House of Commons

Digital, Culture, Media and Sport Committee

Oral evidence: Economics of music streaming, HC 868

Tuesday 24 November 2020

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Watch the meeting

Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Philip Davies; Alex Davies-Jones; Clive Efford; Julie Elliott; Damian Green; Damian Hinds; John Nicolson; Giles Watling; Mrs Heather Wheeler.

Questions 1 – 110

Witnesses

I: Tom Frederikse, Partner, Clintons Solicitors; Tom Gray, Founder, #BrokenRecord Campaign, and vocalist, guitarist and songwriter, Gomez; and Colin Young, streaming auditor and accountant, CC Young & Co.

II: Guy Garvey, singer and songwriter, Elbow, and BBC 6 Music presenter; Ed O'Brien, guitarist, Radiohead; and Nadine Shah, singer, songwriter and musician.

Examination of witnesses

Witnesses: Tom Frederikse, Tom Gray and Colin Young.

Q1 **Chair:** Welcome to the Digital, Culture, Media and Sport Select Committee. This is our first hearing into our inquiry into economics of music streaming. We are joined by two panels today. On our first panel we will have Tom Frederikse, Partner at Clintons Solicitors; Tom Gray, founder of #BrokenRecord Campaign, and vocalist, guitarist and songwriter for Gomez; and Colin Young, streaming auditor and accountant, CC Young & Co.

Before we ask our first questions I am going to ask members to declare any interests.

Kevin Brennan: I have received hospitality from PRS for Music; I am a member of the Ivors Academy for songwriters and composers; and I receive occasional payments for working as a musician, which are declared in the Register of Members' Interests.

Alex Davies-Jones: I am a member of the Musicians' Union.

Q2 **Chair:** Thank you. Good morning to Tom Frederikse, Tom Gray and Colin Young. Thank you for joining us.

Tom Gray, I am afraid you have drawn the short straw: you have the first question. In terms of how revenue is distributed between platforms and industry and artists, are the proportions, in your opinion, fair?

Tom Gray: Not generally speaking, no. If you are a fully independent artist it is possible to do okay in streaming because around 55% of the money is coming through to you. But most artists are working with labels, and most successful artists are working with major labels, and those deals are usually 80:20 in the label's favour. Of course, most artists are also heavily indebted to the labels as well.

It will be very important for you to understand how those record contracts work, too, in order to understand why money does not make its way through to artists. There is a thing called the recoupment deal, which is employed by all the major record labels. You might think that the way that a deal would work is they would give you money, they would invest, and when they had made that money back they would pay you a royalty. But what actually happens is they assign you a royalty and they make the debt back only from your royalty. For instance, in my day it was around 15%. All of the money that was made from my records, they would have made that money back many times over before they started paying me anything. So artists are often indebted. Money is not coming through to them. Irrespective of the way that we divide it up, we have a bigger problem anyway.

Q3 **Chair:** Further on recoupment, Tom, I have been an author. In that, I get an advance. When that advance is earned out, as it is called, from sales, I start to get royalties. Is it different in music to that?

Tom Gray: Yes, what I think you are describing is what we would call a profit share deal in the record industry, whereby once the company has made back its outlay, it starts to pay a royalty, but that is not what is happening. There is a royalty assigned to the artist and the total debt is only paid back via the artist's royalty. The advance, the money it has used to buy out the copyright, the marketing money, the money to produce the record and record the record, all of that money is paid back from the artist's percentage. It does not take total receipts and then start paying out a royalty, no.

Q4 **Chair:** That is clear. Thank you for that explanation. Mr Young, good morning. When we talk about the industry share, presumably that means artists and record labels. Are the distribution revenues fair between those two pillars? What is your view on that?

Colin Young: It is a commercial deal that has been negotiated. It is historic in so far as a conventional record deal is very much based on what would happen in the physical world and it has not necessarily improved in the streaming world. Tom was explaining, for example, the recoupment. An artist provides his exclusive services to the record label. The record label will then have a series of options. There is an initial period and usually three options. Each option is for a commitment of, suppose, one album. It is at the record company's exclusive discretion whether it exercises the option or not. Each album option is going to take, from start to finish, probably two years.

Tom was explaining that under a conventional record deal an artist would receive a royalty of 20%. It might be as high as 24%. From that 24% the producer will have to be paid, so the artist is likely to receive a royalty of 20%. The record label then maintains a ledger. It is an internal arrangement. The ledger is maintained by the record company and every six months it sends a royalty statement to the artist.

On that ledger will be included the personal advance that was paid to the artist, which makes sense. It will include all of the origination costs for the recording. It will include the studio costs, the travel to get to the studio, the flights. It will include the producer, the accommodation, all of the origination costs to record it. It will also include 100% of tour support. When the band goes and tours the UK, then it stretches further and tries to break Europe and then stretches further still and tries to break America, those costs to pay for the band will be added to the ledger. It will also include 50% of video costs. It is quite a big mountain and it is going to attribute 100% of each of those costs. In return, it receives a royalty and that royalty is 20%, as I said. So 20% of the income and 100% of the costs.

The challenge is to recoup that within the cycle, because you have a two-year period, in essence, you have to recoup it by, before the next advance is given and the next recording costs. The costs are immediate on to the ledger; the income is delayed. The domestic income will appear there in the period January to June, July to December, but the overseas will be delayed by six months. That is the challenge: 20% of the income, 100% of the costs and you only have a limited window to recoup it in. That is difficult.

Q5 **Chair:** Thank you, that is really, really clear. Mr Frederikse, could you explain to the Committee how recorded music is licensed to streaming platforms? How is it different from physical sales or radio? How have recoupment deals affected how revenues from music is distributed to all the parties?

Tom Frederikse: The streaming services pay the same suppliers that used to exist in the physical world, insofar as there are record labels for the sound recording and publishers for the composition. That has not changed from the days of CDs. The change is that in the old physical world there were so many more costs involved in terms of physical product, transport, breakage and so forth, whereas today many of those costs have disappeared or those costs have been transferred to the distributor, being Spotify or Apple Music, whatever it is.

I do think that each of these questions you have been asking need to be looked at in two levels. At the top level there is the division of costs and profit and so forth at the top between the service, the record label and the publisher. Below that, at the second level, is the division between the publisher, the label and their creators. Those two working together create probably the reason for this inquiry, insofar as artists feel that some levelling up is needed to change the imbalance that has increased and happened since the beginning of streaming, mainly because the huge risks and physical costs to the labels that were the story of the physical world for 50 years are largely gone. That accounts for the huge increase in the operating margins and profits and so forth, and artists feel that they should be able to share in that.

Q6 **Chair:** It is cheaper to distribute the music, therefore. However, the economics are still the same as they were in the past. Is that a fair summation?

Tom Frederikse: That is right. I will give you a specific answer to your question. The most common interpretation of the split would be that 30% is retained by the server, 70% goes to the suppliers, and that split is roughly 55% to the sound recording and 15% to the publisher.

Q7 **Chair:** What recourse do artists have if they feel as if they are being ripped off—that they are not making the money that their work deserves?

Tom Frederikse: It is that 55% that is the point of contention. Obviously, by far the largest piece is going to the record labels and the record labels are dealing with that 55% largely in the way that Tom Gray described. Much of the division of that 55% between the label and the artist is a holdover from the physical world of the last century. That is at the heart of the artists' complaints. They are seeking a levelling up and a rebalancing of the risk-reward trade-off.

Chair: But what can they do?

Tom Frederikse: These are private contracts and it is very difficult to interfere with them. That is why I am sure you will have seen, in many of the written submissions, that the suggestion is that the Committee should recommend to Government that the most likely route to success with this inquiry, if the aim is to rebalance that risk-reward trade-off, would be to expand the role of PPL in streaming. This is also known as equitable remuneration. It is a mechanism by which the label side of the streaming money is collected by PPL and distributed between the rights holders and the creators in a predetermined way.

Q8 **Kevin Brennan:** Tom, obviously this inquiry has come about at a time when musicians are down on their knees as a result of the loss of live music and it has, therefore, shone a light on the recorded music sector. Can you tell me about the #BrokenRecord campaign that you founded and what your main concerns are with record streaming?

Tom Gray: I started #BrokenRecord because this is a problem we have been hearing about forever. This is not new. There has always been a problem with inequity and unfairness in the music industry. This is not the first time any of you will have heard about this. But streaming has come along, this wonderful technology that puts music in all of our back pockets, all music that has ever been made. Unfortunately, it has made the problem worse and more profound because it is so much harder to understand.

If there is one thing that this country is amazing at, truly great at, it is music. We are genuinely world-beating at it. It is an incredible driver of GVA growth and exports and brings us soft power in the world. This is something we need to nurture and protect and give consideration to, to my mind. There are over 50,000 professional musicians, entrepreneurial, self-employed musicians, in this country, many tens of thousands of songwriters and performing artists, and they live in every constituency in this country. But we know from survey data that over half of them earn under £20,000 a year. Another survey puts the median at around £16,000 or £17,000 a year. A big survey across Europe of all performer artists put the amount that is made per annum from streaming at around £900.

Q9 **Kevin Brennan:** Tom, that is sometimes called the long tail, isn't it, that there is in the music industry? When people look at these problems sometimes they see very successful artists and think, "Why should we be bothered about whether they have a good record deal or not?" But what you are describing affects people on very modest incomes who are not getting any share out of streaming. Is that a fair point?

Tom Gray: That is absolutely right. I am not here to argue for Paul McCartney to get more money—far from it. This is happening while a few multinational corporations, foreign-based corporations, are making the most money, the best growth, the best profit margins they have ever made in their history. This is the point. If we rebalance this, money goes into the UK economy. It goes into UK plc, it goes into every single one of your constituencies. It seems like a bit of a no-brainer, as far as I am concerned. We need to protect our talent pipeline. We need to protect these people on quite modest incomes.

You are right that we should not change this because of Covid—far from it. But Covid has provided an opportunity for us to really see what we are making from recorded music. It is pretty horrific.

Q10 **Kevin Brennan:** Tom, I want to draw you out on what you have put forward in your written evidence as a potential solution to this. Clearly, for any layperson, the intricacies of record deals and the way that all these things work is best mainly hidden from the public, but it seems that it is also hidden from musicians, because a lot of musicians that I speak to do not understand the nature of these kinds of deals. What is "equitable remuneration"? It is another jargon phrase. Can you explain for a layperson what it is and why it potentially would be something that this Committee could recommend from this inquiry and could easily be achieved, and what benefits it would bring?

Tom Gray: I would like to deal with the body of your question there a little bit first. Thank you so much also to the Committee for hearing from me. It is a real privilege to be here today. You are going to hear an awful lot of quite complex issues over the course of this inquiry. You are going to hear about Google and their ruinous effect on music pricing. You are going to hear about market domination—a thing that probably the Competition and Markets Authority should be looking at. You are going to be hearing about transparency and data issues and auditing rights and global data standardisation problems. You are going to hear about the terrible undervaluation of the song. These are all serious issues, they are all things that you need to be thinking about, but what I do not want you to do is to go, "Oh my, this is too complicated. We should abandon this and leave the status quo."

Kevin Brennan: Tell us why it could be quite simple, then.

Tom Gray: Okay, I will get to it. Equitable remuneration does what it says on the tin. Can we say ER from now on, because "equitable remuneration" is such a mouthful? It does what it says on the tin. It is equal pay for equal work. It is an existing right in broadcast, in the communication to the public, as it is set out in the Copyright, Designs and Patents Act 1988.

Basically, when it gets paid to PPL, Phonographic Performance Limited, it is split 50:50 between the artists and the labels. A small portion of the artists' side goes to the non-featured artists, who are the backing performers, the backing artists. It is the only income that comes to that kind of musician—your violin player, your brass section. This is income that goes to them and provides a reliable income for our music community outside of our artists.

If you just apply equitable remuneration to some extent to on-demand, suddenly, for the first time in history, money goes directly into the pockets on the first stream, irrespective of what awful contract terms an artist has, irrespective of all this historic stuff that is out there, which we can leave in place. All of that can stay. This produces an income from stream one for artists and an income for our entire music community. It is a very, very simple solution.

