

DATE: 10 May 2017

TELEPHONE HOLD MUSIC MUSIC LICENSING CONSULTATION

OneMusic Australia is a joint venture initiative of APRA AMCOS and PPCA.

APRA AMCOS is the trading name of the Australasian Performing Right Association and the Australasian Mechanical Copyright Owners Society. APRA AMCOS grants licences for the live performance, broadcast, communication, public playing or reproduction of its members' and affiliates' musical works. APRA AMCOS then distributes the licence fees collected to its over 89,000 songwriter, composer and music publisher members, and affiliated societies worldwide.

PPCA is the Phonographic Performance Company of Australia Ltd. PPCA grants licences for the broadcast, communication or public playing of recorded music (such as CDs, records and digital downloads or streams) and music videos. PPCA then distributes the net licence fees collected to its licensors (generally record labels) and registered Australian recording artists.

In the second half of 2018, APRA AMCOS and PPCA intend to launch a partnership called OneMusic Australia to provide a one-stop shop for a business's music licence needs and remove the requirement to obtain separate licences from APRA AMCOS and PPCA.

OneMusic Australia aims to simplify music licensing, reduce administrative burden and counter market confusion around the difference between APRA AMCOS and PPCA. Our eCommerce facility for the purchase and maintenance of music licences will ensure that music users have easy access to the correct music licences, allowing them to manage their accounts with OneMusic Australia. Further information about OneMusic Australia can be found [here](#).

In association with Recorded Music New Zealand, APRA AMCOS has been operating OneMusic in New Zealand for more than three years. It has simplified the process of music licensing for businesses in New Zealand, increased awareness of copyright and compliance, and ensured that music remains an important, valuable and legal input to businesses everywhere.

APRA AMCOS and PPCA, trading as OneMusic Australia, are parties to the Code of Conduct for Collecting Societies and have a policy to consult, where appropriate, with relevant industry bodies or licensees when developing and implementing new or revised licence schemes for the use of music. We believe that receiving input from music users allows us to better understand how music is used across different industries. Consultation also ensures that our clients have a better understanding of how royalty payments flow and the purpose of such licences, which in turn leads to improved ongoing relationships.

This document serves as notification that OneMusic Australia intends to review the way in which businesses are licensed to use music for telephone callers on hold with a view to implementing a new, wide-ranging and simplified music licensing scheme.

CONSULTATION TIMELINE

OneMusic Australia expects that the consultation on the proposed licence scheme will progress as follows:

- a) Circulation of this first consultation paper for client response;
- b) Consolidation of client responses;
- c) Depending on the initial feedback, the circulation of a second consultation paper if required, taking into account submissions made at part b) above;
- d) Final submissions accepted and integrated where appropriate; and
- e) Written documentation provided to businesses serving as at least three months' notification of the commencement of the new scheme.

THE PROPOSED TELEPHONE HOLD MUSIC SCHEME

In preparing the proposed telephone hold music scheme, OneMusic Australia considered the way in which the right to use on hold music is currently licensed by APRA AMCOS and PPCA. OneMusic Australia has used these existing licensing frameworks as a foundation for the proposed structure, with slight adjustments which we believe will benefit licensees, for example by reducing the administrative requirements and structuring the scheme to be device-neutral.

The proposed scheme will be available to all kinds of businesses that use telephone on hold music, either via a traditional 'fixed-line' switchboard, or through a Cloud-based or VoIP system.

CONSIDERATIONS

Similar to the existing APRA AMCOS and PPCA licences for telephone on hold music, the proposed scheme is based on a tiered structure, under which the rate payable is determined by the maximum number of held calls at any one time where music is played. This is referred to in the rest of the document as 'caller capacity lines'. Where licensees use a VoIP or Cloud-based system 'caller capacity lines' refers to the number of unique system users.

In developing the proposed scheme we analysed the differences that exist between the current APRA AMCOS and PPCA schemes, which, while structurally very similar, have slightly different tiers and methods of licensing large numbers of caller capacity lines. As referenced above, OneMusic Australia has also considered the changing technologies used for telephone systems, including the use of VoIP and Cloud-based systems which do not use a traditional 'phone line' and which may dynamically allocate lines according to demand across multiple switchboards/locations.

Taking into account the increasing use of VoIP and Cloud-based telephone hold systems by Australian businesses, we have developed the proposed scheme to be device-neutral. This suggested in turn that a system directly linked to the overall number of caller capacity lines irrespective of their allocation across multiple physical locations is the most appropriate and equitable way to structure the proposed scheme. Hence, in the proposed scheme we have removed the existing location-based licensing metric.

