Fair value of music: Context of Radio

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Dialogue: The Indian Music Convention, 2019
IMI National Conclave
3 September 2019
Introduction

- Music at core of the ecosystem of industries of radio, television and OTT platforms
  - 83% of radio airplay time is based on music
- Copyright Board Order (2010): 2% of Net Advertising Revenue paid as compulsory license fee by Radio stations to the Music Industry
- Original arguments:
  - Consumer Access
  - Nascency of Radio
  - Global benchmarks
- Scenario very different today
- India can now move to market determined voluntary rates
- This will promote creativity and growth in core music business
The Copyright Board order (2010)

After a series of disputes the Copyright Board determined 2% compulsory license fee for Radio.

- The order was *in personem* not *in rem*
- Temporary order: 10 years in 2020
- Rate was based on global benchmarks from selected countries
- 3 determining arguments:
  - Access
  - Nascent radio sector
  - Global benchmarks
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<thead>
<tr>
<th>Access</th>
<th>Very low internet coverage</th>
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<td>financially constrained listeners</td>
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<td>Radio phases not rolled out yet</td>
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<th>Nascent Radio Industry</th>
<th>Radio stations paid heavily in auction</th>
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<td>Need repositories of music</td>
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<td>Few radio stations in the industry</td>
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<th>Global Benchmarks</th>
<th>Examples of selected countries</th>
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<td>Percentage rates: lower end (nascent)</td>
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Map of India where colours show the latest phase of radio auction in a city. The size of circles indicates the current number of radio channels available in the corresponding city.
Access

- After 3 phases: geographical coverage of radio broad
- Variety of content - regional, community radios
- Internet and mobile coverage grown:
  - 627 million Indians have access to internet
  - 97% of users access internet on smartphones
  - Penetration in rural India from 9% in 2015 to 25% in 2018
- Digital OTT subscription platforms
- Streaming platforms
Relative growth trends

Trends in Radio and Music Industry

Source: FICCI reports on M&E Industry
Radio: present and future value

- “Resilient” in other countries, growing in India
- Low cost, coverage and user reach $\implies$ Financially viable
- Technological innovations: radio unrecognisable as in Telegraph Act (1885)
- Analog to digital radio would further the scope of Radio in future
- Same license will be more profitable, more demand for content
- For a growing radio industry, the promotion of quality content is key
- This translates to giving the music industry its due
What fraction of revenues filter down to music?

- 2% rate doesn't take into account metropolitan locations, peak traffic hours, popular content
- Radio has additionally benefitted from online presence, video content and live awards, political advertisements
- Digital OTT platforms show that music is valued higher than what compulsory license fee gives
- Earnings on the basis of quality and quantum of the catalog licensed
- Radio stations will not opt for voluntary licensing as long as 2% compulsory rate available
Recommendation: voluntary licensing

- Liberalisation, recently telecom: tariffs go once industry matured
- Global scenario: similar growth in access and radio industry
- Moved to voluntary: Hong Kong, Malaysia, Thailand & Japan

- Let voluntary licensing determine fair market rate
- Specific subsidies could be transferred directly
- Remove tariff on music industry
- Expect growth in quality and diverse content, more investment
- Promoting creative sector will ultimately benefit Radio further
Thank you

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