



# News Release

## **Copyright Board Increases Royalties Commercial Radio Will Pay for Music it Uses in 2003 to 2007**

*October 14, 2005*

Ottawa. The Copyright Board of Canada issued today a decision setting the royalties that commercial radio stations will 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.

Rates will vary according to a station's advertising revenues. On their first \$1.25 million of annual revenues, music stations will continue to pay 3.2 per cent of that amount to SOCAN and \$100 to NRCC. For the rest, the rate increases from 3.2 to 4.4 per cent for SOCAN and from 1.44 to 2.1 per cent for NRCC. The rate for stations that use less music increases from 1.4 to 1.5 per cent for SOCAN and from 0.64 to 0.75 per cent for NRCC.

In total, the new rates are expected to generate a little over \$55 million for SOCAN and NRCC. The old rates would have generated approximately \$44 million.

Under the new rates, a station with annual revenues of \$400,000 will continue to pay to SOCAN and NRCC total royalties of \$13,000 per year. For a station with annual revenues of \$925,000, the total amount also is unchanged at \$30,000 per year. Royalties for a station with annual revenues of \$4.5 million will increase by about \$60,000 to \$250,000.

The rate payable to SOCAN had remained unchanged for more than 25 years and had not been reexamined in depth for almost 50 years. The Board came to the conclusion, for several reasons, that the rate undervalued the actual contribution of music to the radio industry.

The Board first recognized that music is worth more than what it previously thought. Mr. Claude Majeau, Secretary General of the Board, noted that: "Over the last several years, the Board alluded to the possibility that music on commercial radio might be undervalued. The evidence presented at this hearing allowed the Board to confirm that impression."

The Board also found that commercial radio now uses more music, more efficiently, than it did 20 years ago. As Mr. Majeau explained, “Radio programming uses more music now than in 1987. Music also is given more emphasis than before. Broadcasters first developed niche programming in the 1980s; they now create music mixes corresponding to particular psychological profiles. The Board concluded that the increased use of music has helped radio to create significant efficiencies, a share of which should go to rights holders.”

In reaching its decision, the Board took into account the radio industry’s ability to pay. It did not increase the amount of royalties payable by stations whose annual advertising revenues are less than \$1.25 million, many of whom broadcast in minority languages or serve small communities. The Board concluded that larger stations clearly had the ability to pay the full tariff, noting that even if the new rates had been imposed as early as 1999, the industry’s profit margins would have continued to increase significantly.

As in the past, the Board set the royalties payable to NRCC as a function of those that are payable to SOCAN. However, it is the *Copyright Act*, not the Board, which sets a special rate of \$100 as the royalties radio stations pay to NRCC on their first \$1.25 million of annual advertising revenues. The Board criticized this measure once again, calling it a “thinly veiled subsidy” that copyright owners are forced to provide to the radio industry.

For more information, contact:

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***Note: The certified Tariff, along with the reasons, can be found on the Board’s Web site under “What’s New”: [www.cb-cda.gc.ca](http://www.cb-cda.gc.ca)***