



Small Residential Hotels & Guesthouses Tariff Customer Consultation

Issued 22 July 2016



1. INTRODUCTION

PPL is running a consultation on proposed changes to its [Small Residential Hotels & Guesthouses Tariff](#) (commonly known as its “Small Hotels tariff”). This tariff has been in place for over 25 years and applies to the use of background music in small hotels and guesthouses with 25 bedrooms or fewer, where none of the facilities are available to non-residents.

As part of its Code of Conduct, PPL is committed to fair, reasonable and proportionate consultation when proposing a new tariff or making significant changes to an existing tariff. Therefore, we have already issued our proposals to and consulted with the British Hospitality Association (“BHA”) and its affiliate organisations.

To complete our consultation we are now seeking responses from existing individual licensees that will be affected by the proposed changes to the Small Hotels tariff.

Details of how to respond to this consultation are provided in section 5. The deadline for responding is 19 August 2016. All responses received on or before this date will be reviewed.



2. KEY CHANGES

PPL is proposing to introduce five key changes to the Small Hotels tariff from **1 January 2017**. For existing licensees, the changes will only take effect from the next renewal of their licences on or after that date.

Change 1: Extending the Small Hotels tariff to cover music in hotel bedrooms

In 2013, following clarification of the law, PPL introduced a tariff to cover the supply of recorded music to hotel bedrooms in larger hotels. PPL allowed a grace period during which it did not initially apply this to smaller hotels and guesthouses. PPL is now proposing to include and charge for this as part of the Small Hotels tariff. Further information is included in the Appendix at the end of this document.

The proposed new tariff therefore features a **new fee of £49.93 per annum to cover music in hotel bedrooms**. (See 'The New Tariff' on page 5).

Change 2: Extending the Small Hotels tariff to cover background music delivered by TV/radio broadcasts

Since the Small Hotels tariff was introduced a change in the law means that background music delivered via broadcasts (i.e. the use of televisions and radios in lounges, bars, and dining areas etc.) needs to be included in the tariff and charged for. Further information on this legal change is included in the Appendix.

The proposed new tariff therefore features a fee of **£65.26 per annum** which is an **increase of £5.47** to the current background music fee of £59.79. (See 'The New Tariff' on page 5).

Change 3: Reducing the scope of the Small Hotels tariff to apply to premises with a maximum of 15 bedrooms (rather than 25)

The Small Hotels tariff currently applies to premises with up to 25 bedrooms. Since the current tariff was introduced the hotels market has evolved, an example of which being a trend for mid-size 'boutique' hotels, which has meant an increasingly broad range of premises benefitting from the Small Hotels tariff rate. PPL is concerned the tariff is now too broad to appropriately cover the intended customer base of small-scale premises with limited guest facilities.

PPL is therefore proposing that the new Small Hotels tariff is available to hotels and guest houses with a maximum of 15 bedrooms, retaining the existing condition that the premises' facilities are only available to bona fide residents. This new threshold also has the advantage of being consistent with the established approach taken in the equivalent *PRS for Music* tariff, which will make things simpler for licensees.

Change 4: Introducing a surcharge in certain circumstances

PPL intends to introduce a surcharge into the Small Hotels Tariff, to take effect from 1 January 2018.



This surcharge will provide for a 50% increase in fees to apply in certain circumstances where the licensee has not paid. This is in line with the approach that PPL takes in a number of its other tariffs, including the tariff which covers the playing of background music in larger hotels. Further information is included in the Appendix.

Change 5: Introducing a discretionary licensing policy

As a voluntary gesture (which also achieves further consistency with the approach taken by *PRS for Music*), PPL is proposing to introduce a new discretionary policy under which PPL will elect not to charge very small hotels and guest houses, where all of the following criteria are met:

- The premises has 3 guest bedrooms or fewer
- The premises is the sole holiday accommodation business operated/owned by the proprietors
- The premises is otherwise the domestic residence of the proprietors
- Facilities are only available to resident guests.

This means that any premises meeting the above criteria will not need to renew their licence when they reach their first renewal date on or after 1 January 2017.



