



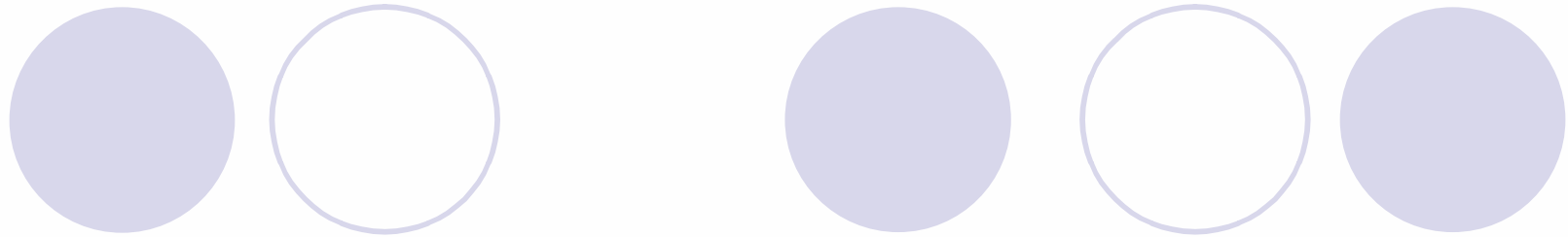
NEW MEDIA ROYALTY DISTRIBUTIONS

DIGITAL DOWNLOADS

FACTORS AFFECTING DISTRIBUTION OF DD ROYALTIES

● Payment Threshold

- Makes DD royalty allocation unlike process for most other APRA and AMCOS licences, where copyright ownership is researched for all works receiving royalties.
- Recognises need for cost effectiveness of work done by APRA|AMCOS to identify copyright ownership of works sold as downloads
- Previously had different royalty payment thresholds for individual track sales (\$5 combined APRA|AMCOS royalty) and production (album) sales (\$15 combined royalty).
APRA and AMCOS Board meetings Feb 2007 abolished threshold for production sales – now individual tracks only (for sake of cost effectiveness) – e.g. for 10-track album effective threshold = \$50 combined royalty
- *Note: DD sales under threshold are still paid out if they are matched to works with existing ownership details (divisions-of-fee), or to works that later require ownership research anyway due to use elsewhere (e.g. radio log, physical product release). A work that has below threshold DD sales is not in any way disadvantaged re ownership research for other uses.*



- **Fixed royalty amounts for performing right fees**

- Unusual – most performing right royalties distributed on ‘points’ basis
- Required creation of new APRA suspense accounts for holding DD performing right earnings for unidentified works and works in dispute. Systems created for auto-adjustments from these accounts when performing right division-of-fee created or taken out of dispute

(Fixed royalty amounts are usual for mechanical right distributions – royalties for unidentified works are held in control accounts)



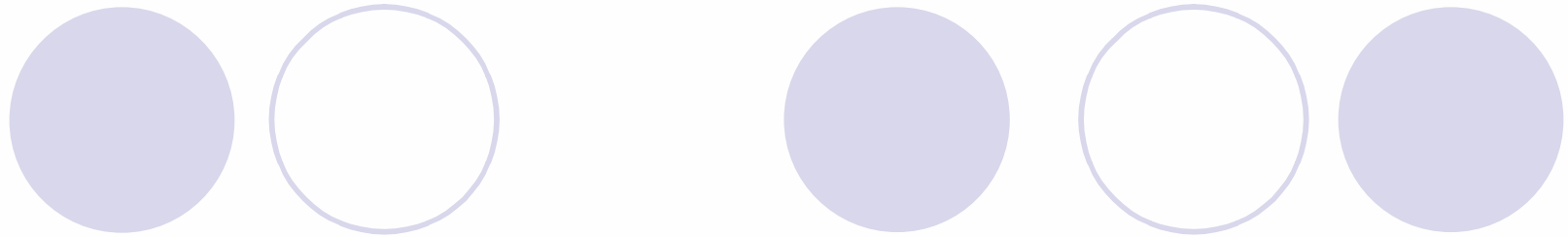
INCREASE IN RESEARCH WORKLOAD CAUSED BY DD LICENSING

- Diversity of music purchased by DD consumers has caused massive broadening of 'active' repertoire - works which would otherwise attract no royalties (due to lack of other performing/mechanical right activity) now do so
- Generates increased demand for research (identification of copyright owners/divisions-of-fee) including assessment of previously 'dormant' publisher registrations.

