

MANDALA

# Economic impact of removing radio caps for sound recordings

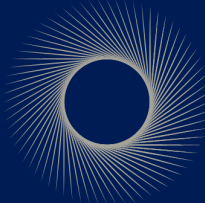
Report – May 2024

Commissioned by the Phonographic Performance Company of Australia (PPCA)

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MANDALA






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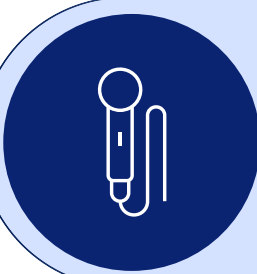
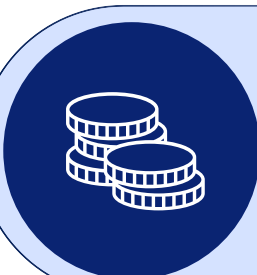
Note: All dollar figures are Australian dollars unless indicated otherwise.

# Removing the radio caps: recognising and growing Australian music

## Radio caps artificially constrain artist income

-  Radio broadcasters are required to pay a maximum of **1% of industry revenue** for sound recordings on their stations
-  The Australian Broadcasting Corporation (ABC) only pays **\$0.005 per head of the population**
-  Royalty rates for broadcast of sound recordings on stations in Australia is **0.4%**
-  Similar countries have rates between **3% and 7.5%** for broadcast of sound recordings
-  Since 1995, there have been **six reviews** recommending the **removal of radio caps**

## Removing the radio caps would mean...

-  The most played Australian artists could see a **78% increase in music income**
-  The number of **Australian artists** played on the radio for the first time could **almost double**
-  Top commercial radio stations would **maintain profit margins of 15%**

# Executive summary

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## **Radio caps have artificially constrained artist income since 1968**

Music is an essential part of radio. 63% of listeners said they wouldn't listen to the radio without music.

Songs played on the radio have two types of copyright: the sound recording copyright, owned by the recording artists and the record label, and musical works copyright, owned by the songwriter, composer or lyricist.

The Copyright Act 1968 (Cth) limits the amount that radio broadcasters pay in royalties for sound recording copyright (radio caps). This cap was set (in 1968) at 1% of broadcast revenue for commercial radio broadcasters, and \$0.005 per head of the population for the ABC. There have been six reviews recommending the removal of radio caps.

The actual royalty rate paid by commercial radio stations Australia is 0.4% of broadcast revenue. This is significantly lower than other comparable benchmarks. No cap exists on musical works copyright, which has an average royalty rate of around 3.6%. Other international rates for sound recordings are also much higher. Countries such as Canada, UK and Germany have rates between 3% and 7.5%.

This report illustrates the impact of removing radio caps on Australian artist income, the potential investment in Australian artists and music from increased revenue, and the likely impact on radio profit margins from higher royalty rates.

To estimate the impact of removing radio caps, we have considered a scenario where radio broadcasters pay sound recording royalties at the same rate as musical works. This is an example only, noting rates would be determined by negotiation and the Copyright Tribunal per existing processes.

## **Removing the radio caps could increase music income of the most played artists by 78%**

Artists are at breaking point and typically work several jobs to support themselves. 83% of artists hold multiple jobs, with 65% of artists relying on a non-music job as their main source of income. Festivals, which have been a key source of income for artists, are also being cancelled at a higher rate.

Data shows Australian artists played on the radio received \$0.6m in sound recording copyright royalties in FY23.

Removing radio caps could lead to an additional \$4.8m being paid to Australian artists in royalties in FY25. For Australia's most played artists, this could be up to \$19,100 in additional income per year, or a 78% increase in income from music.

## **Removing radio caps could double the number of new Australian artists played on the radio for the first time**

Record labels play an important role in partnering with artists, investing and supporting creative development and driving their commercial success. In particular, record label investment in artists and repertoire (A&R) helps to identify and develop promising talent, and grow the music industry.

Removing radio caps would increase record label revenue and their ability to invest in the Australian music industry. For Australian repertoire alone, record labels would receive an additional \$4.2m if radio caps were removed.

Data also shows a strong, positive relationship between record label revenue and the number of artists per country. The corresponding increase in record label revenue, and investment, from removing radio caps would almost double the number of additional new Australian artists being played

on the radio (and receiving royalties) each year.

## **Radio companies are well resourced and capable of paying higher rates**

The radio industry allege that removing radio caps would make radio broadcast, particularly for local stations, commercial unviable. However, analysis indicates that radio stations are more profitable than the Australian industry average and the industry is dominated by a small number of large players.

The Australian radio industry has some of the highest revenue per capita globally. The four largest commercial radio stations account for close to \$1 billion in revenue and all maintain healthy profit margins ranging between 12% and 21%. Together with the ABC, these players account for 85% of all industry revenue for the radio broadcast industry.

These companies are also capable of paying higher rates. If the four largest commercial radio companies paid sound recording royalties at the same rate as musical works, they would have an average profit margin of 15%, which is still higher than other Australian industries on average. For the broader radio industry, paying higher rates would marginally reduce profit margins from 13% to 11%.

The ABC currently pay \$130,000 per year for sound recording royalties, out of a total budget of almost \$1.3bn. Paying sound recording royalties at the same rate as musical works would account for less than 0.3% of ABC's total annual budget.

## **Removing the radio caps is an effective, low-cost way to deliver on the Government's objective to support the arts industry and promote Australian talent.**



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**Radio caps have artificially constrained artist income since 1968**

2

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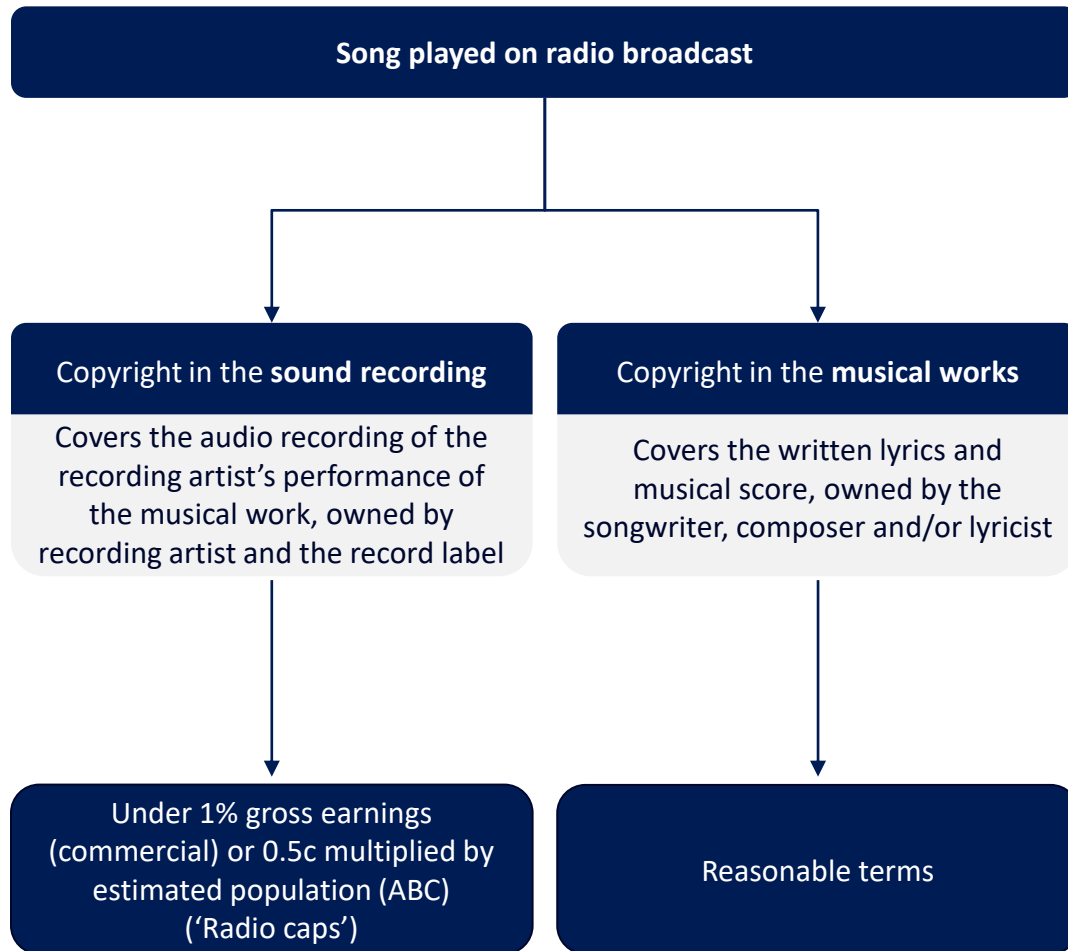
Radio companies are well resourced and capable of paying higher rates

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Appendix

# Radio caps have artificially constrained artist income since 1968 despite six reviews recommending removal

## Music copyright fee determination under the Copyright Act 1968



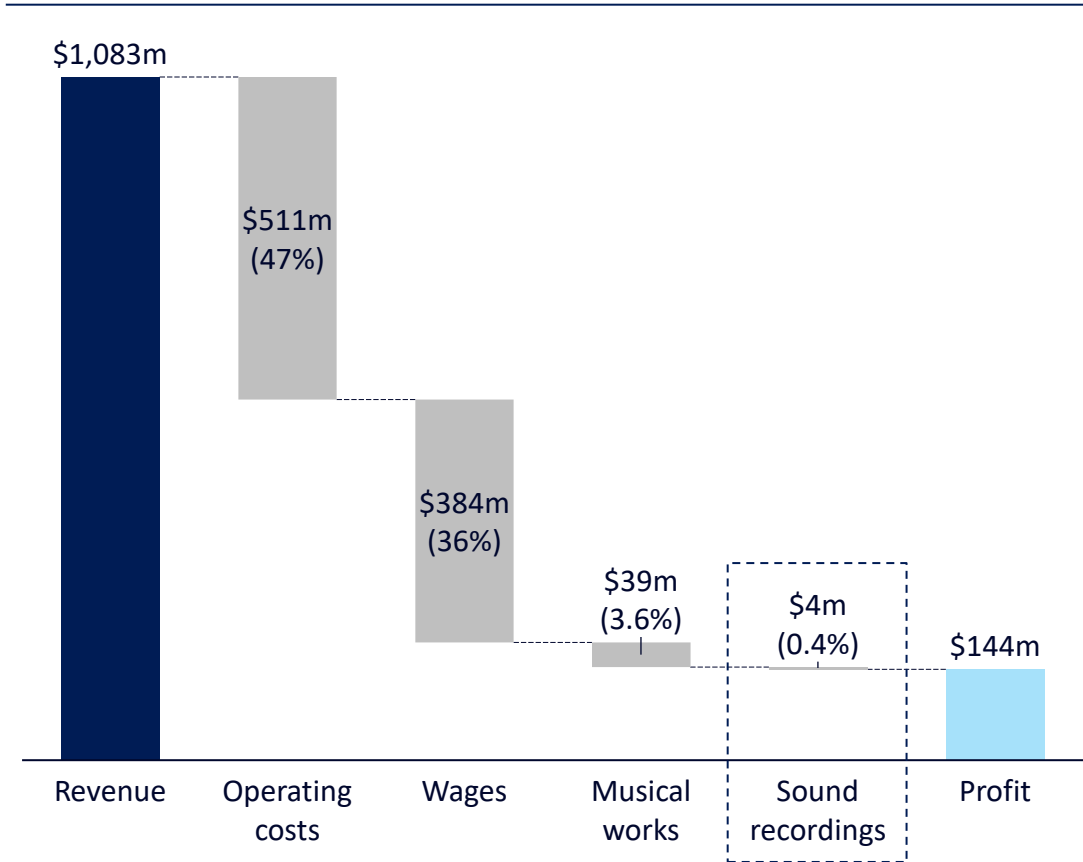
## Reviews recommending the removal of radio caps



# Commercial radio pay just 0.4% of broadcast revenue for sound recording copyright...

Revenue breakdown for commercial radio broadcasters

FY23



Source: IBIS World (2023); *Radio Broadcasting in Australia*; Deloitte Access Economics & Commercial Radio and Audio (2023) *Connecting Communities, The economic and social impact of commercial radio and audio in Australia*; PPCA data; Mandala analysis.