Q11 **Kevin Brennan:** Tom, would it be fair to say that what happens currently is that musicians receive that money, so-called ER, if something is played on the radio, but with streaming what is complicated about it is that rather than you buying a record or downloading a track, as you used to do with your iPod, what you are doing when you stream is that sometimes you choose a track and sometimes—in fact quite a lot of the time—you are presented with a piece of music to listen to through the algorithm and so on? It is a hybrid of you downloading a track and you listening to the radio. Therefore, some money should be going to musicians in the same way as if that track was being played on the radio, and there is an existing legal right that we could latch on to if necessary and make some of that money get through to musicians. Is that the essence of your argument?

Tom Gray: Absolutely. Let's be clear, though. This is not anything new. There are existing one-to-one, non-linear broadcasting radio services in the world. I am sure you will have all heard of Pandora in the United States. This is a one-to-one algorithmic radio service. It takes your preferences and plays music just for you, one to one. That service produces equitable remuneration. There is Last.fm in this country, algorithmic radio. One-to-one streaming radio produces equitable remuneration.

The algorithmic playlisting within Spotify is called radio by Spotify. We will all have seen it. If any of you use Spotify, it says "radio" on those playlists. Yet for some reason this activity, which is algorithmic playlists, algorithmic radio, is different to the other forms of algorithmic radio that are in the world.

The problem we have is we are left to a negotiation at the moment within the industry to decide what is what. Of course, the big, powerful major labels, these huge behemoth corporations, will not let equitable remuneration into streaming because it will eat into their margins. These are not bad people but they will not do anything to affect their share value, so we need intervention.

Q12 **Kevin Brennan:** You have made the point very clearly. My final question in this section, Tom, is what is your response to the objections that the record industry has put in to this proposal, first—I think you have probably already answered this—that streaming is not broadcasting; secondly, that it might in some way go against our treaty obligations as the United Kingdom; and thirdly, that it might stifle industry growth and investment? Perhaps just the second two—we have talked about the first one. I can see the other Tom has his hand up as well on that. I will go to Tom Gray first. As briefly as possible, Tom, can you address that?

Tom Gray: Yes. They have some valid points but I am saying we should apply an existing right to on-demand, not to broadcast. I am not saying that streaming is broadcasting. That is the first thing. I agree streaming is not broadcasting. It is one-to-one algorithmic playlisting. Equitable remuneration can be applied to it and you have the power legally to do it. This stuff about international treaties, let's be clear, that sounds like scaremongering to me, if it does not sound like scaremongering to you. "Let's invoke international treaties in the hope that you can't do a little something to rebalance things for British musicians."

Kevin Brennan: They will be in front of us in due course to explain that. Tom Frederikse, you briefly put your hand up there to add something.

Tom Frederikse: Regarding the application of equitable remuneration in streaming, clearly the on-demand nature of streaming is fundamentally different to that of broadcasting, but the music industry has a long tradition of crossbred music business models. Take, for example, mechanical rights, which was first invented in 1890 as a licensing model for self-playing pianos but still plays a big role in streaming. It has morphed through the ages. Or, for instance, the old model of vinyl and CD royalties, which is now very crudely bolted on to digital streams. There is certainly a lot of precedent for pulling models and principles from one type to another.

On the point that you mentioned about the labels having their rights and their treaties, it is true that labels and publishers are afforded exclusive rights allowing them to negotiate value for themselves in a free market, no doubt, but this does not stop Governments from creating new restrictions on the copyright monopoly. A good example is the US, which on 1 January, in a month's time, will see the launch of a brand-new national collective—the body is actually called a collective—for the licensing of streaming rights. It is very analogous to the ER that we are now discussing. Let's remember that in the US this launch of a new collective licensing scheme as a national monopoly will sit alongside the Government-regulated licensing schemes that have always set prices for all forms of streaming, including broadcasting, webcasting and on-demand services.

I think the easy answer to "What is ER?" is that it is collective licensing. It does create a restriction on the exclusive rights of the rights holder to negotiate for themselves. But as you have heard many times this morning, the artist-label negotiation rarely takes place on a level playing field, so this goes some way towards helping that problem. Also, as we can see in the US and elsewhere, collective licensing for all forms of streaming and broadcasts is certainly possible.

Colin Young: I wanted to clarify something regarding streaming. Historically, we had two distinctive paths when we exploit recording the songs. One is mechanical or a reproduction, so we look at a producer CD, mechanical, we press it up, 1,000 are pressed and 1,000 royalties are paid. Then there is public performance, which is radio play. That is where the listener, the user, is passive. The DJ simply chooses and it plays. Those are the two distinctive ways that the royalties are going to be administered. One is that of a physical record, a CD. You go into HMV and you buy it. You make that physical selection yourself. The second is passive; you listen to it on the radio.

Earlier Tom explained the division of the revenues, 55% to records, 15% to publishing, 30% to Spotify. The publishing industry, which is exploiting the songs, makes the distinction. It looks at a stream and it says part of the stream is a physical record and part of the stream is radio play. It makes that distinction. A new administrative body was not invented when streaming arose. We use the existing arrangements, so for publishing we use the Mechanical-Copyright Protection Society for physical, and on radio play we use the Performing Right Society for public performance. You can see the split.

When we look at the record side, which is where the fat is, where 55% goes, the whole amount is elected to be a physical record sale. It is a reproduction model. You have to wonder, "Why is it?" because a physical record sale is HMV sells it to the public, the record company sells it to HMV, and the record company then pays artists. Under a streaming model it is a subscription base. Spotify pays record labels based on subscriptions. I pay £9.99 every month, regardless of how many streams. It is not the same. Streaming is fundamentally different from a physical model. I pay £9.99 if I stream 1,000 or if I stream 100; that is the distinction. What is being suggested on the record is that that distinction be made. Should part be physical and should part be public performance? That is where equitable remuneration would kick in if you make the same distinction as we do on publishing.

Chair: Thank you for that explanation.

Q13 **Steve Brine:** Thank you very much, gentlemen, for being with us this morning. It is really interesting. I am trying to understand it and follow along. It is complex. Tom Gray, thanks for your exchanges with Kevin. I was reminding myself of your work, seeing that you were coming on today. Thank you for making us all feel very old, in that I saw that Liquid Skin was 21 years old this year. That is just marvellous.

Can I ask you about the big three record companies—the difference between the big three record companies and how they have adapted to streaming, and the independent record labels, which we used to hear a lot about, maybe not so much these days? I would be interested to get your views on them.

Tom Gray: There are still great indies out there. One of the biggest indies in the world, the Beggars Group, is based in the UK. Broadly speaking, the indies are doing what I would describe as more ethical deals than the major labels.

Q14 **Steve Brine:** What are they doing differently?

Tom Gray: Some of the indies are not doing things like life of copyright, which means that for the length of time—basically when you sign a contract they keep the copyright for the whole term that it could possibly be monetised, whereas sometimes you get rights reversions so you might get the rights back after 20 or 25 years or something like that. The better labels do that.

Some labels do 50:50 deals already with their artists. That would be the same as equitable remuneration. But the major labels have kept in place almost all of their historic deals. A lot of the deals for 9% that they did for the artist in 1988 are still around. In fact, those major label deals still have clauses in them for physical breakages. They used to assume that when you transported the records 10% would get broken on the road, so they would keep 10% of the price for themselves and then work out your royalty for 90%. They are still doing that on streams.

Let's be clear, these are not organisations who have chosen to go back to all their contracts and go, "These are ludicrous and out of date." They have not done that. They say, "It's an open door policy if you want to bring a lawyer in here and renegotiate." But you are always in the same position. You are one artist up against a global multinational. There has never been a symmetrical negotiation. Do you think some kid in south London making grime records now has a chance when they are negotiating a deal with Warner or Sony or Universal? They are not going to get the best terms in the world.

But the major labels are very good at what they do. They have completely captured streaming. One week in June we looked at the global top 50, and 88% of the global top 50 were major label releases. That is how sewn up they have it. We just have to reassess this. Universal made $1.14 billion in the last quarter. They are making extraordinary, supernormal profits. They are laughing all the way to the bank.

Q15 **Steve Brine:** How do those discussions go between the grime artist in east London or Gomez 25 years ago, between record labels and artists and streaming platforms? If you asked the man or woman in the street, the wisdom would be that the old days were that the big record companies held you by the you-know-what—sorry, we are on Select Committee—but that these days you have social media and everybody is very click-savvy and you do not need a record company these days because you can produce your music, you can upload it, you can be damn good on social media and get it out there to an audience. That is what a lot of people on the street would think is what has happened as a result of the digital revolution, but what you are saying to me is that that is a myth.

Tom Gray: It is not entirely a myth. It would be disingenuous of me to pretend there are not some artists who are doing well in streaming. The problem is that they conform to one type of artist, broadly speaking. They tend to be a solo artist, they tend to be fully independent. Obviously, you are right, they tend to be well motivated in social media and to be good at that whole skillset and they tend to be working in a genre that is highly playlisted.

That subsector of artists, some of them—and it is a bit of a lottery win—are doing well in streaming. That is brilliant and I commend them. But, yes, broadly speaking, if you are in a band—let's take a figure. Spotify itself produced this figure, which was that 43,000 artists in the world get paid 90% of the total income from streams. That works out at about £70,000 average per each of those 43,000 artists. But what it is saying is that their work produces £70,000. It is not saying the artist gets £70,000. Say 70% or 80% of them are on major labels or big indies, then 80% of that money is going to the label straightaway; 20% might be going to the artist if they are not indebted. Let's take that 20% of £70,000—£14,000. If you are in a band and there are four of you and you have a manager and you are paying tax, imagine how far £14,000 goes.

Q16 **Steve Brine:** Yes, not very far at all. The artist's representation in the discussion between record companies and streaming platforms is—what, "You wait outside and we will let you know what we decide"?

Tom Gray: Maybe I should leave this to Tom.

Q17 **Steve Brine:** Just before you do, if I stream the 21-year-old album that I referenced, if I stream that today, how does that work for you?

Tom Gray: I get paid nothing.

Tom Frederikse: I would just mention that many of these contracts between artists and labels are done on standard terms that have been refined largely by the bigger player in that relationship for decades, and I do not think anybody is now suggesting that the Government should step in and change those contracts. That is not the suggestion here.

The suggestion is that artists can somehow have some counter to that recoupment problem and that trickle-down problem through collective licensing of some elements, not the whole thing. Artists are suggesting that publishing gives us an example where we all know the PRS is very good at paying cheques directly to creators' doors. Those cheques come right through their letterbox and there is no intermediary involved there. I suspect that pretty much everybody on this panel will know somebody who has received a PRS cheque at some point because we all seem to be connected to the music industry in some way, and that is vital income even if it is tiny.

The suggestion is that equitable remuneration allows these creators to see something as opposed to nothing. It is true that they have negotiated deals themselves and one might say the free market says they have had their advance and they do not get any more, but some of these artists are going 20 and 30 years without seeing anything more from a very old deal. Equitable remuneration is designed to get some piece of that.

Q18 **Steve Brine:** This is probably a question for the other Tom. From the consumer's point of view, we all remember Napster. Remember how clunky that was compared to how easy it is now. The streaming platforms offer premium services, there are concessions for students and all sorts of packages. Do they offer good value for money for the consumer and is the streaming market, therefore, very competitive because of that?

Tom Gray: You are right to say that streaming is great for consumers. It is incredible, and they have not raised the price of it in over a decade, so just in real terms music has devalued 26% in the streaming system and that is before we get on to average rate per user, things going down and all these other problems that we have within the system.

I did some polling with YouGov a few weeks ago and spoke to a weighted sample of British consumers. Uniformly, consumers are upset about where their money is going. When they learn that this money is not going to the artists and the songwriters that they listen to, they are not happy about it. It is as simple as that. They do not expect all of the money to be going in one direction. They think that labels are being overpaid, they think streaming services are being overpaid—

Q19 **Steve Brine:** It is not that the consumer would be happy to pay more; you are saying that the consumer would want to see a fairer distribution of what they are paying?

Tom Gray: Yes, but it is not just that, Steve. When asked, if there was a fairer distribution would they be happier to pay a smaller amount, then you see a small majority of people would be happy to pay more if they knew the money was going to the right place.

Q20 **Steve Brine:** The thing about streaming services is—I do not know if your research found this out—when you go to the streaming service and pull up a song and it arrives, you almost have this feeling that you are doing something quite naughty and you think, "This is almost too good to be true that I am getting this so easily and so cheaply." I was always taught that if something seems too good to be true, it usually is. Somebody is paying somewhere. Does the research bear that out? Is there a level of guilt from the consumer on this?