During APRA dist 43B processing period (+ some backlog), DSP sales data generated research queries for about 11,000 works with DD royalties above threshold.

- about 7,000 of these had no publisher registrations and required research/divisions-of-fee for performing and/or mechanical rights
- about 4,000 had publisher registrations and required addition or amendment of performing and/or mechanical divisions-of-fee, or reviewing of these for works in dispute and reporting of disputes as required
- represents about 30% increase in number of works reported for research in a 6-month period

Note: these figures only for works requiring research - many thousands more works receive DD royalties and already have both performing and mechanical division-of-fee details so are paid.



- As recurrence rate of sales for less popular works is low, will take some years before workload generated by DD sales reaches plateau.
- Most DD earnings of low value - 'micro-royalties'
In Dec qtr iTunes sales batches 138,000 unique tracks and 12,000 unique productions all only achieved one sale each



DD ROYALTY ALLOCATION - PROCESS

1. SALES BATCH PROCESSING

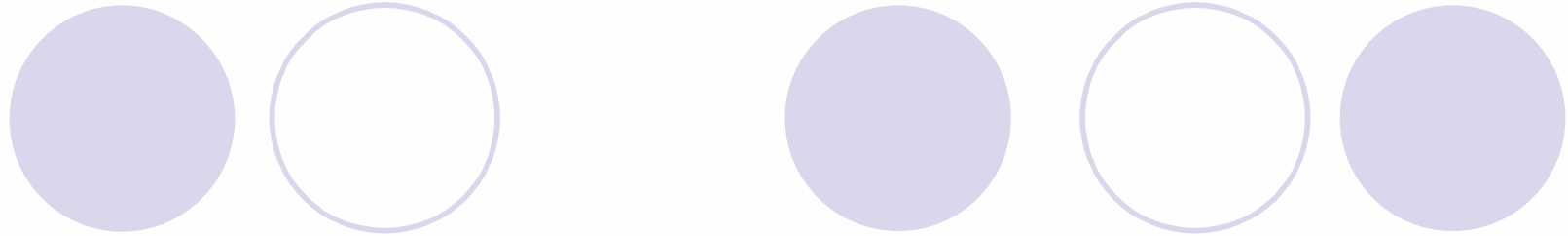
- DSP sales batch data loaded into CMS
(iTunes provide data in DDEX format – worldwide standard format developed by CISAC, IFPI, copyright societies and DSPs)

2. AUTOMATCHING

- Titles/productions reported on sales batch data automatically matched to existing works/productions on CMS if title/writer/performer data sufficient

3. ERROR REPORT

- Unmatched leftovers, dual matches, unknown titles/productions over payment threshold (presented in descending sales value order) are reviewed by APRA|AMCOS staff and manually matched to existing works/productions, or new works/productions created on CMS
- Workload varies dramatically from batch to batch depending on what's invoiced