# ...despite music being the main reason people listen to radio



85% of listeners noted music as **one of the main content** types they consumed<sup>1</sup>



63% of listeners **wouldn't listen to the radio** without music<sup>2</sup>



>50% of commercial radio broadcast is music<sup>3</sup>

1 Deloitte Access Economics & Commercial Radio and Audio (2023) *Connecting Communities, The economic and social impact of commercial radio and audio in Australia*; 2 IFPI (2022), *Engaging with Music*; 3 Radio Info (2023), *How much music do music stations really play?* (Commercial FM and music-based AM radio).

# This report estimates the economic impact of removing radio caps on Australian artists and radio broadcasters



**Additional income Australian artists would receive if sound recording copyright fees matched musical works**



**Increased investment in Australian artist development and additional artists in the industry**



**Decrease in radio broadcaster profit margin as a result of increased sound recording copyright fees**

*This report estimates the economic impact of removing radio caps on Australian artists and radio broadcasters, and the likely increase in industry investment as a result of additional record label revenue. The economic impact of removing radio caps is measured in 2025 to account for likely policy timelines and considers commercial and ABC radio broadcasting only (does not include online streaming services, community or SBS radio broadcast).*



# The economic impact of removing radio caps is estimated with two scenarios

To estimate the economic impact of removing radio caps we have considered two scenarios: current rates scenario vs no caps scenario.

The 'no caps scenario' assumes that sound recording copyright owners are paid at the same rate as musical works copyright owners in 2025.

This is an illustrative example only, noting that actual rates will be determined by negotiation and the Copyright Tribunal under the established process.

## 1 Current rates scenario

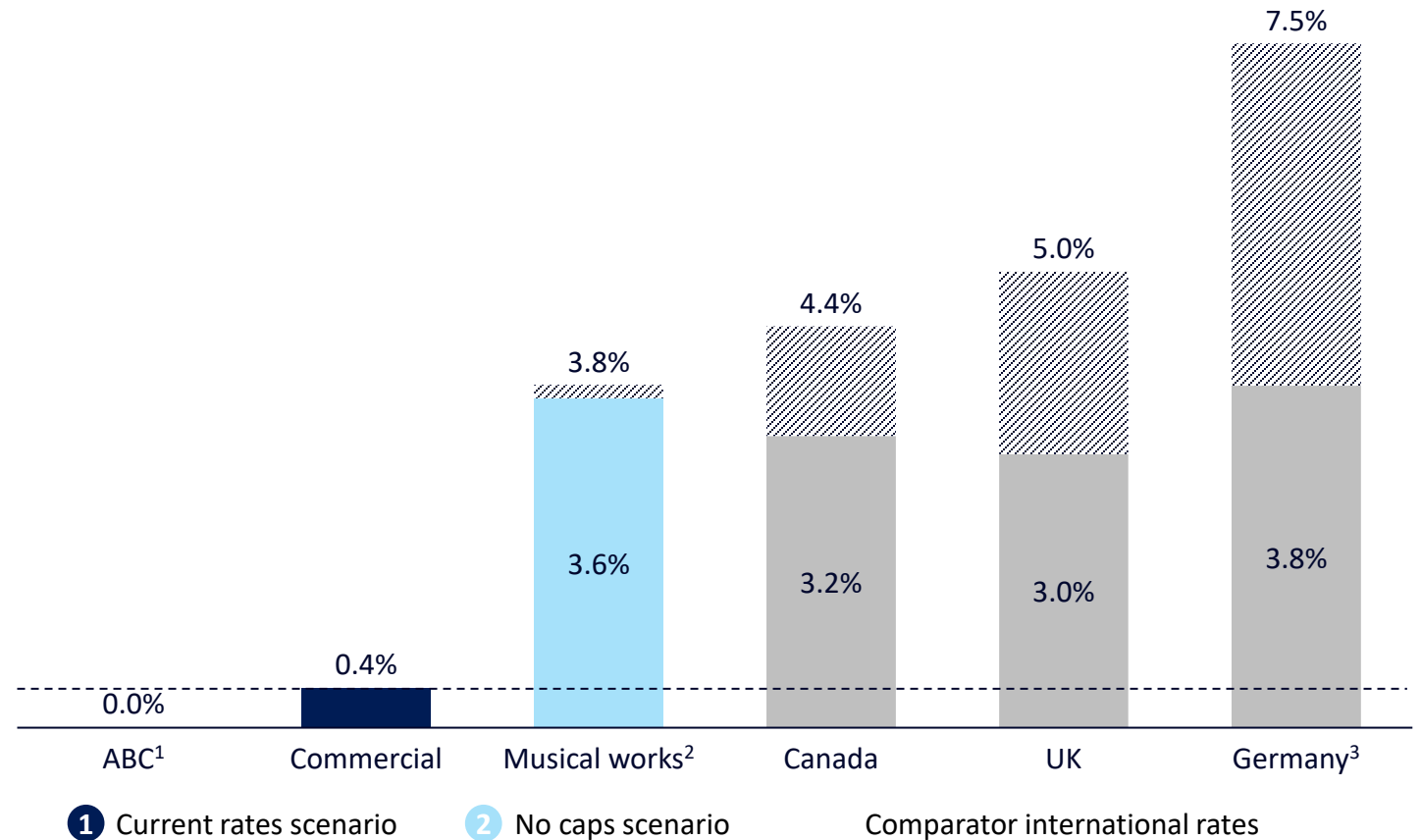
- Commercial radio: 0.4% of revenue
- ABC: 0.5 cents per head of population

## 2 No caps scenario

- Commercial radio: 3.6% of revenue (average musical works copyright fee)
- ABC: \$3.5m (approximate musical works copyright fee)

## Radio broadcast royalty rates










Royalty ranges as a % of broadcaster revenue



1 Illustrative revenue percentage of ABC sound recordings copyright fees, based on value paid by ABC in 2023 and total ABC funding and income for the year. 2 3.6% is the average amount paid by commercial radio broadcasters to APRA AMCOS in 2022: Mandala analysis using Deloitte Access Economics & Commercial Radio and Audio (2023) *Connecting Communities, The economic and social impact of commercial radio and audio in Australia*; APRA AMCOS (2023) Annual Report. 3 Music 50-100% of broadcast time. Source: ABC (2023), *Annual Report 2023*; IBIS World (2023), *Radio Broadcasting in Australia*; GVL (2021), *Tariff for the use of commercially published sound recordings in radio programmes*; PPL UK (2021), *Traditional Radio Licence*; Copyright Board Canada (2016), *SOCAN, Re: Sound, CSI, Connect/SOPROQ, Artist - Tariff for Commercial Radio*; Mandala analysis.

# Removing radio caps is an effective, low-cost way to deliver on the Government's policy objectives and support the development of Australian artists

## Summary of Government music policy goals and outcomes from removing radio caps

 Policy	 Objective	 Addressed by removing radio caps	 Impact
<b>Revive (\$286m)</b>	Improve working conditions		Removing the radio caps would increase the music income of artists by 78%
	Address disincentives to pursuing a career in the sector		
<b>Music Australia (\$69m)</b>	Support and invest in the Australian contemporary music industry		
<b>Export Development Fund (Music Australia)</b>	Increase international presence of Australian artists		
	Boost global recognition of Australian music		



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# Australian artists received \$0.6m in sound recording copyright royalties from radio in 2023

\$3.4m in sound recording copyright fees was distributed to artists and labels in 2023.<sup>1</sup>

This is apportioned between international and Australian repertoire based on the music played by radio stations. Approximately 80% of music played on Australian radio is from overseas artists. However, only some countries have protected copyright and are entitled to royalty payments (e.g. US artists do not have protected copyright).

PPCA estimate that 67% of protected music played on Australian radio was international repertoire entitled to royalty payments (\$2.3m).

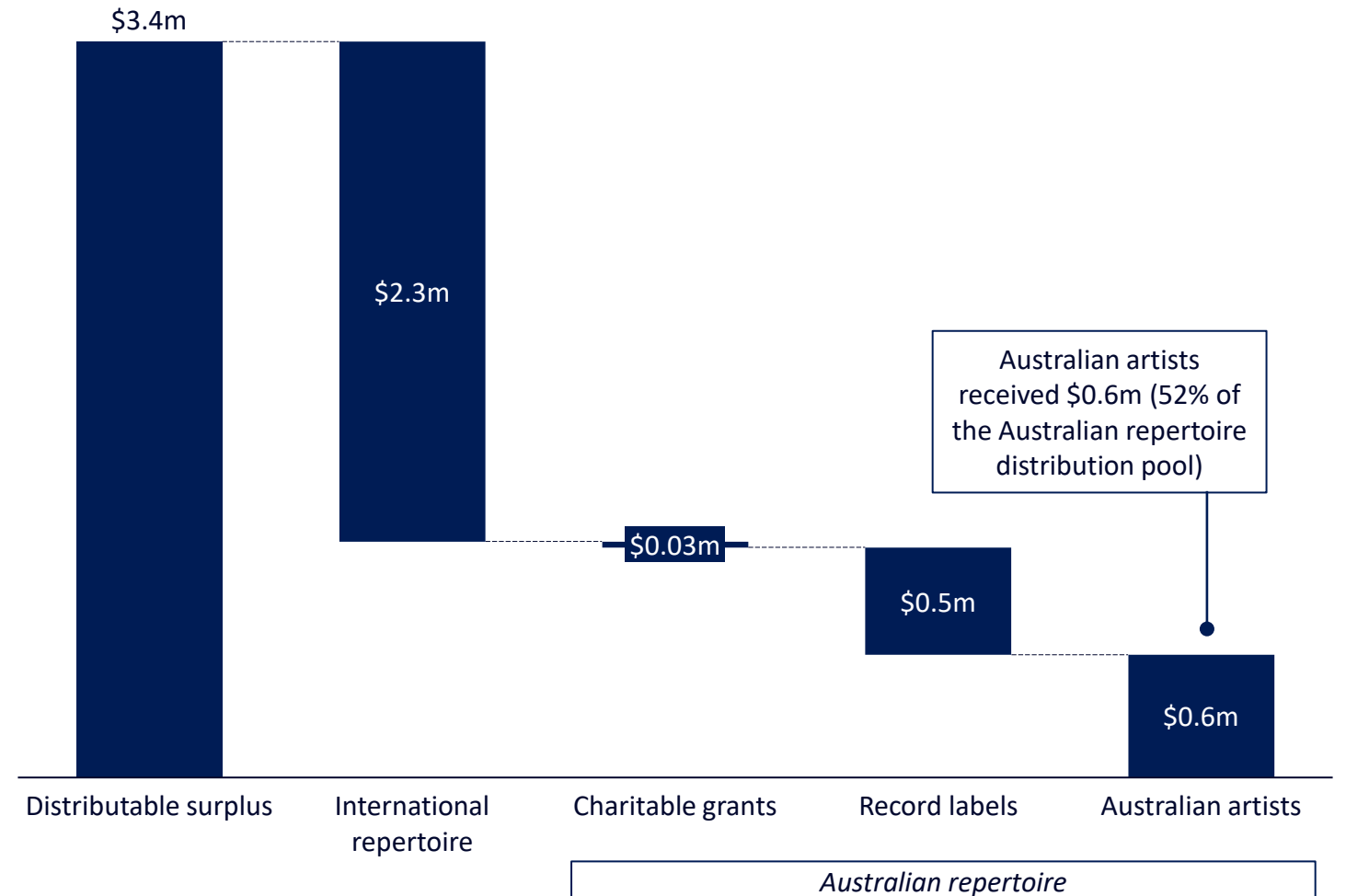
The Australian repertoire distribution pool is approximately 33% of available funds. 2.5% of this amount is allocated to charitable grants, and the remainder distributed to record labels and Australian artists.

