

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 1.C – Radio - Canadian Broadcasting Corporation (2026-2028)

1. Description of Uses Covered by the Proposed Tariff

This tariff applies to the communication to the public by telecommunication of musical works in SOCAN's repertoire in connection with both the over-the-air broadcasting operations and the simulcasting operations by the radio networks and stations owned and operated by the CBC.

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

This tariff applies only to the CBC.

3. Explanation of How Royalties are Determined

SOCAN is proposing a tariff rate structure for Tariff 1.C which differs from the last approved tariff, but is the same as the last proposed tariff. The proposed tariff sets out a rate that includes both a percentage of gross revenue and a flat monthly fee. As the CBC's business model moves more towards that of a conventional commercial radio broadcaster, it becomes appropriate to set tariff terms that approximate the terms in Tariff 1.A. However, since the CBC continues to receive funding from the government, it is necessary to retain the flat fee royalty structure as well. The monthly royalty amounts are inflationary adjustments from the previously-proposed annual fees, divided into 12 monthly amounts.

The proposed royalty rate for 2026-2028 is a monthly royalty, plus 4.4% of gross income.

The proposed percentage of gross income royalty rate is the same as that set out in SOCAN Tariff 1.A.

The monthly royalty rate is \$208,764.38 for 2026, \$213,667.83 for 2027 and \$218,571.28 for 2028.

The proposed increase in the monthly royalty rate 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 2011. SOCAN has estimated the appropriate inflationary increase based on projected CPI for years that full CPI data is not available. Notwithstanding the proposed monetary amount of royalties and any jointly-submitted text for years prior to 2026, 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 increase to the monthly royalty amount.

It is anticipated that in a proceeding to examine the proposed tariff, the CBC will produce information and documents that will assist in establishing the monetization of radio networks and stations, and the value of the use of SOCAN's repertoire by the CBC, during the relevant period. The anticipated information and documents are highly confidential and not otherwise available to SOCAN. As in prior tariff proceedings, it is expected that this relevant information and expert analysis will enable SOCAN to provide a detailed valuation analysis to permit the Copyright Board to set an equitable royalty rate for the relevant period.

SOCAN reserves the right to adopt and advance additional or alternative valuation methodologies and inflationary rates in the course of the proceedings relating to the proposed tariff.

4. Submissions on the Collection of Information

The proposed tariff requires the CBC to report, on the first day of each month, on a two-month trailing basis: (1) the CBC's gross income for the relevant month and, (2) the sequential lists of all musical works, or parts thereof, broadcast during each day of that month (including, where available, music identification information).

This information collected under the proposed tariff is required to calculate and verify the applicable royalties and effect distributions.

With the exception of the reporting of gross income, the reporting requirements are the same as those set out in the previously approved tariff.

5. Explanation of Changes from Previously Approved Tariff

The proposed tariff includes the following changes from the previously approved tariff:

- 1) The proposed tariff includes a new percentage of revenue royalty, as well as a new definition for "gross income."
- 2) In order to allow SOCAN to verify the gross income figures reported under the proposed tariff, the proposed tariff includes SOCAN's standard audit provision.
- 3) To comply with the Board's *Practice Notice on Filing of Proposed Tariffs* [PN 2019-004 rev. 4], the proposed tariff has been revised to remove references to licences and limit itself to royalty rates and any related terms and conditions.