



# **SAMRO DISTRIBUTIONS**

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# Royalties..what are they?



- a royalty is a payment or reward
- due to people who have created something and own certain rights therein
- compensation for the usage of the “creation” by others

In the case of music:

- a royalty is a payment in respect of the usage of a musical work
- due to the various parties
- rightsholders or owners involved in the creation or publishing of a musical work

When does a royalty become due?

- when a distribution is declared

# Distributions



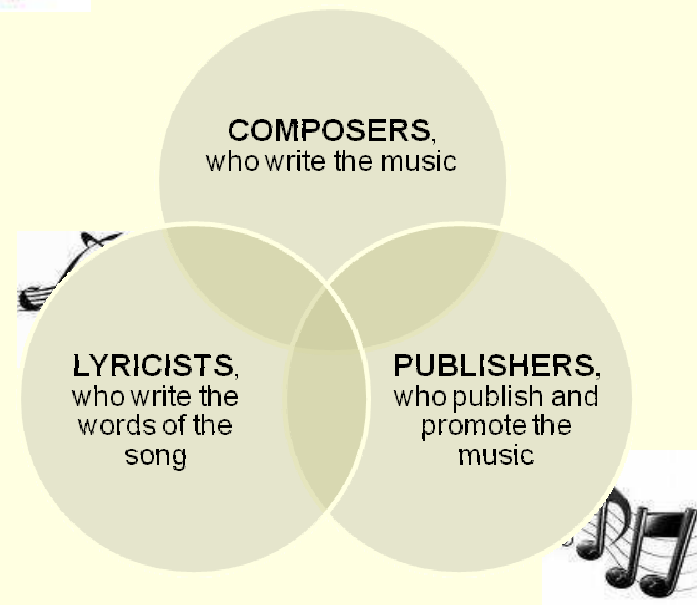
SAMRO distributions comprise:

- the calculation and payment of royalties earned by our members and sister societies' members
- for works broadcast, performed publicly, transmitted by diffusion or reproduced by users
- process of many calculations performed through many programs



A similar process is followed by all societies around the world

- Who are SAMRO members?





# What do we need for a distribution?



We need certain elements for a distribution:

- **members** who qualify
- **musical works information notified** by members
- **information** on **musical works** that have been **used** (broadcast, performed, reproduced etc), and
- **revenue** to do the distribution



The elements are used in a distribution as follows:

- the **reported performances or usage** of musical works by licensees
- the **reported frequency & duration** of each musical work used
- the **money collected** from TV and radio broadcasters and other licensees
- the **share of works owned** by each member



# Musical works and notifications



Musical works information is obtained from various sources:

- **composers & authors** who notify their works as they are written
- **publishers** who enter into agreements with composers to publish their works also notify their interest in the work, and
- **various foreign societies**

Important information provided in notifications by members:

- **title** of the musical work
- **duration** of the musical work
- **names** of the composer, lyricist, publisher etc.
- **share split** i.e. who owns what share in the work

All this information is vital to enable a distribution to be run

# Types of distributions

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## **Primary**

Includes Radio and General, Television, Film and Non-royalty

## **Secondary**

This category comprises Foreign – royalties received for local members whose works were used in other countries

## **Supplementary**

This category includes various distributions to correct errors and omissions in primary and secondary distributions