OneMusic Australia also reviewed the key differences between the current APRA AMCOS and PPCA licence schemes:

- APRA AMCOS' practice not to formally cap the licence fee, which can result in relatively high annual licence fees for businesses with a large number of external lines; and
- PPCA's unique lowest tier for 1-2 on hold lines.

THE PROPOSED RIGHTS

The grant of rights that this proposed scheme for telephone on hold music would cover are:

- a) playing music as telephone on hold music on a traditional, VoIP or Cloud based telephone system (an exercise of the communication right); and
- b) copying music for the purpose of playing it as telephone on hold music on a traditional, VoIP or Cloud based telephone system (an exercise of the reproduction right).

Music in this context includes all works and recordings represented by APRA AMCOS and PPCA respectively. The breadth of repertoire is vast including the worldwide repertoire of hundreds of thousands of musicians and millions of recordings.

The proposed scheme does not include the right to use music on a website, as background music played in a public space, as music played for the benefit of employees, or any other right not expressly noted above. Further licensing for these, and other uses of music, will be available from OneMusic Australia.

THE PROPOSED FEE STRUCTURE

When developing the proposed scheme, OneMusic Australia considered multiple potential metrics which could be used to calculate licence fees, including employee numbers, flat rates and a rate per caller capacity line. It is our view, however that a scheme tiered in blocks of caller capacity lines remains most appropriate because it is already established in the market, is administratively simple and minimises the potential impact on individual fees that may result from an entirely new structure.

OneMusic Australia proposes to retain the lowest tier which exists in the current PPCA scheme; which is a rate for 1 or 2 caller capacity lines. This tier does not exist in the APRA AMCOS scheme, in which the lowest tier is a rate for clients with between 1 and 5 caller capacity lines. OneMusic Australia believes that the PPCA minimum tier should be retained in the proposed scheme to ensure that clients currently licensed on that tier will not experience significant licence fee increases. OneMusic Australia also proposes to retain the APRA AMCOS 'additional lines' tier for clients with more than 400 caller capacity lines. To mitigate against any potential significant increases in licence fee for clients with additional caller capacity lines beyond 400, OneMusic Australia proposes to introduce a maximum licence fee of \$80,000 (including GST), per client (irrespective of the number of locations licensed).

As noted above, the existing APRA AMCOS and PPCA schemes are applied on a per location basis for those clients that have multiple locations (i.e. branches, offices, sites or premises). That is the annual APRA AMCOS and PPCA licence fees are assessed by reference to the number of lines at each separate location, not as an aggregate across multiple locations. OneMusic Australia does not believe that this structure should continue under the new scheme. Removing this component of the licensing metric

- results in less administration for multi-location clients who, under OneMusic Australia will be able to license music on hold across their entire business through one metric, one agreement and one invoice;
- ensures that businesses are paying only for the caller capacity lines they have across their organisation; and
- addresses the increasing use by businesses of dynamic VoIP and Cloud based systems, as detailed above.

To facilitate this proposed change in the fee structure, OneMusic Australia will introduce separate charges for businesses where music on hold is provided for businesses with multiple locations and for businesses with one location.

The proposed scheme will also allow clients to obtain a licence to:

- communicate music on a telephone on hold system as per columns (b) below if that is their single use of music on hold; and
- communicate and reproduce music onto their system – for example from a CD or legally obtained download as per columns (c).

All the proposed rates below are expressed inclusive of GST at 10% and are applicable to the first year the scheme is offered by OneMusic Australia.

For single location clients, the proposed rates are as follows:

SINGLE LOCATION CLIENTS ¹		
(A) CALLER CAPACITY LINES	(B) RATE PER CALLER CAPACITY LINE COMMUNICATION ONLY	(C) RATE PER CALLER CAPACITY LINE COMMUNICATION AND COPYING
1 – 2	\$240	\$300
3 – 5	\$315	\$390
6 – 10	\$470	\$590
11 – 25	\$780	\$975
26 – 50	\$1,480	\$1,850
51 – 100	\$2,530	\$3,036
100 – 200	\$4,700	\$5,640
201 – 300	\$8,000	\$9,600
301 – 400	\$10,320	\$12,380
Additional Lines Thereafter (Rate Per Line)	\$18	\$22

Under our modelling we believe that all single location business will experience a licence fee decrease of around 5% compared to the current combined PPCA and APRA AMCOS fees (as at the time of writing). By way of example, under the proposed structure, a single location client who currently holds both an APRA AMCOS and PPCA licence for the copying and communication of on hold music across 10 caller capacity lines would see a fee decrease from \$681 (in FY2017) to \$590 in the first OneMusic Australia licence year.

