker wages and benefits	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
3 Rent	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
4 Utilities	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
5 Marketing	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
6 Travel	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
7 Accommodation	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
8 Office supplies and services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
9 Legal and accounting	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
10 Financial services and bank charges	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
11 Insurance	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
12 PURCHASE of fixed technology (e.g. lighting, sound equipment)	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
13 RENTAL of fixed technology (e.g. lighting, sound equipment)	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
14 RENTAL of event-specific technology costs	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
15 Licensing costs (e.g. SOCAN)	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
16 Facility maintenance costs	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
17 Ticketing	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
18 Bar and/or restaurant costs	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
19 Artist development	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
20 Programming costs (i.e. paying artist managers)	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
21 Other event costs	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
22 Computer services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
23 Office equipment	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
24 Other professional services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
25 Telecommunication services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
26 Other copyright fees and royalties	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
27 Cost of goods sold (i.e. manufacturing costs)	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
28 Distribution and wholesaling	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
29 Construction	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
30 Printing and publishing	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
31 Other equipment rentals	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
32 Real estate services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
33 Education and training	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
34 Health and social services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
35 Government services	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
36 Other expenses	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
37 Depreciation	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>
38 Interest expenses	<input type="text" value="0"/>	<input type="text" value="100%"/>		<input type="text" value="0"/>

The MyEIA Model then maps this operating data to the commodity classifications in Statistics Canada I-O tables so that the economic impact model can be applied.

Direct Impact

The direct impact refers to the increase in employment, wages and GDP directly within the live music industry. If an industry maps perfectly to one of the 234 industries listed in Statistics Canada's Provincial I-O Multipliers 2010 (Catalogue No. 15F0046XDB), then those multipliers can be reliably applied to any change in output to derive estimates of direct impacts. However, if an industry is a subset of a listed industry or crosses over several different listed industries than the published multipliers may not be suitable.

The live music industry is not one of the 234 listed industries, so a first-principle bottom-up approach was used to estimate direct impacts. Under that approach, Nordicity converted the data from the survey and secondary sources for revenues and operating expenditures into estimates of employee wages and operating surplus. The estimates of employee wages and operating surplus were summed to arrive at an estimate of the direct GDP generated by the live music industry. Separate survey data on the number of workers in the industry and their FTE employment were used to estimate direct employment.

Indirect Impact

To estimate the indirect impacts, Nordicity applied the economic impact model outlined in Figure 28. This estimation process involves the following steps:

- Live music companies' purchases of supplies and services from other industries are mapped to the industries in Statistics Canada's I-O tables.
- Supply ratios (i.e. the portion of total purchases made from Ontario-based businesses) are applied to isolate the expenditures that stayed within the province.
- These adjusted expenditures are used to form the g^E vector in the economic impact model (see Figure 28).
- The economic impact is applied to this vector to generate estimates of how output changes in each industry on account of the purchase of supplies and services in the province.
- The wage and GDP ratios for each industry are used to convert these estimates of changes in output to estimates of changes in wages and GDP.
- The wage impacts are summed and divided by the average full-time salary in the province to estimate the number of indirect impact FTEs.
- The wage and GDP impacts in each industry are summed to arrive at estimates of the total indirect impacts on labour income and GDP in the province.

Induced Impact

The economic impact model outlined above can only estimate the induced impacts within the supply chain. Additional calculations are required to estimate the induced impact associated with the re-spending or labour income earned at the direct and indirect impact stages. Statistics Canada

published Type II multipliers (Catalogue No. 15F0046XDB) were used to deduce induced impact ratios (for labour income and GDP) that could be used to estimate these wage-related induced impacts.

Total Economic Impact

The total economic impact is equal to the sum of the direct, indirect and induced economic impacts. Based on these estimates of economic variables, Nordicity derived estimates of the total impacts that each activity has on GDP, labour income and employment in Ontario.

Fiscal Impact

The fiscal impact module within the MyEIA Model is based on average effective tax ratios for personal income, corporate, consumption (i.e., sales), and property taxes. These effective tax ratios were derived by comparing government-revenue data published by Statistics Canada (CANSIM 385-0001) to statistics for total wages and GDP in the provincial and national economies.

The ratio of personal income taxes to total wages was used to derive an effective tax ratio for personal income tax. The other tax ratios were based on comparisons to GDP. For example, the effective tax ratio for consumption taxes was based on the ratio of revenue from consumption taxes to GDP.

Effective tax ratios were derived for both provincial and federal taxes. Property taxes were included under the category of provincial taxes since municipal governments fall under the jurisdiction of provincial governments in Canada. These effective tax ratios were applied to the estimates of total labour income and GDP generated by the MyEIA Model (i.e. including direct, indirect and induced impacts) to generate estimates of federal and provincial tax revenue generated by the live music industry.

Tourism Impact

Finally, Nordicity has also attempted to capture the impact of the tourism stimulated by the live music industry in Ontario, using the Ontario Ministry of Tourism, Culture and Sport's (MTC) Tourism Regional Economic Impact Model (TREIM) and its baseline economic environment table.¹⁴

To prepare this analysis, Nordicity used visitor data gathered (via the online survey) from festivals operating in Ontario.¹⁵ This data included total tickets sold, total unique visitors, and data on the origin of those visitors (Figure 17). Using those figures, the number of visitors per origin was calculated, as represented below.

