



FACT SHEET

Commercial Radio Tariff, 2008 to 2012

July 9, 2010

What is the Copyright Board of Canada?

The Copyright Board of Canada is an economic regulatory body empowered to establish, either mandatorily or at the request of an interested party, the royalties to be paid for the use of works protected by copyright, when the administration of these rights is entrusted to a collective society. The Board also supervises agreements signed between users and collective societies and can issue licences when the copyright owners cannot be located.

What is the commercial radio tariff?

The commercial radio tariff sets the fees that Canadian commercial radio stations must pay for the use of copyrighted musical works and sound recordings. They pay these fees to six collective societies: SOCAN, Re:Sound, CSI, AVLA, SOPROQ and ArtistI. For a description of each society, see the answer to the last question.

What are the rates set by the decision and how do they compare with what applied before?

Table 1 shows the rates certified today. The rates apply to a commercial radio station's gross income. SOCAN and Re:Sound rates remain the same. The rates for CSI have been increased as indicated in the table. The AVLA, SOPROQ and ArtistI rates are new.

Table 1

**Comparison of the rates certified today
with the previous rates**

	SOCAN	Re:Sound	CSI		AVLA/ SOPROQ	ArtistI
	(previous and new)	(previous and new)	(previous)	(new)	(new only)	(new only)
<u>Low Use Stations</u>						
For income:						
Not exceeding \$625,000	1.5	0.75	0.12	0.135	0.113	0.003
Above \$625,000 but not exceeding \$1.25M	1.5	0.75	0.23	0.259	0.234	0.005
Above \$1.25M	1.5	0.75	0.35	0.434	0.405	0.008
<u>Other Stations</u>						
For income:						
Not exceeding \$625,000	3.2	1.44	0.27	0.304	0.278	0.006
Above \$625,000 but not exceeding \$1.25M	3.2	1.44	0.53	0.597	0.564	0.011
Above \$1.25M	4.4	2.1	0.80	1.238	1.192	0.023

Note: The Re:Sound rates are subject to subparagraph 68.1(1)(a)(i) of the *Act* which sets the amount broadcasters pay on annual advertising revenues not exceeding \$1.25 million at \$100 per year.

What is the rate base to which the rates certified today apply?

The rate base for all collective societies is a radio station's gross income. This includes, in particular, the gross amounts received by a station pursuant to turn-key contracts with advertisers. Previously, the rate base was advertising revenues for SOCAN and Re:Sound, while the rate base was gross income for CSI.

How much will the new rates generate in royalty payments, compared to the old rates?

The Board estimates that commercial radio stations will pay a total of \$85 million in royalties. This is based on total station revenues of slightly over \$1.5 billion in 2009. Using the previously certified rates, radio stations would have paid about \$72 million. The new rates thus increase the amount of royalties by \$13 million. Of this amount, \$10.2 million represent royalties resulting from the introduction of two new rates, for AVLA/SOPROQ and ArtistI.

How much will each collective society receive?

Of the total amount of royalties of \$85 million paid by radio stations, the Board estimates that \$51 million will go to SOCAN, \$13 million to Re:Sound, \$11 million to CSI, \$10 million to AVLA/SOPROQ and \$200,000 to ArtistI.

How many commercial radio stations are there in Canada? What are their revenues, costs and profits?

In 2009 there were 644 commercial radio stations. Their total revenues were about \$1.5 billion, while total expenses were about \$1.2 billion. Profits before interest and tax were \$272 million, or 18.0 per cent of total revenues. Table 2 provides financial statistics for 2005 to 2009.

Table 2
Commercial Radio Stations Financial Statistics, 2005-2009
(millions of dollars)

	2005	2006	2007	2008	2009
Number of Stations	565	593	614	630	644
Total Revenues	\$1,342	\$1,419	\$1,503	\$1,591	\$1,508
Total Expenses	\$1,108	\$1,086	\$1,160	\$1,212	\$1,191
Profits Before Interest and Tax (P.B.I.T.)	\$284	\$285	\$299	\$335	\$272
P.B.I.T. as a Proportion of Total Revenues	21.1%	20.1%	19.9%	21.1%	18.0%

Source: CRTC, Commercial Radio 2005-2009 Financial Summaries

What is a low music use station?

A low music use station is any station that broadcasts works in the repertoire of SOCAN, or published sound recordings of musical works, for less than 20 per cent of its total broadcast time.

How much are individual stations expected to pay in royalties as a result of the new tariff?

