



# How Your Music Makes Money

## *Welcome to SOCAN*

*SOCAN and its predecessors have been administering the performing rights of Canadian songwriters, composers, lyricists, and music publishers for more than 80 years. That tradition continues today in an organization that is leading the way in the rapidly evolving music industry for more than 85,000 members, and hundreds of thousands of creators and publishers worldwide.*

*SOCAN is governed by a member-elected Board of Directors, made up equally of publishers and writers, and guided by a Passion for Service. In addition to our members, we serve our music-user customers. We offer them access to one of the world's most valuable cultural assets: virtually its entire repertoire of copyright-protected music for communication and public performance.*



**SOCAN**

Society of Composers, Authors and  
Music Publishers of Canada

Société canadienne des auteurs,  
compositeurs et éditeurs de musique

# Who Plays What:

## Identifying Music Use

After a member has joined SOCAN and registered his or her works, the next step in the partnership between SOCAN and the member is the payment of royalties. SOCAN's advanced system and processes ensure timely and accurate collection and payment of royalties for over 80,000 members in Canada, and hundreds and thousands more creators and publishers worldwide.

In order to pay these royalties correctly, SOCAN first has to identify "who is playing what." To do this, SOCAN constantly monitors several areas of communication and performance:

### *Radio:*

Beginning with our August 2007 distribution, SOCAN started using digital audio identification (DAI) technology through an agreement with a leading supplier of radio performance data to electronically monitor over 150 commercial radio stations on a census basis. As well, the Canadian Broadcasting Corporation (CBC) continues to provide airplay logs of national and regional programming on a census basis. This enables SOCAN to log all detected performances from the said radio stations for distribution.

Since it is not cost-effective to log every musical performance on every radio station in Canada on a census basis, SOCAN will continue to sample the rest of the commercial radio stations on a quarterly basis to identify the use of our members' works. Additionally, non-commercial (campus and community) radio stations and CBC local programming will be sampled.

### *Television:*

SOCAN analyzes all music cue sheets received for programs aired on local commercial stations (including CTV and Global affiliates), cable stations, public stations (such as TV Ontario and Télé-Québec) and the CBC, Radio-Canada, TVA, and TQS networks.

These cue sheets provide detailed information on the music used in all television shows. They are obtained from Canadian and international producers and distributors, international societies, members and, in some cases, the broadcasters themselves.

### *Live performance:*

Performance credits are determined by SOCAN's distribution rules for all eligible concert performances, but SOCAN must receive a licence fee from the venue or promoter before a live performance can be processed for distribution.

While promoters and other concert presenters regularly notify SOCAN of performances, SOCAN relies to a great extent on information supplied by its own members through printed concert programs and completed *Notification of Live Music Performance* forms (available online at [www.socan.ca](http://www.socan.ca) or at any SOCAN Member Services office). Members have up to one year after a performance to submit this information.



### *Cinema:*

Payments are made for music used in movies that are shown in motion picture theatres. Performance credits are based on data provided by a leading supplier of audio-visual performance data.

As with television, SOCAN relies on music cue sheets from producers to identify music use and distribute royalties accordingly.

### *Pay Audio:*

As with radio, it is not cost-effective to log every musical performance on pay audio channels. Instead, SOCAN samples programming information supplied by pay audio services, such as Galaxie and Max Trax, on a quarterly basis.

### *International Performances:*

Through reciprocal agreements with affiliated performing rights organizations throughout the world, SOCAN distributes royalties to those affiliated organizations for performances of their members' work in Canada. In turn, SOCAN receives royalties from its affiliated organizations on behalf of performances of SOCAN members' works in other countries. These incoming international royalties are included in SOCAN's International Distribution.

DOMESTIC PERFORMANCE DISTRIBUTION POOL	WHERE THE MONEY COMES FROM
Television	Licence fees collected from commercial and non-commercial television stations, as well as the CBC, OECA (TV Ontario), Télé-Québec and TV retransmission systems.
Cable	Cable and Non-Broadcast Television licence fees collected from Pay, Specialty and other Cable Television services from transmission systems.
Cinema	Cinema licence fees collected from motion picture theatres.
Radio and General	Radio licence fees collected from commercial and non-commercial radio stations, CBC radio plus 80% of fees collected from the many "general tariffs" for which SOCAN does not include a specific distribution stream – i.e. licence fees collected for the public performance of music used by a background music service are included in the Radio and "General" distribution.
Concert	Fees collected from concert venues, promoters, major league sporting events and orchestras plus 20% of fees collected from the "general tariffs" where there is a "live" component – i.e. performances in a bar by a performer or group.
Pay Audio	Pay audio licence fees collected from Cable Television and satellite systems.