¹⁴ For more detail on TREIM, see: <http://www.mtc.gov.on.ca/en/research/treim/treim.shtml>. Property taxes were estimated using incremental revenue only, and business profits margin were assumed to be fixed.

¹⁵ As noted in the body of the report, insufficient data was supplied by venues to include their tourism impact in the economic impact analysis.

Table 9: Visitors by origin

	Total	Local	Ontario	Canada	USA	Overseas
Total Tickets Sold	15,708,811	11,321,623	2,744,212	876,974	513,394	252,609
Total Visitors	13,666,805	9,849,912	2,387,489	762,975	446,657	219,772

Source: Nordicity survey of live music in Ontario (2014). Note: while the Nordicity survey did not differentiate between USA and Overseas visitors, Nordicity used data from MTCS on visitors to 'cultural performances' to estimate the portion of those visitors from the USA (67%) and from Overseas (33%).

As the TREIM model includes visitor spending on "culture" such as music festivals, the tourism impact would – left unaltered—overlap to some degree with the company-based economic impact estimated using MyEIA. Accordingly, Nordicity used data on the "Festival and Fairs" components of TREIM provided by MTCS to construct an expenditure profile that excludes "culture" spending (for each visitor origin). The results are represented below:

Table 10 - % of visitor spending by origin

Spending Category	Ontario	Canada	USA	Overseas
Canadian Fares	0.0%	0.0%	11.0%	33.3%
Other Public Transport	4.1%	21.8%	2.3%	2.4%
Vehicle Rental	0.4%	4.7%	2.7%	3.7%
Vehicle Operations	20.3%	9.3%	4.1%	2.2%
Local Transport	1.7%	2.0%	2.4%	2.0%
Accommodation	15.9%	18.8%	31.7%	19.0%
Food & Beverage at Stores	12.0%	6.2%	6.1%	3.9%
Food & Beverage at Restaurants/Bars	27.0%	23.9%	22.4%	14.7%
Recreation	1.7%	1.9%	1.4%	0.8%
Clothing	14.9%	9.6%	11.8%	14.4%
Other Retail	2.0%	1.8%	4.0%	3.6%
Total	100%	100%	100%	100%

To use these ratios, Nordicity needed to estimate the total spend per visitor. To that end, MTCS's data on the average spending visitor per night (by origin) and average number of nights per stay (by origin) were used to calculate the average spending per visitor. This calculation is shown below:

Table 11: Spending per Person

Origin	Average Spend per Visitor per Night (A)	Average Nights per Stay (B)	Spend per Visitor (A*B)
Ontario	\$106.84	1.93	\$206.68
Canada	\$130.52	5.21	\$679.87
USA	\$112.39	4.39	\$493.89
Overseas	\$95.47	12.77	\$1,219.34

While the above calculations may estimate the *total* amount spent by visitors, not all of that spending can be attributed to the music festival. For example, a visitor may come to Ontario to visit friends or relatives – and then attend a festival because they are already in the province. As such, it was required to apply an “attribution rate” to the spending data. To that end, Nordicity used MTCS data for “Fairs and Festivals” to estimate the primary purpose for visiting for each origin, using those visitors who indicated “pleasure” as their primary purpose as a proxy. The results are depicted below:

Table 12: Pleasure visits by origin

	Ontario	Canada	USA	Overseas
Total Visits	1656356	158155	544943	234181
Pleasure Visits	881835	40651	353915	101632
% Pleasure	53.2%	25.7%	64.9%	43.4%

With both the spending pattern (less culture spending) and total spend per visitor established – along with the portion of that spending that should be attributed to music festivals, Nordicity calculated the total spending per visitor per spending category for each origin. The results are depicted below:

Table 13: Spending by category and origin

Spending Category	Ontario	Canada	USA	Overseas	All Visitors
Canadian Fares	\$-	\$-	\$10,557,652	\$45,330,629	\$55,888,281
Other Public Transport	\$5,152,116	\$73,579,089	\$2,235,550	\$3,258,068	\$84,224,823
Vehicle Rental	\$540,966	\$15,758,341	\$2,579,401	\$5,072,027	\$23,950,735
Vehicle Operations	\$25,691,071	\$31,306,679	\$3,925,547	\$2,933,750	\$63,857,047
Local Transport	\$2,162,619	\$6,709,534	\$2,252,315	\$2,671,042	\$13,795,510
Accommodation	\$20,203,814	\$63,339,368	\$30,373,888	\$25,796,184	\$139,713,254
Food & Beverage at Stores	\$15,266,828	\$20,900,281	\$5,810,327	\$5,262,417	\$47,239,852
Food & Beverage at Restaurants/Bars	\$34,246,256	\$80,628,068	\$21,448,200	\$20,052,578	\$156,375,102
Recreation	\$2,103,166	\$6,456,639	\$1,348,170	\$1,076,165	\$10,984,140
Clothing	\$18,933,107	\$32,273,600	\$11,338,681	\$19,571,013	\$82,116,401
Other Retail	\$2,531,752	\$5,934,691	\$3,867,669	\$4,936,518	\$17,270,630
Total	\$126,831,694	\$336,886,290	\$95,737,400	\$135,960,391	\$695,415,774

The figures from the “All Visitors” column above were then entered into the TREIM interface to produce the results depicted in Section 3.3.

