

A GUIDE TO INCOME STREAMS FOR SONGWRITERS

Compiled by Seán Silke and Rohan Healy

If you are a working or aspiring musician, you will know by now that getting your head around how money is earned in the industry pretty much requires a Ph.D. Generally, musicians pick up bits and pieces of knowledge on a relatively informal basis.

Workshops and seminars can be a good source of information. But acquiring an overall understanding of intellectual property rights and the attendant income streams seems to be a lifelong process. One would have thought that the Internet would have solved this problem for us, but sadly this is not the case. Information on the world wide web is equally bitty.

We therefore hope that “A guide to income streams for songwriters” will prove useful. Although the article is mostly written from the songwriter's point of view, there is also a good deal of relevant information for the performing artist.

We recommend that you read the report in its entirety to get an overview; you can then re-read it to grasp the detail.

A QUICK SUMMARY

Let's kick off with a tight summary of the areas of importance. What are the five main income streams?

(1) Performing rights royalties – This includes radio/tv airplay. Income under this heading which is payable to the songwriter is collected by IMRO (Irish Music Rights Organisation); while income under this heading which is payable to the performer is collected by RAAP (Recorded Artists Actors Performers). RAAP collects the income from PPI (Phonographic Performance Ireland).

(2) CD/download sale royalties / "mechanicals" - Income under this heading which is payable to the songwriter is collected by MCPSI (Mechanical Copyright Protection Society Ireland) and is paid to the publisher who then pays the songwriter. Income under this heading which is payable to the performer is subject to whatever deal the performer made with the record label and is paid by the record label. Streaming income operates on the same basis.

(3) Synchronisation fees - Income under this heading which is payable to the songwriter is collected by the publisher. Income under this heading which is payable to the performer is subject to whatever deal the performer made with the record label and is paid by the record label.

(4) Merchandise income - No income under this heading is payable to the songwriter. Income under this heading which is payable to the performer is subject to whatever deal the performer made with the record label and is paid by the record label OR less commonly the performer excludes merchandising from the label deal and handles all merchandising him/herself.

(5) Tour income including all live performances - No income under this heading is payable to the songwriter, apart from performing rights royalties already mentioned above. Income under this heading which is payable to the performer is subject to whatever deal the performer made with the record label which may have a contractual share in such income. This income is typically collected from venues by a tour manager/booking manager.

SONGWRITING INCOME – IN MORE DETAIL

Having provided you with a concise list of key income headings, we now go on to talk about songwriting royalties in more detail.

First, a comment on why income streams within the music industry are so complex. The complexity arises from the fact that there are always two elements to song licensing.

Every song is subject to “dual ownership”:

- ▲ There is the **original composition** (usually owned by the music publishing company or by the songwriter if he/she has no formal publishing arrangement); and
- ▲ there is the **original master or sound recording** itself (usually owned by the record company).

It takes some time to get this “dual ownership” concept into your head. However, if you can master this notion, then the labyrinth of income earned from compositions becomes a little clearer.

PERFORMING RIGHTS

The term “performing rights” refers to money from radio and television plays collected by the national royalty organisation (which pays the songwriter direct). A songwriter gets performing rights income via IMRO so s/he has to be a member of IMRO to collect.

Apart from radio and television broadcasts, the term “performing rights” also includes income due to songwriters from live performances, as well as the use of copyright music by businesses like music venues, hotels, restaurants and pubs who must pay for their use of this music. They do so by way of a blanket licence fee. IMRO collects these fees and distributes them to songwriters and music publishers.

IMRO continually surveys venues throughout Ireland to determine which works are being performed live. Artists should supply detailed information to IMRO about their own gigs (especially set lists). If they don't do so, artists are deliberately throwing away income which is due to them in respect of their own original compositions.

IMRO has international links (e.g. in the USA with BMI and ASCAP, the U.S. performance rights organizations). All music-playing outlets are monitored - radio and television stations, nightclubs, websites and other entities that play music. IMRO/BMI/

ASCAP collects royalties from all outlets and pays these to the music publishers and songwriters.

IMRO carries out four major distributions of domestic income each year in April, July, October and December. The distributions cover broadcasting revenue received from Irish radio and TV stations for music performances. In addition, licence fee income arises.