Tom Gray: Some people do feel that, some people do not. It is mixed, but, as I say, what is very clear is that over 70% of consumers think artists are underpaid. As soon as anyone sees this data, as soon as anyone learns the terms of the recoupment deal, everyone comes to the same conclusion: it is not right.

Q21 **Steve Brine:** The trouble is, and we find this with work we do with football clubs, it is very hard to make the case that football clubs are poor because what the public see in football clubs, because they dominate the narrative and dominate the media, is the big clubs who can afford to pay somebody £500,000 a week. Whether you like it or not, the big wealthy artists who lead the jetset lifestyle dominate the media narrative and that is what people see of artists. The PR challenge is to make them realise that the vast majority are like golfers; they are not all Tiger Woods.

Tom Gray: Yes, absolutely. I am here not to talk for me. I had a wonderful career in music, and I am sure that Guy and Ed and Nadine will be saying more or less the same thing. I am here to represent the people who are coming after me, who have not had the opportunities that I had. A lot of young musicians I have spoken to would love to be telling you the things that I am telling you, but they are afraid. They think that if they are slightly critical of any of this system they will not get playlisted and will lose what little income they do get.

Steve Brine: I hope we can pull back the covers. That is one of our motivations. Thank you.

Q22 **Damian Hinds:** Good morning, everyone. Can I come to Tom Frederikse? Tom, you spoke earlier about the massive changes that have happened in distribution in the business and obviously a lot of costs have been taken out on production and distribution. The other Tom was talking about breakage earlier. Do you have in mind a figure for the changes per £1 spent by the punter in physical costs, cost of sale?

Tom Frederikse: I do not have a figure for you on that, but it is public knowledge that the operating profit and the revenues of the labels have gone way up. That must bear some proportional resemblance to the reduction in supply costs. There is the obvious that you have already heard so far that there was a transportation cost and a breakage cost that must have been in the region of 10%, 20%, 25%, in some cases much more, because the old world did have last-mile problems of getting CDs to shops that were very far from London and so forth. That does not happen anymore.

Q23 **Damian Hinds:** Do we think no one has done this analysis or it is just not readily available to us this morning?

Tom Frederikse: It is just not readily available now. I am sure there are studies about supply costs that no longer exist.

Q24 **Damian Hinds:** On the other hand, of course, because of the lower fixed costs, the cost of entry, presumably streaming has also been fundamental to the growth in world consumption of music because it is that much easier to break new markets. Is that fair?

Tom Frederikse: Absolutely. The international picture is certainly a different beast than it was before.

Q25 **Damian Hinds:** At a very basic level, is it fundamentally right, from a business perspective or a moral perspective, whichever, to have a model where you take the total amount of the revenue of the streaming platforms and you divvy it up and the artist and the record label and everybody gets a certain share? Is it better to do it that way or better to say there is an amount that is due—and again it could be divvied up between the artist and the label in different ways—per song played?

Tom Frederikse: The per song played, as we have seen in the press in recent weeks about setting a purse-string fee, I think is an unworkable model. The differences in consumption from various consumers is vast. There are some people who turn on their Apple Music first thing when they wake up and turn it off at night, and there are others who perhaps only stream one song a day. That huge difference in consumption does make—

Q26 **Damian Hinds:** Sorry to cut across but there is a question that comes out of that. Is it right that those two people are paying the same subscription?

Tom Frederikse: Some would say that you are paying for the service, the ability to have all of that on tap. If I want to stay for the entirety of the concert, that is my prerogative, if I want to leave after the first song, that is my prerogative, but I still pay the same ticket price.

Q27 **Damian Hinds:** Although most people do not leave after the first song, it is more a question of how many concerts you go to. It comes back to what Colin was saying about the difference between radio and record sales. Tom Gray, you were going to come in.

Tom Gray: There are companies who are trying a micropayment system rather than a subscription. There is a company in Stoke called Sonstream, which is a start-up. Instead of a subscription you just pay a micropayment every time you listen to a song. You could end up paying a lot more than £10 a month or you could pay £1.50 a month, depending on what you actually listen to. What I am saying is there are people who have models that would allow for what you are suggesting. I think it is impossible within a closed subscription because how do you do that? It would be impossible to realise.

Q28 **Damian Hinds:** Coming back to either Tom, with the freemium model that you get with Spotify, for example, obviously some consumers are not paying a subscription but they still add revenue. What is the difference in what is received by the label or the artist for those plays compared to paid-for plays?

Tom Frederikse: Ad revenue is considerably smaller than subscription revenue. It is hard to sell ads, particularly this year. I know we are not talking about Covid much today, but it is true that ad revenues online are under pressure. They go up and down, they are generally not particularly great and they do not compare to subscription revenues, it is far smaller. That is why the freemium model is not just about ads. The concept of freemium, which is unique to only Spotify and Deezer, is used in what they call the funnel concept, where the point is to show off the service and convince the user that they should subscribe, as opposed to YouTube where that is not the primary driver. Mainly advertising is there as the biggest model and very few subscribe as a result.

Damian Hinds: Did you say it was unique to those two platforms?

Tom Frederikse: The freemium model for music streaming. There may be a couple of others.

Q29 **Damian Hinds:** Pure freemium, maybe, but there are still different tiers and levels in other platforms as well. Presumably, that does affect how much money then comes into the music industry, the artist or the label?

Tom Frederikse: It certainly does, but I think you are referring to the various different subscription tiers, which are all based on cash, not on advertising.

Q30 **Damian Hinds:** Understood. The other Tom mentioned earlier about prices having not gone up on streaming services. Does it end up basically being the case that the music industry, both the artist and the record labels, are effectively funding the marketing expansion of streaming services?

Tom Gray: I do not believe so.

Q31 **Damian Hinds:** If they were to give away the product for free or for a discounted price, the music industry is taking the entire risk on that.

Tom Gray: To some extent, but there are competing services and they have all maintained the same price. Where that market alignment is arising, I do not know, I am not entirely sure. It seems to me that in Spotify you have a venture capital company that is driven by user and market share rather than by profit, and therefore its pricing is just about market growth. That is the way that it looks at it. It is not going to change its psychology unless its shareholders suddenly demand a profit.

Q32 **Damian Hinds:** Because the short-term land grab is all about long-term profit.

Tom Frederikse: There is some truth to this concept that the supermarkets do well off the back of farmers, but I have never heard of a supermarket—none of the majors have any ownership stake that the farmers hold, as opposed to Spotify, which famously had ownership stakes for the three major corporations that I think we all know took a large amount that was a result of that growth.

Q33 **Damian Hinds:** Does anybody in the music industry muse ever on the prospect of streaming platforms eventually taking over from music labels, disintermediation?

Tom Gray: Spotify a couple of years ago tried to disintermediate and it was stopped. If you want to run any business in streaming at the moment, you need to work with the companies that own most of the valuable copyrights. The companies that own most of the valuable copyrights are Universal, Sony and Warner. If you want to do something that upends them, you are going to have a hard time. We are back to the market domination problem.

Q34 **Damian Hinds:** Thank you. Can I ask a couple of questions as well about algorithms? Colin earlier was talking about the distinction between radio play and record sales and how that translates into this streaming world. Do we know what amount of music that is being listened to on the platforms is actively chosen by subscribers versus what is on curated playlists or is automatically chosen by algorithm?

Colin Young: I do not have analytical data from the record labels. It is not something that they would share with me because I act for the artists and I am the auditor. When I gave my lecture in Valencia I asked the students there how they consumed music. I said, "If there were 10 Spotify streams, how many of those would you choose? When would you become distracted, when it would revert to an algorithm, which I would call passive, and then when would you re-choose it?" From that room of 220 or 230 students, four of them chose actively and the other six were passive. They were of the view that that was the direction that they were going in. They were more likely to be passive, reverting to the algorithms, the playlists, than they were to sit there and actively choose or speak to Alexa, play me. That was their understanding of it.

About the money, I did an audit recently on a record label. In this instance I was acting for an independent record label. For ad-supported, the money that was received by the record label was £884 per million streams. For a premium subscription it was £4,191, a multiple of five. With Spotify when I was doing that audit, for this particular record label there were 31 different subscription rates that I was looking at. So there are lots of permutations and combinations.

Damian Hinds: Thank you, Colin, for that extra information. Tom, you wanted to come in again.

Tom Gray: I wanted to point something out, which is that we receive PPL from radio at the moment, but 18 to 35 year-olds are not using linear broadcasting anymore, so our PPL has been going down steadily. Equitable remuneration, the existing right that you have already chosen to give us, is going down by about 5% every single year. I want you to be clear that there is another reason for introducing this right into streaming, which is that younger people are going to be using this service as their broadcast. That is just the way that it is. It is replacing it. It is substitutional for broadcast, even if it is not broadcast.

Q35 **Damian Hinds:** Thank you, Tom. I want to stay on this question about algorithms and curation. Do we have any insight or do we know who would have insight? Colin gave us some insight but not mass quantified data.

Tom Gray: I have heard regularly people say that around 30% of all listens on Spotify are pure algorithmic, but there may be more. There are going to be some grey areas because you have playlists. Is a playlist like a compilation album as opposed to an algorithmic radio?

Q36 **Damian Hinds:** Do we think that both playlists and algorithms have changed people's habits and ultimately changed their tastes? Tom Gray, you were speaking earlier about genres that are highly playlisted versus those that are not. Who ultimately gets disadvantaged by this system?

Tom Gray: That is a very good question. There is a lot of music that is sort of background music that does very well.

Damian Hinds: I will not ask you to point the finger.

Tom Gray: No, I do not want to be too judgmental, but a lot of the stuff that we would call muzak does really well in Spotify. I am not sure how great that is for culture, generally speaking. I have friends who do well in Spotify because they do like beautiful, relaxing folk music that can be listened to on a Sunday morning and sits on Sunday morning playlist and afternoon chill-out and all of these things. That is great that their music can do that.

Certainly, we know that niche music is doing very badly in streaming. We know jazz is doing badly in streaming, we know classical is doing badly in streaming. There are other problems, like you get paid for 30 seconds. After 30 seconds everyone gets paid the same. A classical piece that is seven minutes long gets paid the same as a 31-second rap track, so there are the curious funding problems.

Q37 **Damian Hinds:** A last question from me. Does it favour being an artist in a big country? If you are American and you start off with a large fan base, are you more likely to get preferred?

Tom Gray: There was recently some data from a Hungarian economist called Daniel Antal, who I think used to be a Minister in the last Hungarian Government. He has been scraping data from Spotify for about seven years. He did some research into the algorithm, and what is very clear is the more popular you are, the algorithm takes you back to the most popular, so it is constantly bringing you into this echo chamber of the same music that is being played again and again and again. It is focusing the music that can be successful. The internet was supposed to free us up and provide us with this beautiful long tail that was going to give us funding for niche music and for all of these interesting tastes we have. In fact, what streaming is doing is it is concentrating all of the listens on a few artists.

Q38 **Damian Green:** Good morning, everybody. We have talked a lot about the big labels and how they are dominant and so on. To some extent this feels like a discussion that we could have had literally at any time in the 65-year history of rock and roll. It is the Buddy Holly and Norman Petty argument over who wrote the songs and that kind of thing.

If we concentrate just on the streaming services, is there any effective differentiation between them? Streaming services such as Tidal present themselves as a bit hipper and a bit more artist friendly. Is there any difference between any of them, either Tidal or Deezer or these ones that try to be hipper?

Tom Frederikse: I think we could say that the division is between Tidal, Deezer, Apple Music, Spotify and a few others that are primarily subscription services primarily delivering audio music. Then there is another tier of services like YouTube that have a huge amount of user-generated content, have video and other elements that are not present in the straightforward music services.

Damian Green: Other Tom, from an artist's point of view, is there any difference between them?

Tom Gray: Not particularly, I am sad to say. They pay out at different rates. Curiously, sometimes you are getting paid at a higher rate by a different service for reasons that are sort of inexplicable, often to do with the age of the listeners on a particular service. On Amazon the listeners tend to be a little older so they tend to listen a little less so the pay-outs tend to be a little higher, curiously. There are all these strange economic effects that happen because of the levels of listening and the fact that the total amount of revenue is always divided up by the total number of streams.

