



LICENSING DIGITAL
MUSIC
IN CANADA



REPRESENTING CANADA'S MAJOR LABELS

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SERVICE PROVIDERS' GUIDE TO DIGITAL MUSIC IN CANADA

WELCOME TO CANADA'S DIGITAL MUSIC MARKET

This guide has been prepared for businesses seeking to start a digital music service in Canada. Here you will find information on market opportunities, Canadian consumer preferences, music licensing, and more.

Canada's music market is in transition. Every year, more Canadians buy and enjoy music online and on mobile devices.

Canada's major and leading independent record labels are proactively helping digital music service providers succeed through initiatives such as this guide. Beyond this, Canada's recently reformed copyright framework offers the prospect of an improved legal environment for digital music.

The time is right to get your digital music business started in Canada. Canada's major and leading independent record labels, in association with their trade association, Music Canada, look forward to helping you navigate and maximize the opportunities for success.

CANADIAN MARKET SNAPSHOT

Country Stats	
Population (Jan. 1, 2011) ¹	34.3 million
GDP (2010) ²	\$1.65 trillion
World Rank of Economy (2010) ³	10th
GDP per Capita (2008) ⁴	US\$43,100
Median Age	41
Official Languages	English/French

1 Statistics Canada

2 Ibid

3 International Monetary Fund

4 Statistics Canada

Canada's Music Market

World Rank (2011)⁵

Overall: 7th
Physical: 7th
Digital: 7th

Recorded Music Retail Sales (2011)⁶

US\$535.2 million

Digital Music Retail Sales (2011)⁷

US\$226.9 million

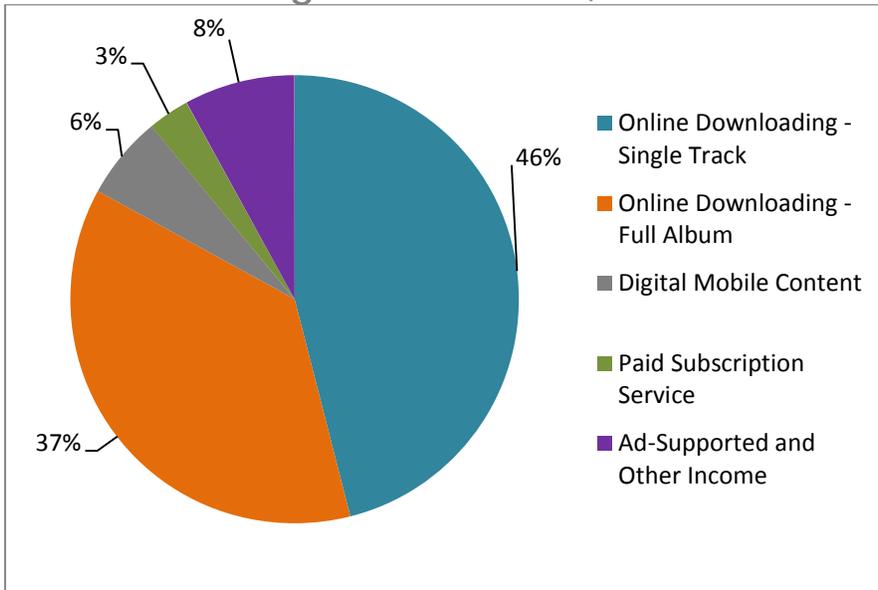
Digital Share of Retail Sales⁸

42%

Digital Sales Growth⁹

2011: 28%
2010: 11%

Breakdown of Digital Music Sales, 2011



SOURCE: International Federation of the Phonographic Industry (IFPI), "2012 Recording Industry In Numbers"

⁵ International Federation of the Phonographic Industry (IFPI), "2012 Recording Industry In Numbers"