Australian artists received \$0.6m in sound recording copyright fees either directly from PPCA (as a Registered Artist or Licensor) or indirectly via their record label.<sup>2</sup> Artists received the majority (52%) of the Australian repertoire pool.

The amount paid to each individual artist is determined based on their music's radio plays. This ranged from less than one cent to \$16,370 per artist in FY23.

## Final recipients of sound recording royalty distributions from radio plays

Commercial and ABC radio broadcast sound recording royalty distributions, FY23



<sup>1</sup> Distributable amount excludes PPCA costs (approx. 15% of royalty revenue).

<sup>2</sup> Indirect distribution via record label assumes record labels pass on 50% of revenue to artists: PPCA, major record labels.

Source: PPCA data; IBIS World (2023), Radio Broadcasting in Australia; ABS (2023), National state and territory population; Mandala analysis.



### Artist #1

**2023 Radio Sound Recording Royalty: \$40**

#### Published music

Two recently released albums and six singles, back catalogue of 13 albums (six ARIA top 10).

#### Awards

18 ARIA Award nominations and five ARIA Awards. Multiple APRA nominations, two J Award nominations, Country Music Awards Australia winner, and one National Live Music Award nomination.

#### Accreditations

Two Gold and one Platinum release.



### Artist #2

**2023 Radio Sound Recording Royalty: \$615**

#### Published music

Four album releases and 19 single releases.

#### Awards

Four ARIA Award nominations, two AIR Award nominations, two APRA Award nominations, two J Award nominations, two National Live Music Award nominations and one Award, one Rolling Stone Australia Award nomination.

#### Accreditations

Three Gold and one Platinum release.



### Artist #3

**2023 Radio Sound Recording Royalty: \$16,370**

#### Published music

Five album releases (three ARIA top 10) and two at number one, 24 single releases.

#### Awards

28 ARIA Award nominations and four Awards, seven AIR Award nominations and two Awards, three MTV Europe Music Award nominations, one MTV Video Music Award nomination, three Rolling Stone Australia award nominations, four World Music Award nominations.

#### Accreditations

Two Gold, five Platinum, nine multi-Platinum releases.

# Australian artists are at breaking point and work several jobs to support themselves



## Artists are ready to quit

- Nearly 50% of music artists recently considered leaving the industry<sup>1</sup>
- Key reasons include financial pressures, mental health and burnout, lack of opportunities and lack of support



## Music doesn't cover cost of living

- 83% of artists have multiple jobs<sup>1</sup>
- Artists played on the radio still rely on non-music jobs for 59% of their income<sup>2</sup>
- 69% of artists do not believe they will ever make enough money from music to live on<sup>1</sup>



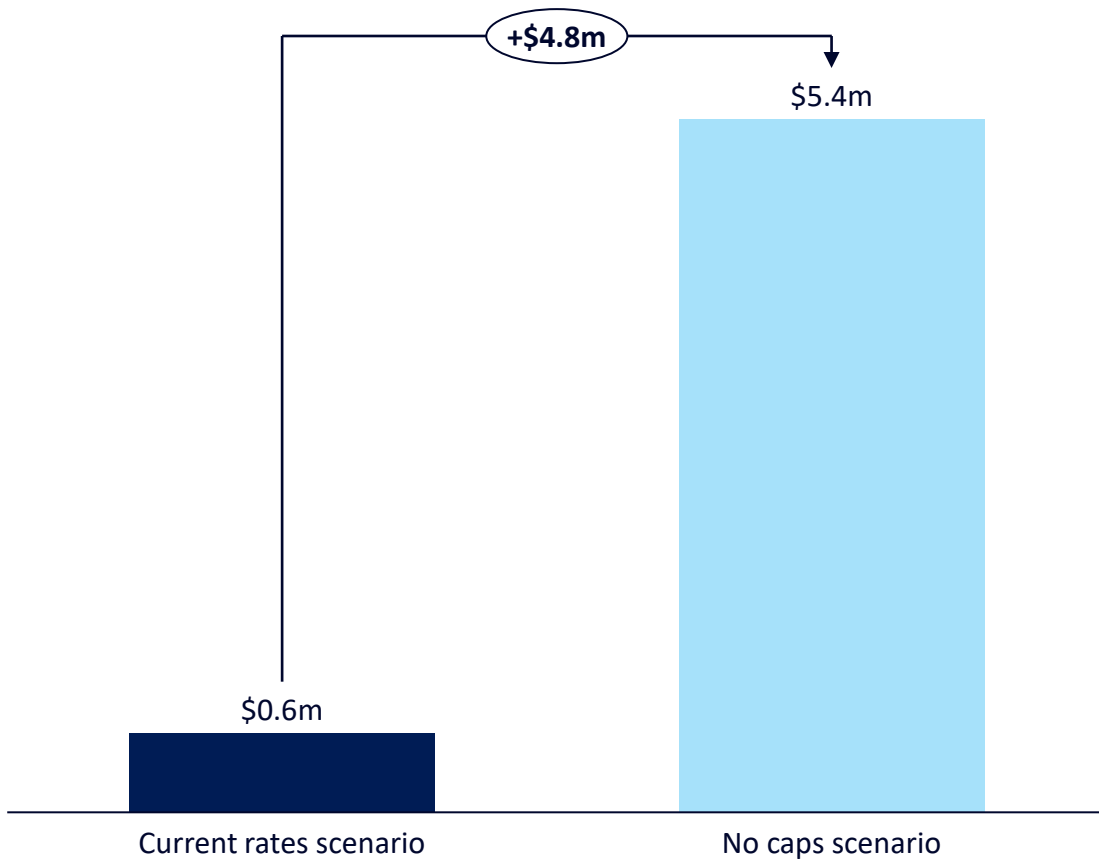
## Live gigs are being cancelled

- Festivals are a big supporter of Australian artists – 80% of acts at festivals are Australian<sup>3</sup> and live gigs make up 58% of an Australian artist's income<sup>1</sup>
- However, 35% of music festivals reported a loss in 2022 - 2023<sup>3</sup>
- More than 25 music festivals have been cancelled since 2022<sup>4</sup>

# An additional \$4.8m would be paid to Australian artists if caps were removed

Increase in distribution to artists if radio caps were removed

FY25

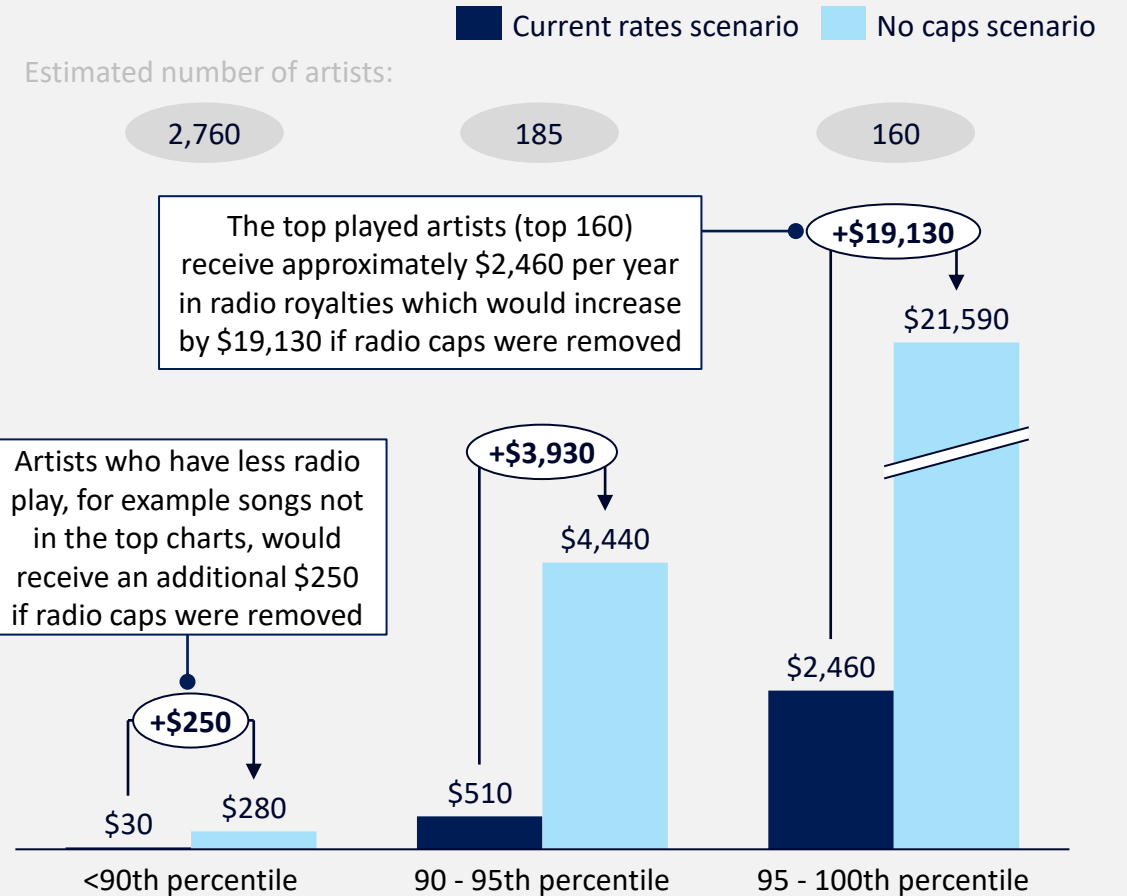


Source: PPCA data; Mandala analysis.

# This is equivalent to an additional \$19,130 for the most played Australian artists

Increase in sound recording royalties per artist if radio caps were removed

\$ per artist, Australian artist by distribution percentile, FY25



# Removing the radio caps could increase music income of the most played artists by 78%

Average income for Australian artists who receive music royalties is forecast to be \$60,390 in 2025 (\$59,800 in 2022).<sup>1</sup>

Australian artists played on the radio still rely on jobs outside of music for 59% of their income.<sup>1</sup> In the current rates scenario, this means Australian artists would earn \$24,640 from music and \$35,750 from non-music roles in 2025.

For the most played Australian artists (the top 160) removing the radio caps would increase sound recording royalties from radio by up to \$19,130 per year – increasing music income by 78% (from \$24,640 to \$43,770).