Colin Young: I would mention that if you look across Europe, in northern Europe it is predominantly premium, whereas as you go south it then becomes advertised. I spoke about the distinction in the rates, five to one. There are socioeconomic factors of the listener and also just the way they like to enjoy their music. That is a big difference. We see, for example, that Apple pays per stream on average a lot more than Spotify.

The dominant player is Spotify. I would say those platforms have transformed the music industry. I recognise that, yes, Spotify's objective is not to make a profit, it is to have market share but, my goodness, has it transformed the industry. When we went from physical CDs to downloads the record industry went off a cliff; 40% of turnover just disappeared overnight and within five years it was on its knees. Spotify, Apple and Deezer have transformed the recorded music industry. They have brought it back.

Why are the three majors so dominant? It is a combination of resources but they are good at what they do. You have to recognise that they are good at marketing and promotion. They have good A&R skills. They understand the market and then they are good at entering artists into the market.

They do sustain it. It is not as though we can live without the major record labels. No, we can't. They are important to it but, acting primarily from the artists' point of view, my concern is: is it the split between the recording artist and the record label equitable?

I was looking at Warner's financial results because they are on the US stock exchange, so they are on the public record. I looked at the A&R costs as a percentage of turnover, to see how much they were investing into the creative element—the very juice that is going to feed the whole industry. I looked at 2017 and that was 31.92. In 2018 it is 31.37. In 2019 it is 30.68 and in the last six months it has gone down to 28.03. There is a decline in the amount, as a proportion of turnover, that Warner is investing in its creation of new material.

Tom Frederikse: A very quick comment on your first point about 65 years of labels. You are right: things have not changed in that respect. The relationship with labels and artists has been largely the same. If anything, it has improved in the artists' favour over that huge amount of time. No one is suggesting that there should be a wholesale change to the infrastructure here. Labels are needed. They are very good at what they do and many artists are thankful that they have the backing of that major corporation.

What we are talking about is that over the last 20 years, and particularly the last five years, since there has been a recovery in the music industry down to streaming, because of the issues that we discussed earlier this morning regarding supply costs and so forth there does seem to have been a shift in the resulting profits. There are a number of ways that the Government could address this, one of which, as we said, is equitable remuneration. It is difficult not to recognise that expanding the mandate of the PPL in the UK—that is what ER is—would go some way towards levelling up and creating wider opportunity within the UK music industry.

Q39 **Damian Green:** One of you made the good point of either curated radio or playlists, which is a halfway point, and I am conscious as a Spotify subscriber that I spend a lot of my time listening to playlists because it is the lazy way to do it. Is there a way an artist can get on to playlists? Again, thinking back to the old days of payola and radio and things like that, are there nefarious practices that people will employ to make sure they get on to those Sunday afternoon relaxing playlists and so on?

Tom Gray: Yes. For years there have been people running playlists that are successful, who essentially you have to be friends with in some way in order to get on to their playlist. That has been going on. Of course, Spotify would frown upon that and would say it is not what is happening but, clearly, there is nepotism and payment does change hands; I know it does.

There is also going to be a question going forward because Spotify has just said it is going to have this reduced rate for marketing, where it will pay us an even lower rate if it advertises our music internally. If you think about what is happening there, that is Spotify saying, "We will push your music to the front and pay you less." That is an exchange of value for putting your music at the front, so is that not a little bit analogous with payola as well? We are in choppy waters with a lot of the practices that are happening in terms of how music gets put to the best shelf in a shop.

Q40 **Damian Green:** The solution for that, as ever, is data. What data would be important for either the labels or, indeed, the artists when it comes to streaming? What can't you get hold of that you want to get hold of?

Tom Gray: It is very untransparent. It is almost impossible to find out anything. All the deals between the DSPs and the labels are shrouded in NDAs. Most artists have auditing rights in their contracts. Colin will tell you how easy it is to act upon our auditing rights.

Colin Young: Obviously, we are talking billions of streams and I need the data and I need it in a standardised format. I need it to be consistent because, when I am trying to compare recording with publishing, I am comparing mechanical with public performance, I need it to be in a similar and standardised format. What I need is the date or the month of the play. But quite often, when they process this they may not have actually got round to entering the data, so when I am trying to compare one with t'other, it is not there.

Then, when I look at the platforms, I need to know the subscription rates. I need to know that exactly; and they are very reluctant to give me that granular data. What will happen is—in the case of Universal—it has a deal with Spotify but that will be in Holland, so the information in its granular format is there but when I conduct my audit, my audit is restricted to the books and records of London. It is what files Universal then choose to pass over. I don't get back to source; I am never entitled to get back to that source data.

What I am doing is I am looking at data that has been transferred from one file internally from Holland to London, and the data I get is then often in a format that is difficult for us to use. There is an entity, Digital Data Exchange—DDEX—and that is a body that defines what data should be presented in what format. That is what Spotify provides. As the auditor, that is what I like to get at. When I give formal audit notice I would then like to get those digital data files as delivered by Spotify to label, rather than a summary or interpretation of them. I need that granular data that was provided.

Q41 **Damian Green:** Do you get that now?

Colin Young: No. I am constantly met with much resistance and there are always reasons why it is not available, so I am always having to make compromises in the audit. I can never do what I would like to do. It comes with limitations. That is the problem. The audit is there to provide a remedy. It is to remedy mistakes, errors or misunderstandings and it is both ways; there could be a counterclaim, so I am not saying either side is perfect—absolutely not. What I am saying is I need the data to be standardised and consistent, and I need it granular and I need it at source. I need to be able to go back to Spotify and what they gave labels.

Q42 **Damian Green:** If a traditional auditor auditing some financial accounts had this lack of transparency, you would not declare that you had audited it.

Colin Young: I am a registered auditor, so I am very familiar with going back to source documents. That is my discipline. That is why I am frustrated. When I do royalty audits it is frustrating for me. Getting that level of detail and in a standardised format is difficult.

Q43 **Damian Green:** A final thought, and then I will hand back to the Chair. Tom Frederikse, you had your hand up.

Tom Frederikse: Lack of data and lack of transparency and NDAs certainly are a problem in this industry, as they are in many industries, but it is fiendishly difficult for Government to intervene to force data, for an industry to get its act together in creating good data. There is a need for this but I would urge the Committee to recognise that it is very, very difficult for the Government to intervene in this way, even if you did have an inclination to make that recommendation.

Please keep in mind that the US Congress has already beaten you to it. The US Government have actually created a law that requires the industry to create a massive database, which most in the industry welcome, but we all wonder if it is even possible. Over the next year or two we will see if this is possible or not and it might be better for the UK to give way, seeing as the US has already taken up this matter.

Damian Green: Thank you; fascinating.

Q44 **Mrs Wheeler:** Social media platforms like YouTube and TikTok operate very differently to music streaming platforms, in that the music streaming is a significant but otherwise incidental part of its service. Are there unique issues posed by YouTube and TikTok to the music industry that other streaming platforms don't have?

Tom Gray: I am not sure that they are incidental. Eight of the most streamed videos on YouTube ever are music videos. People go to YouTube to listen to music. Safe harbour provides a get-out-of-jail-free card for Google from copyright and competition law.

I have seen estimates that, as streaming services, they are streaming 51% of the world's music. If they were a music company they would be broken up as a monopoly. They are saying they do not have to properly license that music in the normal way because they did not put the music there—"Hey, we didn't put it there. We aren't responsible for that."

Of course, that is why the European Copyright Directive was brought in—that the last British Conservative Government supported us in bringing through Europe—to try to close that down. It is a curious problem when one of the world's biggest corporations is able to not pay the people who make the stuff that they platform.

My friends who are songwriters—the plight of songwriters is not great at the moment. In subscription models they make around £850 per million plays. A friend of mine just audited his catalogue and came up with £450 per million streams. That compares to his audit of YouTube, where he is making—this is a very successful Scottish songwriter—£70 per million streams on YouTube. The continuation of safe harbour—well, it is up to you, but it is an absurdity as far as I am concerned.

Q45 **Mrs Wheeler:** Bizarrely, that was going to be my third question, so I think you have done that one for me. My second and final question then: has YouTube's business model, which has allowed people to watch ad-supported music videos since before the emergence of Spotify, influenced the development of today's streamlining ecosystem?

Tom Gray: That is anybody's guess. I think obviously it has. It has changed the way that people listen to music and how they choose to listen to music. Of course, there is an important thing here because a lot of what is happening on YouTube is very algorithmic as well. YouTube is deciding for you what the next video that gets played is, a lot of the time. Is equitable remuneration occurring in YouTube? I think it is.

Q46 **Mrs Wheeler:** That is interesting. Just to finish, you did talk about safe harbour. BBI has written to us about that. Do you think it is possible to exempt creative industry products from safe harbours? Is that where the American issue is coming in or is that different?

Tom Gray: Do you know, Tom? Could you answer this one?

Tom Frederikse: It is incredibly difficult to find wording that will catch exactly what we are trying to catch and not have unintended consequences. Europe has had a bash on it. Witness how difficult all the implementation processes are in each of the countries. We have not actually seen that wording yet. We will see, and the world's eyes are on those implementations to see if wording can be somehow effective.

On Steve Brine's point about watching these music videos and feeling like a bit of a criminal while you watch them, I personally never felt that on Spotify or Apple or Tidal or Deezer because I parted with £10, but on YouTube maybe I do have some sympathy for that feeling.

Mrs Wheeler: That is really helpful. Thank you, gentlemen—much appreciated.

Q47 **Julie Elliott:** Thank you, everyone. This has been the most fascinating session so far and I think the one thing that is coming across to me is the opaqueness of what is actually going on. I am quite shocked at some of the things I have been listening to.

When negotiations or discussions are happening with streaming companies about royalties and moneys being divvied up, are artists or their representatives included in those discussions?

Tom Frederikse: It has not been said in this session yet, so I think I should say it out loud. You will have seen many submissions, but let's remember that neither Spotify, Apple, Tidal or Deezer pay artists, full stop. They pay only the intermediaries, being labels, publishers or what we call aggregators, never artists or songwriters directly.

Q48 **Julie Elliott:** That explains one thing, but do you think artists should be included in these discussions? Do you think there is any way we could get to a point where they were represented in these discussions?

Tom Frederikse: It is indirect. They are represented through their intermediaries with whom they have done contracts voluntarily. It would be too chaotic to have too many players at that table. In fact, for the purposes of radio the UK has, since the birth of radio, recognised, "We don't even want the publishers and the labels at that table. We only want the collective." Hence, the radio station only negotiates with PPL or PRS. To expand that to artists and songwriters in addition to labels and publishers and other intermediaries might be unworkable—would be unworkable.

Colin Young: In addition to that, do remember that Spotify pays record labels a licence. It is going to be the higher of three things. It is going to be the higher of the subscription rate, of the streaming rate, and of net receipts if there are any marketing moneys. That is receivable under a licence and Spotify pays down 55% to the record label. The record label receives that money plus some streaming data. The record label's interaction with the artist is, it is a reproduction. It is not admitted that it is a licence. They take the number of streams and then multiply that by, effectively, a dealer price, which then equates to a royalty. It could never participate because one is receiving revenue under a licence and paying it out under a reproduction model. How could the artist ever participate in the conversation? It is the method of payment and receipt.

Tom Gray: In addition to that, Julie, my original record contract that I signed in 1997 says that if my music is licensed, I get paid 50:50, but I am actually paid at my reproduction rate from streaming.

Julie Elliott: Goodness me.

Tom Gray: Why are they allowed to make that decision? Because they control the market.

Q49 **Julie Elliott:** This just sounds inherently unfair. That is clearly unfair to somebody like me just listening to this. I understand what you are saying about the licensing and the reproduction and all of that, but in most business arenas, when negotiations are going on that affect people—I accept every artist could not be involved in all of this but it would seem fair to me that a representative of artists perhaps was involved in this, who could speak up on a more global scale, a bit like a trade union official would be involved in a negotiation, not for the individual but for the overall.

Tom Gray: Julie, I am a director of PRS; I am a director of a collection organisation, and artists sit on the board of PPL. If you introduce extra remuneration, you give a right to the creators within streaming, artists will have a say in the licensing of that money for the first time. There are other benefits here. That is what collective licensing is. All the artists assign our rights via these collection organisations to collect for us and then we have a right of reply through them. That is how it works.

Q50 **Julie Elliott:** Do you think it would be beneficial then if artists had some representation in these discussions?