3. THE NEW TARIFF

The new Small Hotels tariff will contain separate charges for background music and the supply of recorded music to hotel bedrooms. As these are two very different uses of music and many premises may not have both, PPL believes it is fair to separate the charges so that any hotel with only one use is not charged for both.

So that you can easily see the changes we are proposing (compared to the current tariff) we have used 2016 fees throughout this document. These fees will increase slightly in line with inflation (RPI) on 1 January 2017 which is the intended date that the proposed tariff will take effect.

The proposed charging methods and fees are as follows:

Use	Current Tariff charges	What will be covered under the new tariff?	Proposed charge under the new tariff
Background music	£59.79 (if CD players or other devices are used, not including radios and TV)	CD players, radios televisions or other devices played in lounges, dining rooms or similar areas	£65.26
	Not currently charged (if only radios and televisions are used)		
Supply of recorded music to hotel bedrooms	Not currently charged	Use of an internal relay system (e.g. connecting signals via a central antenna or satellite dish) to transmit television and/or radio services to guest bedrooms. Providing CD players and CDs in guest bedrooms.	£49.93 (or £50.85 if this is the only licensable music use – see ‘minimum fee’ below)

Minimum Fee

PPL’s standard minimum fee will be applicable where the supply of recorded music to hotel bedrooms is the only licensable activity. The minimum fee increases annually in line with inflation (RPI) and is currently £50.85.



4. EXAMPLES OF THE POTENTIAL IMPACT OF THE CHANGES

Customer A: Small hotel with 14 bedrooms and the only music usage is a CD player and television in the guest lounge:

Current Fee (existing tariff):	New fee (proposed tariff):
£59.79	£65.26

Customer B: Small hotel with 14 bedrooms with recorded music supplied via a CD player in the guest bar and music supplied to hotel bedrooms:

Current Fee (existing tariff):	New fee (proposed tariff):
£59.79	£115.19 (£65.26 for background music + £49.93 for the supply of recorded music to hotel bedrooms)

Customer C: Small hotel with 14 bedrooms with recorded music supplied to hotel bedrooms only:

Current Fee (existing tariff):	New fee (proposed tariff):
£N/A	£49.93

PPL's minimum fee (currently £50.85) will apply in this scenario.

Customer D: Hotel with 17 bedrooms with background music supplied via a CD player in guest bar only.

This customer will now be out of scope of the new tariff and will move to PPL's existing tariff PPLPP210 Background music – pubs/bars, restaurants, cafes and hotels.

Current Fee (existing tariff):	New fee (on Tariff 210): Background music – pubs/bars, restaurants, cafes and hotels.
£59.79	£130.51*

*(*If Customer D only uses a TV or radio in the guest bar, they will instead be eligible for a concessionary rate on PPL Tariff 210 of £65.26.)*

Customer E: Small hotel with 3 bedrooms and which meets all criteria in the discretionary charging policy.

Current Fee (existing tariff):	New fee (proposed tariff):
£59.79	£0



5. HOW TO RESPOND AND NEXT STEPS

How to respond

All details relating to this consultation are available on our website at www.ppluk.com/hotels

Please download and complete the response form on the above web page and email to:

hotelsreview@ppluk.com to be received by 19 August 2016.

Or, if you have received a paper copy, you can post your completed response form to:

Small Hotels Consultation
PPL
Tariff Development Team
1 Upper James Street
London
W1F 9DE

We will consider all responses that we receive but would ask that you follow the format in the response form to assist us in reviewing comments efficiently and accurately.

If you have any questions in relation to the consultation please contact us at hotelsreview@ppluk.com or via telephone on 020 7534 1235 or 020 7534 1261.

Next steps

Following the deadline for submission of consultation responses, PPL will carry out a review of all responses received, publish a summary and update representative bodies as necessary. PPL intends to publish details of the finalised new tariff in early September 2016.



6. APPENDIX: FURTHER DETAILS

Why is PPL proposing to introduce new charges?

