

37 - 51 Online Revenue

37.1 Key concepts

- Most online revenue is licensed jointly by *PRS for Music* on behalf of both PRS and MCPS. Only the distribution aspects of the PRS share will be detailed in this document.
- Blanket UK revenues received for online music services are, as at October 2011, split between societies based on service type, in accordance with this matrix:

Service type	PRS	MCPS
Download	25%	75%
Streaming*	50%	50%
Mixed **	50%	50%
Webcast	75%	25%
Ringtones***	33%	67%

* The split for YouTube is calculated at work level, see YouTube section below.

** If it is not possible to break service down into the component parts, this split is used.

***Not all Ringtones services are split this way, some have bespoke splits, e.g. Vodafone 48/52 in favour of MCPS

- Transactional-invoiced revenue for online music services is apportioned using the same principles as blanket revenues. In this instance, however, apportionment is applied at an individual transaction level and not to the overall fee. This allows for the fact that control of the repertoire and the rights being licensed by MCPS and PRS vary at work level.
- This principle also forms the basis for revenue apportionments for the audiovisual element of General Entertainment Online (GEOL) licence revenue, which is adjusted to take account of any difference in controlled usages between societies.
- UK-focused services are licensed on a blanket basis and revenues are distributed by data-matching music usage reports against repertoire. For low-value services, for example LOML licensees with a royalty value of less than £12,500 per annum, revenues are distributed on a pro-rated basis against data collected from larger online services.
- For European multi-territory services, including those operating in the UK under pan-territorial licensing agreements, *PRS for Music* processes usage reports from each service to identify relevant repertoire. In respect of the UK, the processing excludes those repertoires specifically excluded from *PRS for Music's* local mandate and licenses the remainder, providing a 'residual blanket' licence. Outside of the UK, *PRS for Music* licenses those specific works that it is mandated to license for those territories at the time of invoicing.

- European online music usages are matched and invoiced following the territory of destination's copyright policy, and performing and mechanical rights splits.
- Full reporting is sought from all but the smallest of online licensees, LOML and LOML+ licensees. The quality of the data usually enables the systems to automatch usage for a very high proportion of the revenue. Manual matching also takes place for high value works.

37.2 Unmatchables and carry forwards

For transactional and blanket online sections, *PRS for Music* does not adopt a carry forward approach. This is due to the nature of the revenue received and the cost of implementing back claim capability on systems.

For Pan European transactional online usage, *PRS for Music* is able to collect revenue from services for the UK usage for works which could not be matched, or for shares of matched works where the owner cannot be identified. This money is distributed as follows:

- 75 percent of the money is distributed pro-rata over the identified repertoire on an annual basis for the relevant service and period. Such distributions will be made across all matched data for all rightsholders, including direct licensors.
- The remaining money is held for three years to fund claims and disputes, after which it is distributed pro-rata over all identified repertoire for the relevant service and usage period.
- The exceptions to this are iTunes, Amazon and Beatport. All money for unidentified shares from these services is held for the three years before being distributed pro-rata. This allows us to attempt to make adjustments for high value unidentified shares which are subsequently registered.

This policy was last reviewed and agreed by the Distribution Committee in June 2014:

Carry forwards for GEOL operate using the same method as used for broadcast.

38 iTunes album/single downloads

38.1 Introduction

iTunes enjoys substantial market share in the UK's online music market and is a key licensee for PRS.

38.2 Royalty source

iTunes revenue is invoiced monthly based upon processed usage under the terms of iTunes' licence with *PRS for Music*.

38.3 Distribution policy

Revenue apportionment/performance value calculation

A 25:75 split in favour of MCPS applies to each usage, in line with splits established for download services.

iTunes revenues are invoiced based on what falls within our mandated repertoire and paid on net of administration costs.

Distribution basis

iTunes is distributed on a census basis where work registrations have been in place at the time of invoicing (subject to a minimum value requirement). The volume of data in iTunes reporting is high and the quality is generally good as so much of the reported data is automatched. Where a match cannot be established automatically, PRS will seek to manually match high value usages.

Distribution cycle

PRS aims to distribute iTunes revenue quarterly, one quarter after the end of the quarterly performance period.

38.4 Processing policy

Data provider and format

Data provided by the licensee in electronic format.

Processing thresholds and rules

All reported iTunes usage is loaded and passed through the automatch process. Works with insufficient streams to generate at least £0.01 are not loaded into PRS systems and do not, therefore become distributable.