Tom Gray: Hugely, because by introducing this right you are not only putting money for the first time directly into the pockets of artists and performers, instead of into foreign-based corporations. But you are saying, "We are going to break up the power here as well," because rights are always associated with power. If you push us into that, it is going to change the balance of the entire market; there is no question about it.

Tom Frederikse: Having sat in on many of these negotiations between labels, publishers, creators and the services, it does not occur to me that there would be much benefit from the creators behind sitting in, because the intermediary and the creators have mostly converged interests. They want as much out of the streaming service as they can get. So at that level I am not certain there is a lot to be gained. There are some details, you are right, because the deals are sometimes manipulated in favour of the artist or against them but, largely, that negotiation is about the creative side getting as much as they can from the streaming service. However, once that money comes into the hands of the intermediary, whether it is a publisher or a label or another type of intermediary, that is when the artist has to have some kind of say in how that goes.

We have discussed today how most of those relationships are already dictated by contracts that may have been signed 10 years ago or 50 years ago, and that is why we are suggesting that the intervention of a radio-like remuneration would be a way for Government to intervene without undermining that.

Q51 **Julie Elliott:** Can I go back to the very beginning? When someone starts to record music and signs those original contracts, are they usually given legal advice on what they are signing—or rather, what they are signing away? What is the norm for this kind of situation?

Colin Young: For the recording agreement to be enforceable they will have to take independent legal advice so, yes, they do. But what I would suggest is if there was a bidding war and you were presented with three agreements and the fundamental terms, the term of he that finances it, she that finances it, he that organises it, she that organises it, owns the copyright, between each one of the offers that is going to be exactly the same. So you know that once you sign it, those rights will then be vested in the record company from release date for 70 years. Then it goes into the public domain, and there is going to be no instance where those rights will ever revert back to the recording artist. You can take all the legal advice you want and they will tell you that, but if you have three offers on the table and they all provide the same—

Q52 **Julie Elliott:** There is no room for manoeuvre? There is no negotiation around that?

Colin Young: No.

Julie Elliott: It is always the same—is that what you are saying?

Tom Gray: There are slightly different contracts, but certainly the three majors offer suspiciously similar rights.

Julie Elliott: It sounds like they are operating as a cartel to me.

Tom Gray: I could not possibly assert that.

Julie Elliott: That is what it sounds like to me. Anyway, thank you very much. It is really interesting.

Q53 **Chair:** To briefly follow up on that, at the other end of a career, so to speak, not just when you are starting out but when you are really successful, is it possible for artists to break this model through their success, through their bargaining power? I am thinking now about, let's say, Taylor Swift, for instance, the way in which she has tried to have a different type of business model in terms of her music. What do you think, Tom?

Tom Gray: It is clear that something else is happening for really top-tier artists and I am not sure what it is exactly. On paper they appear to be getting the same rights as everyone else, but I am not entirely sure.

Maybe Tom Frederikse could answer whether all artists are receiving the same deals or whether the top-tier artists are receiving something else.

Tom Frederikse: There certainly is a difference. As with every industry, the top is doing better. Largely, you are talking about artists who probably did suffer in their first round of contracts, 25 to 35 years ago. They probably suffered again in their second rounds and now in the latter stages of their career, after having proved their ability to release a record and command opening day sales, they are able to get much better.

It is true that, once you have proven yourself and you are way ahead, then things do even up a lot more than they do. Also, over time things have improved. Tom was quite coy about royalty rights, but we can say that with royalty rights artists are generally in the category of around 20%, 25%, 30%, while the label is taking the rest of it. This is a huge improvement on deals from, say, the early 1960s when bands like the Drifters were getting 2%, 3%, 4%, and Atlantic Records was taking 96%. Yes, there is improvement but it only comes from a point of something like 25:75.

To a certain degree I do not have a problem with that because there is a huge investment being made by the record label. We have to respect that. There is a degree of laissez-faire that we respect here, that the contract is done with, to a certain degree, a willing buyer/willing seller but certainly not for the young artists.

Somebody mentioned writing a book on this panel. If you were writing a novel in the wee hours for 10 years and you had your novel ready and to publish your novel a publisher offered you 5% of the royalties, many people would be so flattered and so happy to be published at all that they would grab that deal, even against the advice of a lawyer. Human reaction to praise for one’s art plays a big role.

Colin Young: For a newly signed artist with a major record label, who is going to have a large marketing and promotional fund and expertise behind them, the going rate for the creative pot is 24%, of which the producer will be paid 4%, so the artist will go down to 20%. If there is a featured artist, if another artist features on that, the featured artist’s record label may demand 7% to 10%, so the artist has gone from 24% to 20% maybe down to 10%. For an established artist that is out of contract and is renegotiating a new contract, then that is 30%.

I am sure there are some dizzy, dizzy ones, the very, very highest, but I would say that is what the marketplace is now for newly signed artists with great potential, and for established artists out of contract who are entering a new contract the 24%, 30% would be the going rate.

Tom Gray: Whenever a share comes out it is coming out of the artist’s side. This is the takeaway. It always comes out of the artist’s side.

Chair: Of course, 7% or 10%, it is all coming out of the artists. I got what you mean.

Q54 **John Nicolson:** I think all of us have heard some astonishing revelations in the course of this hearing. One that really stood out for me, Tom, was when you said that artists are still in the streaming era being charged 10% for broken records. You have to pinch yourself when you hear stuff like that. I do not think that most music consumers have any idea about that. I certainly didn't. I think that most folk that listen to music want the artists to get a decent deal. As my colleague Julie said, I think folk want folk that they listen to and enjoy to be paid decently. Would user-centric models help distribute revenue from streaming more fairly?

Tom Gray: I do not think user-centric—I am a big advocate of user-centric, so cards on the table—

Q55 **John Nicolson:** I spoke to you yesterday and you told me some of the issues and you gave me a briefing. You told me about this, so can you explain for the rest of us what that model is?

Tom Gray: The present scheme is total revenue split up by total streams, and that is how you get your per stream rate. Whereas in a user-centric model what happens is they take just your personal subscription and divide it up among whatever you listen to, just by what you listen to. That £7 that is presently going to music, if you listen to one song that song gets £7.

If you listen to 200 songs then obviously the value is higher and it penalises huge listening to a certain extent, obviously up to around—I do not know what the rate is at the moment—0.003, so it is something like 1,500 plays per month. Anything over that gets penalised by the user-centric system at the moment. Certainly, some high usage appears to be private: cafes and restaurants using Spotify to listen to music. Anyway, I am getting a little bit—

Q56 **John Nicolson:** Can we focus on that? Am I right that under the existing system a wealthy artist—a top tier artist, as you describe them—will get money from one of the streaming services that you use when you use it, even if you haven't listened to that artist?

Tom Gray: All of our money is going to Drake and Taylor Swift and Ed Sheeran, absolutely.

Q57 **John Nicolson:** If I am not listening to Drake, I am still paying for Drake? That is going to be much more obscure. If I want, for example, or any of us want to encourage maybe a niche artist, an obscure artist, or a young artist just starting out, it would surely be much fairer if I knew that by listening to them that artist was going to get the money.

Tom Gray: Oh, 100%. That is why I am a fan of user-centric. It does a couple of core things. It funds niche music; jazz and classical we know do better. It funds regional music, which I think is obviously something that would be close to your heart and it—

John Nicolson: Although I would call it national music.

Tom Gray: Of course, national music. Another thing that it does is it helps artists who have developed a fan base, because if you have subscriber listeners who are coming back to you all the time that will pay out better than just a whimsical one listen that pays something else. It can help evergreen artists a bit more, too.

What I do want to say to you is: do I think that you, as Government, can make an intervention to bring about user-centric? I don't really think that you can because that—

Q58 **John Nicolson:** Why not?

Tom Gray: Because that is at the core of the contracts between the DSPs and the labels. That is the mode of distribution that is at the centre of a private contract between two organisations and—

Q59 **John Nicolson:** Why could this Committee not recommend that the system is changed?

Tom Gray: I don't want to stand in the way. I do not want to be proscriptive at all. The biggest problem for me is remuneration. I don't want to let that one fall down the list or let you go down a cul-de-sac trying to fix something. I know the French Government have looked at user-centric. Deezer is very interested in employing this and it has been trying. Hopefully, Louis-Alexis de Gemini—who is the Chief Executive of Deezer in France—will appear in front of you to talk about this, so you can talk to him about it and why he has not been able to get user-centric off the ground. Do not be surprised if he tells you that it is because one of the major labels won't let him. The French Government have investigated it. I think they concluded that they could not intervene in a private contract between the DSPs and the labels.

Q60 **John Nicolson:** That is very interesting. I should perhaps at this point be clear when I talk about national music that I do not spend all my time listening to Highland Cathedral on the pipes at home.

Can we move on a wee bit and talk about the knock-on effect from live music on to music that streams? The live music industry contributes more than £1 billion annually to the economy. We know the way it works. People will get to hear bands live and then they will often go home and they will then stream that music, and EU nationals are vital as a part of that picture. What effect will Brexit have on the industry? Any upsides at all?

Colin Young: I observed that my practice, as a firm of chartered accountants, grew through Europe. I would say my practice grew by 25% as a consequence of touring bands going to Europe. You have some of the most wonderful festivals in those summer months. Under a model previously where we would perhaps do two, maybe three if you were lucky, festivals in the UK, when we entered Europe you can now do nine to 12 festivals in Europe. It has totally transformed the livelihood of the band.

A musician, his revenue, 70% will be from live performances and the cream is to be had in the summer festival season. It is pure profit and Europe has totally transformed that. Any obstacle is bad for live touring in Europe, so whether it is going to be visas, whatever it is, it is going to be bad.

Q61 **John Nicolson:** That is very clear, so Brexit is going to be bad for the industry in your view. We know that 750,000 music tourists visit the UK every single year, so it is going to affect not just the freedom of movement for the bands themselves but also, in addition, the freedom of movement for folk who want to come from the European Union to listen. There aren't any creative passports envisaged, are there, by the UK Government thus far?

Tom Gray: No, not to the best of my knowledge. Obviously, the Musicians' Union have been asking for one for a long time.

Q62 **John Nicolson:** What did the Minister say when you asked for it?

Tom Gray: I am not sure how much of a priority it is at the moment. We are all aware of the difficulties that are happening in the world at the moment and the bandwidth for dealing with something, although enormously important to our sector, has not necessarily been something that has been prioritised by the Government, I am sad to say.

I performed across Europe for 20 years and to go into Switzerland you had to fill in a thing called a Carnet. It cost several hundred pounds and you had to itemise every single piece of equipment and merchandise that you were carrying with you. Obviously, if we enter into a situation where we need to produce Carnets for every single country that we are going into, it will absolutely prevent—

Q63 **John Nicolson:** As things stand, is that going to be the situation following Brexit, the end of the transition period on 1 January?

Tom Gray: Yes, unless something changes it is pretty devastating.

Q64 **John Nicolson:** We are just talking about a matter of weeks before this system kicks in with all the devastating consequences that you so fear.

Tom Gray: I really hope it doesn't come to that. I have my toes crossed that that does not happen.

John Nicolson: It is not enough to cross your toes.

Tom Gray: I am well aware of that.

Q65 **John Nicolson:** If there are no preparations for this—and, goodness knows, you three would know if there was—we are heading for a cliff edge.

Tom Gray: Absolutely, yes.

Q66 **John Nicolson:** The Government have said that they will leave the Creative Europe scheme and you will lose out on the benefits of the EU Directive on Copyright, because it will not automatically come into UK law. Can you explain what effect that will have on your industry?

Tom Gray: What is clear is if we do not get it and European creators do get it, they will be enjoying a huge economic benefit that UK creators will not be enjoying.

Q67 **John Nicolson:** Tell us specifically—because lots of people do not know about this detail—what that will mean for you as artists. What is it and what will the loss of it entail?

Tom Gray: It is the ability to make rent. It is hard enough being an artist. I gave you a lot of data earlier on about how generally low paid the sector is. If you can move YouTube, which is huge—we are talking 50% of the world's music being played through YouTube—if we can increase the dividend by 10%, 20%, 50% from YouTube or bring it in line with Spotify, which would be 10 times the value, that is an enormous amount of money for what are basically not highly paid people.

Q68 **John Nicolson:** Colin, could I ask you to come in on this as well? From a business perspective, what effect do you think it will have, when we leave the Creative Europe scheme, if we lose the benefits of the EU Directive on Copyright?

