



# Distribution Cycles and Concepts

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# DISTRIBUTION CYCLES AND CONCEPTS

## Standard distribution cycles and frequency

For recorded media royalties, we usually make distributions on a monthly basis. However, not all licensees or licensing schemes are included in all distributions. Most are distributed either (a) within two months of the end of a quarter or (b) one month after a receipt of royalties by MCPS. Pro-rata distributions are made annually.

Royalties for other types of usage - such as broadcasting - are normally distributed four times a year, in April, July, October and December. In most cases, the distribution occurs one quarter after the end of the quarterly performance period. The distribution cycles for the primary broadcast revenue sources are shown below:

For television & MTV (but excluding all other music TV channels)											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July Distribution			October Distribution			December Distribution			April Distribution		
For music TV channels (except MTV), radio, all public performances (except concerts)											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July Distribution			October Distribution			December Distribution			April Distribution		

Distribution information for other revenue sources can be found here:

[prsfmusic.com/-/media/files/prs-for-music/membership/distributions/distribution\\_times.ashx](https://prsfmusic.com/-/media/files/prs-for-music/membership/distributions/distribution_times.ashx)

The December and April TV distributions are referred to as quarterly distributions even though they span two and four months respectively.

## Distribution basis

We base distributions on the following methods, in order of preference:

**Line by line** – This is the preferred basis for all distribution sections. Every invoiced work on every invoiced line is processed with revenue allocated and individually identified on statements.

Unfortunately, it is not always feasible for us to distribute on a line-by-line basis, due to the nature and volume of music usage by some licensees. Usually, this is where no cost-effective solution for collecting and processing data is available. An example would be for low value, limited manufacture.

**Sample** – Where line by line distribution is not feasible or cost effective, we might seek to use a sample of actual usage as the basis to distribute total revenue. This method is often affected by the use of a value threshold, for example in some instances only processing items worth a total of at least £3.

**Pro-rata** – A pro-rata-based payment is used where other methods are not feasible or cost effective. This is usually because sufficient data is not readily available. In effect, pro-rata distribution uses other data that we process. For example, if we received money from a small juke-box supplier which provides no usage data, this may be distributed based on usage data provided by a larger juke-box supplier.

Sometimes the phrase 'on the back of' is used for pro-rata distributions, such as 'on the back of previously distributed music use' or 'on the back of a similar licensee'.

In some instances, we may use combinations of these approaches.

## Source types and distribution sections

A source type or distribution section is a specific pool of revenues. These revenues have been collected from one or more licensees and distributed together because they are related in some way. A distribution may contain hundreds of individual distribution sections, or source types, which are identified separately on distribution statements.

The current list of source types and distribution sections can be seen in the appendix.

## **Interest on investments**

We put royalties and non-licence revenues awaiting distribution into an account. The interest from this account goes towards offsetting running costs.

## **Commission rates**

We charge commission on the revenue we collect to cover our operating costs, incurred in the normal course of business.

Commission is deducted at the point of distribution. Commission rates vary by source because some sources cost more to operate than others.

Changes to commission rates require the approval of the MCPS board. Members are given not less than six months' notice before they take effect. The commission rates are reviewed regularly, and current rates are available online (link provided in the appendix).

## **Weightings**

Sometimes we use weightings to ensure that revenues for certain TV broadcast music usages are valued correctly.

### **Time of day weighting**

TV audiences are typically larger at certain times of the day. We apply time of day weightings on TV where usage falls into Non-Peak, Low Peak or High Peak time bands. These bands take the size of audience into account and are split out into separate distribution sections because they each have their own usage values.

### **Library music weighting**

Library (or production) music works are paid out at 3x the rate of other works in MCPS TV broadcast and General Entertainment Online (GEOL) distributions. This is in acknowledgement that we control three rights in respect of these works but only one right for other works:

- For most works, we only control the right to make a recorded copy of the musical work.
- For library (or production) music works, we control two additional rights:
  - the right to make a copy of the original sound recording of the musical works
  - the right to communicate to the public the sound recording

For radio broadcasts of library works only the first usage on each station gets the 3x weighting. For all other uses only a 1x weighting is used, to reward the broadcast of the sound recording.

No other weightings are used.

## Points and point values

When we enter into a blanket broadcast licence, there is usually no pre-defined value per usage set in the licence – it is a lump sum. As such, there is no pre-set value to base the distribution of each use on, and so this value per usage needs to be calculated.

For MCPS distributions this is done by allocating a number of points to each usage. A point represents a different value depending on the licence, service, or station. For example, for radio and TV broadcasts the point is a minute of time, so a broadcast lasting three minutes 30 seconds becomes 3.5 points (with the unique exception of MCPS Library music weighting – see above). For public performance the value might be, for example, the number of times a work is performed in a club, so a work appearing 10 times in a disco would have 10 points.

Within each distribution section, the total points for each work are added up. Works that have more uses therefore accumulate more points. Each point within a distribution section will have the same value. Therefore works that have accumulated more points will receive more money.