39 YouTube

39.1 Introduction

A significant proportion of YouTube streams are accounted for by music videos, both in the form of official videos uploaded by record companies and within user generated content.

39.2 Royalty source

YouTube pays a blanket licence fee covering all *PRS for Music* administered rights throughout the term of the licence.

39.3 Distribution policy

Revenue apportionment/performance value calculation

YouTube revenue apportionment between MCPS and PRS works on a points basis. This reflects the individual usages between the two societies and the fact that *PRS for Music* administers a different set of rights for the performing and mechanical rights.

Each stream of a society controlled work generates a single point. Controlled content varies between the two societies, so these points are weighted to take account of the established 50:50 streaming split between the two. The mechanical side is further upweighted by 3/13 to compensate for the sync rights in a YouTube video.

This creates a weighting of 5/13:8/13 in favour of mechanical for each controlled stream.

Each performing right point generated is worth one while each mechanical point generated is worth 1.6.

This ratio does not represent the apportionment of the total licence fee because *PRS for Music* licenses a broader spectrum of performing right repertoire to YouTube on behalf of PRS than it does for mechanical right repertoire on behalf of MCPS. At the level of split between the two societies, this dilutes the impact of the higher weighting given to mechanical usages.

PRS aims to distribute at the same rate of value per stream throughout the term of the YouTube licence. Distributions are made throughout the licence term, based on a forecast of total usage to the end of the term. This enables PRS to make only minimal adjustments to the per stream rate.

Revenue is apportioned to individual works on the basis of the number of streams each work accumulates within the streamed content made available on YouTube.

Distribution basis

YouTube is paid on a census basis (subject to a minimum stream threshold requirement). Only videos that have accumulated sufficient streams to generate a payment of at least £0.01 are loaded into systems and run through an automatch process. *PRS for Music* seeks to manually match any high value usages that the system was unable to identify.

Distribution cycle

PRS distributes YouTube revenue quarterly, one quarter after the end of the quarterly performance period.

39.4 Processing policy

Data provider and format

Data is provided by the licensee in an electronic format. YouTube also uses music recognition technology to provide *PRS for Music* with accurate and comprehensive data.

Processing thresholds and rules

All reported YouTube videos exceeding the minimum stream threshold are loaded and passed through the automatch process. Videos with insufficient streams to generate at least £0.01 are not loaded into PRS systems and do not, therefore become distributable.

39.5 Other notes

This policy was confirmed by the distribution committee in April 2014.

40 Spotify

40.1 Introduction

Spotify currently offers three account types across its European territories of Denmark, Finland, France, the Netherlands, Norway, Spain, Sweden and the UK.

Service type	Fee/Description
Spotify Free	Free: access to Spotify limited with intermittent adverts and usage restrictions
Spotify Unlimited	£4.99 per month: access to Spotify library, free of adverts and restrictions
Spotify Premium	£9.99 per month: access to Spotify library, free of adverts and restrictions and inclusive of mobile access, online modes and enhanced sound quality

PRS for Music charges for and distributes Spotify's use of controlled repertoire across each of its territories and for each service type separately, using different criteria.

40.2 Royalty source

There are different fees or licence fee calculations for each of the service types which use a mixture of different criteria and minimum payment thresholds.

40.3 Distribution policy

Revenue apportionment/performance value calculation

Spotify revenue is apportioned 50:50 between PRS and MCPS in accordance with established splits for streaming services.

The blanket fees and criteria established in the Spotify licence mean that an amount of revenue is directly attributable to each service type and period. Within

service types and periods, revenue is apportioned to individual tracks on the basis of share in total streams.

Distribution basis

Spotify is distributed on a near census basis. It would be prohibitively expensive for *PRS for Music* to load and process all reported data - the lesser streamed tracks would not generate sufficient streams to trigger a payment – so as at October 2013 the following thresholds are used:

GB Free	£0.035
GB Premium	£0.025
Europe Free	£0.065
Europe Premium	£0.230

As at October 2013 these thresholds allowed on average the top 95-97 percent of UK usage and 51-97 percent of usage from the rest of Europe (depending on territory and service) to be loaded and processed.

Distribution cycle

Spotify is distributed one quarter after the end of the performance period, once distributions stabilise.

40.4 Processing policy

Data provider and format

Data is provided by Spotify in electronic format.

Processing thresholds and rules

Some load thresholds are employed to reduce file size and avoid unnecessary cost.

41 GEOL within broadcast blanket

41.1 Introduction

Major TV broadcasters often offer their audiovisual content for consumption online, usually in the form of a catch-up service limited to a number of days after the original TV broadcast. In most instances, the performing fee for this extra offering is negotiated within the blanket licence fee paid by the broadcaster.

