



CIMA

Canadian Independent Music Association

Presentation to:

The Canadian Radio-television and
Telecommunications Commission

Re: Broadcasting Notice of Public Hearing CRTC 2012-224

Application 2012-0064-1

Application by Sirius XM Canada Inc. to renew the broadcasting licence for the satellite
subscription radio programming undertakings Sirius Canada and XM Canada, expiring
31 August 2012

Presented by:

Stuart Johnston, President
June 21, 2012

Thank you very much for the opportunity to address you today.

My name is Stuart Johnston, President of the Canadian Independent Music Association.

First off, I would like to express my sincere congratulations to the Chair for his most recent appointment. I look forward to working with you and your colleagues over the next five years.

CIMA has represented the interests of Canada's English language music production companies for the past 37 years.

We represent more than 180 small and medium sized Canadian-owned businesses and professionals engaged in the worldwide production and commercialization of Canadian independent music...who in turn represent many times that number of Canadian artists and bands. My members include Canadian-owned recording companies, music publishers, managers, agents, artists and other music industry professionals from across the country.

I am here to speak to SiriusXM's licence renewal application. To begin with, CIMA wants SiriusXM to continue broadcasting in this country, and would therefore support the renewal of its license – with a few, very important and fundamental caveats of course.

First off, CIMA and its members believe that SXM delivers a high quality service to the Canadian public and to my industry in general.

My members appreciate the broad reach in terms of potential listeners that SXM has from coast to coast to coast. From large urban centres to the most rural of villages, Canadians are able to access the multitude of channels that SiriusXM offers to its subscribers in their homes, and through online, mobile and in-car devices. This potentially exposes millions of Canadians to the great music that my members and their artists create.

We note with interest SXM's recent submission to the Commission, in which it outlines its new channels under its combined, corporate brand. CIMA is pleased that SXM appears to be increasing the number of Canadian-produced music channels by three, and that eight of its 10 music channels will have a very strong focus on Canadian independent artists. We are also pleased that SiriusXM is making an effort to comply with its licence obligation to feature one Canadian-produced channel for every nine non-Canadian produced channels offered to subscribers.

Indeed, SXM notes that many of these music channels will feature 90 percent to 100 percent of Canadian content – which exceeds its licence mandate to broadcast a minimum of 85 percent Canadian music.

We acknowledge SXM's plans, which seem to fulfill its licence obligation that at least 60 percent of its Canadian-produced lineup must be music channels. When one considers the total number of music channels from both Sirius and XM, this 60 percent threshold is met. However, CIMA points out to the Commission that when one views the number of music channels from a subscriber point of view, the math is slightly different.

While Sirius subscribers will enjoy eight Canadian-produced music channels, which constitute 67 per cent of its music line up, thereby meeting its licence obligations...XM subscribers will only be able to access seven Canadian-produced music channels....or 58 percent of its license obligation.

CIMA understands that SXM is now a singular entity, with only one, combined license application. We ask the Commission whether it believes, as we do, that XM subscribers must be able to access the same level of Canadian music as Sirius subscribers. This can be done by adding at least one more Canadian-produced music channel to the XM lineup...and by ensuring that all subscription packages offer the same level of Canadian-produced music channels, regardless if one is a Sirius or XM subscriber.

This is a very important position of my members.

In a broader sense, it is unfortunate that only 10 percent of SXM's total broadcast package is Canadian...and of that, a little more than 60 percent is dedicated to domestic, independent music. This is a very low figure, and demonstrates a disconcerting lack of exposure of Canadian music artists to Canadian audiences through satellite radio, particularly in relation to the disproportionate amount of foreign music to which Canadians are exposed.

We acknowledge SXM's position that the number of Canadian channels is physically limited due to a finite level of bandwidth available on the US satellite network. However, if and when additional bandwidth does become available, CIMA would strongly recommend that SXM gives serious consideration to expanding the number of Canadian-produced music channels at that time.

Canadian Content Development Funds

CIMA has a deep appreciation of the important role that broadcasters play in Canada. CIMA and my membership enjoy a healthy working relationship with the broadcast industry, and believe that we have an important, symbiotic relationship that serves to benefit all Canadians.

CIMA gratefully acknowledges the significant financial contributions that SXM has made to the independent industry over the years. Its CCD contributions are very important to the growth and viability of Canadian independent music, particularly in these recent years when we have experienced dramatic declines in revenues.

SXM's combined CCD of over \$12 million in its last fiscal year is a significant contribution to the Canadian-owned music industry...but it is also of a significant enough level that its reduction will create a tangible and detrimental impact on the sector that I represent.