WHAT SORT OF MONEY CAN YOU EARN FROM PERFORMING RIGHTS?

Performing rights income is holding up well in the industry, despite the decline in CD sales. Income from radio and tv is excellent. In the USA, ASCAP and BMI, for instance, take in about \$900 million each every year.

However, it is difficult to get reliable information giving examples of the actual performing rights royalties one can earn in the real world. Everyone tells you a different story. Helpfully, UK publishers Sentric Music (an independent music publisher which is home to over 65,000 songwriters) put some information into the public domain five years ago which provides a reasonable guide.

Sentric Music point out that pretty much any gig you play generates performing rights income. The smallest gig can be worth around £5 and then it increases from there, depending on attendance, ticket price, number of bands on the bill, etc. Sentric quote various UK venues and suggest £100 per gig for the O2 Academy; £392 per gig for the Shepherd's Bush Empire (a mid-scale venue); upwards of £1,500 per gig for the Leeds/Reading Festival (an example of a festival venue); and more than £1,600 a gig for the Sheffield Arena (a large venue).

Various factors affect the amount of radio performing rights money you receive (e.g. length of the song, audience share of the station, audience share of the show, time of day, etc.). Some BBC Radio figures from 2012 are given here, based on an average 3 min 30 sec song): BBC Radio 1 – up to £52 per play; BBC Radio 2 - up to £76; BBC 6 Music – up to £13; BBC 1Xtra - up to £11; BBC Regional Stations – up to £4; and BBC Asian Network – up to £16.

When your song is on television, performance royalties are generated. Again, the amount of money received depends on the channel, time of day, length of the track, etc. Sentric provided some sample figures (per minute): BBC 1 – £91.91 primetime / £49.36 non-primetime; BBC 2 – £23.24 primetime / £12.48 non-primetime; Channel 4 - £22.66 primetime / £12.16 non-primetime; Channel 5 – £9.82 primetime / £5.27 non-primetime. These figures are for every time the broadcast is shown. If you manage to get your music onto a show that is shown often, then you're going to earn good money.

3%-6% of the ticket price in Ireland goes towards live performing rights. There are higher rates in some countries (up to 12%). The rate is 5%-12% in South America and 2%-10% in Africa. All the Irish tariffs are on the IMRO website.

It is important to note that in the USA, radio stations pay songwriter performing only but NOT sound recording performing royalties. In other words, songwriters and publishers get paid but artists and record companies do not.

DOES THE RECORD COMPANY ALSO GET PERFORMING RIGHTS?

Yes, indeed! The record company collects a parallel performing rights royalty via PPI in respect of the “sound recording”. Remember the “dual ownership” concept we outlined earlier? Here it comes again!

PPI is owned by its members, namely Irish and multinational record companies. Record companies have the right to be paid whenever their recordings (CDs, digital files, etc.) are played in public or are broadcast. Also, performers have a right to be paid when sound recordings to which they have contributed are played in public or are broadcast.

To put it this last statement another way, songwriters get performing rights royalties every time a song is broadcast. But there are also performing rights royalties for ARTISTS. These are royalties payable to every artist credited with performing on a record. RAAP was set up to administer this right for Irish artists and performers and collects worldwide on behalf of its members (collecting from PPI).

So how does an artist/performer get in a position to avail of performing rights income? There are two parts to the answer. Firstly, you need to sign up with RAAP and register the songs/recordings on which you performed. You cannot benefit from the income if you do not belong to RAAP, the collecting agency. But secondly, as RAAP collects performing rights income from the PPI, the recordings must be registered with the PPI by the record label concerned. So the artists's label has to be a PPI member (so that the artists's songs are “registered”) and then RAAP is in a position to collect all due income from PPI. Confused? Yes, it is complex which is why understanding income streams in the music industry requires very careful study!

All of PPI's income (less admin costs) is distributed every year to its members and to performers. Performers' income is distributed to them by means of an agreement entered into between RAAP and PPI. It is up to individual members (i.e. musicians) to register their performances with RAAP.