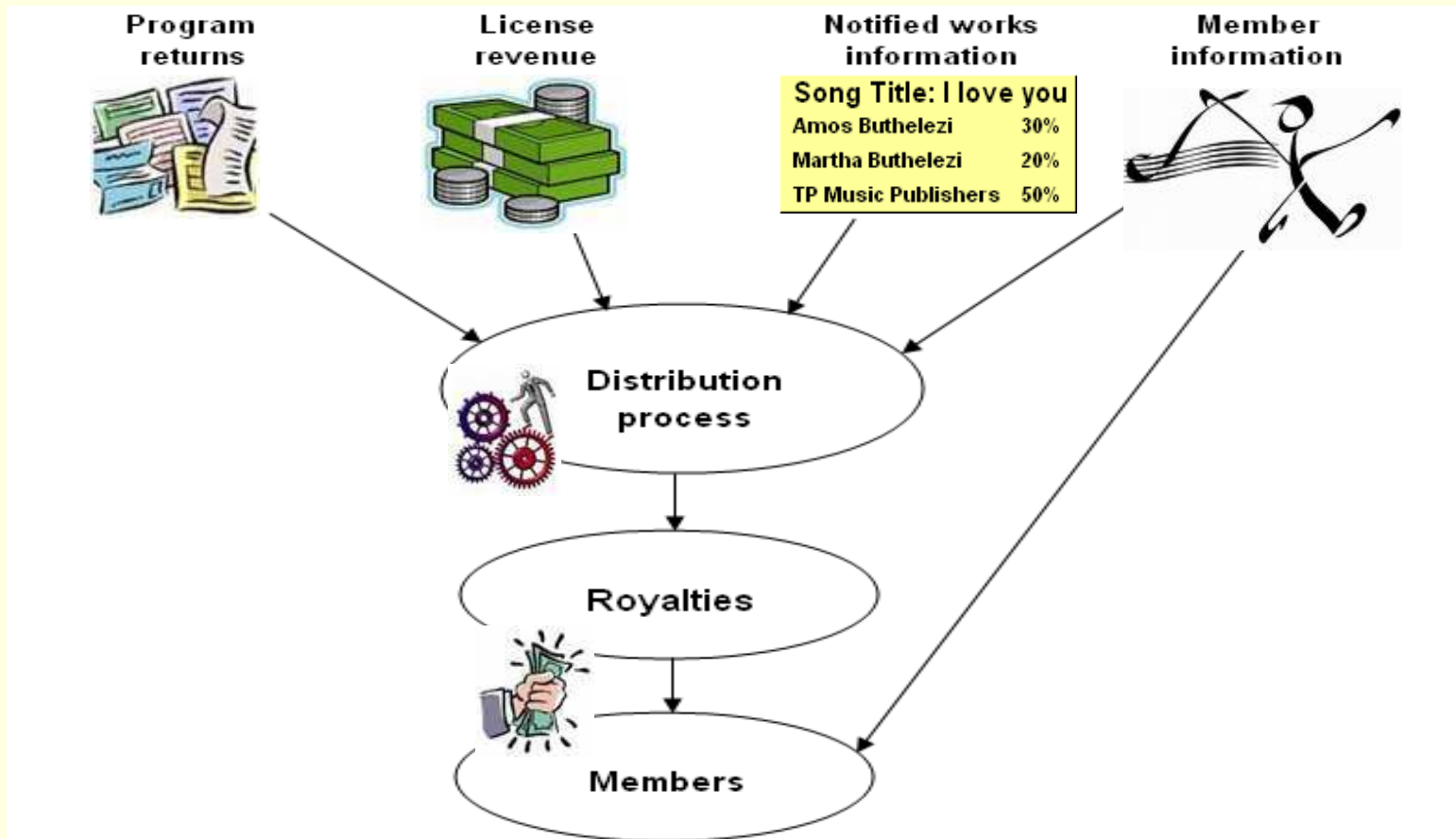
# Supplementary distributions



Supplementary distributions occur for various reasons:

- to distribute royalties for musical **works which were not notified** at the time of the original distribution
- to distribute royalties for musical **works which could not be correctly identified** at the time of the original distribution
- to distribute royalties for works which **usage was anticipated but only provided after the primary distribution** had been made
- to **correct the share splits** which were previously incorrectly notified or captured

# Processing a distribution



# Principles of a distribution



- we must have **received the money**
- the main principle of any distribution is that it must be **equitable** to all participants i.e. it must be fair
- **all usage reported** by the user is included in the distribution
- in achieving equity, consideration must be given to the **source from where the money comes**
- **various pools of money** are created to fund the distribution for the musical works used in each pool. In other words, money received from Ukhozi FM is used to calculate and pay royalties for the musical works used and reported by Ukhozi FM

# Calculation of royalties



Information provided by users includes the **title** of the musical work played/used, **composer and author names**, **frequency** of performance and **duration** of each performance

