

## **NOTICE OF GROUNDS FOR PROPOSED TARIFF**

Filed with the Copyright Board by SOCAN on 2024-10-15 pursuant to Rule 15 of *Copyright Board Rules of Practice and Procedure*

### **SOCAN Tariff 3.C – Adult Entertainment Clubs (2026-2028)**

#### **1. Description of Uses Covered by the Proposed Tariff**

This tariff applies to public performances of any or all of the musical works in SOCAN's repertoire by means of recorded music in adult entertainment clubs.

#### **2. Description of Users / Groups of Users Covered by the Proposed Tariff**

Users are adult entertainment clubs, bars, cabarets, etc. that feature adult entertainment which is accompanied by recorded music. Importantly, it is the nature of the *use*, and not the nature of the user, that determines whether the tariff applies.

#### **3. Explanation of How Royalties are Determined**

The proposed royalty rate for 2026-2028 is 6.75¢ per day multiplied by the maximum capacity (seating and standing) authorized under the establishment's liquor licence or any other document issued by a competent authority for this type of establishment.

The proposed royalties are based on the previously approved tariff. The proposed royalty rate has been increased since the previously approved tariff, which was approved in 2022 for the years 2023 to 2025 (2022 CB 13-T). This proposed increase accounts for inflation according to the Board's established CPI-adjustment formula and the Board's default methodology as published by the Board in its *Inflation Adjustment to Royalty Rates – Default Methodology*. The inflation calculation commences in January 2022. SOCAN has estimated the appropriate inflationary increase based on projected CPI for years that full CPI data is not available. According to the Board's adjustment formula, this figure will likely change once actual CPI data is available. Notwithstanding the proposed royalty rate of 6.75¢ per day, SOCAN requests that the Board certify the maximum inflationary increase that SOCAN is entitled to under the Board's adjustment formula at the time of approval of the tariff and that such inflation calculation commence as of the last inflationary increase to the royalty amount.

#### **4. Submissions on the Collection of Information**

The proposed tariff requires users to report its authorized capacity and the number of days in the previous year that it operated as an adult entertainment club. This is an annual fee tariff, which is paid in advance, based on the authorized capacity and the number of days in the previous year that a user operated as an adult entertainment club. The report made no later than January 31 of the following year allows SOCAN to verify the fees paid for the previous year and adjust as necessary.

#### **5. Explanation of Changes from Previously Approved Tariff**

- 1) The explanation for the proposed rate for 2026-2028 is found above.
- 2) The proposed tariff removes the clause related to the appointment of independent auditors. This clause was removed from approved Tariff 3.B (2018-2015) in 2022. Since 2013, no Tariff 3 licensee has availed itself of the right to ask for an independent auditor to be appointed. In its decision approving Tariff 3.B (2018-2025), the Board removed this clause noting that (1) it had received no objections in respect of the removal of this clause, and (2) it is highly unlikely that harm will be caused to the users of the tariff as a result of its removal.