## Fixed point values

Royalties from many licences are paid out using fixed point values (FPVs). This “fixes” the value of a single point (as described in the section “Points and Point Values”) for a period of time. In their simplest form FPVs are calculated as so:

**Broadcast:** Total annual station distributable revenue ÷ total annual station music minutes

**Public performance:** Total annual section distributable revenue ÷ total performances in section

The reality is usually more complicated. When an FPV is set for the first distribution in a licence period, the final year’s revenue and music use is not known. Predicting final revenue and usage incorrectly at the first distribution is an inherent risk. The wrong forecast could mean that more revenue is distributed than actually collected. To minimise the risk of over distribution, PRS cautiously under-forecasts the annual net revenue when making this calculation. Any residual revenues left over after the last standard distribution for a licensed period are distributed via a reconciliation payment.

## Reconciliation payments

For MCPS distributions, we aim to pay out all broadcasting revenues collected in a licence year, covering usage falling within the licence period<sup>1</sup>, in the final quarterly distribution. Where this is not possible, the next available distribution is used.

If sufficient residual revenue remains after MCPS have made all distributions for the licence period covered by a specific fee per distribution section, it will be distributed as a reconciliation payment, usually in the month after the final quarterly distribution.

This payment pro-rates the residual revenue across all members featuring in the original distributions, in proportion to the value generated by their usages.

<sup>1</sup> **There are two exceptions to this:**

**a. Commercial radio** - The commercial radio licence year runs from October to September, so the final performance period in any given licence year is July to September, paid in the December distribution. Due to the time constraints associated with the December distribution, it is not possible to include the reconciliation within the final payment. Constraints on MCPS systems are such that this reconciliation takes place in May.

**b. Reserved revenue in respect of missing data-** The only other scenario in which revenues are not reconciled at this distribution is where substantial gaps in performance data have been identified. In this case, revenue is only reconciled when outstanding data is received.

### **Example**

The distribution section for Licensee A, a music TV broadcaster, has net distributable revenue of £1,000, covering all 2022 music usage.

Initial distributions for the usages logged in the 2022 period are made in July 2022 for quarter one usages, October 2022 for quarter two usages, December 2022 for quarter three usages and April 2023 for quarter four usages. These initial distributions total £900, leaving residual distributable revenue of £100.

Member A initially earned £100 of the original £900, or 11%. Then, upon reconciliation, Member A will receive an additional reconciliation payment of £11, which is 11% of the £100 residual revenue. Therefore, Member A will receive £111 in total.

Where the residual revenue is insufficient to warrant reconciliation across the original usage, it is carried forward to the next year's distribution pool for that distribution section.

### **Music consumption**

For distribution purposes, music consumption is a measure of audience hours containing music. This is used predominantly in TV or radio broadcast revenue apportionment calculations. It is usually calculated at station level by multiplying total audience hours by music percentage, which is total music hours divided by total broadcast hours.

Music consumption provides a consistent and meaningful basis to compare different online services, TV and radio stations for a single licensee, and the relative importance and value of music within that licensee's usage.

### **Licence values**

The exact values of some licences can vary significantly from year to year. In some instances the licence details, including the licence fee, are contractually confidential between us and the licensee. Because of this, no licence total values are given in this document.

### **Interest on late distributions**

We pay interest to our members in two circumstances. First, we do so where through our own neglect or fault we fail to distribute on time. Second, we pay interest where we were ourselves paid interest by a user (unless this is part of an audit recovery). This is only in relation to any period after the date when distribution would normally have been made.

## Recognition and application of publishing contracts

When making most distributions, we look to officially documented contracts applicable at the mid-point of the previous quarter to determine the payable owner, for example:

<b>Publisher gains control of works</b>	<b>First Distribution affected</b>	<b>Usage period covered by dist</b>
Jul 2022	Dec 2022	Jul-Sep 2022
Sep 2022	Apr 2023	Oct-Dec 2023

Online – transactional (e.g. IMPEL) and some others do not follow this pattern. The payable owner is generated at point of invoicing, normally close after the sale period and then paid at a subsequent distribution (once the money has been received).

## Infringements, disputes, and counter claims

Although these are not strictly distribution policy matters it is worth noting that we have formal procedures for dealing with infringements, disputes, and counter claims. These policies cover where we are entitled to hold onto distributable funds until such time as the matters are resolved.

### Disputes and Duplicate Claims

Details of the MCPS disputes and counter claims policy can be found here:  
[www.prsformusic.com/works/counterclaims/disputes-and-duplicate-claims](http://www.prsformusic.com/works/counterclaims/disputes-and-duplicate-claims)

### Samples

Details of the MCPS sampling disputes policy can be found here:  
[www.prsformusic.com/works/counterclaims/sample-disputes](http://www.prsformusic.com/works/counterclaims/sample-disputes)

### Infringements

Details of the MCPS infringements policy can be found here:  
[www.prsformusic.com/works/counterclaims/infringements](http://www.prsformusic.com/works/counterclaims/infringements)