## Calculation of royalty value

- the **total time value** is calculated for **each musical work** as well as for the **whole pool of works** in a revenue pool.
- a **points value** is calculated for the whole pool of works. The total revenue for that pool is spread across the total points value to calculate a Rand value per point
- a **points value** is calculated for each musical work used, based on the **time value of the work** used and the **number of performances**
- each work is then allocated the Rand value attributable to its points value to arrive at the **royalty amount payable** for the work.
- the last step is to divide the royalty payable per work into the **share splits** owned by multiple rightsholders of a work

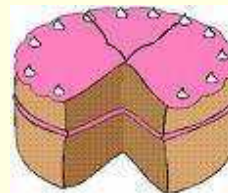


# Dividing up the cake

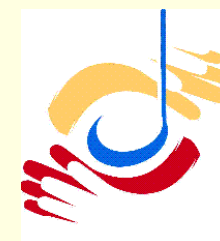


## Calculation of royalties (fictitious details used)

			Community FM		Commercial FM	
<b>License fee received</b>			R 50,000		R 300,000	
<b>Number of works reported</b>			3		4	
<b>Number of performances reported</b>			970		1195	
Song title	Composer	Share	No of perfs	Royalties	No of perfs	Royalties
<b>Injabula</b>	Amos Buthelezi	30%	420	6,494.85	300	22,594.14
	Martha Buthelezi	20%		4,329.90		15,062.76
	TP Publishers	50%		10,824.74		37,656.90
<b>Sawubona</b>	Letty Khumalo	100%	300	15,463.92	700	175,732.22
<b>Interpretation</b>	Geraldine Band	100%	250	12,886.60	120	30,125.52
<b>Phakisa</b>	Sophie Mokwena	100%			75	18,828.45
			<b>970</b>	<b>50,000.00</b>	<b>1195</b>	<b>300,000.00</b>



# Interested parties



<b>No of SAMRO members</b>	<b>9,060</b>
<b>Number of works on SAMRO books</b>	<b>1,892,352</b>
<b>Number of CISAC musical work societies</b>	
	<b>126</b>
<b>Number of international society members</b>	<b>2,950,000</b>
<b>Number of international works</b>	<b>9,139,929</b>