⁶ Ibid

⁷ Ibid

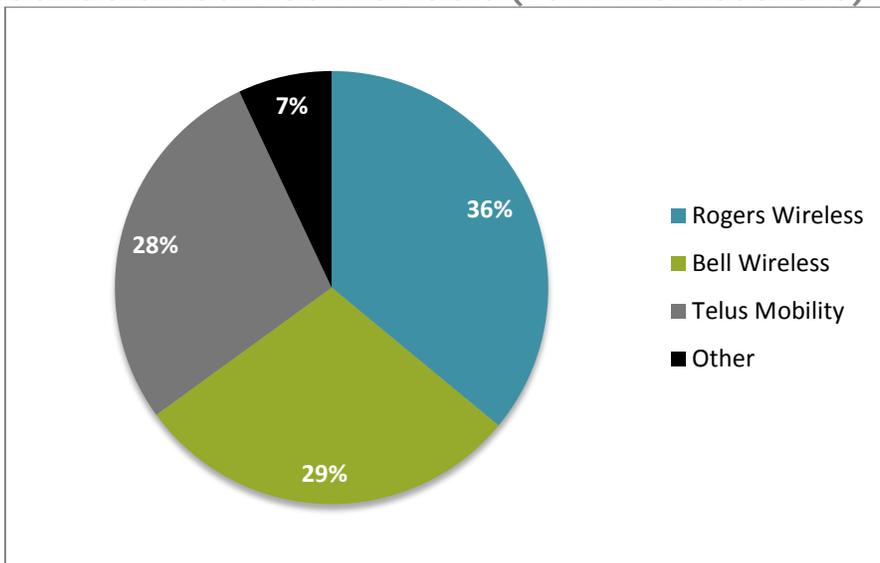
⁸ Ibid

⁹ Ibid (based on year-over-year retail value of digital music sales, in US\$)

Canada's Digital Landscape

Internet access (% of households with access to the Web) ¹⁰	79%
Households with broadband ¹¹	9.5 million
Mobile subscriptions (as of Q1 2011) ¹²	24.7 million
Smartphone users ¹³	8.1 million
Portable media player users ¹⁴	8.0 million
World rank in internet use (volume of data per capita) ¹⁵	2
Facebook – # users / world rank ¹⁶	16.6 million / 12
Proportion of online Canadians who visit social networks weekly/daily ¹⁷	45% / 30%

Canadian Service Providers (2011 market share)



SOURCE: CWTA Subscriber Stats, Q1 2011

¹⁰ Statistics Canada, "Canadian Internet Use Survey", May 25, 2011

¹¹ IFPI, "2011 Recording Industry in Numbers"

¹² Canadian Wireless Telecommunications Association (CWTA)

¹³ IFPI

¹⁴ Ibid

¹⁵ OECD Communications Outlook 2011

¹⁶ www.nickburcher.com (stat as of July 2011)

¹⁷ Ipsos Reid (stats as of July 2011)

CANADIAN MUSIC CONSUMERS

Canada's major and leading independent record labels, in association with Music Canada, commissioned a national survey on Canadians' relationship to music and their digital music preferences. The research, conducted independently by Environics Research Group in mid-2011, identified valuable market insights. Selected highlights are provided below.

Canadians' Relationship to Music

Canadians love music: about half of Canadians say that "music is important to me" or "music is my life."

We like variety: about 70% of music buyers prefer to sample, buying one or two songs or albums from a wide range of artists. The rest prefer to buy all or most albums from a smaller group of favourite artists.

YouTube has emerged as the favourite place to share music: almost 40% of Canadians say they share music by emailing links to music videos on YouTube. The younger they are, the more they share. (Note: most survey respondents said they do not share music).

We listen while on the move: more than a quarter of Canadians listen to music "most often" with in-car stereo systems while almost one-fifth most often use iPods. This compares to home stereo/theatre systems (14%), desktop computers (13%), and laptops (11%).

Buying Music Online

Younger Canadians are online music buyers: Two-thirds of consumers 13 to 17 years old, and more than half of 18 to 49-year-olds, say they bought music downloads in the past year.