This section covers GEOL fees included within the broadcast blanket licences of BSkyB, Channel 4, Five, ITV and UKTV amongst others.

41.2 Royalty source

The revenue forms part of the broadcaster's blanket licence.

41.3 Distribution policy

Revenue apportionment/performance value calculation

Revenue for these services is split 50:50 between performing (PRS) and mechanical (MCPS) in line with the established streaming and mixed service splits.

Annual fees are established within the negotiated broadcast blanket licence.

Revenue is apportioned to productions by pro-rating the total amount available for the service over all points generated within the period. One point represents a stream containing one minute of music, for example a production accumulating 10,000 streams and containing 25 minutes of music would generate 250,000 points.

Revenue is apportioned to usage from the total portion of the blanket licence fee that is allocated to TV. Allocation is proportional to music consumption share as a proportion of TV's music consumption. 4OD is allocated revenue based on a fixed allocation derived from historical license negotiation until the standard music consumption would exceed that amount. When this happens the music consumption calculation will replace this fixed amount thereafter.

Distribution basis

Distributions are made on a census basis.

Distribution cycle

PRS distributes these revenues quarterly, one quarter after the end of the quarterly performance period.

41.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All usage goes through both an automatch and, where necessary, manual match process.

41.5 Other Notes

This policy was agreed by the distribution committee in May 2012.

42 Blanket GEOL standalone licences

42.1 Introduction

A standalone GEOL licence is issued to online audiovisual content providers that are not covered by a broadcast blanket licence. This applies to services such as iTunes' TV and film download service and BT Vision.

42.2 Royalty source

Licence fees are set on an individual basis and take into account factors such as music hours consumed, viewers and level of music use.

42.3 Distribution policy

Revenue apportionment/performance value calculation

GEOL revenue is split between MCPS and PRS based upon the type of service offered and the extent of controlled usage for each society. All productions generate performing right revenues but not all generate mechanical royalties if they have been bought out at source.

Revenue is apportioned between MCPS and PRS in line with the mechanical and performing right splits. Most GEOL services are streaming services so the base is a 50:50 split. This is adjusted to take account of any usage that generates performing but not mechanical right revenues.

Revenue is pro-rated across all productions streamed within the fixed performance term, based on number of streams and music content via a points based system. One point represents one minute of music in a production streamed once. For example, a production containing 25 minutes of music that is streamed 10,000 times would generate 250,000 points.

This ensures a consistent per stream, per minute rate for music featured in productions, streamed or downloaded within a given time period.

Distribution basis

All reported usage run through an automatic matching process. High value usages that the system is unable to match are matched manually.

Distribution cycle

PRS distributes these revenues quarterly, one quarter after the end of the quarterly performance period.

42.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All usage goes through an automatch and, where necessary, manual match process.

43 Cloud locker services

43.1 Introduction

PRS for Music currently licenses a number of Cloud Locker Services that have "scan and match" functionality which scans an end user's device and attempts to identify tracks which are already stored by the service. Where a match is found, the server copy is made available, by streaming or download, to a variety of the end user's devices rather than the user's copy being uploaded.

43.2 Royalty source

Cloud Locker Services are charged on a per subscriber basis.

41.3 Distribution policy

Revenue apportionment/performance value calculation

Revenue for cloud locker services is split 75%/25% in favour of MCPS on the basis that the end user experience of the service is essentially one of "ownership" rather than just "streaming".

Distribution basis

All reported usage above the threshold is run through an automatic matching process. High value usages that the system is unable to match are matched manually.

Distribution cycle

PRS distributes these revenues quarterly, one quarter after the end of the quarterly performance period.

43.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

Cloud locker services produce vast amounts of data for relatively small licence fees making it completely uneconomic to process everything. For this reason a

threshold sampling mechanism is used whereby the highest value (most used) works are processed and distributed and the remainder are considered non-distributable. The actual value of the threshold varies but for each service is pitched to give a 3% cost to revenue ratio.

41.5 Other Notes

This policy was agreed by the distribution committee in May 2013 and reconfirmed by them in June 2014.

44 BBC iPlayer

44.1 Introduction

BBC's iPlayer is the most widely used online audiovisual content provider in the UK. Access is free to its seven-day episode catch-up, series catch-up or live online simulcast services via a range of devices including PCs, mobile devices, tablet computers and Virgin Media's cable network.