# Distributions made

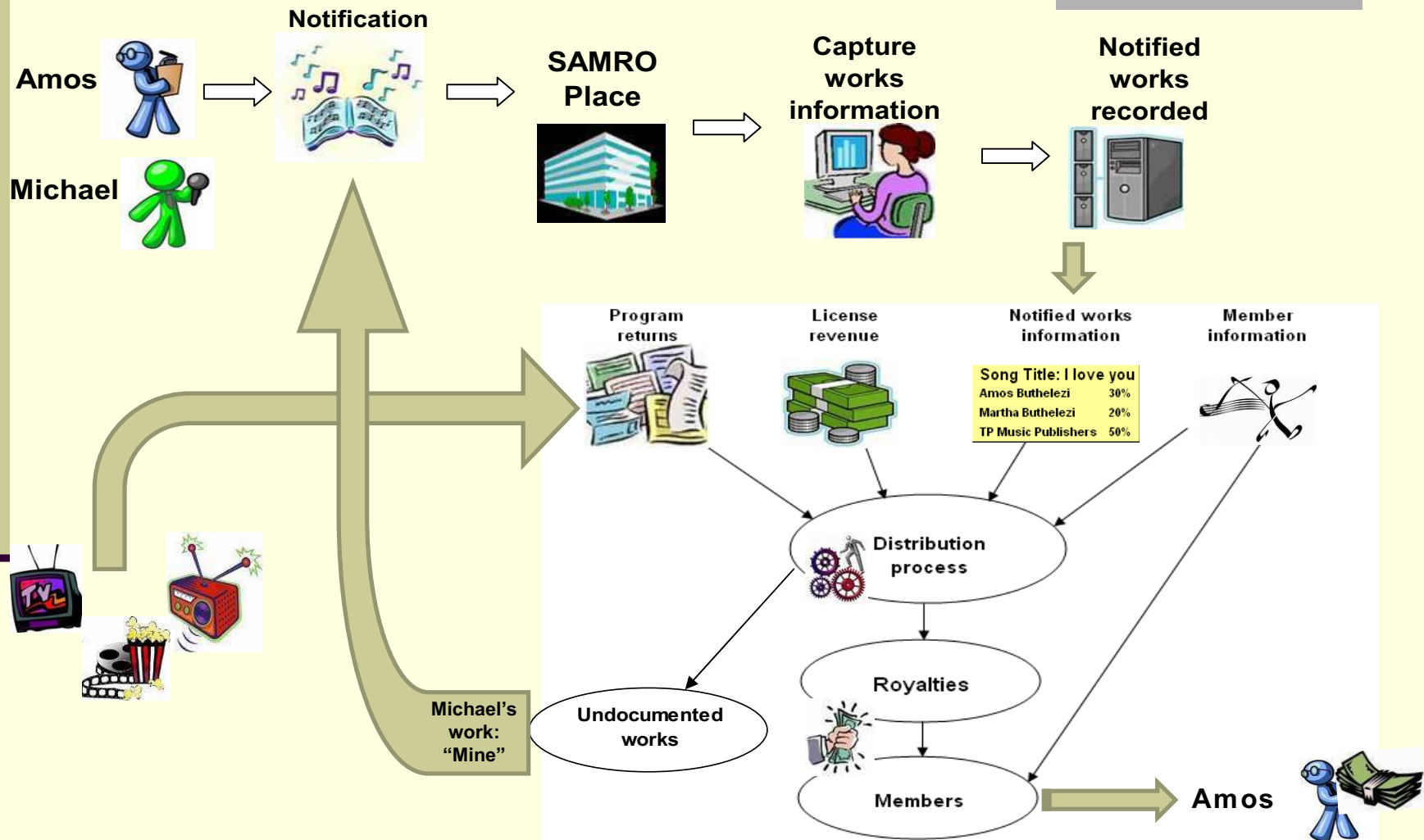


## Distribution 47 – distributions in the period 1 July 2008 to June 2009

	Royalties paid (R000's)	
	Number	Amount
 Radio	6,030	90,142
 Television	1,996	71,551
 Film	130	5,430
<b>Total primaries</b>	<b>8,156</b>	<b>167,123</b>
Supplementaries	2,598	18,553
Foreign	2,246	4,197
<b>Total royalty distributions</b>	<b>13,000</b>	<b>189,873</b>
 NRR	6,266	56,828
<b>Total distributions - current year</b>		<b>246,701</b>
<b>Increase over prior year - Primaries</b>		<b>116.97%</b>
<b>Increase over prior year - Total royalties</b>		<b>111.09%</b>
<b>Increase over prior yr excl NRR</b>		<b>116.98%</b>



# Distributions & undocumented works



# Undocumented works



Undoc works arise for numerous reasons:

- **works which have not been notified** prior to the original distribution
- **works which could not be correctly identified** at the time of the original distribution e.g. information provided by the licensee is not recognisable

Song Title: Mine

Michael Tulip

???

How are they treated?

- these undoc works are held in suspense for a **period of 3 years**
- **common practice** in societies around the world
- this period is **in line with prescription laws** in South Africa
- in the 4<sup>th</sup> year, this money is **added to the distribution pool** for that year

# ....undocumented works



What does SAMRO do about this problem?

Continuous focused research is done by a team of people to try and identify the rightsholders of the works through various means:

- interrogate our database of notifications received
- research international databases
- research the internet
- contact publishers to see if they have any contracts not notified
- contact foreign societies
- even contact performers



As further information is identified, the works are updated and the work flagged to participate in the next supplementary distribution

# ....undocumented works



In addition, SAMRO communicates through various means to encourage and educate members to notify their works:

- letters
- quarterly member magazine – SAMRO Notes
- annual financial report
- member workshops
- Annual General Meeting
- face to face interaction



This is a problem that cannot be solved by SAMRO alone. It requires members to play their part as well. If members work together with SAMRO, we can eradicate this problem.

# Closing



In closing, SAMRO adheres and abides by various regulatory frameworks, including the following:

- Copyright Act of 1978
- Companies Act of 1973
- Professional rules and binding resolutions of CISAC (mother body of music societies worldwide)
- SAMRO's Memorandum and Articles of Association
- SAMRO member rules
- SAMRO's distribution rules



SAMRO rules have been determined over many years and have been approved by members. They compare favourably with other societies, but may vary slightly in each country, due largely to the different legal regimes.