MECHANICAL ROYALTIES

Mechanical royalties are royalties payable to the songwriter by the record company for each recording sold (CD/download) that includes the composer's compositions. In Ireland/UK the amount is 8.5% of the published wholesale price (8% for downloads) and is collected by MCPSI (Mechanical Copyright Protection Society of Ireland) from record companies.

MCPSI passes on this income to the composer's Publishing Company which in turn pays the composer. The Publishing Company agrees a commission rate with the composer for collecting these royalties. Each publisher is a member of the Music Publishers Association of Ireland/MPAI (which in turn owns MCPSI). So to receive mechanical royalties, the songwriter either has a publishing deal or he runs his/her own publishing company which is a member of MPAI.

Record labels may have dozens or hundreds of acts, and even more writers/performers, so they use MCPSI to simplify the mechanical royalties process.

The US mechanical royalty rate is lower than in many other countries (currently 9.1 cent per album track or per download) but the huge market there makes it lucrative if a songwriter hits the jackpot. The mechanical royalty in most European countries is currently 8%.

One unusual aspect of mechanicals is that record labels pay signed artists (who write their own songs) only 75% of the statutory rate, which means the labels effectively withhold 25% of the copyright income. This is standard practice.

SYNCHRONISATION FEES

Synchronisation (sync) fees are amounts due to a composer when his/her work is used in films, tv programmes, video games and advertisements. These fees are charged by the publishing company to the filmmakers.

A show usually pays a one off upfront licensing payment to the writer in order to use the song. When the song is actually aired, the writer also receives a performance royalty. The amount of the licensing (synchronisation or sync) fee varies but for television shows it is usually in the range of €500 to €3,000. The amount of the performance royalty varies greatly depending on the length of the segment in which your song is used, how prominently the song is used, whether your song is aired during prime time or during the day, etc.

For films on theatrical release in the USA, you don't receive performance royalties while the film is showing in cinemas, but the sync fee is larger. For films on theatrical release in Europe, 1% of total box office takings for each release is held for the songwriters and is distributed to them.

Sync fees for feature films are generally in the range of €2,000 to as much as €25,000, or even larger for more established artists. The sync fee amount varies depending on the film's budget and how badly they want a particular song. Remember that the licensing deal is usually arranged by a music licensing library and they usually take half of the upfront sync fee.

To give an example of how sync fee income is shared, let us once again bring to mind the concept of “dual ownership”. The company that wishes to use your song for a television programme needs to get permission from two copyright holders - the owner of the sound recording (usually the record label) and the owner of the song itself (usually the publisher). Let's assume that the sync fee is £10,000. Half of this “goes to” the sound recording and half “goes to” the song. Assuming that the composer has a 50/50 sync income deal with both his/her publisher and record label, then the sync fee is divided as follows:

Record Label: 50% of the sound recording fee = €2,500

Composer: 50% of the sound recording fee = €2,500

Publisher: 50% of the publishing fee = €2,500

Composer: 50% of the publishing fee = €2,500

MERCHANDISE INCOME

Many bands supplement their income by selling merchandise. For a band playing small to medium venues, selling merchandise on tour can make the difference between an overall loss and an overall profit.

Nowadays, “venue commission” fees are eating into this source of income. An estimated 80% of British venues, 40-60% of European ones and almost 100% of American ones have venue commission. This amounts to a charge of typically 25% plus VAT commission for allowing a band to sell their merchandise at their own shows.

As everyone knows, touring costs (unless you're already really successful). This explains why in the past record labels provided tour support for promising acts. But that source of support is now drying up.

IS THERE ADDITIONAL INCOME WHICH THE ARTIST CAN EARN FROM HIS/HER RECORD LABEL CONTRACT?

Obviously, a major potential source of income for an artist is what was negotiated in his/her record label contract. After all record label expenses have been deducted, the artist is due a percentage for each recording sold. An artist can be offered anywhere between 6% and 20% depending on status and credibility. The percentage amount is agreed at the time that the recording contract is finalised between the artist and the record company – but the key question to ask is “6% of what?”

In an article available on the First Music Contact website some years ago, music lawyer Michael McCready said this -

“Record companies expend a lot of money on bands. They pay for all the studio time, give the band an advance, promote the band, etc. All of this money is a loan to the band which the band must pay back. This is recoupment. The band pays back the record label out of their royalties. The more money you get as an advance, the more money you have to pay back before you receive royalties.”