CCD funds are the lifeblood of my industry. They provide much needed capital to help the industry grow.

Every penny of CCD funds is effectively and successfully leveraged to support and develop Canadian artists as well as the businesses behind them. These funds enable businesses and associations to record, promote, support, develop and market a broad range of artists, from the 'export-ready' to the grassroots levels – both domestically and abroad.

In an industry where margins are very narrow, revenues are depressed and cash flow is a constant challenge, every dollar of support goes a long way towards growing the industry and developing and promoting our artists. This in turn provides new and greater repertoire for SXM and others to broadcast, thereby expanding the musical catalogue for its playlists and its subscribers to enjoy.

To illustrate, SXM is one of several important partners in CIMA's global exporting and investment strategy.

This economic development strategy is truly a public-private partnership, wherein CIMA works to establish the Canadian music industry's business presence worldwide...while providing opportunities for our artists to showcase their exceptional talent.

In short, CIMA acts in the capacity of a music export office – but our missions would not be possible without the generosity and support of partners such as SiriusXM.

Its longstanding support of CIMA's key business and showcasing event at the annual SXSW music conference and festival in Austin, Texas...has given our emerging artists and their labels – as well as the Canadian brand – outstanding coverage and exposure....which they would otherwise not have at this strategic event.

SXM's sponsorship of the Canadian Blast BBQ and showcase, and its live broadcast is a key marketing tool for CIMA and our members at SXSW, and we truly value that partnership.

SXM's sponsorship underwrites the costs of our BBQ, the performances, showcase production, marketing and promotion...and enables CIMA to leverage this event to invite between 400-500 key international VIPs...key business contacts for our Canadian music representatives to meet and conduct business with.

This year, CIMA's delegates reported almost \$3 million worth of business completed or initiated during our SX mission...and the Canadian Blast BBQ is a key component of that strategy. That's a \$3 million infusion into the industry and by extension the Canadian economy, thanks in large part to our partners like SiriusXM.

Clearly, CIMA believes that SiriusXM's CCD contributions are needed, and absolutely appropriate.

If the applicant were to lower its CCD by 90 percent -- from five percent of gross revenues to 0.5 percent -- it would mean that its contribution last year would have been reduced by almost \$11.5 million! This would have had profound implications and a ripple effect on the entire industry. As such, the level of CCD as set by the Commission in 2005 was and still remains appropriate.

Clearly, CIMA is strongly opposed to the reduction of CCD levels by SiriusXM.

Satellite radio is a unique service, one that is virtually unmatched in certain respects. It enjoys a virtual monopoly, and is unique in that its broadcast can reach every corner and coast of Canada – unlike terrestrial radio and existing mobile or in-car streaming services. This privilege in our view sets satellite radio apart from other broadcast players.

As such, a contribution of at least five percent is of a level appropriate to its unique position in the marketplace.

Considering that SiriusXM cannot offer additional benefits by way of increasing its music channel selection, this then provides sufficient reason for the Commission to maintain SiriusXM's current CCD commitment in our view.

As an aside, the Commission has stated that both XM and Sirius had failed to comply with its conditions of license relating to their CCD contributions -- in 2009-10-11 for XM, and 2006-07-08 for Sirius. We would ask the Commission to review any areas of shortfall in this regard, and to work with SXM to address this shortfall before making a determination about the renewal of this license.

The Commission is of course aware that the CCD commitment is set at a ratio of the licensee's own gross revenues. CIMA would have been pleased to comment directly on the financial health of SiriusXM, but the applicant's financial report to the Commission was redacted and therefore we are unable to analyze the specific numbers. However, from the public record, the health of the applicant doesn't seem to be in question.

SXM's president Mark Redmond recently noted, "Backed by an unrivaled product offering and the strongest audio content in the marketplace, we believe we have the right strategy and resources in place to continue delivering strong financial results. We are very optimistic about fiscal 2012..."

Indeed, PriceWaterhouseCoopers' recent audit of the company noted the applicant's revenue grew by 17.9 percent in 2011...and that gross earnings before interest, taxes, depreciation etc. grew by a staggering 149 percent in its last quarter in 2011 compared to Q4 in 2010. Total subscribers are growing at double-digit rates as well.

However, the Commission is privy to the applicant's financial statements, so we would leave it up to the Commission to determine the exact state of the applicant's current and future finances.

Thank you very much for the opportunity to allow us to express CIMA's views, and we would be happy to answer any questions you may have.