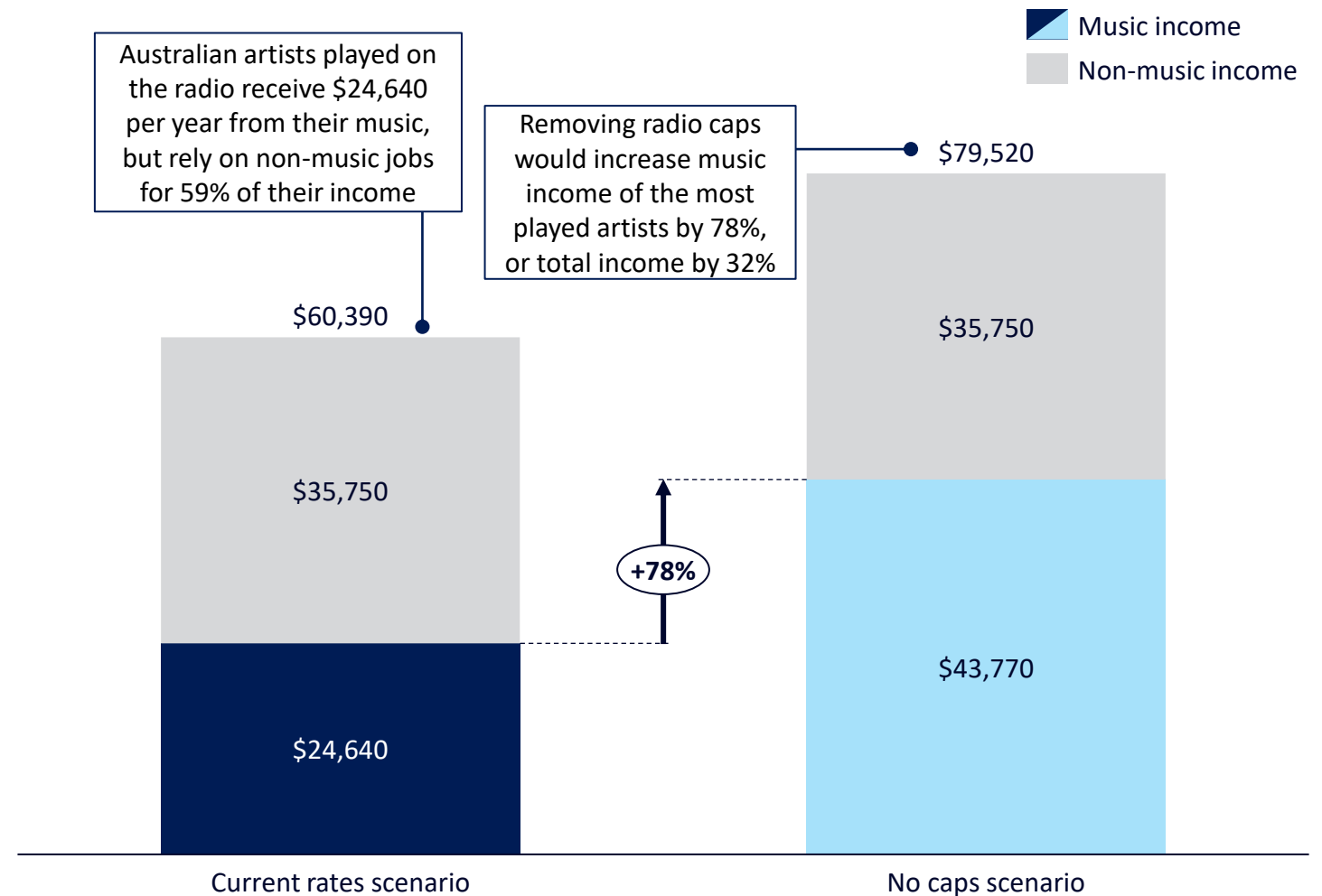
This is equivalent to a 32% increase in the total income of an Australian artist who receives royalties (from \$60,390 to \$79,520).

Artists who have less radio play, for example songs not in the top charts, would also benefit from removing the radio caps. Artists in the 90<sup>th</sup> to 95<sup>th</sup> percentile (the top 160 to 350) could receive an additional \$3,930 – equivalent to a 16% increase in music income. An additional \$250 per year in sound recording royalties is a 1% increase in music income.

Enabling Australian artists to spend less time working second jobs can reduce financial stress and increase time spent making music.

## Change in income of Australian artists from removing the radio caps

Increase in income from removing radio caps for the most played artists, FY25



Note: Artists played on the radio defined as musicians who received royalty and advance payments.

<sup>1</sup> David Throsby and Katya Petetskaya (2024), *Getting Back to Making Art Work: an Economic Survey of Practising Professional Artists*.

Sources: PPCA data; Mandala analysis.





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Appendix

# Record labels play an important role in investing in, and growing local talent



## Partnership

Labels partner with artists to support with:

- Upfront investment – advance payment, financial transparency
- Business affairs – licensing agreements, content protection
- Global inter-connectivity – cross-cultural collaborations, audience analysis



## Creative development

Labels support creative development through:

- Artists and repertoire (A&R) development through session organisation and song writing development
- Creative development services via photoshoots, styling, video creation and social media development
- Recording such as providing studio access, production, mixing, mastering



## Commercial success

Labels play an important role in commercial success through:

- Marketing such as influencer campaigns, social media, posters and billboards, audience analysis and CRM development
- Artist brand opportunities including sync opportunities, brand partnerships and merchandise
- Global distribution via licensed DSPs, merchandise, CDs and vinyl's
- Promotion through TV, radio, in-store performances, podcasts, streaming

# Record labels would receive an additional \$4.2m from Australian repertoire

Australia has a relatively small music industry compared to its peers – with \$18.80 of music revenue per capita compared to the US (\$33.10), UK (\$27.50) and Germany (\$19.30).<sup>1</sup>

Australia also has a low representation of domestic artists in the Australian charts – with no local artists in the top 10 singles charts in 2023, compared to the US and UK with 40% local artists in their top charts.<sup>2</sup>

Record labels play an important role in investing in and developing the music industry – particularly in their work discovering and developing artists.

25% of record label revenue globally is re-invested in artist discovery (A&R) and marketing.<sup>1</sup>

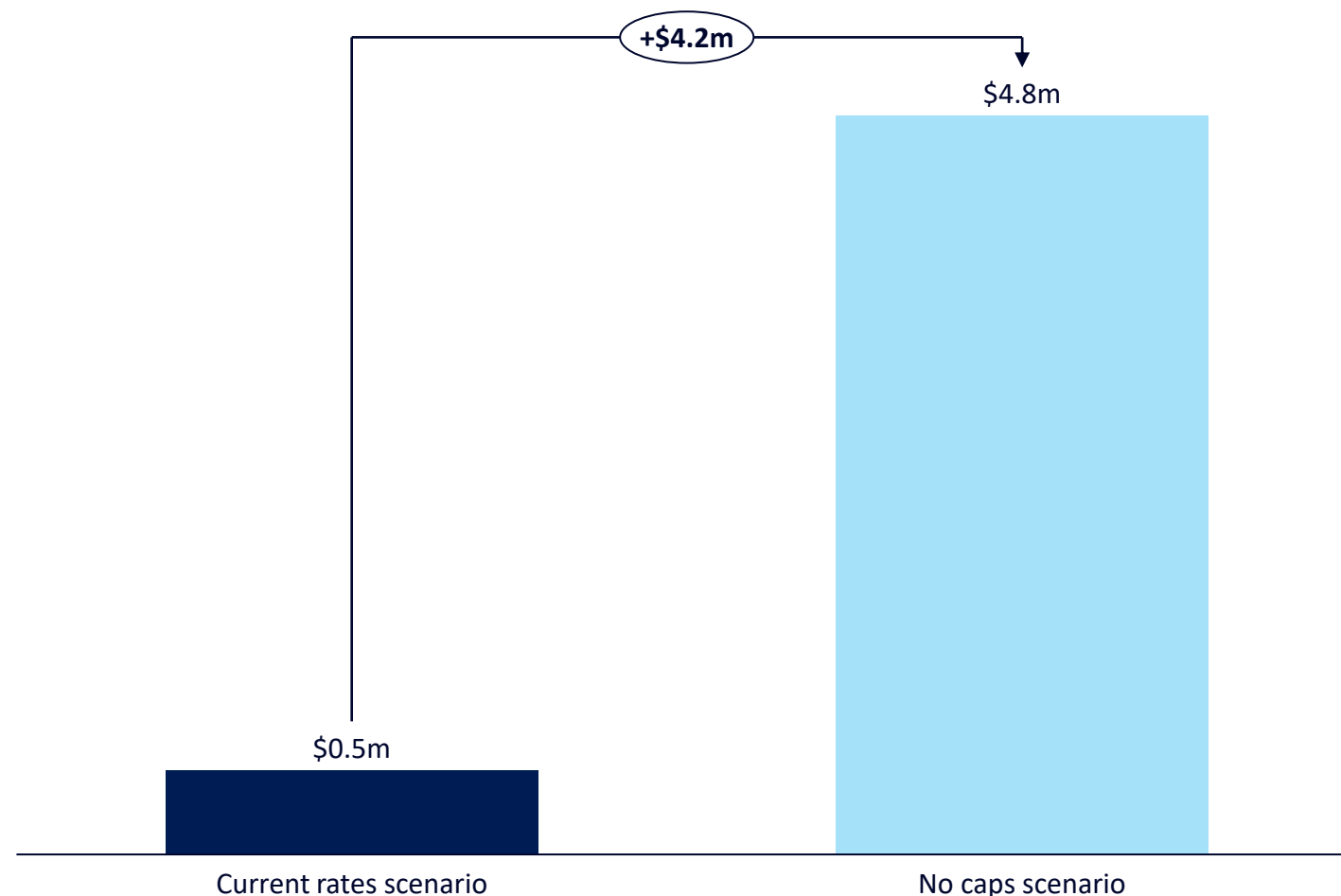
Record labels would receive an additional \$4.2m for Australian repertoire sound recording royalties if radio caps are removed. International record labels would receive an additional \$19.2m for protected international repertoire.

This additional revenue will drive additional investment in the Australian music industry, including coaching and promoting Australian talent.

This could lead to more Australian artists making it onto the radio and into the top charts.

## Increase in distribution to record labels if radio caps were removed

Australian repertoire revenue, FY25



1 IFPI (2024), *Global Music report*. 2 ARIA (2023) *Singles Chart*; Billboard (2023), *UK Music Listening*; Official Charts (2023), *Official top 40 biggest songs of 2023*.  
Source: PPCA data; Mandala analysis.

# Record label revenue is highly correlated with the number of royalty earning artists

There is a strong, positive relationship between record label revenue and royalty earning artists by country. This means that local talent is more likely to succeed if the domestic music industry is larger and more commercially viable.

This is illustrated by the regression analysis shown in the chart (see right), and is true even after controlling for factors such as GDP and population. This analysis leverages data from IFPI, PPCA and public, open-source datasets.

