



## NEWS RELEASE

### **Copyright Board Sets Royalties to Be Paid by Satellite Radio Services for Their Use of Music for the Years 2005 to 2010**

*April 8, 2009*

**Ottawa.** The Copyright Board of Canada today issued a decision dealing with satellite radio. There are currently two Canadian corporations that are entitled to offer satellite radio services in Canada under a CRTC broadcasting licence: Sirius Satellite Radio and Canadian Satellite Radio Inc. (XM Canada). Both services provide a mix of music and talk channels to their subscribers.

Three copyright collective societies filed proposed tariffs for the use of their repertoire by the satellite radio services: the Society of Composers, Authors and Music Publishers of Canada (SOCAN), the Neighbouring Rights Collective of Canada (NRCC) and CMRRA/SODRAC Inc. (CSI). Today's decision deals with all three tariffs.

The examination of these matters was consolidated at the request of the satellite radio services. Because the targeted uses, that is, the communication and reproduction of musical works and the communication of sound recordings, relate to a single set of operations required to do business, it was highly probable that the evidentiary overlap would have been substantial. The consolidation contributed to reducing the burden of participation in the hearings for all parties involved.

The tariff rates are set at 4.26% of total revenues in respect of the communication of musical works (to be collected by SOCAN) and at 1.18% for the communication of sound recordings (to be collected by NRCC). The rates for the reproduction of musical works (to be collected by CSI) are set as a function of the types of reproduction made: 0.09 % for reproductions made in the course of programming, 1.84% for reproductions involved when a receiver has extended buffer and replay functions, and 2.81% for reproductions made when a receiver has MP3-like functionalities.

According to the parties, the proportion of receivers having advanced copying functionalities was low in 2006. Based on this information, the average CSI rate is about 0.8%. The satellite radio services can therefore expect to pay a total rate of about 6.2% for the use of music. "This is lower than the total equivalent rates of 7.1% set by the Board, that conventional commercial radio stations pay to obtain similar licences", said Claude Majeau, Secretary General of the Board. Mr. Majeau added that "the U.S counterparts of the satellite radio services currently pay 6.5% for the right to only broadcast sound recordings; that rate will increase to 8% in 2012."

The Board also recognized the difficult financial situation of the satellite radio services, as a result of, among other challenges, the high front end costs they had to incur to launch their services. The satellite radio services themselves expect to be profitable only by about the year 2010. Hence, rates certified by the Board include discounts of 25% for the years 2005 to 2007 and of 10% for 2008 and 2009. As a result of these discounts, the applicable rates for 2009 will total about 5.6%, rather than 6.2%.

The rates the Board certifies will generate about \$1 million in royalties for all three Collectives in 2006. However, at the time of the hearing, the Satellite Radio Services were expecting rapid growth such that in 2009, revenues could be multiplied by a factor of 10 compared to 2006, leading to a similar increase in royalties.

For more information, please contact:

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Note: The reasons along with the certified tariff can be found on the Board's Website under "What's New – Recent Decisions" at: <http://www.cb-cda.gc.ca/new-e.html>