A record label is likely to insist on recouping the cost of recording the album, promoting the album, producing music videos and touring. All these expenses will be deducted from the band's royalties before the band gets paid. It is not difficult to imagine a band having a “bill” of €100,000 to meet before the album is in profit and the band begins to get paid.

Always remember that any advance money given to the band (for normal living expenses) is merely a loan. That advance has also to be recouped before any royalties are paid. Marshall Brain in an article on “How stuff works” sums up this way -

“What this system tends to do is create a situation where only those bands who create gold and platinum records ever get paid anything outside of their advance money.”

That said, it is record labels which take the financial risks. Chris Standring brings balance to the topic with this remark -

“It is only right that artists sign a record deal where a record label makes more money than them, especially if an artist is new, undiscovered and needs huge promotion. Such promotion requires a ton of money, money which artists don't have. That's why we have record deals.”

AND FINALLY

We conclude with some miscellaneous information which is not essential but which is handy to know and which interests us, the writers of this survey.

There are a number of additional royalty sources that often lie below the radar and perhaps not every songwriter is in a position to benefit from them. Todd Brabec mentioned these two headings at one of his occasional (unmissable) IMRO seminars -

- ^ **Greeting cards** – the royalty rate is 9% of the net price with a minimum rate of 15 cent per card.
- ^ **Ring Tones** - The average royalty is 10-12% of the sale price with a minimum rate of 10%. Every time someone downloads a ringtone, the songwriter gets a royalty from MCPSI, who control the mechanical right.

Sheet music royalties can be lucrative in certain niche markets.

Todd Brabec also warned about the high financial cost of sampling (using someone else's copyrighted music in your own song). Where the use of the original track is unauthorised, then all royalties accrue to the songwriter of the sampled track. Where the use of the track is authorised, then a 50% royalty applies in favour of the writer of the sampled track.

Another occasional visitor to IMRO, the superbly well informed Stuart Worthington, provided this interesting summary of who collects what in the realm of digital income:

Downloads – 25% is assigned to performing rights (collected by IMRO)
75% is assigned to mechanicals (collected by MCPSI)
Streaming - 75% is assigned to performing rights (collected by IMRO)
25% is assigned to mechanicals (collected by MCPSI)
Webcasting - 75% is assigned to performing rights (collected by IMRO)
25% is assigned to mechanicals (collected by MCPSI)
Ringtones - 25% is assigned to performing rights (collected by IMRO)
75% is assigned to mechanicals (collected by MCPSI)

And finally, finally, finally – in David Byrne's excellent book, “How music works”, he gives a super-brief guide as to how the income from CD, download and streaming sales is divided.

Take the retail price. Subtract the VAT. Divide the remaining retail income as follows: Record label (56%); Retailer – online or in store (30%); Artist (6.5%); Songwriters (4.5%); and Producer (3%). The record label's percentage includes marketing, promotion, manufacture (CDs) and distribution.

Rohan Healy is the owner and CEO of Beardfire Music. He has written, recorded and produced 10 solo albums, appeared on The Voice UK and Busker Abu with The Dublin City Rounders, shared the stage with the likes of Cat Power, Lloyd Cole and Jim Lauderdale, booked and performed almost 1,000 shows in Australia, the UK, Ireland and Europe, and has dozens of production, songwriting and performance credits on other artists' works. Rohan offers personal music business consultation on booking, management, live performance coaching and music exam prep, publishing and royalties, and is a music producer at Beardfire Studio.

Seán Silke is a Dublin-based songwriter with over 500 compositions to his name. He is launching two albums in 2019 - "Unexamined Emotions" (14 pop songs dealing with affairs of the heart, sung by Ellen Cosgrove); and "Unlucky in love" (15 dance songs featuring a variety of female artists and produced by Chris Kabs, a well-known solo artist/producer on the Dublin dance scene). In 2018, Seán released "In the heart of the castle" (14 country-flavoured pop songs performed by Weekend Special). Seán's music industry website, www.songwritingessentials.com is an invaluable advertising-free information source for Irish musicians.