

DATE: 4 April 2017

DEDICATED KARAOKE VENUES 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 2018, APRA AMCOS and PPCA will launch a partnership called OneMusic Australia to provide a one-stop shop for karaoke venues' licensing 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. Further information about OneMusic Australia can be found at www.onemusic.com.au/faqs.

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 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 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 karaoke venues are licensed to use music with a view to implementing a new, wide-ranging and simplified music licensing scheme. A state-of-the-art eCommerce facility for the purchase and maintenance of music licences will further ensure that music users have easy access to the correct music licences, allowing them to easily manage their accounts with OneMusic Australia.

APRA AMCOS and PPCA expect to launch OneMusic Australia in the second half of 2018.

CONSULTATION TIMELINE

OneMusic Australia expects that the consultation on the proposed Karaoke Venues Scheme will progress as follows:

- a) Circulation of this first consultation paper for client response;
- b) Consolidation of client responses;
- c) Circulation of second consultation paper, taking into account submissions made at part b) above;
- d) Final submissions accepted and integrated where appropriate;
- e) Written documentation provided to karaoke venues serving as notification of the new scheme.

CONSIDERATIONS

OneMusic Australia is proposing a new licence scheme for Australian karaoke venues. In developing the scheme, OneMusic Australia has remained keenly aware of the issues facing such venues currently, including but not limited to liquor licensing restrictions and lock-out laws.

The current APRA AMCOS scheme that applies to karaoke venues is derived from that which covers hotels, bars, pubs and similar venues. The structure is a single per-day rate, irrespective of the size of the venue. In our review of this existing scheme it has become clear that the difference in the quantity of karaoke use between a hotel (which may host karaoke one night per-week) and a dedicated karaoke venue with multiple rooms is vast.

The existing PPCA licence scheme for karaoke venues however does scale to size, in that it is linked to the number of music video devices or audio jukeboxes in place at a venue.

Furthermore, neither the APRA AMCOS nor the PPCA licence permits the recurring and easy reassessment of annual licence fees, which we believe would be mutually beneficial for karaoke venues and OneMusic Australia alike.

The proposed OneMusic Australia scheme for karaoke venues is to be applied to venues where karaoke performances are the predominant form of entertainment. The scheme would not apply to any venue that hosts an occasional (including regular weekly) karaoke night.

RIGHTS

The types of music use that this proposed scheme for karaoke venues would cover are:

- a) Music used for the purpose of accompanying a public performance given by patrons of the venue whether that music is delivered by audio or audio-visual recordings (karaoke);
- b) Any telephone on hold music that may be used by the venue; and
- c) Background music playing at the venue across normal trading hours.

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 scheme does not cover the making of any karaoke recording; these rights are licensed separately by the manufacturer of the content. Nor does it cover other types of public performance that may occur at the venue – for example a live performance by a band or a DJ – which will be covered under separate schemes to be offered by OneMusic Australia.

FEE STRUCTURE

OneMusic Australia has reviewed the existing APRA AMCOS and PPCA licences available in the market and worked hard to develop a licensing metric that we believe is fair and reasonable for the sector.

It is the view of OneMusic Australia that any new licence scheme must be equitable to all types of karaoke venues and produce overall licence fees that reflect the varying sizes and capacities of karaoke venues in Australia. This is best achieved by the introduction of a user-pays scheme based on a rate per day/night of operation and scaled depending on the capacity of the venue. In this way, smaller venues that open on a limited number of nights will pay a lower annual licence fee than larger venues opening on the same or a greater number of nights.

We considered other metrics including number of rooms and ticket sales but considered that they were less reflective of the overall value of music in the context of a karaoke venue.

The structure of the fees (inclusive of GST at 10%) would be as follows:

VENUE CAPACITY	RATE PER DAY/NIGHT OPEN
1 – 50	\$33.00
51 – 150	\$44.00
151 – 400	\$55.00
401 – 800	\$66.00
800+	\$77.00

By way of comparison, the approximate fee (currently applied by APRA AMCOS and PPCA) for a nightclub is approximately \$2.40 per attendee, which would produce a per night licence fee for a venue with a capacity of 51-150 of between \$120 and \$360 compared to the \$44 proposed.¹

OneMusic Australia also proposes that the reporting/invoicing structure moves from the current requirement for karaoke venues to pay provisional licences fees in advance for the year, with retrospective quarterly reporting and invoicing. Under the new scheme, venues would report the number of nights of operation in the previous quarter and pay on that use.

The quarterly licence fee under this scheme is subject to a minimum fee of \$110.00 (including GST) per venue, per quarter.

All fees under this scheme will increase in line with the weighted average of eight capital cities Consumer Price Index annually.

IMPACT

OneMusic Australia has tested the implementation of this scheme across a sample of current APRA AMCOS and PPCA licensees in this sector. For those clients who currently hold both an APRA AMCOS and a PPCA licence for the use of music in their karaoke venue, we note that the proposed new structure and rates will produce some increases in annual licence fees. We further note that these rates would not apply until at least 1 July 2018, which provides venues with a long notice period during which they can plan for the changed structure. Notwithstanding this, we propose that the full impact of the new scheme is mitigated through the phased introduction of the scheme – see below.

VENUE CAPACITY	YEAR ONE 2017/2018	YEAR TWO** 2018/2019	YEAR THREE## 2019/2020
1 – 50	\$22.00	\$27.50	\$33.00
51 – 150	\$29.15	\$36.30	\$44.00
151 – 400	\$36.30	\$46.20	\$55.00
401 – 800	\$44.00	\$55.00	\$66.00
800+	\$51.70	\$64.35	\$77.00

** Plus one year's CPI increase. ## Plus two years' CPI increases.

¹ This is an estimated fee, noting that the current PPCA licensing metric is based on capacity, not attendance.

SUBMITTING YOUR FEEDBACK

OneMusic Australia is committed to developing music licensing 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 by close of business 5 May, 2017. 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.