Colin Young: One thing I would emphasise is YouTube and the importance of that, its growth and the number of transactions that I observe. Admittedly, the royalties are modest at the moment. This is a real concern for me, how it is going to unravel if we do leave, and the benefits we have. When I looked at the EU directives, when I was looking at equitable remuneration and the right to authorise and prohibit, there were some great thoughts, great thinking that you find in those EU directives. For me, it is a concern. I think it will be a retrograde step.

I do not know what the consequences will be financially. I don't. I just know that, having looked at those directives, seeing what the thought is and what they are trying to do in supporting creatives, and how the money is being distributed when it identifies the performer and the phonogram producer, looking at that and the rights it gives and the equitable remuneration it gives and that it should be unwaivable, those component parts I see as fundamental and for us to move away from that—

Q69 **John Nicolson:** Okay. I have a final question. Has anybody from the UK Government, as far as you know, been in touch with you or people that you know in the industry, senior figures in the industry, to talk about this?

Colin Young: No.

John Nicolson: Okay. Back to you, Chair.

Chair: Thank you, John. That concludes our first panel. Thank you, Tom Frederikse, Tom Gray and Colin Young for your evidence today.

Examination of witnesses

Witnesses: Guy Garvey, Ed O'Brien and Nadine Shah.

Q70 **Chair:** This is the Digital, Culture, Media and Sports Select Committee and this is our second panel today and our first hearing on the economics of music streaming. We are joined by Guy Garvey, singer and songwriter for the band Elbow, and BBC 6 Music presenter; Ed O'Brien, guitarist, Radiohead; and Nadine Shah, singer, songwriter and musician. It is still morning. Sorry to keep you waiting, but good morning, everyone, and thank you for joining us.

We received an email into the Committee—I think it was yesterday—from an artist. I am going to read you the email and then I want to gauge your ideas in terms of whether or not this is a regular experience. It was from Aluna Francis.

It says, "Since signing with Island Records in 2012 we have generated over 1 billion streams but I only saw a royalty cheque for the first time in 2019. That is seven years later. Even then we had to pay that money to the label because they said we still owed them from the touring. My label took a large percentage of everything and owned the masters. Instead of being able to invest the profits in further touring, writing songs or merchandise, we had to give it to the label. Expenditure on projects was in no way discussed, even if we asked. All the income from streaming was going towards recouping some unknown vast sum of money that essentially meant you won't see a dime for a very long time. The lack of transparency with what you were actually earning from streaming and how your label spend money can leave you completely in the dark, working for years without seeing any money." Does this experience chime with you, Nadine?

Nadine Shah: There is so much of this that does, and the one thing to be said is, whether or not it may or may not surprise you, the little the artists know about the logistics or the intricacies of the nature of these deals. I for one, listening to the speakers in the last session, feel embarrassed almost to admit the little that I do know, but a lot of this industry is based on trust, managers beginning relationships with artists with no contracts, and there is this idea of, "Well, trust us. You concentrate on your work. You do what you do and leave that nitty-gritty to us. Don't worry your pretty little head," essentially.

To an extent, yes, we do want to focus on the work that we are making and that does require a lot of time, a lot of effort and a lot of our headspace, but a lot of this does baffle us, a lot of it is alien to us, sadly. I can relate entirely to what she was saying there, yes.

Guy Garvey: Nadine is absolutely right, you don't get into music with a view to studying its economics. Managers make themselves available to you and that is the first kind of minefield you approach as an artist. Elbow was very lucky to meet Phil Chadwick, the manager we still have, but a lot of the time people don't, and a lot of the time people are let down. I think situations are as wide and as varied as the number of contracts out there. You get lucky and you get unlucky. But the general bias, as we have been discussing all morning, is that ultimately not being able to pay your way as a musician is where we find ourselves. I think that is what we have come to discuss.

Q71 **Chair:** We were told by the witnesses in our first session that there are standard industry contracts out there. What you just said suggests that some people get lucky and some people don't. Is that really the case? Is the example I just used an exception? Have they just got a bad contract, and by having a good manager they would have got a better contract? Is that a fair estimation?

Guy Garvey: Yes, I would say that is the case. You can steer it better if you have somebody who knows what they are doing. It is not true that great art finds its audience. This is the reason I got involved with these proceedings. I have been new music, be it some time ago, when Elbow first started putting records out. I mentioned my manager Phil and we were lucky enough to work with labels that developed us and got us from bedrooms and garages to a Mercury nomination on our first album.

The reason that I have come here today—and I think I can speak for Ed and Nadine as well—is that the system as it is, is threatening the future of music. That sounds very dramatic but if musicians can't afford to pay the rent, if they can't afford to live, we haven't got tomorrow's music in place. I have been looking to live as a musician for 20 years and that required the record companies that nurtured us and developed us and the producers we worked with and the cathedrals of recording studios we used. All this assistance and nurturing came from record labels, management and publishers. I want what we had for the next generation of musicians but it has become so skewed.

Streaming in itself is a bit of a miracle. I was listening to Bessie Smith this morning—because I was awake at 5 am, because I have been really nervous about appearing here—and I realised that I was listening to a recording that she made for me 100 years ago. The fact that you have access to every recording ever made, every piece of music, in your back pocket for £10 a month is a miracle, almost. It is almost a miracle. If musicians are equitably paid, then it is a miracle because then it is sustainable and something for everybody to be proud of. The guilty feeling that came up in the last panel about, "Can I really get these artists for this little money whenever I want?"—I have that feeling, but I don't think it is peculiar to people in the music industry. If you weigh up the effort and time that goes into making the art, making these recordings—and not just the art, but the craft and the skills of producers, recording engineers and microphone manufacturers, all the different technical staff that surround this industry—and take all that work into account, no, you shouldn't really have it in your pocket for £10 a month and if you have got it in your pocket for £10 a month, some of that money had better be going to the people who put it in your pocket in the first place. It is really as simple as that.

The record labels are business organisations, and businessmen are not very good businessmen if they freely give away their profit margins, so they need a little assistance here. But as we enter 100 years of popular music being recorded for us to hear, I think it is something that is really achievable from here.

Tom Gray said in the last session that this isn't because of Covid. No, it isn't, but now it is really desperate. As Nadine said in her statement, musicians are having to look at the books, they have having to look at the system, and they are having to say, "We need some help here." Let's not let it get as far as lawyers facing each other down. Let's get our heads together around a table and work out how the British music industry can keep being something to be proud of. Let's set a standard for the rest of the world in the way we remunerate our musicians. I had best stop talking for a bit.

Q72 **Chair:** *[Inaudible]* divorce this morning from a popular beat combo, I believe. Ed, can you add to that? You heard the email that we received and then we hear Guy saying how he has made 20 years living out of music. Do you fear for the generation to come and the pipeline of talent if the economics as they stand right now stay in place or even get worse?

Ed O'Brien: Yes, for sure. I was signed with Radiohead in 1991 and I call that the analogue era. We have this analogue model that had huge imbalances and unfairness, and it is interesting to see your reaction to the testimony this morning. You are becoming aware of the unfairness and the opaqueness within the business. Then you are bolting on this digital model and it is not working. I am an exception to the rule. I feel quite embarrassed being here because I have been able to do this for nearly 30 years or whatever, but it is the young artists.

Yesterday Guy, Nadine and I got together because we were nervous and we wanted to get familiar, and Nadine said something really striking to me that has echoed for the last 24 hours. Nadine is an extraordinary artist who gets paid a lot. She is a really important artist. She is one of the pillars of 6 Music, so she is a successful artist. She is not on a Radiohead level but she is doing amazing work, and she said yesterday, "I struggle to financially support myself" and that is crazy. There have always been imbalances in the system and they need to be addressed, but it is more acute now.

Q73 **Alex Davies-Jones:** Thank you to the witnesses for coming forward this morning. We have heard a lot about some of the negative aspects of the streaming services and the platforms, but what is your opinion of those streaming services as a whole? Do you think they have had a positive or negative impact on the whole of the music industry?

Ed O'Brien: I think they have had a really positive impact on the industry. When I started getting involved with artists' rights and sticking my head above the parapet, which was about 12, 13 years ago, we founded an organisation called the Featured Artists' Coalition and it was about providing a voice for the artist. The biggest issue that we were dealing with then was illegal file-sharing. It was off the scale. For instance, kids were going to college and they didn't have CDs; they were past CDs. They were illegal file-sharing through Napster and LimeWire. You could get the entire catalogues for free. As Colin said in the previous session, the revenues went right down and the whole argument was, "How do we deal with this?" Some people thought we should prosecute file sharers. I always thought that was absolute nonsense because if I was an 18 year-old and I had the chance to download everything for free, of course I would do that. I love music; of course I am going to do that.

With streaming, the norm of behaviour has shifted. Spotify tends to get a bad rap among musicians because overall they tend to pay less, but I think there is a reason for that because of the way that they fund it and the way it is paid. They have this premium level and I believe that is a really important thing because you introduce streaming in that way and it takes people away from file-sharing. In the last five years we can see in the industry there is more optimism. At the end of the noughties and the beginning of this decade it was down in the doldrums. There is definitely more money coming into it, greater budgets to do greater creative endeavours. It just needs some parity and fairness in the system and many artists, as you are gathering, are not really profiting from the spoils of this.

Q74 **Alex Davies-Jones:** I will bring Guy in now, but that takes me on to my next question. You mentioned that artists are not getting fair and equitable treatment in this but do you think the other parties involved are? Are the streaming platforms themselves, the record companies, the publishers taking a fair proportion of the revenue?

Guy Garvey: Are they taking a fair proportion? No, that is why we are here. No, I don't think they are. Business organisations are supposed to be good at business and this is why there needs to be some kind of an intervention. It has to be recognised that music is not such a great job that you can do it on nothing. Everybody does it on nothing in the first place and then when you finally get over the looks sideways that you get from your friends and your family when you tell them that you want to be a musician and you get some recognition back home, there still is not an income for quite some time.

I think for the first three years that Elbow was signed to a major record label we were still on £300 a month or something like that, and we couldn't believe it. The reason I have got involved is because it has become harder since then. What streaming represents, what it could be if we do this right, is a niche musician who might have an audience of only 40,000 worldwide can earn a living from that and not just earn a living from it but have enough money to go into a studio for six months to explore and deepen and further their art and make better music. Then their audience grows because the music is better.

That is not the way that some music is made. Streaming has benefited an awful lot of music. Where I am sat now in the Dairy in Brixton, most of the other musicians who come through the door look at me agog when I say that Elbow spend two years over an album, because they are in for a day. They have written it in their bedroom, they come in and do vocals and then it is mixed remotely and they put them out as and when they write them. It is a totally brilliant model for pop music, grime and hip hop and it completely works for them, but that shouldn't be the only kind of music in consideration. The lovely thing that could happen is that everybody finds their audience and as wide and broad and beautiful as music is, it is supported as such.

Nadine has first-hand experience of this. Her contemporaries are people who have dropped by the wayside on account of the way that economics are shifting.

Q75 **Alex Davies-Jones:** How much transparency is there when it comes to deals between recording labels, publishers, collecting societies and streaming services? Do you guys get to see that as artists yourselves? Do you feel it is quite transparent?

Nadine Shah: I don't feel that it is that transparent. I don't. I can be asked many questions about the intricacies of what I earn and how many streamings and this and this. All I do know is that the earnings from my streaming are not significant enough to keep the wolf away from the door. As an artist with a substantial profile, a substantial fan base, critically acclaimed, I don't make enough money from streaming. I am in a position now where I am struggling to pay my rent and I am embarrassed to talk about these issues publicly. I am embarrassed to talk about them for many reasons, because money to an extent is an indication of success. Here that is not really the case because I am a successful musician but I am not being paid fairly for the work that I make. As I first said in this session, often artists are encouraged not to ask these questions.

I don't think there is enough transparency, no, but the bottom line for me is that what is transparent is that I am not being paid. It is the same for my fellow musicians and so many other musicians all over the world are in the same position as me where they are struggling. We can't afford to be musicians and that is a wild concept, to not be able to afford to be a musician. Then we are in a really stark, bitter, awful reality that we could lose lots of musicians, lots of great music. As Tom said in the earlier session, this country is known for producing some of the finest musicians of all time and we best protect them and make sure that continues.

Alex Davies-Jones: Yes, it would be absolutely devastating. Guy, you wanted to come in.