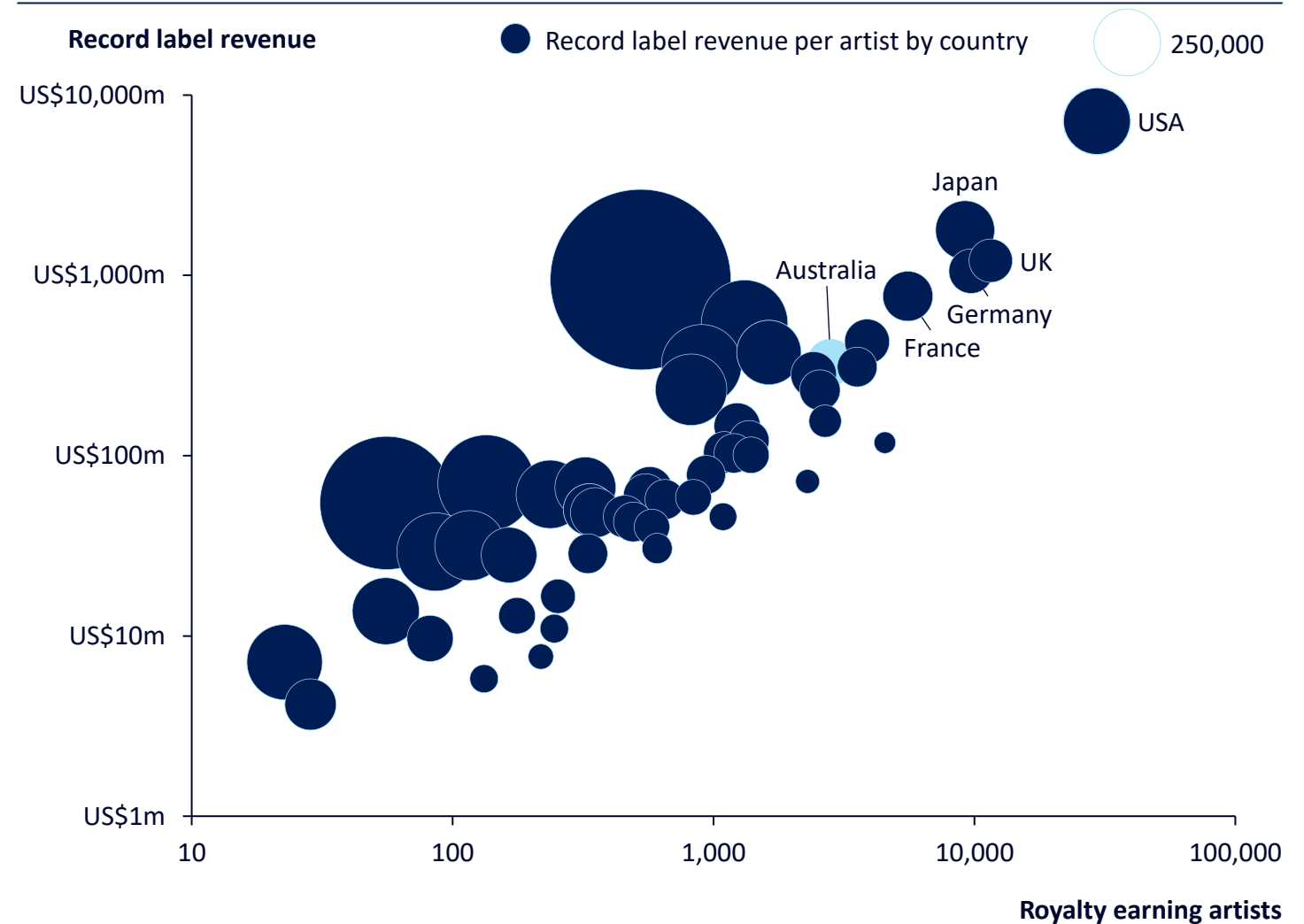
This is because record labels play an important role in discovering and developing new talent (for example through A&R and Marketing). If a record label earns more revenue in a particular market, it has more capacity to invest that revenue in artists. According to the latest IFPI Global Music Report, record labels invest 25% of revenue into A&R and Marketing activities.

This relationship shows the importance of continuing to grow and support the industry, and the flow on benefits this can have in supporting royalty earning artists.

In FY23, Australia had over 2,800 royalty earning artists and the record label industry generated over US\$300 million in revenue, after accounting for artists' share of revenue.

## Record label sound recording revenue and total royalty earning artists

x-axis: total royalty earning artists, y-axis: record label revenue, by country, FY23



Source: IFPI (2024), *Global Music Report*; musicbrainz (2024); PPCA data; Mandala analysis.

# The number of Australian artists played on the radio for the first time could double

Approximately 150 new Australian artists are played on the radio for the first time each year (or receive radio sound recording royalties for the first time)

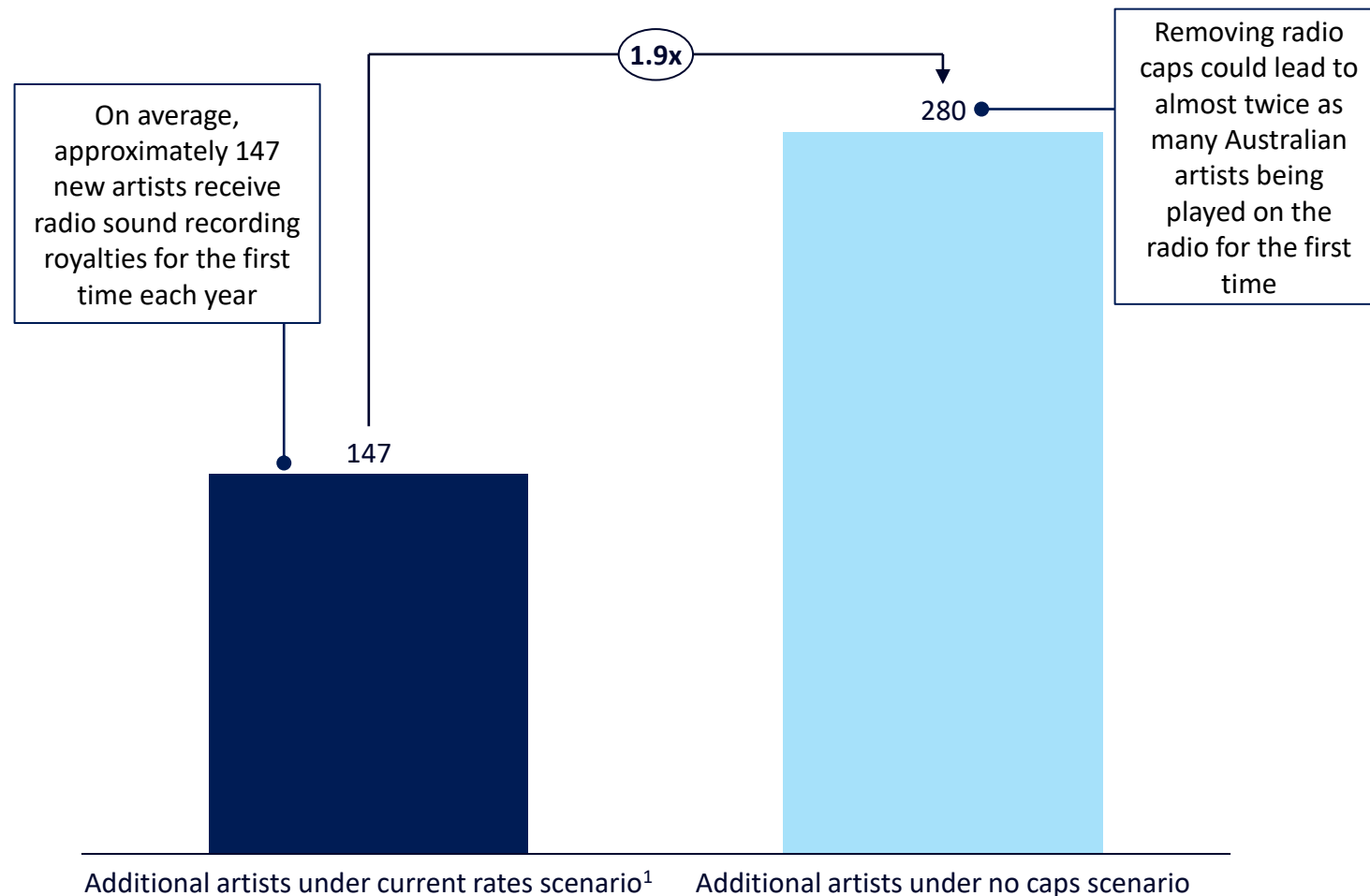
Removing radio caps could almost double the number of additional Australian artists receiving radio sound recording royalties annually. This would increase the number of artists receiving radio sound recording royalties for the first time from almost 150 per year to 280 artists per year.

This increase is estimated using the relationship between record label revenue and the number of artists. By understanding revenue per artist, we can estimate what the expected uplift in additional new artists would be. Removing radio caps will help to unlock additional income for record labels to invest in finding and developing Australian artists and talent. It would also improve the viability of existing artists the currently earn comparatively little royalty income.

This analysis is based of country level data and existing trends on growth of additional artists receiving radio sound recording royalties. This modelling does not account for other factors that may affect growth in artists receiving radio sound recording royalties, including business or industry economic circumstances.

## Expected increase in additional artists supported from removing radio caps

Additional Australian artists receiving radio sound recording royalties, FY25



<sup>1</sup> Based on growth in the number of Australian artists receiving sound recording royalties from broadcast radio each year. Source: IFPI (2024), *Global Music Report*; musicbrainz (2024); PPCA data; Mandala analysis.



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Appendix

# The radio industry is profitable and dominated by a small number of well-resourced companies

Key claims<sup>1</sup> made by the radio industry include...

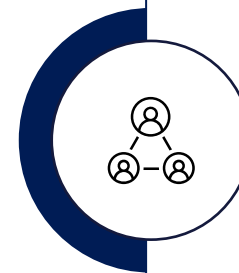
- “Higher copyright fees are simply unsustainable”
- “Removal of the 1% cap will have a devastating impact on the commercial viability of local radio stations and will erode the vital local services provided by local radio”
- “Without the cap, the record industry could charge whatever it likes for music that the Australian music quotas force the industry to buy”

However, evidence shows that the radio industry is...



## Profitable, with high revenues

The Australian radio industry has some of the highest revenue per capita globally and maintain healthy profit margins



## Dominated by a small number of large players

Five organisations account for 85% of industry revenue, with over \$1.3 billion in revenue between them



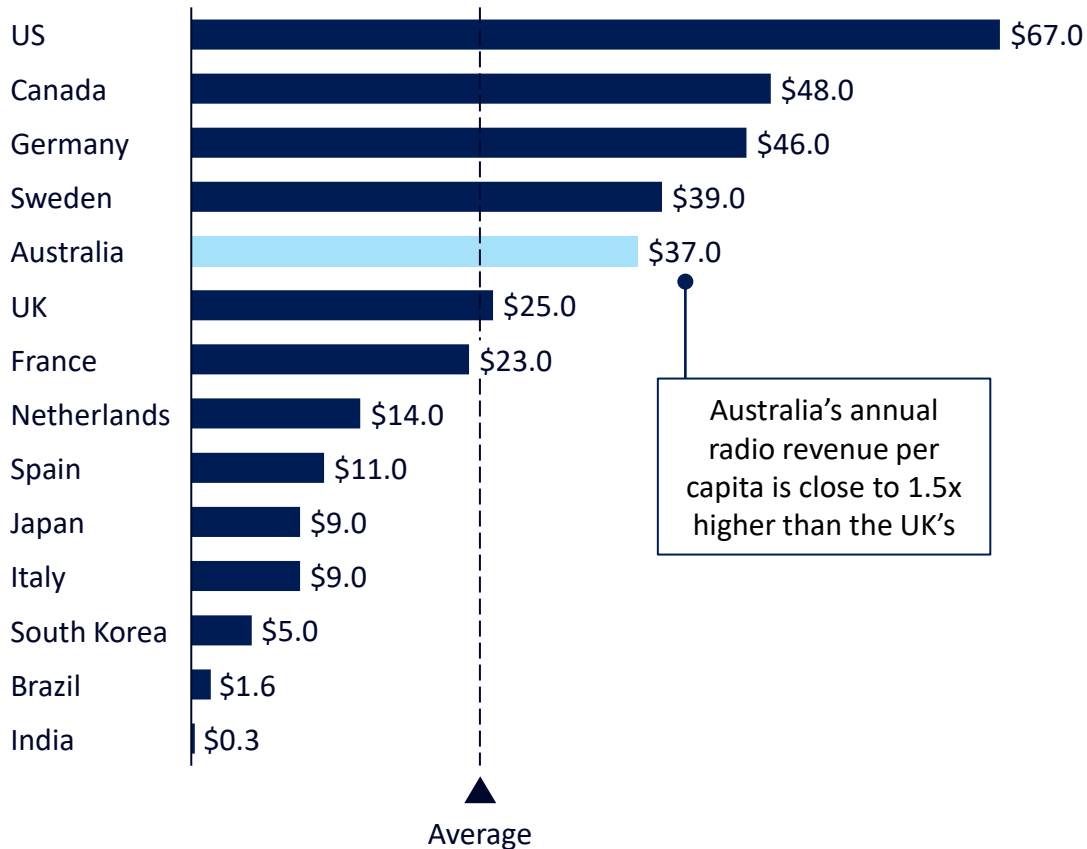
## Capable of paying higher rates

The industry would maintain healthy profit margins, even if they were to pay higher rates

