



NEWS RELEASE

2003-2007 Commercial Radio Royalties for Music Use to Remain the Same, Copyright Board Rules *February 22, 2008*

Ottawa. The Copyright Board of Canada issued today a decision setting the royalties that commercial radio stations must pay to the Society of Composers, Authors and Music Publishers of Canada (SOCAN) and to the Neighbouring Rights Collective of Canada (NRCC) for their use of music in 2003 to 2007.

The decision issued today maintains the rates that were set in October 2005.

On October 14, 2005, the Board issued a first decision for these same stations and for the same period. On the first \$1.25 million of annual advertising revenues of a radio station, the SOCAN rate was set at 3.2 per cent of that amount, while a statutory rate of \$100 applied for NRCC. For the rest, the rate was set at 4.4 per cent for SOCAN and 2.1 per cent for NRCC. As a result, small and medium-sized stations continued to pay at the same rate as before while the rate for larger stations increased to 4.4 per cent on yearly advertising revenues in excess of \$1.25 million. Low music-use stations paid 1.5 per cent to SOCAN and 0.75 per cent to NRCC.

On October 19, 2006, the Federal Court of Appeal set the 2005 decision aside and remitted it to the Board for re-determination on the basis that it had inadequately explained its reasoning on arriving at royalty increases attributable to the historical undervaluation of music used on radio and the greater efficiencies achieved by the radio broadcasting industry through the use of music.

Mr. Claude Majeau, Secretary General to the Board, explained that “parties submitted new evidence that allowed the Board to assess the value of the music to broadcasters from different viewpoints. Using the methodology put forward by the broadcasters, and after a number of adjustments, the Board revisited the factors it identified in 2005 to justify the royalty increase, and came to the same conclusions.”

The Board believes, as it did in 2005, that the value of music to broadcasters has increased significantly since 1987. The three factors explaining this higher value of music remain the same as in 2005. First, broadcasters use more music. Second, music is worth more to the broadcasters than the Board previously thought. Third, commercial radio stations now use music more efficiently.

Mr. Majeau added that: “As a result of today’s decision, small and medium-sized stations will continue to pay the rates they have been paying since 1978. Only larger stations will be paying the new increased rates, as initially certified in 2005.”

The Board expects that the rates it sets will generate royalties in 2005 of \$48.5 million for SOCAN and \$15.9 million for NRCC. This is an increase of \$8.8 million and \$4.9, respectively, compared to what would have been payable pursuant to the rates that were certified for 2002. The total revenues of commercial radio stations were \$1.34 billion in 2005.

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Note: The certified tariff, along with the reasons, can be found on the Board’s website under “What’s New”: www.cb-cda.gc.ca