Canada is a digital greenfield opportunity: About half of Canadians say they have never purchased downloadable music. Those buying downloads reported spending \$54 on average, and purchasing more online year-over-year.

Night time is buying time: Almost 70% of downloadable music files are purchased in the evening. About one-quarter are bought in the afternoon.

Streaming Music Preferences

We like digital streaming: Almost one in five Canadians spent money on digital movie/TV streaming services in the past 12 months, reporting an average spend of \$69.

Make it free, please (unless...): Two-thirds of Canadians want digital streaming music to be free. However, many say they will accept a monthly fee in exchange for more features, such as no ads (more than a third will pay \$2.50 per month; 14% will pay \$15).

What matters: After price, Canadians rank the number of ads played as the most important attribute in a streaming music service. Few respondents put a high priority on other attributes such as multi-device usability or being able to play streamed music while not connected to the Internet.

No more contracts: About three-quarters of Canadians agree that they “don’t need another contract” on top of the mobile, broadband and other contracts they already have, to buy digital music.

About the Survey

The research was conducted independently by Environics Research Group via a national online survey of 1,180 Canadians aged 13 and older, from June 27 to July 6, 2011.

For more details on the research findings, please contact Music Canada.

MUSIC LICENSING: A HOW-TO GUIDE

Introduction

The key players and rights involved in licensing music in Canada closely mirror those of other major markets. Licensing ensures that rights holders, including the artists who create the music offered through digital services, are fairly compensated for their work.

The types of licences required vary depending on the type of digital music service. These variations – and the rights holders involved – are outlined below.

Depending on the digital service, the rights may be licensed directly from rights holders or, where tariffs apply, from collectives, under pre-defined terms. Tariffs are certified by the Copyright Board of Canada, a government tribunal.

Key Terminology

Reproduction Right – the right of music labels, performers and songwriters/music publishers to control copying of their music.

Communication Right – the right of music labels, performers and songwriters/music publishers to be paid when their music is communicated to the public by telecommunications.

Getting Started

Digital music service providers are invited to contact Sacha Isaacksz, Director, Legal & Business Affairs, Digital Business Development at AVLA Audio-Video Licensing Agency Inc. Sacha can be reached at 416-922-8727 ext. 107 or Sisaacksz@avla.ca.

Or refer to the guide below, which is followed by contact information for each rights holder.

Digital Download Services

SERVICE DESCRIPTION

Services that provide permanent music downloads.

EXAMPLES of services operating in Canada

iTunes Canada, Hip Digital, Puretracks, Archambault, 7Digital, HMV Digital, Puretracks, Blackberry Music, Bell

Artists/Record Labels

1. Sound recordings are licensed directly with each record label.
 - See list of record labels below

Music Publishers/Songwriters

2. Reproduction rights in musical works (compositions) are licensed under Copyright Board tariffs.
 - Contact CSI

Non-interactive or Semi-Interactive Streaming Services

SERVICE DESCRIPTION

Non-interactive streaming is fully controlled by the provider, i.e. users cannot control the content streamed. *Semi-interactive* streaming allows user-influenced or customized playlists, or allows users to fast-forward/skip tracks.

EXAMPLES of services operating in Canada

Galaxie Mobile, Slacker Radio, Songza, CBC Music

Artists/Record Label

1. Communication rights are licensed under Copyright Board tariffs.
 - **Contact Re:Sound**
2. Sound recordings can be licensed through AVLA (for English Canada) and SOPROQ (for Quebec) who together represent over 1000 record labels in Canada.
 - **Contact AVLA, SOPROQ**

Music Publishers/Songwriters

3. Communication rights in musical works (compositions) are licensed under Copyright Board tariffs.
 - **Contact SOCAN**
4. Reproduction rights in musical works (compositions) are licensed under Copyright Board tariffs.
 - **Contact CSI**