## Australia's radio industry has some of the highest revenue per capita globally

### Annual radio revenue per capita by country

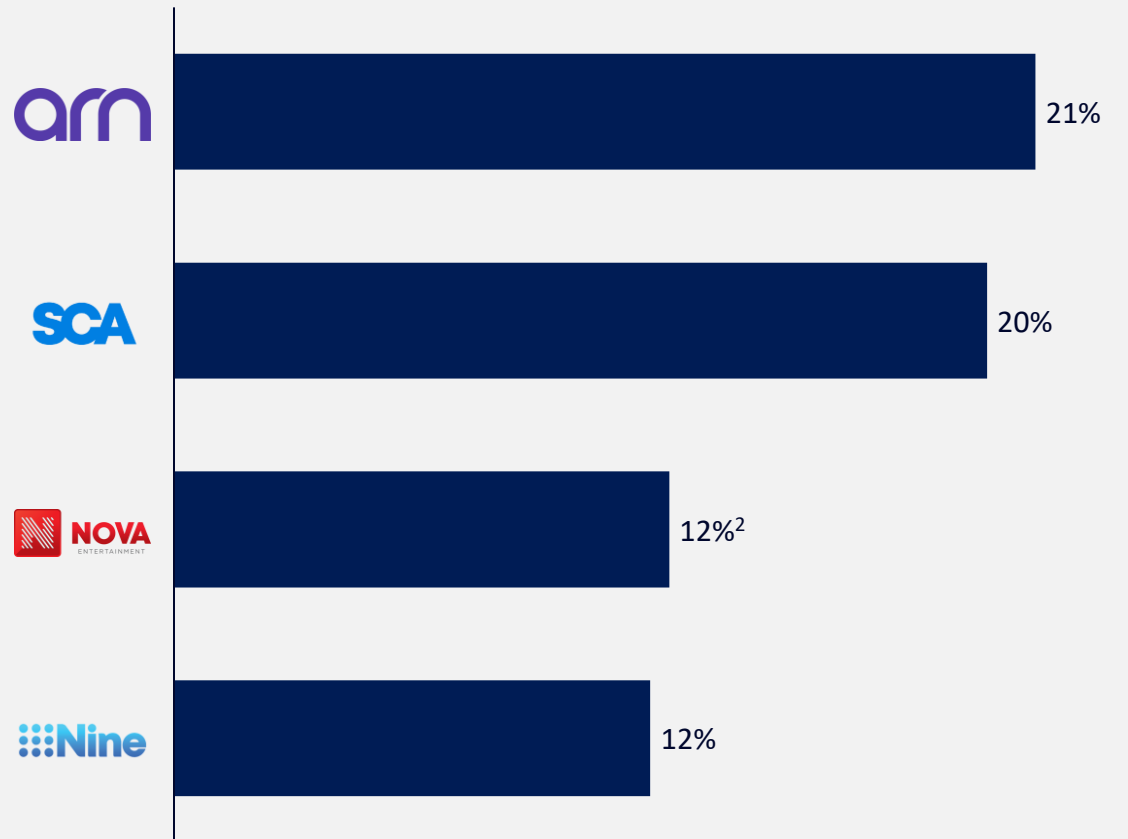
US dollars, 2017



## The largest commercial radio companies have healthy profit margins

### Profit margins for the top four commercial radio broadcasters

FY23<sup>1</sup>



Source: Deloitte (2018); SCA (2024) 2023 Annual Report; ARN Media (2024) Annual Report 2023; Nine (2024) Annual Report 2023; Mandala analysis.

1 Includes digital audio. 2 SMH (2022), Nova radio tunes in with advertising rebound. Based on financial figures from Year End 31 December 2021. Nova Entertainment is privately owned.



# The radio industry is dominated by five players with significant resources

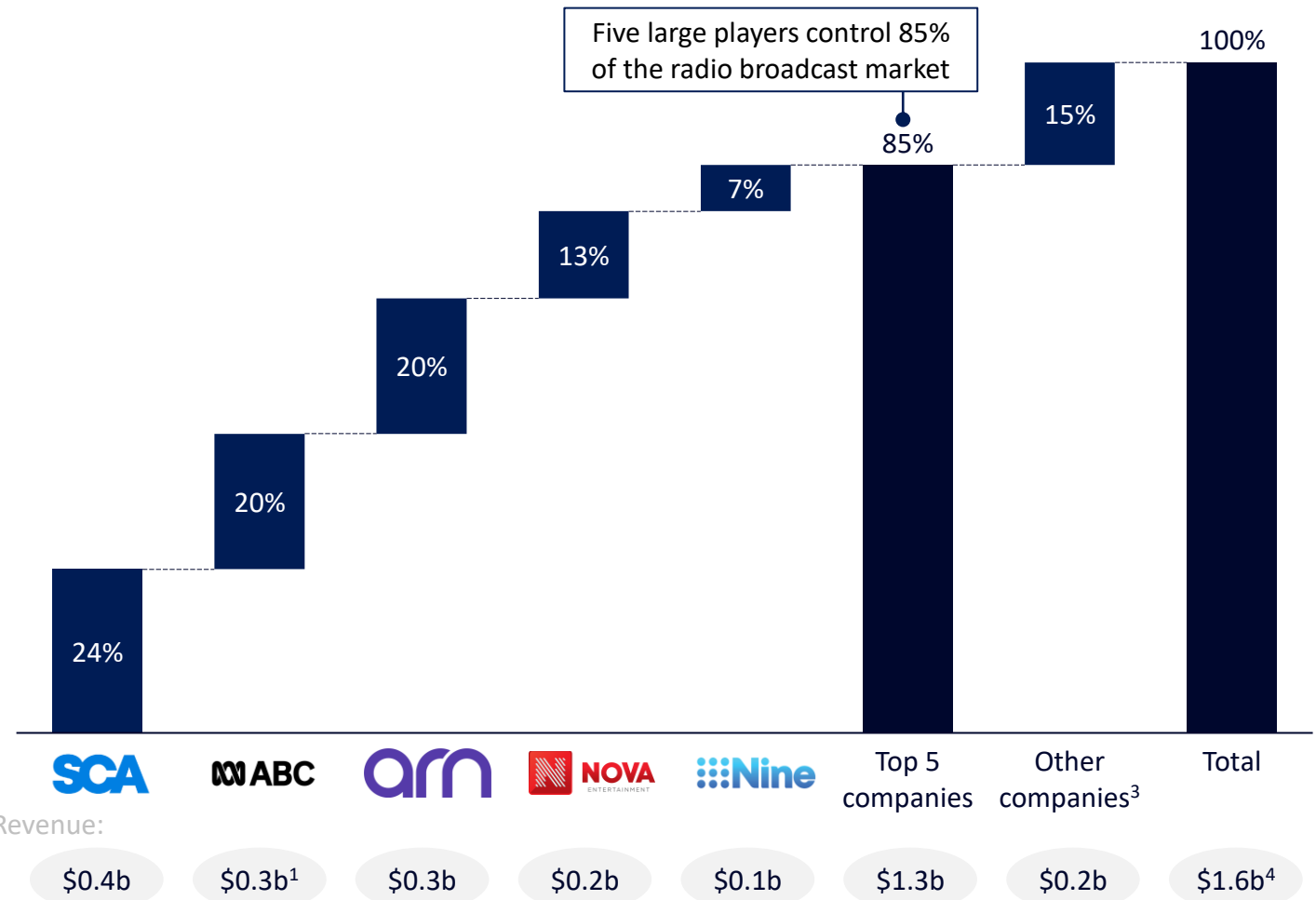
The Australian radio industry is concentrated among five large players (SCA, ABC, ARN, Nova and Nine) who control 85% of the broadcast market. The industry is becoming more concentrated over time, with market share of the largest five players increasing 14 percentage points (from 71%) since FY14.<sup>2</sup>

These five players shared more than \$1.3bn in revenue in FY23 and possess the necessary size and resources to negotiate fair rates for artists and labels without a radio cap, or, in the absence of agreement in the market, by the determination of the Copyright Tribunal.

There are also ongoing developments in the broadcast market, with a proposed takeover bid by ARN and Anchorage Capital Partners for SCA, which would see the company's assets split between the two companies.

## Breakdown of radio broadcasting industry market share

% of industry revenue, FY23



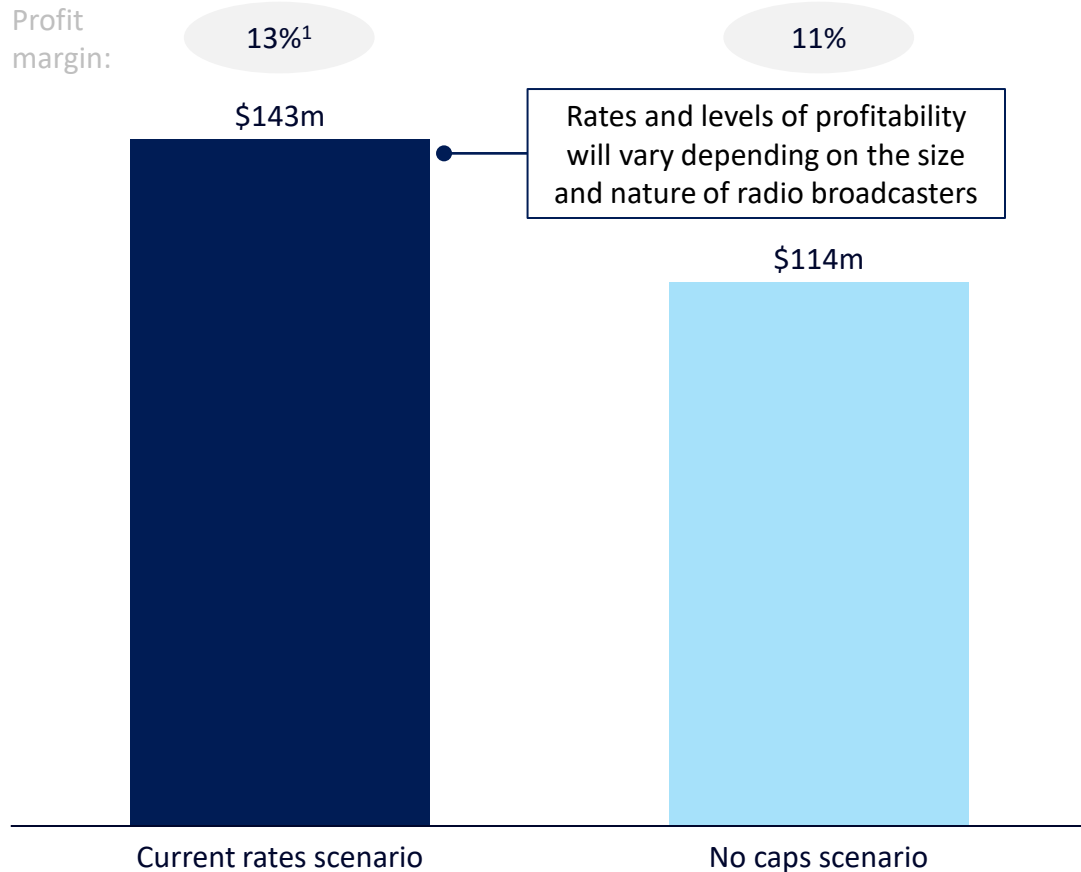
1 Based on government funding provided to the ABC. 2 By share of industry revenue. 3 Includes small-scale broadcasters that are often government-owned or community radio stations. 4 Totals may not add up due to rounding.

