

Fair value of music: Context of Radio

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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.

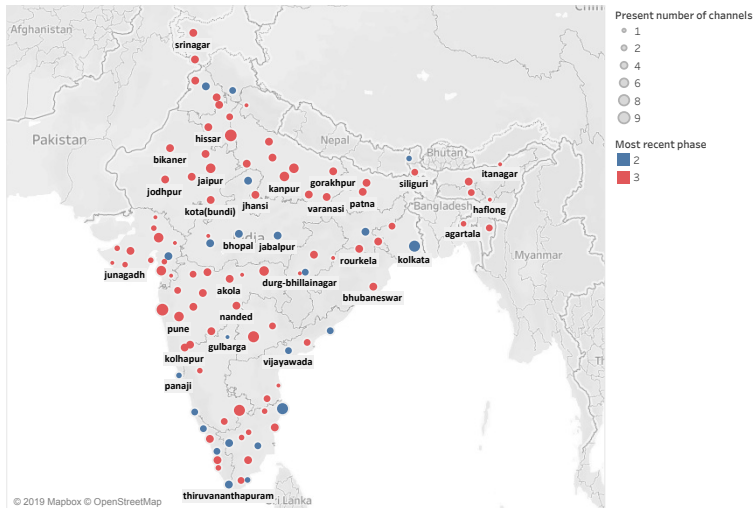
- ▶ The order was *in personem* not *in rem*
- ▶ Temporary order: 10 years in 2020
- ▶ Rate was based on global benchmarks from selected countries
- ▶ 3 determining arguments:
 - ▶ Access
 - ▶ Nascent radio sector
 - ▶ Global benchmarks

Order: original arguments

Access	
	Very low internet coverage
	financially constrained listeners
	Radio phases not rolled out yet
Nascent Radio Industry	
	Radio stations paid heavily in auction
	Need repositories of music
	Few radio stations in the industry
Global Benchmarks	
	Examples of selected countries
	Percentage rates: lower end (nascent)

Access: Private FM coverage

Phase coverage



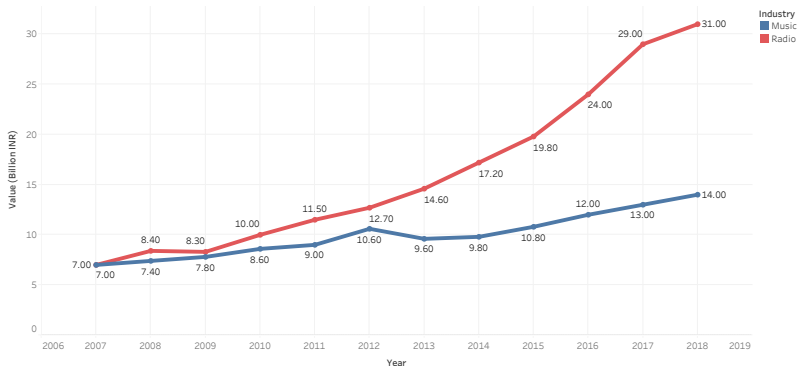
Map of India where colours show the latest phase of radio auction in a city. The size of circles indicates the current number of radio channels available in the corresponding city.

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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