Online/Mobile On-Demand Streaming Services

SERVICE DESCRIPTION	Services that provide online and/or mobile on-demand streaming. Users have full control over selection and timing of the tracks streamed.
EXAMPLES of services operating in Canada	Rdio, BBM Music, Sony Music Unlimited, Deezer, Zik, Rara
Artists/Record Labels	<ol style="list-style-type: none">1. Sound recordings are licensed directly with each record label.<ul style="list-style-type: none">▪ See list of record labels below
Music Publishers/Songwriters	<ol style="list-style-type: none">2. Communication rights in musical works (compositions) are licensed under Copyright Board tariffs.<ul style="list-style-type: none">▪ Contact SOCAN3. Reproduction rights in musical works (compositions) are licensed under Copyright Board tariffs.<ul style="list-style-type: none">▪ Contact CSI

Streaming Music Videos

SERVICE DESCRIPTION	Services that stream music videos.
EXAMPLES of services operating in Canada	Youtube, Vevo
Artists/Record Labels	<ol style="list-style-type: none">1. Sound recordings are licensed directly with each record label.<ul style="list-style-type: none">▪ See list of record labels below
Music Publishers/Songwriters	<ol style="list-style-type: none">2. Communication rights in musical works (compositions) are licensed under Copyright Board tariffs.<ul style="list-style-type: none">▪ Contact SOCAN3. Reproduction rights in musical works (compositions) through CMRRA.<ul style="list-style-type: none">▪ Contact CMRRA

Reporting Requirements

Reporting templates used by record labels in Canada are consistent with those used in other jurisdictions. Further details are available on request.

Licensing Contacts

Music Licensing Collectives

AVLA	Audio-Video Licensing Agency Inc.	www.avla.ca	Sacha Isaackz	(416) 922-8727 x107 Sisaacksz@avla.ca
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AVLA administers licensing in Canada for the reproduction of sound recordings and reproduction and broadcast of music videos on behalf of copyright owners (usually, record companies). AVLA has more than 1,000 members.

CSI	CMRRA-SODRAC Inc.	www.cmrrasodra.ca/en	Natacha Labelle	(416) 926-1966, ext. 252 nlabelle@cmrrasodrac.ca
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CSI licenses the reproduction rights in the joint repertoire of CMRRA and SODRAC to various music users, including radio stations, background music services and online music services. Together, CMRRA and SODRAC represent the vast majority of songwriters and music publishers whose songs are active in the Canadian market place.

Re:SOUND	Re:Sound Music Licensing Company	www.resound.ca	General Line	(416) 968-8870 info@resound.ca
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Re:Sound represents artist and record companies, administering their rights for performance and broadcast of their work in Canada, and through collaboration with international counterparts abroad.

SOCAN	Society of Composers, Authors and Music Publishers of Canada	www.socan.ca	Marc Paquette	newmedialicensing@socan.ca (416) 445-8700 x 3514 paquettem@socan.ca
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SOCAN is the Canadian copyright collective that administers the performing rights of over three million Canadian and international music creators and publishers by licensing their musical works in Canada.

SOPROQ	Quebec Collective Society for the Rights of Makers of Sound and Video Recordings	www.soproq.org	Sébastien Sangollo	(514) 842-5147 x 231 ssangollo@soproq.org
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The Quebec Collective Society for the Rights of Makers of Sound and Video Recordings (SOPROQ) represents more than 825 members in Quebec and administers licensing on their behalf for the reproduction of sound recordings and reproduction and broadcast of music videos.