44.2 Royalty source

BBC's iPlayer service in the UK is covered under the terms of their broadcast blanket licence agreement with *PRS for Music* on behalf of both MCPS and PRS.

44.3 Distribution policy

Revenue apportionment/performance value calculation

Revenue is apportioned to BBC iPlayer usage from the total portion of the BBC blanket licence fee that is allocated to TV. Allocation is proportional to iPlayer's music consumption share as a proportion of TV's music consumption.

The distribution committee confirmed apportionment by music consumption for all GEOL services covered by blanket licences in May 2012.

Distribution basis

BBC iPlayer is paid on a census basis.

Distribution cycle

iPlayer revenue is distributed quarterly, one quarter after the end of the quarterly performance period.

44.4 Processing policy

Data provider and format

Data is provided by the BBC in electronic format.

Processing thresholds and rules

All reported data is passed through an automatch process, with manual matching where it is deemed cost efficient to do so. Currently, a production value of approximately £5 is deemed cost effective, and *PRS for Music* continues to review the appropriate threshold levels to ensure an optimal balance between cost and accuracy.

44.5 Other Notes

There is a separate licence for the BBC Worldwide Global iPlayer.

This is apportioned and distributed as a standard UK streaming service

45 Pan European transactional licences

45.1 Introduction

On behalf of PRS and MCPS, *PRS for Music* represents some rights-holders' interests for online services across Europe.

45.2 Royalty source

Revenues collected for distribution under this section are collected per transaction, line by line.

45.3 Distribution policy

Revenue apportionment/performance value calculation

Revenues are invoiced on a transactional basis to value individual usages. No other apportionments are made and items are distributed as invoiced, net of administration charge.

Distribution basis

Distributions are made in accordance with the invoice on a census basis.

Distribution cycle

PRS aims to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

45.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All usage goes through an automatch and, where necessary, manual match process so that *PRS for Music* can invoice for as much of its mandated repertoire as possible.

46 Limited online music licence

46.1 Introduction

The *PRS for Music* Limited Online Music Licence (LOML) scheme is applicable to online services generating smaller amounts of money. The cost of the licence from *PRS for Music* depends upon the type of service, whether streaming or download or general entertainment, and the extent of usage, based on number of streams, downloads, and music hours consumed.¹

46.2 Royalty source

Revenue is collected from licensees whose service generates less than £12,500 per annum.

46.3 Distribution policy

Revenue apportionment/performance value calculation

Licensees are not required to submit usage data under the terms of a low value LOML licence. LOML revenues are therefore aggregated along with revenue for other low value online music licence fees and paid across a set of works.

Distribution basis

Due to the low levels of revenue involved, LOML licensees are not required to submit data returns. It is not cost effective for *PRS for Music* to process line by line reporting. Also, reporting can deter the service from using music or licensing its music usage. LOML revenue is aggregated and distributed with data from other low value online music licensees over representative data.

Distribution cycle

Low value online revenue is distributed annually in April for the prior year's usage.

¹ A matrix detailing the structure can be found on www.prsformusic.com

46.4 Processing policy

Data provider and format

No actual data is provided for these licences.

Processing thresholds and rules

Not applicable - no performance reporting is received.

47 Performing right online

47.1 Introduction

The 'performing right online' licence is issued for online music usage where the relevant rights-holder has licensed the mechanical right directly, usually for online advertising. The licence cost depends upon the type of service - streaming or general entertainment - and the extent of usage, based on number of streams and music hours consumed.

47.2 Royalty source

Flat rate fees, currently £53 plus VAT, for different units of usage, are collected from licensees. These include up to 45,000 on-demand streams for a music service and up to 350 music hours download for a general entertainment service.

47.3 Distribution policy

Revenue apportionment/performance value calculation

Each licensee's revenue is distributed directly over the performance data they report.

Distribution basis

Distributions are made on a census basis.

Distribution cycle

Distributions are made annually in July for the prior year's usage.

47.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

This licence is usually issued for usage of a very low number of tracks. All reported data is processed for distribution.

48 Business to business music suppliers (MSB2B)

48.1 Introduction

Suppliers of background music systems to businesses are increasingly moving to online content delivery methods to their customers. This method of supply requires a joint licence on behalf of both MCPS and PRS. A licensing scheme has been recently introduced which requires many of these companies to supply *PRS for Music* with actual usage data.

48.2 Royalty source

The licence fee is calculated as the greater of a percentage of revenue or a minimum per site/per month. A 25:75 split in favour of MCPS applies to each usage, in line with splits established for download services.