As indicated in Table 3, a typical large radio station with gross income of \$2.5 million in a year would be paying a total of about \$62,000 if it were a low music use station and \$163,000 if it were not. The table also indicates royalties to be paid by typical smaller stations.

Table 3

Amount of royalties to be paid by commercial radio stations as a result of the new rates, by size of station

	Typical small radio station		Typical medium-sized radio station		Typical large radio station	
Average gross income	\$120,000		\$1,100,000		\$2,500,000	
	Standard station	Low-use station	Standard station	Low-use station	Standard station	Low-use station
Total royalties	\$4,646	\$2,201	\$44,542	\$20,534	\$163,013	\$62,181
Royalties to:						
SOCAN	\$3,840	\$1,800	\$35,200	\$16,500	\$95,000	\$37,500
Re:Sound	\$100	\$100	\$100	\$100	\$26,350	\$9,475
CSI	\$365	\$162	\$4,736	\$2,074	\$21,106	\$7,888
AVLA/SOPROQ	\$334	\$136	\$4,417	\$1,818	\$20,163	\$7,169
ArtistI	\$7	\$4	\$90	\$43	\$394	\$150

The Copyright Act mandates that stations pay Re:Sound \$100 on the first \$1.25 million of advertising revenues, yet the tariff is set as a percentage of gross income. How will this work?

To illustrate how the Re:Sound tariff will be applied, we will use three examples.

Example 1: A radio station with gross income of \$500,000, including advertising revenues of \$450,000.

The station pays \$100 on its advertising revenues, and 1.44 per cent on the remaining \$50,000 in gross income. The total payment is \$820 (\$100 + \$720).

Example 2: A radio station with gross income of \$1.3 million, including advertising revenues of \$1.1 million.

The station pays \$100 on its advertising revenues, 1.44 per cent on the next \$150,000 of gross income, and 2.1 per cent on the remaining \$50,000. The total payment is \$3,310 (\$100 + \$2,160 + \$1,050).

If it is a low music use station, it pays a single rate of 0.75 per cent on the \$200,000 balance. In that case, it would pay \$1,600 (\$100 + \$1,500).

Example 3: A radio station with gross income of \$4 million, including advertising revenues of \$3.8 million.

The station pays \$100 on the first \$1.25 million of advertising revenues. The balance of gross income is \$2.75 million, for which the station pays a rate of 2.1 per cent. In total, the station pays \$57,850 (\$100 + \$57,750).

If it is a low music use station, it pays 0.75 per cent on the \$2.75 million balance. In that case, it would pay in total \$20,725 (\$100 + \$20,625).

Who are the six collective societies entitled to receive royalties as a result of this tariff?

1. The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is a society that administers performing rights in musical works on behalf of Canadian composers, authors and publishers, as well as affiliated societies representing foreign composers, authors and publishers.
2. Re:Sound [formerly the Neighbouring Rights Collective of Canada] is a not-for-profit company dedicated to obtaining fair and equitable compensation for artists and record companies for their performance rights.
3. CSI acts for the Canadian Musical Reproduction Rights Agency (CMRRA) and the Society for Reproduction Rights of Authors Composers and Publishers in Canada (SODRAC).

CMRRA is a Canadian centralized licensing and collecting agency for the reproduction rights of musical works in Canada. It represents more than 6,000 Canadian and U.S. publishers who own and administer approximately 75 per cent of the music recorded and performed in Canada.

SODRAC administers royalties stemming from the reproduction of musical works. It represents some 6,000 Canadian songwriters and music publishers as well as the musical repertoire of more than 89 countries.

4. The Audio-Video Licensing Agency (AVLA) is a collective that administers the copyright in master audio and music video recordings. AVLA licenses the exhibition and reproduction of music videos and the reproduction of audio recordings for commercial use.
5. The *Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Québec* (SOPROQ), a copyright collective for producers of sound recordings and videos, administers the royalties owed to independent makers of audio and video recordings. It distributes to its members the royalties which come from the equitable remuneration (“neighbouring rights”) and private copying regimes as well as the royalties

which come from licensing agreements it has entered into with regards to the broadcast of videoclips and reproduction of sound recordings.

6. ArtistI is the collective society of the *Union des artistes* (UDA). It administers the remuneration rights and copyrights of performers.

Note: The reasons along with a News Release and the certified Tariff can be found on the Board's Web site under "What's New – Recent decisions" at the following address: <http://www.cb-cda.gc.ca/home-accueil-e.html>