Major Record Labels

EMI Music Canada	www.emimusic.ca	Ralph Singh	(416) 583-5027 ralph.singh@emimusic.ca
Sony Music Canada	www.sonymusic.ca	Andrew Lindsay	(416) 589-3092 andrew.lindsay@sonymusic.com
Universal Music Canada	www.umusic.ca	Darlene Gilliland	(416) 718-4135 darlene.gilliland@umusic.com
Warner Music Canada	www.warnermusic.ca	Rob Bolton	(416) 758-1126 rob.bolton@warnermusic.com

Indie Record Labels

Alert Music	http://www.alertmusic.com/	Tom Berry	(416) 354-4200 tom@alertmusic.com
Awesome Music	http://awesomemusic.ca/	Asim Awesome Awan	(416) 583-5050 awesome@pathcom.com
Cordova Bay Entertainment Group, Inc	http://www.cordovabay.com	Jocelyn Greenwood	(250) 361-1444 jocelyn@cordovabay.com
David C. Cook	http://www.davidccook.ca/	Linda Klotz	(905) 641-0631 x 219 Linda.klotz@davidccook.ca
Dine Alone Music Inc.	http://dinealonerecords.com/	Lisa Logutenkow	(416) 585-7885 lisa@bedlammusicmgt.com
Distribution Select	http://www.distributionselect.ca	Nicolas Palhier	(514) 566-8098 Nicolas.palhier@select.quebecor.com
E1 Entertainment	http://www.eonedistribution.ca/	William Crowley	(516) 484-1000 x 271 WCrowley@EntOneGroup.com
MapleCORE Ltd.	http://www.maplecore.com/	Avi Diamond	(416) 961-1040 Avi.Diamond@maplemusic.com
Pacemaker Entertainment Ltd.	http://www.pacemaker.cd/	Vic Goldman	(416) 483-9816 vic@pacemaker.cd

Paper Bag Records	http://paperbagrecords.com	Ari Kaplan	(416) 260-1515 ari@paperbagrecords.com
Roadrunner Records	http://www.roadrunnerrecords.ca/	Dean Pogue	(416) 758-1181 pogue@roadrunnerrecords.com
Slaight Music	http://slaightmusic.com/	Derrick Ross	(416) 934-7419 derrick.ross@slaight.com
Troubadour Music Inc.	http://www.raffinews.com/contact/mission	Judy Wilson	(250) 539-3588 jwilson@troubadourmusic.net
Wax Records	http://www.waxrecords.com/	Ron Morse	(416) 758-1151 ron@waxrecords.com
Canadian Independent Music Association	http://www.cimamusic.ca/	Stuart Johnston	(416) 485-3152 x 232 stuart@cimamusic.ca

Additional Resources

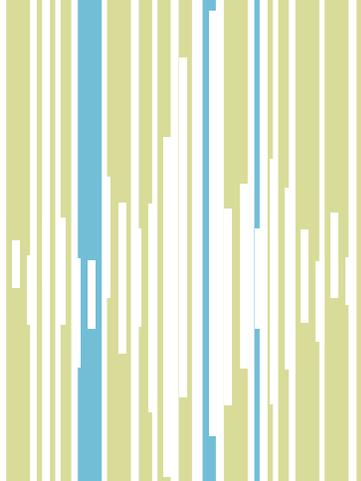
Canada music sales statistics	www.musiccanada.com
IFPI Digital Music Report 2011 (includes list of leading digital music services in Canada)	http://www.ifpi.org/content/library/DMR2011.pdf
More IFPI statistics	www.ifpi.org/content/section_statistics/index
Statistics Canada Sound Recording and Publishing Statistics	http://www40.statcan.ca/l01/cst01/arts69a-eng.htm
PWC Global Entertainment and Media Outlook	http://www.pwc.com/ca/en/entertainment-media/outlook/index.jhtml
Music tariffs certified by the Copyright Board of Canada	www.cb-cda.gc.ca/tariffs-tarifs/index-e.html
Pro-Music's global list of digital music services	http://www.pro-music.org/

The information in this guide is intended solely as an overview and should not be considered as legal advice. Businesses seeking to establish operations in Canada should consult independent Canadian legal counsel.

This document was updated on October 17, 2012. The information is subject to change.

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CANADA





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