48.3 Distribution policy

Revenue apportionment/performance value calculation

The revenues is split 75/25 in favour of MCPS. Where licensees supply usage data each licensee's revenue is distributed directly over the usage data they report. Where no data is obtainable the money is distributed pro-rata over a suitable alternative data source.

Distribution basis

Distributions are made on a census basis where usage data is supplied or an analogy basis where no data is supplied.

Distribution cycle

PRS aims to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

48.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All reported data is processed for distribution.

48.5 Other Notes

This policy was agreed by the distribution committee in November 2012.

This revenue source should not be confused with the money PRS collects for the public performance end use of music supplied to businesses under the terms of this licence. For details of that see section 32 above, Background Music Suppliers

49 Online karaoke services

49.1 Introduction

PRS for Music issues joint licences to a number of online karaoke services, for streaming and permanent downloading.

These licences cover the performing and mechanical rights in the musical work, and also the right to present the lyrics in graphic form in conjunction with the sound recording of the musical work.

49.2 Royalty source

The licence fee is calculated as XXX.

49.3 Distribution policy

Revenue apportionment/performance value calculation

The standard splits between MCPS and PRS are adjusted in favour of MCPS to reflect the graphic use of lyrics resulting in the following splits:

- Streaming: 34.8% PRS, 65.2% MCPS
- Permanent downloads: 17.4% PRS, 82.6% MCPS

Where synch rights are included in online karaoke licences the adjustment in favour of MCPS is increased further to:

- Streaming: 28.8% PRS, 71.2% MCPS

Permanent downloads: 14.4% PRS, 85.6% MCPS

Distribution basis

All reported usage data is processed for distribution.

Distribution cycle

As with other online services, PRS aims to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

49.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All identifiable data will be processed for distribution. All usages that automatch are distributed. All usages that require manual matching and are worth at least £5 are distributed. Items worth less than £5 and that requiring manual matching do not feature in the distribution. Money for works not included in the distribution is pro-rated across works that are included.

49.5 Other Notes

This policy was agreed by the distribution committee in February 2014.

50 iTunes Festival

50.1 Introduction

The iTunes Festival is a month long live music festival which is also webcast and streamed for a limited time afterwards. The actual live performances are licensed and distributed by PRS as any other pop concerts (See Section 16 of this document). However, a separate joint licence covering mechanical and performing rights is issued to iTunes to cover the webcasting and streaming of the event.

50.2 Royalty source

The royalties are structured into banded fees per concert based on the number of streams.

50.3 Distribution policy

Revenue apportionment/performance value calculation

The standard splits between MCPS and PRS are adjusted in favour of MCPS to reflect the inclusion of synch rights resulting in the following splits:

- Streaming: 38.5% PRS, 61.5% MCPS
- Webcasting: 57.7% PRS, 42.3% MCPS

Distribution basis

All reported usage data is processed for distribution.

Distribution cycle

As with other online services, PRS aims to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

50.4 Processing policy

Data provider and format

Data is provided by the licensee in electronic format.

Processing thresholds and rules

All identifiable data will be processed for distribution.

50.5 Other Notes

This policy was agreed by the distribution committee in February 2014.

Note the licence excludes EMI, SONY/ATV, Universal and SACEM repertoire

51 Educational Recording Agency

51.1 Introduction

The Educational Recording Agency (ERA) licences schools and teachers to make recordings of broadcast programmes containing copyright music for the purposes of the educational establishment. The ERA licence also allows the educational establishments to communicate those recordings and works to teachers and students connected with the establishment.

51.2 Royalty source

ERA pays an annual blanket licence fee to PRSforMusic to cover the mechanical and performing rights in the music of the programmes it has licenced.

51.3 Distribution policy

Revenue apportionment/performance value calculation

This money is split 86.5% to MCPS and 13.5% to PRS to reflect the difference in physical media usage and streaming. This is the aggregate split from a previous ERA licensing system which charged separately for physical media and streaming.

Distribution basis

The money is allocated to those programmes which are likely to be educational from all the programming broadcast on BBC2, Channel 4, More4, Channel 5 and S4C

Distribution cycle

Quarterly, one quarter after the end of the broadcast period.

51.4 Processing policy**Data provider**

ERA does not collect information from the schools it licences about the material recorded under this licence so cannot report any usage. PRS attempts to manually identify those programmes which are likely to be educational from all the programming broadcast on BBC2, Channel 4, More4, Channel 5 and S4C.

Processing thresholds and rules

None

50.5 Other Notes

This policy was agreed by the distribution committee in November 2014.