Source: IBIS World (2023), *Radio Broadcasting in Australia*; SCA (2023), *Annual Report*; ARN (2023), *Annual Report*; ABC Radio (2023); *Commercial Radio and Audio* (2023); Mandala analysis.

# Radio stations would maintain solid profit margins if caps were removed

## Estimated profit for commercial radio broadcasting industry

Estimated profit, FY25



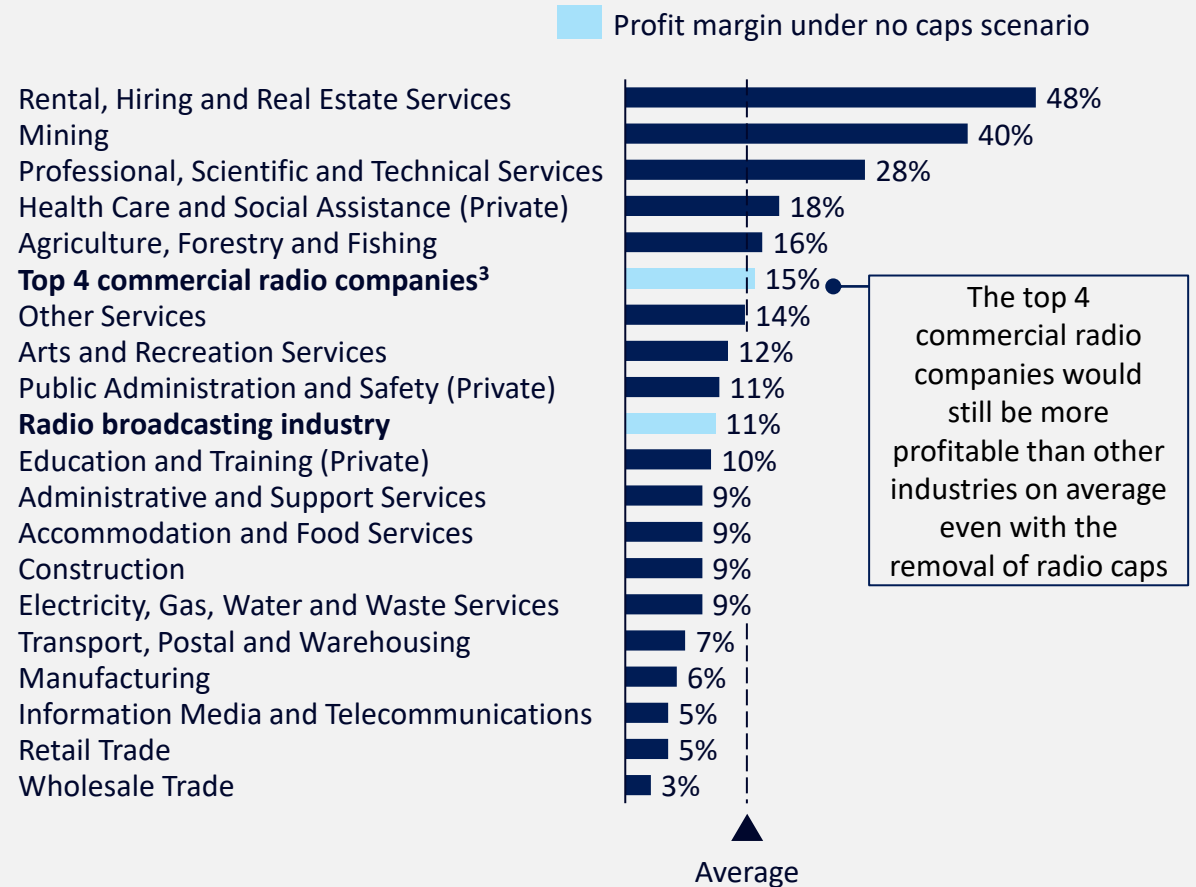
<sup>1</sup> IBIS World (2023), *Radio Broadcasting in Australia*.

Source: SCA (2024) 2023 Annual Report; ARN Media (2024) Annual Report 2023; Nine (2024) Annual Report 2023; SMH (2022), *Nova radio tunes in with advertising rebound*; Mandala analysis.

# The top 4 commercial broadcasters would still be more profitable than other industries

## Average profit margins for Australian industries

Profit margins by industry, FY25<sup>2</sup>



<sup>2</sup> ABS (2023), *Australian Industry*; financial reports; Mandala analysis. Profit margin calculated based on total income and total expenses. Assume margins stay constant 2023-2025. <sup>3</sup> Includes digital audio.

## Regional radio broadcasters have strong profit margins and could afford higher rates

Data indicates that the regional commercial radio market is worth approximately \$475m. While there is limited public data, Grant Broadcasters, which is a regional broadcaster, reported a profit margin of 35% for FY21. Nevertheless, profit margins may vary significantly for other regional radio stations.

This margin is higher than other large broadcast companies with a mix of metro and regional operations in FY21, including ARN (26.5%), SCA (23.8%), Nova Entertainment (12.3%) and Nine Entertainment (26.8%).<sup>1 2</sup>

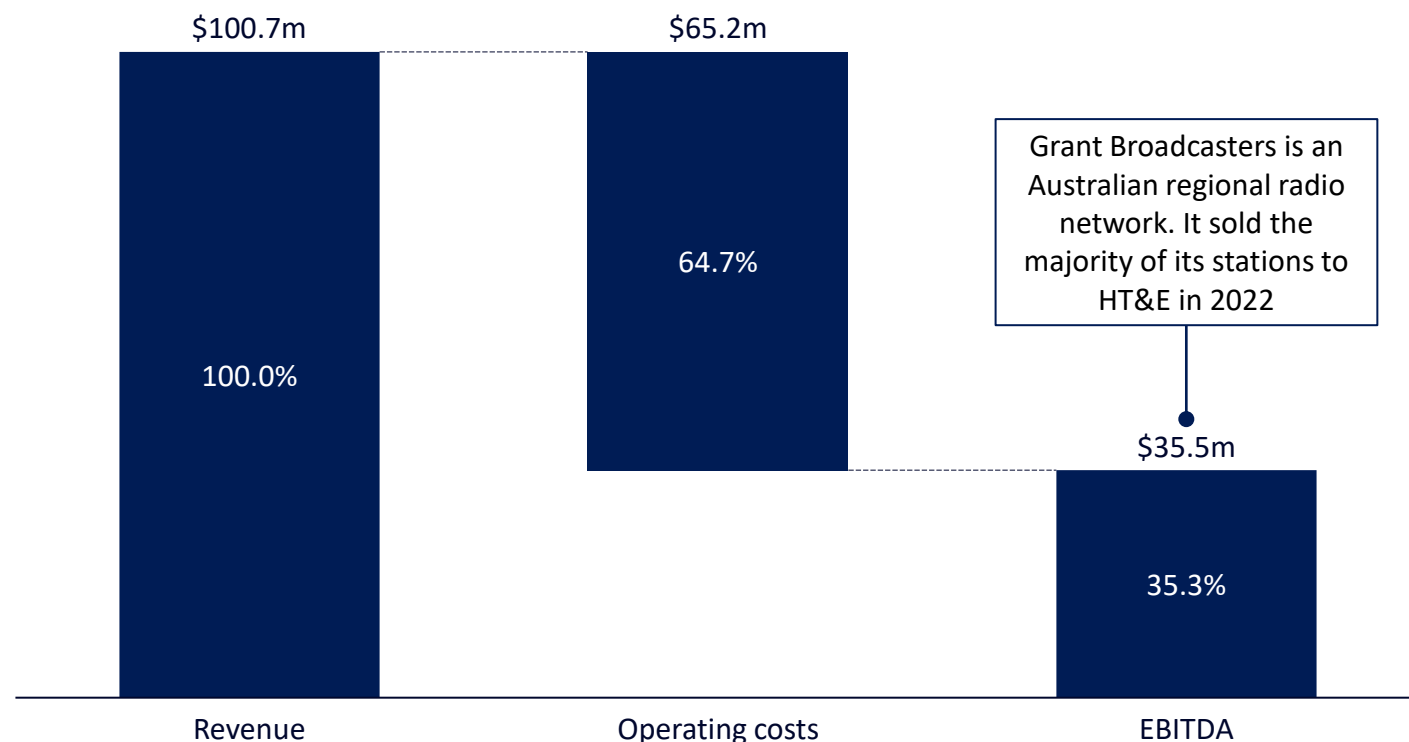
In 2022 Grant Broadcasters was acquired by Here, There and Everywhere (HT&E). ARN is a wholly owned subsidiary of HT&E.

A large proportion of regional radio stations are now also owned by SCA and ARN. These two companies own 78 and 47 regional radio stations each respectively, and account for more than 50% of all regional commercial radio stations.<sup>3</sup>

These large organisations have gained significant economies of scale due to their size and serve regional areas at low cost, through measures such as syndication, whereby content is broadcast across multiple radio stations around the country.

### Grant Broadcasters profit margin

FY21



“

The Grant Broadcasters business is extremely profitable, there's about a 35 per cent margin which is superb for a regional radio business like that. It's lean in how it operates.

**Ciaran Davis, CEO of HT&E**

Source: AFR (2021), HT&E snaps up radio company to capitalise on growing regional market; IBIS World (2023), SCA (2022) 2021 Annual Report; HT&E (2022) HT&E FY21 Results Presentation; Nine (2023) Annual Report 2022.

# The ABC has a budget of almost \$1.3bn and would be able to afford higher royalties

The radio caps currently limit ABC sound recording royalty fees for radio broadcast to \$0.005 per head of the Australian population.

This amounted to a total of \$130,000 in FY23, or approximately 0.01% of the ABC's total funding and income for the year.