Due to change and clarification in the law since the existing Small Hotels tariff was introduced, two uses not covered in the original tariff now need to be included and charged for:

- **Background music delivered via broadcasts:** Previously, due to an exception contained in Section 72 of the Copyright Designs and Patents Act 1988, PPL was unable to license the public performance of music received via a broadcast, for example via televisions or radios in lounges, bars or dining areas.

Following the removal of this legal exception, the rate for background music therefore needs to be adjusted to cover the playing of recorded music in this way.

- **Supply of recorded music to hotel bedrooms:** A ruling by the European Court of Justice in 2012 in the case of *Phonographic Performance (Ireland) Limited v The Attorney General* (Case C-162/10) confirmed that the retransmission of television and radio signals to hotel bedrooms and/or the joint provision of recorded music and the equipment to play it on, requires a copyright licence.

Following this clarification, PPL agreed a tariff to cover this type of music use with the BHA in 2013 but this was initially only applied to larger hotels and not those licensed under the Small Hotels tariff.

With that tariff now established, PPL now considers that it is appropriate timing for the Small Hotels tariff to be similarly adjusted to include a charge for the supply of recorded music to hotel bedrooms.

What is the reason for a surcharge and in what circumstances would it apply?

PPL proposes to introduce a surcharge to the new tariff, increasing the licence fee by 50% in certain circumstances. A surcharge of this type is included in various other PPL tariffs, including the tariff which applies to larger hotels, which was set by the Copyright Tribunal. It is intended to discourage unlicensed music use and take account of the administrative costs of dealing with late or non-payment.

The surcharge can be applied where a business plays recorded music in public without first obtaining or renewing its PPL licence. In practice, PPL currently only applies a surcharge if the customer has still not paid in full for their licence 28 days after the licence start date/renewal date.

PPL proposes to defer the introduction of the Small Hotels tariff surcharge until 2018, to allow both new and existing customers time to adapt to the other changes in the tariff. The surcharge would therefore only apply to invoices due for payment on or after 1 January 2018 and only where the conditions for applying the surcharge are met.

How have the proposed rates in the new tariff been set?

Background music:

As explained above, the rate for background music needs to be adjusted because the Small Hotels tariff will now additionally cover the right to play recorded music in public via television and radio broadcasts.



The PPL tariff which covers larger hotels ([Tariff 210 Background Music - Pubs, Bars, Restaurants, Cafes and Hotels](#)) already includes this additional right. The lowest rate under Tariff 210 is a concessionary rate (currently £65.26) which applies to background music being played in premises with an audible area of up to 50 m² and only where music is received via certain TV channels or radio stations.

As the Small Hotels tariff is itself limited to premises of a certain size/type, PPL proposes that the background music rate for small hotels under the revised Small Hotels tariff will be the same as the concessionary rate within Tariff 210 but will apply irrespective of how the recorded music is played e.g. radio, CD, hard disk player etc. It will also not be restricted by audible area.

Supply of recorded music to hotel bedrooms:

As described above, PPL already operates an agreed tariff covering the supply of recorded music to hotel bedrooms ([Tariff 213 Supply of Recorded Music to Hotel Bedrooms](#)) but this was initially only applied to larger hotels and not those falling under the Small Hotels tariff.

The rate within Tariff 213 is £49.93 per 15 bedrooms. PPL proposes that the same rate should be included within the revised Small Hotels tariff on the basis that supplying recorded music to a guest bedroom has the same value regardless of the size or type of hotel.

Which organisations has PPL already consulted?

PPL has consulted on the proposed Small Hotels tariff changes with the British Hospitality Association (“BHA”) and affiliated organisations. The following affiliates asked the BHA to represent them directly:

- Brighton & Hove Hoteliers Association
- Eastbourne Hospitality Association
- Hospitality Ulster
- MARCHE (Midlands association)
- Northern Ireland Hotels Federation
- Pembrokeshire Tourism Ltd
- Skegness, East Coast & Wolds Hospitality Association

The following organisations (not affiliated with the BHA) were also included in the consultation:

- Bed and Breakfast Association
- StayBlackpool