

Fact Sheet -Restaurant and Café industry tariff review

September 2009

Background

PPCA is a non-profit organisation which collects licence fees and distributes the net proceeds to record labels and Australian recording artists.

PPCA licenses restaurants and café operators to play sound recordings in their premises under Tariff R, which applies to all those recordings (**both Australian and international**) which are protected under Australian copyright law.

Artists and labels are entitled to receive a fair return for their work, particularly when it is used to help drive profits in commercial enterprises.

In early 2007, following discussions with Restaurant and Catering Australia, PPCA commenced a review of Tariff R in line with its broad-based review of tariffs applying to businesses which use recorded music to add value to the services they offer to the public.

As a result of the review, it was decided that Tariff R should be updated to better reflect the value of the recorded music being used across the restaurant and café sector.

Consultation

In May 2009, PPCA put forward a draft new scheme and began comprehensive consultation on the proposal with the broader restaurant industry.

PPCA received and considered various submissions from individuals and representative bodies including:

- Restaurant and Catering Association;
- Australian Hotels Association;
- Clubs Australia;
- RSL and Services Clubs; and
- Hotels and Motels Association of Australia.

After completing consultation and after careful consideration, PPCA has finalised a new scheme comprising two new tariffs (R1 and R2) which will come into effect on **1 December 2009**. The new rates have been substantially reduced and the terms modified from the scheme first proposed by PPCA in May 2009. These changes have been made to take into account the concerns raised and information provided by restaurant operators and industry groups during the consultation period.

As previously proposed, for the purpose of applying the tariff, **restaurants will continue to be divided into different categories based on the average cost of a main meal and their liquor licensing status.**

Under the new scheme some businesses will pay as little as **40-cents a day**. Initially, the most that a high end restaurant will pay will be **\$3.20 a day** for all the recorded music played- which is around the price of a cup of coffee. During the first year of the scheme no restaurant - including high-end establishments - will pay more than \$1,270.00 (including GST), even if they are open every day of the year. An unlicensed café, open every day, with an average main meal price of under \$15.00 would pay no more than \$200.60 in the first year of the scheme.

Important adjustments to the proposed scheme now mean the daily fees will be:

- **Simplified** with proposed multi session daily rates replaced by a single daily rate.
- **Reduced** by 25 per cent.
- **Phased in** over a period commencing from 1 December 2009 to 30 June 2013.
- **Capped** so that the maximum daily rate payable by a restaurant is at an amount equivalent to 50 seats until 30 June 2013 (rising to 75 seats and 100 seats respectively in the two financial years following).

In addition there will be new:

- **Restaurant categories** which provide for a low end category (where the main meal price is \$7.50 or less) to account for coffee houses and similar businesses. The high end category initially proposed (ie main meals of \$35.01 or more) has been removed so that the top category is now those restaurants with main meal prices over \$25.00.
- **Hotels/Motels Tariff** (known as Tariff R2) with lower fees applying to those restaurants which are part of hotels and motels (ie accommodation businesses) where the primary focus of the restaurant is providing meals to guests, and the service is not promoted to the general public.

IF YOU ARE A PPCA LICENCE HOLDER AFFECTED BY THE REVIEW OF TARIFF R, AND NEED TO PROVIDE PPCA WITH INFORMATION REGARDING THE CONTINUATION OF YOUR LICENCE, PLEASE CLICK HERE.

Tariff R1

The new tariff (R1) is tailored to suit different businesses and to ensure a fair application of the new fees. The new scheme for tariff R1 is set out in the table below.

Fees are per seat (based on the establishment's seating capacity, not attendance) per day of operation and are inclusive of GST.

Having regard to PPCA's administrative expenses in managing the licence scheme, a minimum fee of \$50 per quarter will apply.

	AVERAGE COST OF A MAIN MEAL						Capacity Cap Applicable
	Under \$7.50	Under \$15.00		\$15.01 to \$25.00		Over \$25.01	
CATEGORY:	A Not licensed for consumption of alcohol on premises	B Not licensed for consumption of alcohol on premises or BYO only	C Licensed for sale and service of alcohol	D Not licensed for consumption of alcohol on premises or BYO only	E Licensed for sale and service of alcohol	F	
01.10.09 to 30.06.10	\$0.008	\$0.017	\$0.021	\$0.034	\$0.043	\$0.064	50
maximum daily rate based on seating capacity cap*	\$0.40	\$0.85	\$1.05	\$1.70	\$2.15	\$3.20	

* Subject to quarterly minimum fee of \$50 per quarter

This means that, subject to the quarterly minimum, the maximum rates under tariff R1 for the period up to 30 June 2010 will be:

- Category A (main meal price of \$7.50 and under) - 40 cents per day
- Category B (unlicensed, \$7.51 to \$15.00) – 85 cents per day
- Category C (licensed, \$7.51 to \$15.00) – \$1.05 per day
- Category D (unlicensed, \$15.01 to \$25.00) - \$1.70 per day
- Category E (licensed, \$15.01 to \$25.00) - \$2.15 per day
- Category F (\$25.01 and over) - \$3.20

The rates set out above will apply from 1 December 2009 to 30 June 2010. After this date, the rates will increase on 1 July 2010, 1 July 2011 and 1 July 2012. For more details, [click here](#).