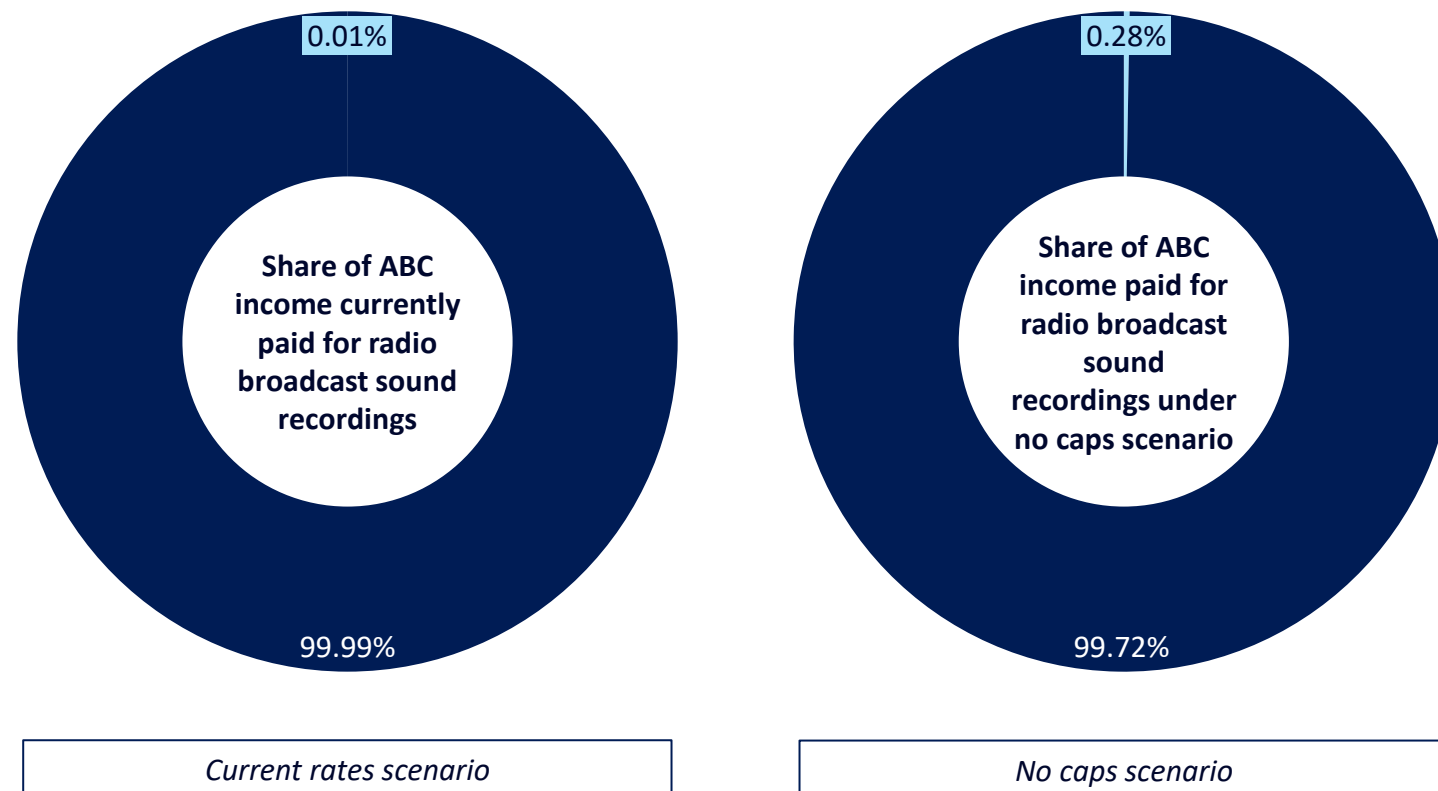
On the other hand, the ABC currently pays market rates for musical works royalties for radio broadcast, equivalent to approximately \$3.5 million.<sup>2</sup> This is close to 27 times the amount received for sound recording royalties.

If the ABC was to pay a similar amount for sound recording copyright, this would equate to just 0.28% of the ABC's total funding from government and other sources of income. The ABC is also a recipient of royalties from sound recordings.

Importantly, not all funding and income identified here would go towards ABC radio broadcast.

## Estimated financial impact on ABC radio of removing radio caps

% of total budget<sup>1</sup>, FY23 and FY24



<sup>1</sup> Australian Broadcasting Corporation (2023) *Entity resources and planned performance 2023-24*. Based on actual total net resourcing for FY23 and estimated actual total net resourcing for FY24. <sup>2</sup> Based on APRA AMCOS total revenue from Australian radio, less estimated revenue from commercial radio and community radio. Source: ABC (2023); Mandala analysis.



1

Radio caps have artificially constrained artist income since 1968

2

Removing the radio caps could increase music income of the most played artists by 78%

3

Removing radio caps could double the number of Australian artists played on the radio for the first time

4

Radio companies are well resourced and capable of paying higher rates

5

**Appendix**

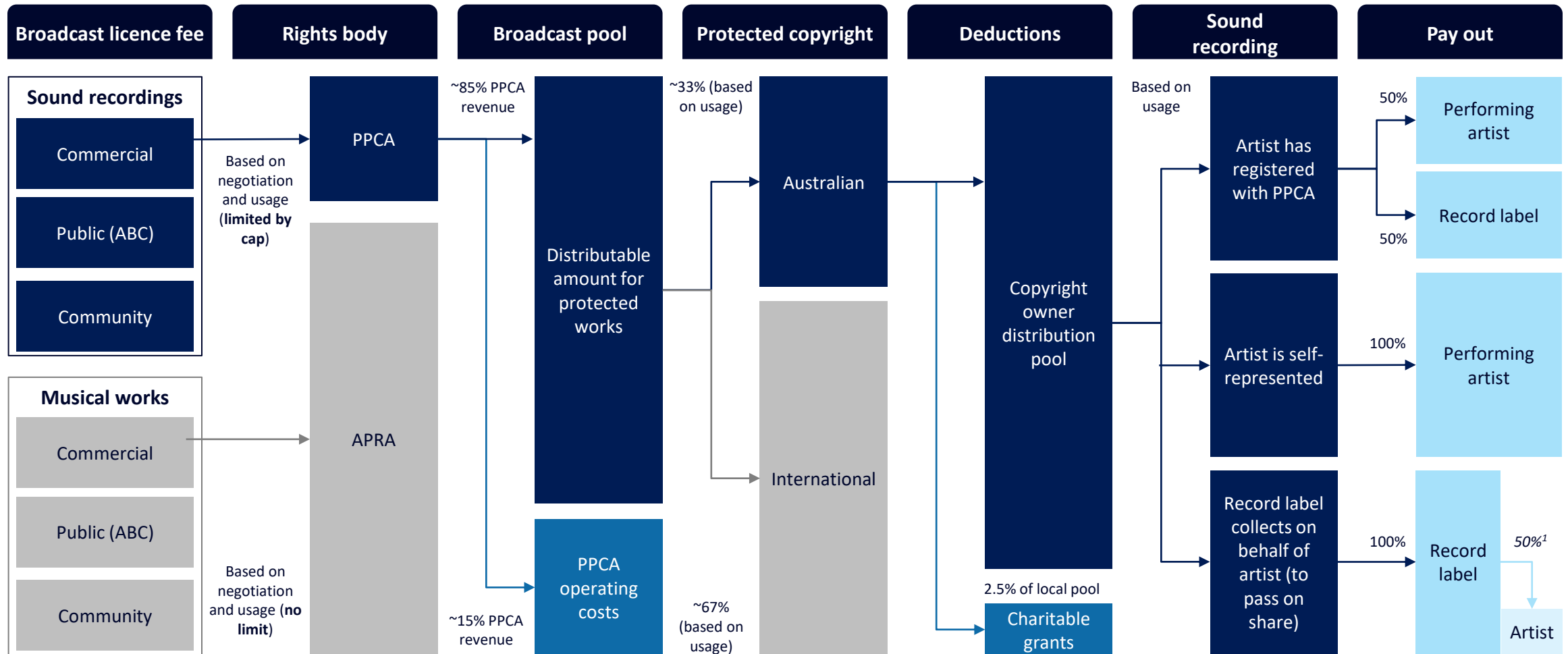
# Key assumptions

Category	Assumption	Value	Source	Notes
General	Average musical works royalty payment as a percent of radio broadcaster revenue (2022)	3.6%	Deloitte Access Economics & Commercial Radio and Audio (2023), <i>Connecting Communities, The economic and social impact of commercial radio and audio in Australia</i> ; APRA AMCOS (2023) Annual report; PPCA data	This figure is intended as an illustrative representation of possible sound recording royalty rates if the radio caps were removed, not the final amount sought to be paid for sound recording royalties. Final rates for sound recordings are to be determined as per the normal processes, including by negotiation between PPCA and radio broadcasters and a decision by the Copyright Tribunal (where necessary).
	Radio broadcast revenue growth rate (forecasts)	0.7%	IBIS World (2023), <i>Radio Broadcasting in Australia</i>	CAGR 2024 – 2029.
	Amount passed on to artists by record labels (if not registered as Registered Artist with PPCA)	50%	PPCA consultation with major record labels	
Artist income	Average music income of Australian artist who receives royalties (2022)	\$24,400	David Throsby and Katya Petetskaya (2024), <i>Getting Back to Making Art Work: an Economic Survey of Practising Professional Artists</i> .	
	Average total income of Australian artist who receives royalties (2022)	\$59,800	David Throsby and Katya Petetskaya (2024), <i>Getting Back to Making Art Work: an Economic Survey of Practising Professional Artists</i> .	
	Income growth rate (forecasts)	0.2% p.a.	ABS (2023), Average Weekly Earnings – Arts and Recreation	Change from 2022 to 2023.
	Distribution of artist royalties	Percentiles	PPCA distribution data	Estimated based on amount distributed to each artist by PPCA per year.
Record label distribution	Amount paid to record labels as royalties (2023)	\$0.5m	PPCA distribution data	
Radio station profit margin	Profit margin of 4 largest commercial radio stations under ‘no caps’ scenario	15.1%	SCA (2024) <i>2023 Annual Report</i> ; ARN Media (2024) <i>Annual Report 2023</i> ; Nine (2024) <i>Annual Report 2023</i> ; SMH (2022), <i>Nova radio tunes in with advertising rebound</i>	Revenue includes some digital audio. Figure applying new rate under ‘no caps’ scenario to total revenue across 4 radio stations and adjusting profit margins accordingly. Nova Entertainment profit margins are based on latest publicly available data which are financial figures from Year End 31 December 2021. Nova Entertainment is privately owned.
	Average profit margin for radio broadcast industry	13.3%	IBIS World (2023), <i>Radio Broadcasting in Australia</i>	
	ABC budget	1.2-1.3b	Australian Broadcasting Corporation (2023) <i>Entity resources and planned performance 2023-24</i>	Based on actual total net resourcing for FY23 and estimated actual total net resourcing for FY24.
	ABC rate under ‘no caps’ scenario	\$3.5m	Deloitte Access Economics & Commercial Radio and Audio (2023), <i>Connecting Communities, The economic and social impact of commercial radio and audio in Australia</i> ; APRA AMCOS (2023) Annual report; PPCA data	Estimated based on APRA AMCOS total revenue from Australian radio, less estimated revenue from commercial radio and community radio.
Additional artists	Additional artists receiving royalties per annum	132	IFPI (2024), <i>Global Music Report</i> ; PPCA distribution data	Based on regression analysis which shows a strong, positive relationship between record label revenue and total artists receiving royalties per annum. Total additional artists is calculated by finding additional artists supported under ‘no cap’ scenario based on record label revenue per artist receiving royalties.

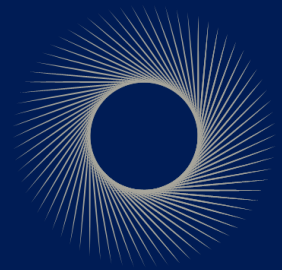
# Sound recording copyright royalties are distributed based on music usage and location of copyright owner

Illustrative flows of licence fees from broadcaster to sound recording copyright owner

Not for Australian sound recordings  
 PPCA operational costs  
 Final remuneration for sound recordings



1 Amount paid to artists who receive copyright royalties from record labels (not PPCA) assumed at 50% of royalty amount (based on amount passed on by the 3 major record labels; Mandala analysis).  
 Source: PPCA (2024), *Distribution Information Guide*; One Music (2024), *Where do my fees actually go*; Mandala analysis.



MANDALA