



**New laws in Music Copyright Licences  
and their impact on the Voluntary and  
Community Sector**

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Contact: Elizabeth Chamberlain  
Email: [Elizabeth.Chamberlain@ncvo-vol.org.uk](mailto:Elizabeth.Chamberlain@ncvo-vol.org.uk)  
Tel.: 020 7520 2559

## 1. Background

1.1 Charitable bodies and other not-for-profit organisations have been exempt from paying for a licence for public performance rights when playing recorded music in their premises. However, in early November 2009, the [Government response to the consultation on changes to music licensing](#) announced that it would repeal the exemptions and change the system of charging. The reason given is that the exemptions are in breach of a European Directive on certain rights relating to copyright<sup>1</sup>. The new rules will come into force in April 2010.

1.2 This briefing explains what these changes will mean for charities and other not-for-profit organisations. NCVO is concerned about their possible impact and we are calling on Government to reconsider its decision. You can help us by:

- telling us how your organisation may be affected;
- joining our discussion on the NCVO website.

1.3 If you have any questions or would like further information about NCVO's work on this issue, please contact [Elizabeth Chamberlain](#) (tel. 020 7520 2559).

## 2. How voluntary and community organisations will be affected by the licensing requirements

2.1 For any type of recorded music, there are two types of copyright involved:

- those covering the sound recordings and performances, belonging to the person who has undertaken the arrangements necessary for the recording of the music (usually the record company);
- those covering the musical and lyrical compositions, belonging to the composers and publishers.

2.2 PPL (Phonographic Performance LTD) enforces the performance rights in sound recordings and performances, while PRS (Performing Right Society) manages performance rights in music and lyrics.

2.3 There have never been any exemptions from the PRS licensing requirements, but until now charities and other not-for-profit bodies were exempt from paying a licence fee to PPL when they played music within their premises. Following the changes, whenever a sound recording or music is played in a building belonging to a charitable body, both a PPL licence and a PRS licence will be required.

2.4 Since 'playing in public' effectively covers any playing of recorded music outside a home setting, this means that a charitable youth centre holding a disco, a carers' association playing music to entertain the children, or a charity shops whose volunteers listen to the radio in the back room, will have to apply, and pay for two licences.

2.5 According to figures produced by the Intellectual Property Office<sup>2</sup>, the total cost to VCOs will reach up to £20 million per year. This means money that would otherwise go to benefit charitable causes will be diverted to the music industry – which already collects about £17 million in royalties per year – and to cover Government administration costs.

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<sup>1</sup> Rental and Lending Directive (92/100/EEC).

<sup>2</sup> Annex A: Impact Assessment, Government response to the Consultation.

### **3. What PPL and PRS are proposing to do**

3.1 In [NCVO's response to the consultation on the music licensing review](#), we said that the current exemption given to charities and other not-for-profit organisations is fair because of their public benefit purpose. Any changes to this position should be developed by Government in partnership with the sector to ensure a solution that is fair, workable and evidence-based. The aim should be to balance the private interests of rights holders with the public benefit provided by exempt organisations.

3.2 Aware that the licensing system needs to be simplified, PPL and PRS have agreed to make two concessions. They are developing a new joint licensing system, based on an affordable flat fee per organisation premises that would cover the rights protected by both licences. This should have the advantage of reducing confusion and cutting down the administration costs for both users and collecting societies. Charitable organisations, which previously didn't have to pay for a PPL licence, will nonetheless be burdened with an additional cost. It is also unclear how many organisations would actually be covered by the scheme.

3.3 PRS has introduced a pilot discount scheme for charity and community organisations that are running an event outside their premises. However, the organisation has to apply to be considered, and all proceeds from the event must go to registered charities or community groups. At least two of the following conditions also have to be satisfied:

- the event makes no charge for admission;
- the charitable purpose is a significant element of the event.
- the event is mostly organised by unpaid volunteers

3.4 This is only going to run for an initial trial period and PRS has reserved the right to withdraw the policy at any time and without notice. Therefore it isn't clear if and how much it will effectively benefit voluntary and community organisations in the long term.

### **4. Next steps**

4.1 NCVO is concerned about the impact that these changes will have on a significant number of charities and other not-for-profit organisations. We are working with other sector umbrella organisations to ensure the best deal for the widest range of organisations. Special consideration should be given to voluntary and community organisations because they are mission driven and reinvest surpluses for the benefit of their members and of the community. Any money they pay to PPL and PRS is money that is lost to their cause and to the people and communities they work for.

4.2 For further information, or to inform our work on this issue by telling us your views and how your organisation will be affected by the new rules, please contact [Elizabeth Chamberlain](#) (tel. 020 7520 2559).

NCVO Policy Team  
November 2009

## ANNEX I

### **Government's consultation on the requirement to pay royalties for playing recorded and broadcast music by charitable and not-for-profit organisations**

The Government suggested the following options for reform:

- **Option 1** would repeal the exemptions, giving right holders (through PPL) exclusive rights over the public playing of sound recordings in all the circumstances that were previously exempt, and enabling PPL to collect licence fees.
- **Option 2** would narrow the scope of the exemptions making them available only to small charities (with a turnover of less than £20,000 per year). But it would extend the exemptions so that they apply to both rights (those licensed by PPL and those licensed by PRS).
- **Option 3** would remove the exemptions but record company producers would only be able to charge royalties set at a rate considered fair to both them and the users (referred to as an 'equitable remuneration').

NCVO's response to the consultation saw option 2 as having some merit, since it took a proportionate approach to the issue and considered the particular needs of small charities. However, the details were not clear enough and there was not sufficient evidence to assess the actual impact of the proposal or the cost to organisations.

Our position is that any changes must be developed in partnership with the sector to ensure a solution that is evidence based, as well as fair and workable for all.