



**SONY MUSIC**

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24 December 2015

Intellectual Property Arrangements Inquiry  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY 2601

**By Email:** [intellectual.property@pc.gov.au](mailto:intellectual.property@pc.gov.au)

**By Post**

Dear Commissioners,

**Submission to the Productivity Commission in response to the Inquiry into Intellectual Property Arrangements**

Thank you for the opportunity to make this submission in response to the Productivity Commission's Inquiry into Intellectual Property Arrangements.

Sony Music

Sony Music is a leading Australian recording company and has a history of investment in the Australian music industry going back to 1938 when its predecessor company, the Australian Record Company was formed. Since that time, it has also operated as CBS Records Australia. In 2008, Sony Music acquired the recorded music assets of BMG Australia Limited.

Sony Music's current local roster of artists includes renowned and well-known artists such as Delta Goodrem, John Farnham, Human Nature, Guy Sebastian, Jessica Mauboy, Josh Pyke and The Veronicas, along with up and coming young Australian talent like Peking Duk, Gang of Youths, Montaigne and JOY. Sony Music's history of investing in Australian music is reflected in its significant catalogue of Australian recordings from artists such as Men At Work, Midnight Oil, Dragon, silverchair and Tina Arena.

Sony Music has invested in local labels such as DNA and the Wonderlick Recording Company and also distributes the recordings of iconic Australian label, Albert Music.

Globally, Sony Music Entertainment's recording labels include Columbia, Epic, RCA, Sony Music Nashville and Syco Music.

#### Support of ARIA, PCCA and MRA submissions

As a member of the Australian Recording Industry Association (“ARIA”) and Phonographic Performance Company of Australia (“PCCA”), and a stakeholder in Music Rights Australia (“MRA”), Sony Music supports and endorses the submissions made by each of ARIA, PCCA and MRA in relation to this important inquiry.

#### Specific Comments

In particular, Sony Music would like to emphasise the following points:

1. Digital Innovation in the Music Industry: Sony Music, along with other participants in the Australian music industry, has embraced digital innovation by investing heavily and licensing new business models that ensure recorded music is available through a variety of different services at different price points. Sony Music actively licenses its catalogue to digital service providers and through these services and Sony Music’s own platform, [www.bandit.fm](http://www.bandit.fm), consumers can almost instantly access vast amounts of musical content for minimal cost, and in the case of the ad-supported streaming products (such as those offered by Spotify, iHeart Radio and Guvera for example), at no cost.

Additionally, Sony Music engages with businesses to provide tailored digital music solutions.

The innovative new business activities rely upon the current legislative framework to provide certainty around investment. It is important that the current legislative framework continues to support the growth of these new business activities.

2. Online Copyright Infringement: The music industry has been challenged by piracy and the unauthorised downloading and streaming of recorded music in recent years. This has resulted in the music industry’s revenue being significantly eroded, with global revenues falling from US\$27 billion in 2000 to US\$15 billion in 2013.

This not only affects Sony Music and other major and independent record labels, but all recorded music artists, producers, sound engineers and other service providers who rely upon receiving a reasonable return for their creative activity to make a living.

Sony Music is grateful to the Government for recognising the important role creative industries play in the Australian economy and cultural life, and for taking steps to address online copyright infringement through the introduction of section 115(A) to the Copyright Act (1968) (the “Copyright Act”).

The extension of liability for authorisation of infringement as proposed in the Online Copyright Discussion Paper in 2014 would also be a positive step in this area, as it would create an environment that would promote co-operation between relevant industries to address this important issue together.

3. Anti-competitive provisions of the Copyright Act:

- a. Statutory Pricing Cap for Radio Broadcasters: Section 152 of the Copyright Act was introduced almost 50 years ago to protect the then emerging radio industry. The effect of the section is to cap the fees payable by radio broadcasters to sound recording copyright owners at an artificially low level. The original justification for the cap no longer applies. The cap has a severe adverse impact on competition and the operation of the free market and should be removed.
- b. Exception for public performance of radio and television broadcasts: Section 199(2) of the Copyright Act deprives sound recording owners of the ability to earn income from their recordings where a person receives a radio and television signal that uses those recordings and causes it to be heard in public. The exception does not apply to musical works and is inconsistent with the goal of encouraging innovation and investment in the creation of Australian content.

4. Current IP Arrangements and Creativity: Sony Music invests heavily in discovering local Australian talent and producing and marketing recorded music for our talented artists. Sony Music is continually looking to break its local roster of talent on the international stage to show the world great Australian music and creativity.

As part of this process, Sony Music employs or engages as independent contractors, a wide range of people including producers, mixers, sound engineers, recording studios, backing vocalists, instrumentalists, arrangers, photographers, video producers, hair, make-up and film crew.

The upfront investment required is heavy and there are no guarantees of success. It is essential that there is a legal framework in place which supports and promotes legitimate commercial activity so that record labels and artists may receive a fair return.

Sony Music's activities are supported by Australia's copyright laws currently in effect which ensure that Sony Music and its artists are rewarded for their creative efforts and investment. The maintenance of these laws is integral to Sony Music's continued investment in Australian talent and creativity. Changes to these laws that reduce the rights protected by copyright or introduce uncertainty around these rights will adversely impact on Sony Music's ability to invest in the future, and are likely to have a similar effect on other record labels, artists and digital licensees of recorded music.

Please contact me if you require any further information on the above or have any questions.

Yours sincerely,

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Chairman & CEO, Australia and New Zealand  
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Sony Music Entertainment