



FACT SHEET

Commercial Radio Tariff, 2011-2017

April 21, 2016

1. What is the Copyright Board of Canada?

The Copyright Board of Canada is an independent, quasi-judicial tribunal created under the *Copyright Act* to establish the royalties to be paid for the use of works or other subject-matter protected by copyright, when the administration of these rights is entrusted to a collective society.

2. 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, Connect, SOPROQ and Artisti. For a description of each society, see question 6 below.

3. What are the rates set by the decision, and what are they based on?

The following table 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, Connect/SOPROQ and Artisti have been lowered to the levels indicated in the table.

The decrease in the rates for CSI, Connect/SOPROQ and Artisti reflects the coming into force on November 7, 2012, of certain provisions of the *Copyright Modernization Act* providing new copyright exceptions that apply to radio stations activities.

The Canadian Association of Broadcasters representing the radio stations essentially argued that, as a result of the new exceptions and of decisions from the Supreme Court of Canada, there was no legal basis for the commercial radio reproduction tariffs.

The Board agreed in part with CAB, and decided that there were three types of copies made by radio stations that qualify for an exception and for which no royalties would need to be paid: the Music Evaluation copy, the Streaming copy and the Backup copy. This resulted in a general discount of about 22 per cent to the reproduction royalty rates (equivalent to reduced royalties of \$5.6 million).

The Board also found that stations able to demonstrate that they comply with the requirements in the *Copyright Act* in respect of “ephemeral” reproductions could benefit from an additional, station-specific discount to account for this new statutory exception in respect of this type of reproduction. This discount could be applied to the following types of copies: Ingest, Voice-Tracking and Live Performance.

The value of this additional discount will vary between stations depending on their degree of compliance with the statutory requirements. The Board estimates that this potential discount could result in a maximum, further reduction of about 28 per cent (equivalent to reduced royalties of \$7 million).

**Rates Certified by the Board, in Percentage of Gross Income
(Rates apply starting November 7, 2012)**

	SOCAN	Re:Sound	CSI*	Connect/ SOPROQ*	Artisti*
	(2011-2013)	(2012-2014)	(2012-2013)	(2012-2017)	(2012-2014)
<u>Low Music-Use Stations</u>					
For revenues :					
- not exceeding \$625,000	1.5	0.75	0.103	0.103	0.003
- above \$625,000 but not exceeding \$1.25M	1.5	0.75	0.198	0.196	0.004
- above \$1.25M	1.5	0.75	0.332	0.329	0.007
<u>Other Stations</u>					
For revenues :					
- not exceeding \$625,000	3.2	1.44	0.233	0.230	0.005
- above \$625,000 but not exceeding \$1.25M	3.2	1.44	0.457	0.452	0.009
- above \$1.25M	4.4	2.1	0.948	0.940	0.019

* An additional, station-specific discount could apply, to the extent radio stations are able to demonstrate that they comply with the requirements in the *Act* in respect of “ephemeral” reproductions.

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

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

As indicated in the following table, a typical large radio station with gross income of \$2.5 million in a year would be paying a total of about \$59,000 if it were a low music-use station and \$154,000 if it were not. The table also indicates royalties to be paid by smaller stations.

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 music-use station	Standard station	Low music-use station	Standard station	Low music-use station
Total royalties	\$4,501	\$2,150	\$42,588	\$19,796	\$153,848	\$59,115
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	\$279	\$124	\$3,626	\$1,588	\$16,162	\$6,040
Connect/SOPROQ	\$276	\$123	\$3,588	\$1,573	\$16,011	\$5,976
Artisti	\$6	\$3	\$74	\$35	\$325	\$124

5. 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.

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

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.

Re:Sound is a not-for-profit company that administers remuneration rights for artists and record companies.

CMRRA-SODRAC INC. (CSI) is a joint venture of the Canadian Musical Reproduction Rights Agency Ltd. (CMRRA) and the Society for Reproduction Rights of Authors, Composers and Publishers in Canada and SODRAC 2003 Inc. (SODRAC). CSI has an exclusive mandate to license the reproduction of musical works.

Connect Music Licensing (formerly known as Audio-Video Licensing Agency (AVLA)) administers licences in Canada for the reproduction of sound recordings, and the reproduction and broadcast of music videos on behalf of the copyright owners (usually the record companies).

The *Société de gestion collective des droits des producteurs de phonogrammes et de vidéogrammes du Québec (SOPROQ)* administers the royalties which belong to producers of audio and video recordings in Quebec.

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

7. *Why does the tariff apply retroactively?*

The collectives' ability to collect royalties retroactively stems from the law. Collectives are entitled by the *Copyright Act* to collect royalties set in a tariff from the date on which the tariff takes effect. That date is determined by the time at which the proposed tariff is filed, not by when the final tariff is certified. Collectives are required to file a proposed tariff by March 31 of the year before it takes effect.

All of the tariffs certified today were certified before, for different periods, and different end dates. For instance, the previous SOCAN tariff for commercial radio was certified for the period 2008-2010 and the previous Re:Sound tariff, for 2008 to 2011. Hence, the new SOCAN tariff certified today starts in year 2011 and the new Re:Sound tariff, in 2012.

Note: The Certified Tariff (available on April 22, 2016), along with the Reasons and a News Release can be found on the Board's Website under "What's New – Recent Decisions" at: <http://www.cb-cda.gc.ca/home-accueil-e.html>.