For multifunction venues such as pubs, clubs and hotels (where accommodation is not the primary function) this tariff applies only to the part of the venue designated or reserved solely for the consumption of food.

Tariff R2

A separate tariff (R2) will apply to restaurants and cafés in hotels and motels where food is served mainly for the benefit of guests. The initial rates for tariff R2 are out in the table below. Again, these are subject to a minimum quarterly fee of \$50.

CATEGORY	AVERAGE COST OF A MAIN MEAL					Seating Capacity Cap
	Under \$15.00		\$15.01 to \$25.00		Over \$25.01	
	A Not licensed for consumption of alcohol on premises or BYO only	B Licensed for sale and service of alcohol	C Not licensed for consumption of alcohol on premises or BYO only	D Licensed for sale and service of alcohol	E	
01.12.09 to 30.06.10 maximum daily rate based on seating capacity cap*	\$0.009	\$0.011	\$0.017	\$0.022	\$0.032	50
	\$0.45	\$0.55	\$0.85	\$1.10	\$1.60	

* Subject to quarterly minimum fee of \$50 per quarter

The rates set out in this tariff will apply from 1 December 2009 to 30 June 2010. After this date the rates will increase on 1 July 2010, 1 July 2011 and 1 July 2012. For more information on the phased in rates [click here](#).

As outlined in our letter to restaurant licensees of 1 October 2009, in early November, PPCA proceeded to initiate the following transactions for each active restaurant tariff extending beyond 30 November 2009:

1. An adjustment note, representing a proportionate credit of the amount billed in advance by PPCA under the previous (superceded) restaurant tariff for the period after 30 November 2009; and
2. An invoice under the new licence scheme, for the quarter commencing 1 December 2009 and concluding on 28 February 2010.

Please note that, if a restaurant licensee did not provide the requested information by 28 October 2009, the invoice for the initial quarter under the new scheme (point 2 above) was created under the default position (Tariff R1; Category B; 75 days of operation during a quarter), as set out in our 1 October letter.

We urge all licensees under the new scheme who have not provided this information requested to do so as soon as possible, to ensure your licence provides the cover you require. Please [click here](#) to do this online. Once we receive this information, we will update your licence record and process any necessary adjustment.

Value of music to the restaurant industry

The Australian restaurant and café sector generated income of \$9.7 billion during 2006-07 (ABS Report "Cafés, Restaurants and Catering Services", 2006-7).

Music is widely used by the restaurant and café industry and contributes positively to the ambience and atmosphere. For example, research indicates that more than 75 per cent of a sample of cafés and restaurants typically use music in their day-to-day operations.

Research also shows that, where used effectively, music can lead to a significant increase in the time spent by consumers in restaurant and café environments, and an increase in their expenditure on food and beverages, in a range of between 10% to 70%.

Many restaurants use music as a fundamental business tool to structure session times – a practice known as day-parting- which helps define the business and shape customer behaviour.

Until now a restaurant or café with a seating capacity of 60 paid PPCA just **\$62.04 a year** for all the recorded music it used. Assuming that the venue was open for business on 300 days of the year, this worked out to be as little as 21 cents per day.

Cafés and restaurants are generally open for business between 7 and 9 hours per day. A significant majority open for lunch and/or breakfast (in addition to dinner) at least one day per week and almost all establishments are open at least 5 days per week. A considerable amount of recorded music is played over extended periods such as these.

PPCA believes the new scheme is fair, and tailored to the marked diversity of the restaurant and café industry. It balances the interests of the restaurant industry and recording artists and labels.

PPCA believes that important advantages of the scheme for licensees will be the ability to **make quarterly payments** which will allow for seasonal changes to menus or hours of operation to be taken into account as well as the phasing in measures referred to above.

If you are operating in the restaurant or café sector you may wish to contact your industry association in any event to seek further information.

Licence holders affected by the new scheme are reminded to provide PPCA with information regarding their ongoing licensing requirements. Please [click here](#) to do this online.

For PPCA's summary of key submissions and responses, please [click here](#).

For media enquiries, please contact Nicole Hart:

Telephone: 02 8569 1151 or 0418 324312

For any other licensing enquiries, you may wish to refer to other sections of PPCA's website (for example, our licensing FAQs). PPCA's Licensing Department can also be contacted by email at licensing.mail@ppca.com.au or on: 02 8569 1111.

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