



FACT SHEET

Fitness Tariff Review

Background

PPCA is a non-profit organisation which collects and distributes revenue from sound recording licences to Australian recording artists and record labels.

PPCA licenses fitness centres, gyms, individuals and others to play sound recordings in fitness classes under the Fitness Tariff.

The fitness tariff applies to all recordings (**both Australian and international**) which are protected under copyright law. This is the vast majority of all recordings currently used in fitness classes.

PPCA believes recorded music is a vital aspect of fitness classes and that the creators of recorded music -the artists and record labels- should receive a fair and reasonable return for the use of their creative work in helping drive revenues and profits by fitness centres.

The proposed new rate

At present, the rate paid by fitness centre operators is 96.8 cents per class. PPCA does not believe this is a fair market rate – it does not reflect the true value that recorded music adds to the business of a fitness centre.

For classes, which are often attended by 20 people or more, this equates to a rate that can be as low as just **5 cents per person**. This rate is inappropriately low given the fees charged for gym membership, or charged for fitness classes on a fee-per-class basis.

PPCA conducted a two year consultation process with the fitness industry and engaged experienced economic consultants to carry out a study to calculate the value of music in fitness classes. The fitness industry was given the opportunity to comment and had input on the way the survey was conducted.

Based on this economic research, PPCA has proposed a new scheme calculated on a per member per month basis to be consistent with the periodic membership model which is typical of this sector. Such periodic memberships generally entitle the member to have access to the full range of services and facilities offered by the fitness centre, including fitness classes. Specifically, PPCA has proposed to the Tribunal that the rate be **\$4.54 per member per month or \$0.99 per casual visit offered by commercial fitness centres**.

The tariff review applies only to commercial, profit-driven fitness operations and **not small community-based or similar groups** (such as, for example, classes held in schools, church halls or rehabilitation centres).

The Copyright Tribunal is an independent body headed by a Federal Court judge. It will hear evidence presented by PPCA, the fitness industry and the ACCC (who have elected to participate in these proceedings and provide independent evidence to the Tribunal). After the conclusion of the hearing, which is expected to be some time in the second half of 2008, the Tribunal will deliver a judgment on what the tariff should be.

The value of sound recordings

To support its proposed new rate, PPCA will argue there is overwhelming evidence that music in fitness classes **provides valuable motivation, improves people's workouts, creates structure for classes and adds atmosphere**. As such, music plays a key role in attracting members to fitness centres (and hence, increasing fitness centre revenues).

A study of Australian fitness class participants will be presented showing that most people regard music as essential to fitness classes and **could not imagine the classes without music**. It follows that an absence of music in fitness classes would result in a significant drop in membership, and hence revenues, of fitness centres.

It's estimated that 97 per cent of fitness classes use music and it is played for almost the whole duration of the class.

Since the advent of aerobics in the early 80s, the use of recorded music in fitness classes has continued to grow and is now an essential part of fitness classes. The sound recordings played in fitness classes are specifically selected so the pace and beat of the music fit the type of class and match the type of exercise being done.

Recording artists and record labels should be properly rewarded for the important contribution their music makes when it is played during fitness classes.

Growth and profits in the fitness industry

Australia is the 11th largest market in the global fitness industry with total sector revenues of over \$1 billion per annum. There are an estimated 1150 fitness class providers in Australia.

According to industry reports, the fitness industry is experiencing strong growth of around 10 to 15 per cent per annum with many fitness centre chains growing above the industry growth rate.

The top five chains by number of locations in Australia include Curves, Contours, Fernwood Women's Health Clubs and Fitness First. The Fitness First multi-national has more than 75 centres in Australia and over 200,000 active members.

Recent market research into over 100 fitness centres across Australia shows that the average cost of fitness centre membership is about \$768 a year, the average price for a month membership is \$64 and the average price for a casual visit is \$14.

PPCA believes the fitness industry can absorb such an increase in the cost of recorded music which should be regarded as a normal business expense.

Contacts:

Stephen Peach
PPCA CEO
02 8569 1100

Felicity Moffatt
Media Relations
0418 677701

www.pcca.com.au