For clients with multiple locations – i.e. more than one physical premises – the proposed rates per client (not per location) are as follows:

MULTIPLE LOCATION CLIENTS		
(A) CALLER CAPACITY LINES	(B) RATE PER CALLER CAPACITY LINE COMMUNICATION ONLY	(C) RATE PER CALLER CAPACITY LINE COMMUNICATION AND COPYING
1 – 2	\$320	\$400
3 – 5	\$460	\$575
6 – 10	\$710	\$890
11 – 25	\$1,180	\$1,475
26 – 50	\$2,340	\$2,920
51 – 100	\$4,140	\$4,970
100 – 200	\$8,600	\$10,320
201 – 300	\$15,000	\$18,000
301 – 400	\$20,000	\$24,000
Additional Lines Thereafter (Rate Per Line)	\$30	\$36

¹ It should be noted that the rates proposed for the OneMusic Australia scheme account for potential CPI increases between the time of writing and the launch of OneMusic Australia in the latter part of 2018.

For multiple locations, the change to a single account could lead to relatively small increases or decreases according to individual circumstances. By way of example a multi-location client with five locations each of 20 lines would currently pay a combined APRA AMCOS and PCCA licence fee of \$4,320 (5 locations x \$864 (which is the rate for 11 25 lines)) for its communication only licence. This is compared to a proposed OneMusic Australia fee of \$4,140 – a small decrease. However, if that business had 4 locations each with 25 lines, then their fee would increase. We note that there is at least 14 months from the circulation of this consultation paper to the launch on OneMusic Australia, allowing licensees to plan and budget ahead.

The proposed structure also introduces an annual licence fee cap of \$80,000 (including GST). The intention of this cap is to mitigate any potential impact of the proposed changes on multi-location businesses or those businesses with a very large number of caller capacity lines. By way of example, a client which has a caller capacity lines total of 3,000 across its 200 locations, which communicate music only, would pay the maximum fee of \$80,000 instead of \$98,000 (being 400 caller capacity lines at \$20,000 plus \$30 x the additional 2,600 caller capacity lines).

The minimum annual fee is the same as the applicable rate under the lowest available tiers based on usage/rights. All fees under this scheme will increase annually in line with the weighted average of eight capital cities Consumer Price Index.

OneMusic Australia is aware that some businesses which use telephone on hold music will not always require a licence for both PCCA and APRA AMCOS rights (for example, if a work has been specially commissioned and written/composed by an APRA member). In such instances the licence fee payable under the telephone on hold scheme will be 55% of those specified above.

IMPACT

OneMusic Australia has tested the implementation of this scheme across a wide sample of current APRA AMCOS and PCCA licensees with existing telephone on hold music licences and found that for 90% of APRA AMCOS and PCCA's existing clients the proposed scheme and rate structure results in an average 6% decrease across the sector. Furthermore, the removal of per-location licensing will reduce administrative requirements for multi-location clients by allowing them to obtain licensing for their total caller capacity lines in one licence and through one reporting and invoicing mechanism.

Although some businesses will naturally see fluctuations in their licence fees payable with the introduction of a new scheme, OneMusic Australia is confident that the proposed scheme will be of huge benefit to those using telephone on hold music by providing a simple and more economical way for them to remain compliant with the Copyright Act (1968) for both the communication and copying of music.

Given that according to a survey recently undertaken in the UK by [Music Works for You](#) 71% of people asked wanted to listen to music while they were on hold, OneMusic Australia remains confident that the proposed scheme appropriately values the cost of music to businesses and will allow simple, equitable and easy access to licensing for music used as telephone on hold music across Australian businesses.



SUBMITTING YOUR FEEDBACK

OneMusic Australia is committed to developing music licence schemes that are fair, equitable and relevant to Australian industries. Your feedback on the above proposal is integral to this process.

Please provide your feedback in the form of a submission to consultation@onemusic.com.au. All submissions must be in a Microsoft Word or PDF format.

FURTHER QUESTIONS

If you have any questions or would like to discuss the proposal further, please email questions@onemusic.com.au and we will be in touch.