



LICENSING DIGITAL
MUSIC
IN CANADA

music 
CANADA

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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

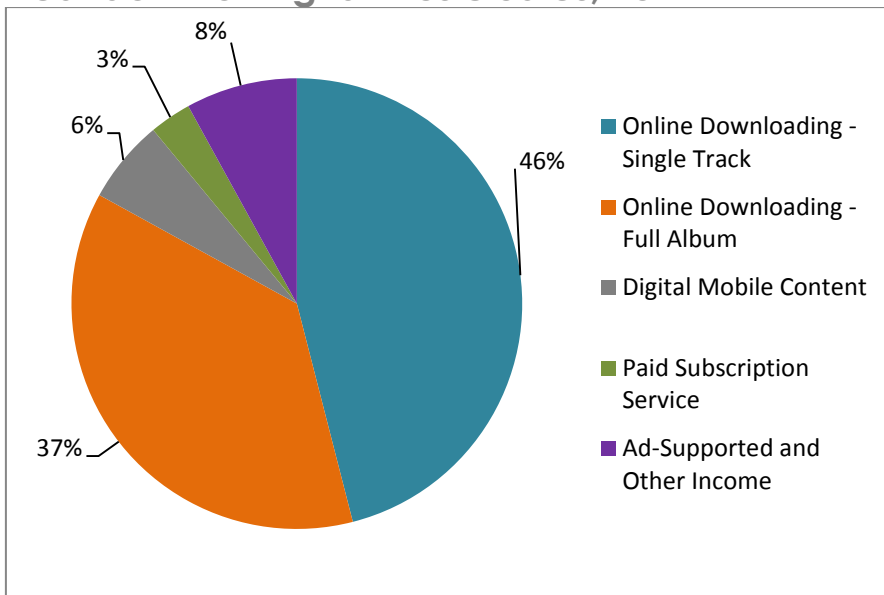
Digital Share of Retail Sales⁸

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

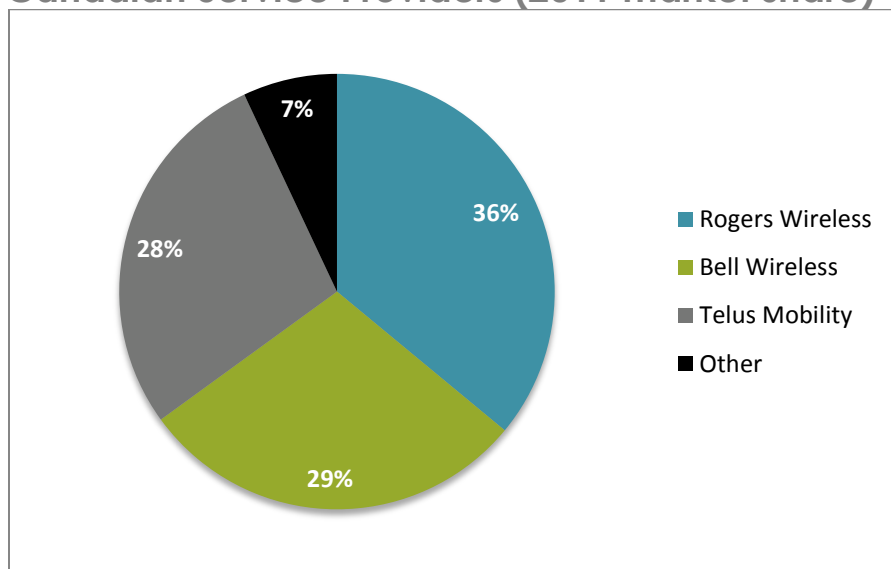
⁸ Ibid

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, 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, Xbox Music |
| 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 |
|-------------|-----------------------------------|--|---------------|---|

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 |
|------------|-------------------|--|-----------------|--|

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 |
|-----------------|----------------------------------|--|--------------|--|

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 |
|--------------|--|--|---------------|---|

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 |
|---------------|--|--|--------------------|--|

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

| | | | |
|-------------------------------|--|----------------|--|
| Sony Music Canada | www.sonymusic.ca | Andrew Lindsay | (416) 589-3092 andrew.lindsay@sonymusic.com |
| Universal Music Canada | www.umusic.ca | Jon Box | (416) 718-4422 jon.box@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://www.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://saightmusic.com/ | Derrick Ross | (416) 934-7419 derrick.ross@saight.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

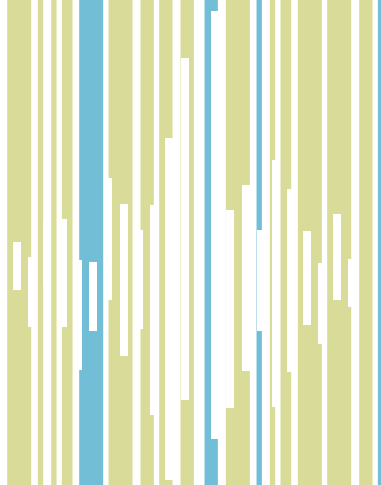
<http://www.pro-music.org/>

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 July 4, 2013. The information is subject to change.

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