# A Detailed Look at How Royalties Are Earned

Here is a closer look at how works are credited and royalties are established in two of the most common areas - radio and television.

## Giving Your Musical Work Credit

Once your song appears on a census or survey and is eligible for payment from one or more distribution pools, the performance is given a credit value. These are the formulas that are used:

### Radio

A performance of work analyzed within the Radio and General Distribution areas receives credits according to the duration of music as follows:

DURATION OF WORK	CREDIT
Less than 1 minute	1 credit
1:00 minute–6:59 minutes	4 credits
7:00 minutes or longer	1 credit per minute

For example, 10 performances of your work are included in the survey, each time for a duration of 3 minutes. The total number of credits accumulated for your work is 40.

Different rules apply for each of SOCAN's distribution pools. Please consult the detailed distribution rules for a more complete explanation. Remember that our staff is always available to guide you through the process.

### Television

This chart outlines the formula for broadcast and non-broadcast (i.e. cable).

TELEVISION – BROADCAST AND NON-BROADCAST (CABLE)	
Duration of work	Generally, if four minutes of a musical work are used, it earns more credits than if two minutes were used.
Multiplied by	
Type of Use	Your music earns different credit amounts depending on how it's used (e.g. theme, background, feature and concert feature).
Multiplied by	
Station Weight	When a musical work is performed on broadcast television, its credits will be in direct proportion to the licence fees paid by that station. On cable, credits are calculated using the audience data of each station.
EQUALS	
TOTAL CREDITS	



### *How Your Royalty is Calculated*

With complete and accurate information from distribution pools and credits, the exact amount of your royalty can be calculated.

First we must determine the value of each credit. This is calculated by dividing the money in the distribution pool by the total credits allotted to that pool:

$$\text{Credit Value} = \$ \text{ in Distribution Pool} / \text{Total Payable Credits in Pool}$$

The royalty payment for each work is calculated as follows:

$$\text{Royalty Payment} = \text{Total Credits for Musical Work} \times \text{Credit Value}$$

### *Case Study*

Let's take the example of "What's Right for Music," a hot track appearing on a cue sheet for local television station CXYZ.

Based on the credit calculation formula - Duration of Use, times Type of Station, times Station Weight, times Time of Day, the musical work earns 35 credits.

There are a total of 100,000 performance credits in the Television Pool (meaning that the total credits of all eligible works in the pool combined totals 100,000). There is \$95,000 to be distributed.

The value of a credit in the Television Pool is:

\$\$ IN DISTRIBUTION POOL	÷	TOTAL PAYABLE CREDITS	=	CREDIT VALUE
\$95,000	÷	100,000	=	\$0.95

"What's Right for Music" therefore earns:

CREDITS	x	CREDIT VALUE	=	ROYALTY
35	x	\$0.95	=	\$33.25

That \$33.25 is then divided among the copyright owners in the way they indicated on their work registration form and/or cue sheet.

### *When Do I Get My Money?*

Royalties are distributed on a quarterly basis. There is a seven to ten month delay between performance and payment for domestic distributions. This delay is necessary in order for us to gather all necessary performance data and match it to the appropriate works and cue sheets in our database.

SOCAN enjoys excellent working relationships with many of the suppliers of the required information. But quite often the timely receipt of data is beyond our control, which in part accounts for some of the delay.

# Contact Us

We would be happy to discuss our operations and our *Passion for Service* in more detail. Whether you are a music creator, a music publisher, or a music user, you will discover that SOCAN can be an invaluable partner in performance.

Please do not hesitate to contact us by e-mail, phone, or fax with your questions and comments. For immediate information, be sure to visit our Website at [www.socan.ca](http://www.socan.ca), or call 1-866-307-6226.

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**what's right for music**  
**la musique a ses droits**



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