Guy Garvey: I would argue that we have already lost an awful lot of music. We can't put this down to what we are talking about today. There are no two ways about it: streaming has saved us from the piracy that Ed was talking to and referencing, but it is not paying in such a way that that is making a difference to musicians starting out. The niche musicians that Nadine is talking about—you have to remind yourself that some of the oldest and the biggest names were not pop stars when they appeared. I don't have to list them. You just have to look at anything over 20 years old in your music collection.

On transparency—and I am referring to notes that I have from my manager, so I am swotting up here, Nadine, I am not claiming to have this knowledge—he says that Polydor accounts every six months show clear and accurate income streams. We have a great relationship with our record label, I feel I should say that. He also says that Spotify and Apple have management apps that show real-time streaming figures and historical data that can be referenced with the label info. He is happy with that element of it.

Q76 **Alex Davies-Jones:** You are happy with your record label and your manager, but do you feel that you are represented fairly when it comes to these negotiations directly with the streaming services? If not, what would you recommend to make that case? How would you overcome that challenge?

Guy Garvey: I think this needs to come from all parties. When I saw what Tom was doing online, #BrokenRecord is the reason that I came forward. My perspective and the reason I thought I could be of any use at all to the Committee in making its recommendations is because not only am I a musician and have been as such for 20 years, but I have been a music broadcaster for 14 years for the BBC, so I am constantly supplied with new music, albeit in the area of the garden that Ed, Nadine and I represent, within alternative, indie music.

I have seen artists come through, often connect with their audience, become end-of-year chart favourites or, like Nadine, Mercury-nominated artists—you were robbed, by the way—and then I have seen them disappear. When a musician stops producing music, when an artist stops making art, there is no fanfare or press release. You just hear one of their songs three or four years down the line and you think, "Oh, God, what happened to them?" For much of the new music that I play, I don't hear album 2 or album 3 and I know why it is happening. The other thing is the embarrassment of going home to the same people who looked at you sideways when you said you wanted to be a musician and admitting that you are failing financially.

That is why there is only us three here today. Ed and I are in an advantageous position because we have connected with our audience. We have found the people who afford us a living as musicians. Nadine is incredibly brave because she is one of the few people here who has been thwarted by all of this and her contemporaries are being thwarted by all of this. What I hope happens as a result of these panels is that an awful lot more musicians are honest about their incomes. However leaky the boat has become, young musicians still don't want to rock it, and if they don't rock it they can't make ends meet, particularly in genres where how much money you have is part of your lyrics. Nobody wants to admit that they don't have any.

Q77 **Alex Davies-Jones:** That point brings me to my final question. Like you said, Guy and Ed, you have been fortunate, lucky and able to connect with your fans and make a career financially out of music. What impact do you think coronavirus and fans not being able to go to gigs and artists not being able to tour and connect with their fans, as you would have been, is having on the future talent of the industry? If there are changes to streaming services, how will that impact fans as well?

Ed O'Brien: It is obviously going to have a huge impact and we don't quite know the fallout. I am not just Radiohead, I am a solo artist as well and I was going to tour this year, so I am starting again. There is a band, five of us; I pay four musicians and there is a crew of four or five. Their livelihoods are gone overnight. My band, my musicians don't have an income, they can't tour and they are also session musicians. My base player and my friend said, "I am going to have to take a year out and this is a chance to do an MA or something." My crew people are not "roadies"; they are proper technicians and engineers and I know that most of them have become delivery drivers—Amazon drivers.

Q78 **Alex Davies-Jones:** They have been excluded from the support packages, haven't they? They are part of the freelance community.

Ed O'Brien: Yes, totally. They are family as well; musicians, crew, we are all family. We have so many experiences together. It is obviously huge. The answer to your question is it is massive and I don't quite know the impact it will have on musicians but, of course, young musicians who rely on live income will really struggle. As Tom Gray said, we shouldn't be having this because live income has fallen away, but for so long live income has been like the Band-Aids.

The inherent problem that we have as musicians is that we so love doing what we do. I have done a great rehearsal, a great recording, and go, "I am the luckiest bugger on the planet. I would do this for free." That is precisely what has been taken advantage of over the years, starting with 40, 50, 60 years ago. It is one thing listening to music but when you play it and make it, it is like therapy. I had years of depression and I kept my head above the water because I am in this band with my brothers and it made me feel good every time I checked into rehearsal.

I have slightly digressed, obviously, but there has to be an understanding of where we started and why we have been taken advantage of. It is because we absolutely adore what we do.

Nadine Shah: I think it is very important to dispel that myth, which I hear being bandied about so often—"How lucky you are to be a musician because it is a very enjoyable process and all the benefits that you reap." We work hard. We work very, very hard and we provide a service to so many people, especially in this time as well, if we relate back to the pandemic. I believe that music has been vitally important to so many people to connect us together. We deserve to be paid fairly for what we make and we work hard. It is not all parties and fun and all the rest of it. God, don't I know, I was born too late to experience any of that, but it is not the case. We have to be able to pay our rent. These are the things: we have to be paid fairly to make work.

Guy Garvey: Nadine pretty much covered towards the end what I was going to say. We are not after Robert Plant's third limousine. There was a period when musicians were paid way too much. What we are talking about here is allowing people to live as working artists to provide something that we all need. Music is not just something that soundtracks bits of your day. It is an important social document like the rest of us; it reflects or reacts or provides escape from where we are in history and time. It documents what we are as a species in something other than construction or destruction. It is too important to not fund.

Alex Davies-Jones: It is. It is a necessity. It is fuel for your soul, just as much as water and air are, I would argue anyway. For me, music is definitely fuel for your soul.

Q79 **Julie Elliott:** It is fascinating listening here. I think what is coming out of this is that what you are talking about is the principle of having a fair day's pay for a fair day's work. That should apply to musicians as much as it should apply to a dentist, a shop worker or whoever, and clearly what we are hearing is that is not happening.

What I would like to draw on—and it has been alluded to from you all so far—is that Nadine has come through and broken through as a musician in a different era to Guy and Ed. I am not being ageist here because I am older than all of you. I would like you to tell me a little bit about your experience breaking through in the era of digital and streaming. I would like to also know about something I asked the previous panel: what advice, whether legal or other, were you given when you were signing contracts when you were just starting to break through? Could you give us a brief picture of your journey, please?

Nadine Shah: With streaming?

Julie Elliott: Breaking through in the age of digital and streaming. I am going to ask Ed and Guy this after you, when they broke through when things were different.

Nadine Shah: Mine was still in a time when I would look to artists like Ed and Guy and that was the model that I knew. Then all of a sudden I am thrust into this new way of working, which is not the way that I saw the model work for Ed and Guy. It was very different and all of a sudden there is this digital era. I released my fourth album in June, so it is now 10 years as a professional musician. There are people who do what I do much better, who are much more acclimatised and better at working in social media. I hate using social media; it affects my mental health. I don't want to document what I am eating all the time.

There was a beauty of mystery around a lot of musicians and you could be mysterious, whereas now that is not the case. There is not only the work that we put into the music that we make but so much else that we have put into it, every bit of our being, "Here is what I'm eating today" and there is a constant interaction. The work does not end from making the music and then releasing it. It then continues every day. We become these entrepreneurs of sorts and that is not what I signed up for.

Q80 **Julie Elliott:** Did you get advice or support when you were starting to get record deals? Did you have any input into what was happening to you as an artist?

Nadine Shah: I always had a legal representative present and I have a thirst for knowledge. I had a bad experience years and years and years ago with a bad manager to do with a singing competition, so I wanted to read up and provide myself with the tools to enable me to have a bit of protection on my own, but I have had legal representation with me every single time I have signed a contract, and most musicians do. I hope that that is the case for all musicians, but the landscape is changing all the time. The landscape is constantly changing and it is not working.

Q81 **Julie Elliott:** It is very brave of you to talk about the fact that somebody as successful as you is not really earning enough financially to provide the basics. That is clearly wrong. What do you think should change? What would make the difference to you as an artist to be able to make a reasonable living for what you do?

Nadine Shah: A meaningful income is what I ask for. I don't want to throw anybody under a bus either. What Tom Gray was saying earlier on about equitable remuneration, equal pay for equal work. Right? Yes. Then a meaningful income from streaming. I truly believe that it is entirely possible to fix streaming and to make it work for everyone, the labels, the streaming platforms and the artists.

Q82 **Julie Elliott:** It just needs levelling out?

Nadine Shah: I think so. Yes, definitely. It needs to be made that it has to be fairer. I think right now, presently, it is wrong. The ultimate thing is it is wrong and it is unfair.

Q83 **Julie Elliott:** Thank you. Guy and Ed, can you tell me a little bit about your experience coming through? What was different and what do you think has changed to the negative for people starting out now? You are both in a position where you are successful, you have a good life out of being musicians and that is where Nadine and others should be able to get to. Can you tell me a little bit about your experience and what you think needs to change to put this right?

Ed O'Brien: It is interesting. We signed in 1991 and we signed what was a very traditional deal at the time that put us essentially on about 12% royalty.

Q84 **Julie Elliott:** Were you given advice on that?

Ed O'Brien: Yes. We really did our homework because we saw bands from Oxford that were not making it because they didn't have the right setup. The first thing was to get the best legal advice, so we got the best legal advice and it was a guy called John Kennedy at the time. But there were certain parameters. For instance, we signed a six-album deal with

EMI at the time. The thing that always grated, that was always hard to accept, was that we were signing over the copyright for life as part of the deal of the record company promoting you, investing in you and marketing you, but there was no room for manoeuvre. You heard the odd example of a band or an artist where there was a bidding war going on and they were able to negotiate that. I think Andrew Loog Oldham managed to get the Rolling Stones a licensing deal with Decca at the beginning back in the 1960s, which was highly unusual, but ours was a very standard contract. It was all the things that you heard in the first session about tour supporting.

There was a big investment and we were obviously very lucky because we had a song on the first album that was a worldwide hit, the only worldwide hit that we had, so it kept us on parity. The money that was invested in us came back through the sales of the first album. I am not a great example but I saw that it was hard on a lot of bands at the time. There is a lot of artists now—and maybe the same kind of legacy artists who did not have the success of Radiohead—who are on the same royalties that equate to a 12% royalty or whatever from a pre-digital era. In the digital era now when they are being streamed, they are still getting the same royalty rate. Their royalty rate has not gone up so they are not seeing anything. They might have unrecouped.

Back to your question: how is it for younger artists? I think it has always been tough for artists. I think it is even more murky now with the lack of transparency, the opaqueness in the system, the fact that some partners are making huge amounts of money, some of the labels and things like that. It has always been tough but it feels like it is tougher now. There is less money. Artists are really on the breadline.

Q85 **Julie Elliott:** Thank you. Guy, what is your experience? You said that as somebody who works in radio you see artists disappear. Do you ever get any feedback on what is making them disappear?

Guy Garvey: It is difficult to talk about without naming artists, because the circumstances are so specific. As I alluded to earlier, anybody who has not come forward is not comfortable with coming forward. I am hoping that will change. I just want to stress that again. I hope that throughout these proceedings we can hear more evidence from a more varied group of artists.

We have been a band for 30 years. Nothing happened with us for the first seven of those years. Arguably, we were unlistenably bad initially, getting less bad as time went on, but then around the time we started sounding good there was interest. The interest grew and then we were signed to Island Records. We made our first album in a studio with the remarkable Steve Osborne. We had never seen a studio let alone worked in one. We learnt so much in there through his wealth of skill, because one of the casualties of this whole system is how little producers are valued. In fact, Ed's longstanding collaborator, Nigel Godrich, equated it to, "We don't know how they made the doors of Notre Dame cathedral. We have lost the skills because it can't be written in a manual". It is the same with the generations of rock producers coming from accurately mic-ing things up to being an integral part of the sound, like with the Beach Boys, the Beatles and originally with Radiohead. Those kinds of skills are going by the wayside.

Without an income there is no investment, because you are not expected to make anything, and without investment how can you afford to go and let your art grow in a studio environment? In my experience, I got to work, with Elbow, in that way. We were dropped before the first record came out and then we were scooped up by V2, which was an independent label. We remade the first album and it was nominated for a Mercury and that sent us on a very low, slow ascent, which we were very happy with. Then in 2008 we had our international hit and that put us on a different level. We have been incredibly lucky because, despite not having released a record with Island, we had the experience and got to work with Steve, and then through V2 and working with Ben, who co-writes and produces Nadine. After V2, we signed to Fiction with Polydor and we are with Polydor now, Fiction with Universal and now with Polydor Universal.