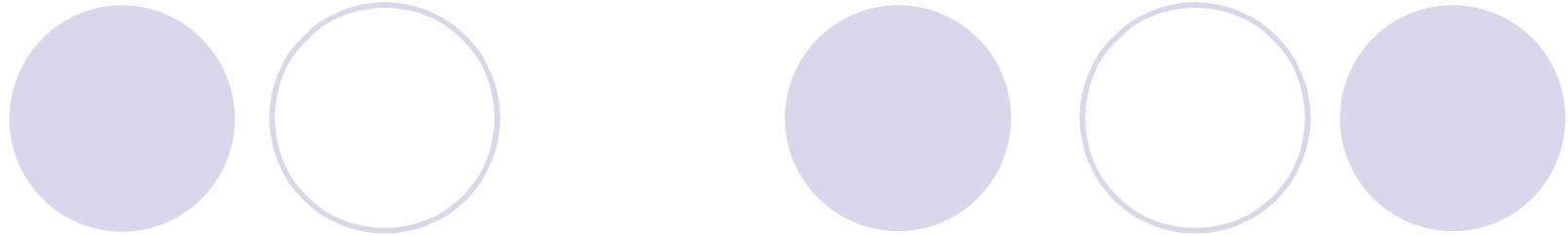
4. AUTOCREATION OF WORKS

- Once all titles/productions over payment threshold have been reviewed and matched where possible, remaining unmatched works/productions under payment threshold are automatically created as new works/productions on CMS
 - works with UNKNOWN in writer field (if performer details are supplied by DSP are imported into CMS performer tab)
 - productions with track numbers for work titles

5. COPYRIGHT OWNERSHIP IDENTIFICATION

- New works created on CMS and publisher-registered works with royalties over threshold are researched and copyright owners (for both perf and mech rights) identified for payment in next APRA and AMCOS distributions.
- New productions created on CF are made available for publishers to review and claim works

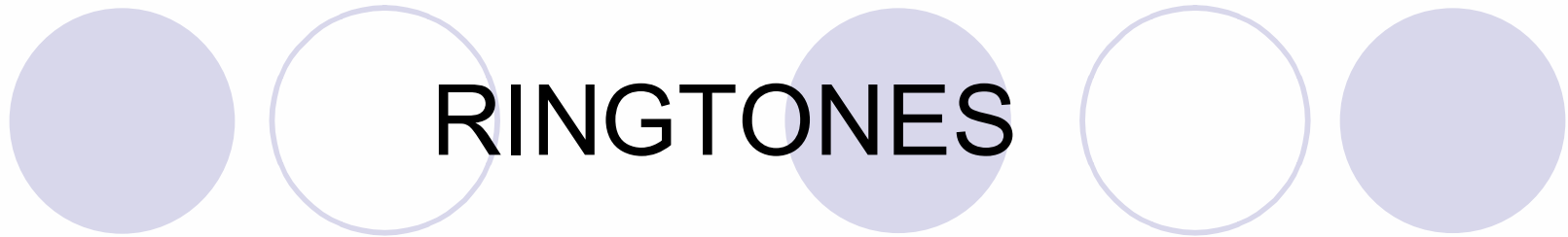
Note: processes for production/album sales are subject to review now that production/album threshold abolished



ADDITIONAL PROCESSES

- Experience files are created when DSP sales data is matched to works to allow automatic matching when same data provided in subsequent sales batches
- Works/productions lacking ownership details whose original sales attracted royalties under threshold may have accumulated additional royalties, pushing total over threshold
 - these identified in reports run following APRA and AMCOS distributions, researched or transferred to existing duplicate works, and copyright owners paid where possible
- Many autocreated works with writer UNKNOWN (where royalties for a given sales batch are under threshold) are obvious duplicates of works already on CMS that have copyright owners identified
 - systems being refined for bulk transfers of such works to most likely match, and for automatching of 'one-of-a-kind' titles where writer/performer info not provided

APRA|AMCOS continues to review processes to improve and make more efficient where possible.

A decorative graphic at the top of the slide features five circles arranged horizontally. The first, third, and fifth circles are solid light purple. The second and fourth circles are hollow with a light purple outline. The word "RINGTONES" is written in a bold, black, sans-serif font across the center, overlapping the second and third circles.

RINGTONES

- All sales data provided by ringtone providers is matched to existing works on CMS database or created as new works
- The nominal DD \$5 work threshold applies to ringtones as well – but because APRA|AMCOS charges a \$10 “first-use” (or fixation fee) (paid by ringtone provider) for works newly available to market as ringtones, all works are researched to ensure correct invoicing of fixation fees
- Unlike DDs – where the depth and diversity of repertoire is vast – for ringtones it is very narrow and centres around popular chart hits, classic “anthems”, and theme music.

OTHER NEW MEDIA LICENCES

- GENERAL ONLINE / WEBCAST
 - distributions can be sample, direct allocation, or distribution by analogy depending on licence. Refer to APRA and AMCOS distribution practices documents on APRA website.
- PODCASTS & 3G SERVICES
 - distribution systems being developed