Everybody we have worked with remains a friend because we had an amazing, creative, nurturing experience and because there was a budget there and there was room to breathe and grow. I remember our agent, Jeff Craft, saying very confidently on our first meeting, when we were making the first album, "Nothing significant is going to happen with you lot until your fourth album" and he was disturbingly right. It is not what we wanted to hear then, but that sort of long, forward-thinking nurturing is disappearing. It is disappearing because of the instant nature of streaming and it does not have to be like that.

Q86 **Julie Elliott:** What do you think can be changed? What do you think we can recommend to change to make that change?

Guy Garvey: I think the user-centric streaming model for the new music that I am talking about that needs a hand just to keep living, just to pay the rent. I don't want to call it niche, it grows over time—the stuff of value. Not that there is no value in instantaneous likeable music—of course it is valuable—but there are different kinds of record that you only want to hear once and not 100 times a week, not something to dance to, something that hits with you, resonates with you personally. That music needs an income.

If there are 80,000 people worldwide, thanks to the internet, which was not there when we started out—I was watching this happen and I was thinking you can connect with your audience without waiting for a guy with a chequebook. You can connect directly to the internet. You can make records in your bedroom. Then slowly as time went on I thought, "I can hear that record has been made in a bedroom and I can hear it has no investment and that is not going to get nurtured." Something as simple as you can't hear what they are saying on a record. The first thing a producer does is turn up the fader. I hear all this music with such massive potential disappear because they can't make the rent.

To answer your question, I am so sorry, I think the user-centric streaming model ultimately would be very valuable. There needs to be more transparency as well, as much as possible, and that involves co-operation ultimately, as with all of this. But I think the first thing that can be done is equitable remuneration, right at the top, something that is not negotiated in any way, that is a right for the people who made the thing that you are listening to. That is a viable first step that the Committee can recommend. That is something we could do right now that would have a lasting effect.

A second step is transparency alongside trying to wrestle into place a way of getting music paid for not on its popularity but on how much it means to the person listening to it. If you only listen to Nadine's record, to This Is the Kit's album, to Samantha Crain's record for that month, the depth of your appreciation should be correspondent with where your money goes. That is a kind of moral contract that needs sorting out. I am not sure how many people know that their artists are not getting paid. There is a sense of ownership when you love a band or a song. How often do you hear, "That is our song, our first dance" or whatever? The sense of ownership should come from the fact that you bought it or that every time you listen to it you pay for it.

Julie Elliott: I remember when I bought my first record and which shop I went into, and none of these places exist any more. That is called getting old. Thank you very much. That has been really useful.

Chair: Mine was "Baggy Trousers" by Madness at Woolworths in 1981.

Q87 **Damian Green:** We are all going to show how old we are. Mine was Roxy Music in the 1970s, absolutely my band and my first album. I can still remember taking it home and playing it.

I want to pick up on one of the points that Ed made about the move from analogue to digital, which has not just changed the way we listen to music but also changed the economics of the whole industry. Is it inevitable now that most people are listening to music on streaming that that will benefit established artists over new artists in a way that would not have been true in the previous ways that generations would have listened to music?

Ed O'Brien: Sorry, can you say that again?

Damian Green: Does the fact that the bulk of music is now being listened to on streaming inevitably mean that established artists will be favoured because of playlists and so on over new artists who, inevitably by definition, nobody has heard of yet?

Ed O'Brien: This is what I think the previous testimonies were saying as well. The way that streaming services pay out benefits, the big artists get millions and millions and millions of streams. Yes, it creates a sort of bias within the system for sure. I can't disagree with that.

Q88 **Damian Green:** Does it matter that there are very few of the British labels left, the sort of traditional labels that have not been taken over by the majors? Does that make a difference to the economics from the artist's point of view?

Ed O'Brien: I don't know about that. I think it is interesting. As a solo artist, I am signed with Capitol Records in America, which is part of Universal Music. Radiohead is signed with Beggars Banquet, which is the big independent British label. It is interesting that there are a lot of British people with Capitol in America. In the music industry or the culture, there are a lot of British people at the top of the major record labels. You will know better than me the economics of the fact that there is not an EMI any more paying corporation tax in the UK. I don't know about that stuff and obviously there is an economic impact.

We are a global society so it reflects that. It reflects that people move, that there are a lot of Brits all over the world doing great stuff in the music industry. It would be nice to have a major that is British, but we have Beggars Banquet and a lot of great, really thriving independents who are very British in identity.

Q89 **Damian Green:** Nadine, do you feel that you have a nurturing label that is helping you?

Nadine Shah: To an extent, yes, but I think that it is important to keep going back to the fact that there are three major labels who are recording record, sky-high profits and that musicians are not seeing a penny of that; well, maybe a few pennies but that is not being reflected in what they are being paid. On the discussions with my label, I think mine is quite a fair term. I think that there are darker powers at play and I don't want to speculate too much about certain deals with labels and how Spotify may favour them, but I am now acutely aware of my digital deal with my label but only because of this conversation. This is only in the last week and a half and I believe that many artists in the same position as me are not aware of those things.

Q90 **Damian Green:** That is really interesting. I won't probe any further because I can sense it could be quite sensitive for you if you speculate on the motives of some of these very powerful people, but it is instructive for the Committee.

Guy, does the dominance of streaming now influence the way you write music or perform it? Does it have a direct effect on the artistry?

Guy Garvey: Streaming has only affected Elbow positively so far. I can't tell if we would have made any more money under the old model. I suspect that with what streaming pays we see less money there compared to the deal we were on and are on for our physical copies sold, but streaming has allowed us to find different markets in the world that we would not have been aware of otherwise. We went to Mexico in January, which seems so long ago. We wouldn't have known that we had an audience there if it wasn't for streaming. I have to say again that I think it is a wonderful thing. It is close to being the future.

I have to put my hand up for people that I have known in the major labels, who I know to be motivated positively and motivated to get music out there and to connect music with its listeners in the same way as I am motivated. When you get a load of businesspeople together and they start a new business, they push you as far as they can before laws tell them to stop. I think that is what has happened. I wonder if this will be a wake-up call for a lot of the amorphous cloud of major labels that we are talking about. I wonder if individuals are aware of quite how universal these complaints are from the music community.

I can't stress enough that I know there to be really, truly good people at record labels right the way to the top, whose motivations are not negative. It is just that this has been a land grab and it has been clumsy. It is also subject to all kinds of contracts signed with hundreds and thousands of artists and, of course, historical things need to be made up and improved. As I have said, my interest here is for the music that comes after my generation to make sure we don't lose that art. That is my main concern.

I don't think that any of it is out of our reach. Complicated and murky has been the response I have had to most of the questions to do with, "Why can't we try user-centric for streaming, why can't we try that model?" The reply always comes back, "It would be complicated, it might be murky, there may be costs", but nothing hard standing in its way really other than a bunch of businesses that don't have to try it. If you talk about that and you talk about equitable remuneration—again something else we can do—you have a foothold into really transforming this 100 year-old thing that we have got now. I keep coming back to that and I have a few questions.

Q91 **Kevin Brennan:** Guy, you mentioned earlier on the importance of producers, and I would include engineers in that as well. That has developed the role of the producer and these days very often they are intimately involved in the actual making of the music, and sometimes in the writing of the music as well, in recorded music. Do you think that if this Committee were to recommend that there should be an amendment to the law to make equitable remuneration available to musicians, that also should include producers and engineers?

Guy Garvey: I think it would automatically because of the nature of their changing role. As producers have become co-writers, certainly in pop music, they already are entitled to equitable remuneration because they are shaking tambourines, playing pianos, on drums, doing backing vocals.

Q92 **Kevin Brennan:** There are still one or two. I was speaking to Cameron Craig the other day. He has won two Grammys and is a British-based producer, originally from Australia. He is more of an old-fashioned producer. He tends not to shake the tambourine but does the production bit. Even if you fell into that category, do you think there is a case to be made anyway that producers ought to be included in this right by definition, and also engineers?

Guy Garvey: Certainly producers because they have a creative role. I am not discounting engineers. I don't know; I have never pondered that before. I couldn't give you a straight answer to that. I think if musicians were paid properly people would be investing in them up front, and that would allow money to go to producers, as it did, and engineers and studios. The production roles you are talking about, the co-writing producers, which is all the people at the studio I am sat in now, is a very different skillset. It is very fast. It does not allow for weeks and weeks of exploration, which I know is how some of the most famous records, some of the most groundbreaking records—including "OK Computer"—were made. It was lots and lots of time experimenting with sound in a studio, not coming up with a chord progression and a hook and then dressing it but actually going and exploring. I think it is a problem that that continuing exploration sonically, creatively, has come to an end because this business model does not suit it. Yes, certainly, producers should be paid for being the creators that they are.

Q93 **Kevin Brennan:** Engineers as well, but there we are. Nadine, by the way, congratulations on being named No. 6 in BBC 6 Music's album of the year list for "Kitchen Sink". I recommend to the dozens of people watching this session that you should buy it in physical form, if I am allowed to do that, Chair. Can you tell us a bit about the process of making that album, what you had to put into it, given that we are talking about what you get out of it at the end? What have you had to put into it to make that record?

Nadine Shah: Time—much, much time. It is hard not to come across as too emotional with these things, because I do want to hit home so much that we need to be paid properly for what we do and not to get too emotional about these things, but there is so much time and care that goes into the making of an album, especially the kind of work that I make and particularly on that album. I have to be very sensitive to the subjects that I write about. I feel a kind of duty of sorts to write in a responsible manner that the people that I am writing about—that album in particular is discussing subjects about women's infertility, women's fertility, feminism, the policing of women's bodies. These are very serious subjects and I don't take any of that for granted. It was very hard for me emotionally to make that album during a very difficult time for me of writing that album.

So much goes into it and it is very hard to say, "Here is my clock-in and here is my clock-out" of when I start and when I finish. There is so much that I put into making my work. One thing that I know, which is reflected—thank you kindly for mentioning the 6 Music album, one of the albums of the year—in the response I have seen and heard from people is that they appreciate it and it means a lot to them, many women in the same position as me who are struggling with illnesses like I have, like endometriosis, and I speak about it very bluntly, which are not spoken about in a lot of music. But there are musicians who speak about certain subjects, like I do, and I know that this is appreciated and is needed to be spoken about by certain artists.

I worry because some of the artists that we are talking about—I don't consider myself to be so niche or so alternative and I don't consider any of the artists that I love and listen to to be that niche or alternative, but many of their messages are universal and they are important. These are the artists that I am here to represent and these are the artists that I wish to protect and are not currently being paid fairly. It was a very painstaking process making that album and I respect that my fellow musicians go through the exact same processes as I do to make work for people.

Q94 **Kevin Brennan:** Going back to streaming, recently Spotify introduced something that became known as the "tip jar", namely giving an opportunity for people streaming music to make a donation to their favourite artists. What is your reaction to that, Nadine?

Nadine Shah: Initially I thought, "This is interesting. This is another way of making money." I found it insanely condescending. It was an admission of sorts by that platform that says, "We know that you are not making enough." As I said earlier, when I have to talk about transparency and my earnings and what I make among my peers and my fans, I don't want to come across like I am cap in hand. I believe that I am worth and deserve to be treated better, but I believe that that was an admission that the system is not working for us and I found it very, very condescending.

Q95 **Kevin Brennan:** Do you do any of the new ways of connecting with fans, like Patreon and things of that kind? Is that a route artists should be considering as well as trying to get some more money out of streaming?

Nadine Shah: It is a route that I am considering but then, that said, there are many routes that I can take—I don't use a record label, I don't use this or this or this and I take on so much more of the work myself—but I believe that that would be detrimental to the music that I make. It takes up so much more of the headspace that I believe I need to make the work that I do. A lot of these other options are possibly a lot more viable for me financially, but I have the luxury of a dedicated substantial fan base already. There are many artists who are not in my position, who do not have a dedicated fan base attached to them already, and those services may not help them so much because they don't have that fan base to now talk to whereas I do. I can now turn to my fans, "I am taking it away from here and this is where I am going to put it" and I exist solely with that fan base and we connect that way.

Q96 **Kevin Brennan:** Guy, you mentioned earlier on that you didn't think streaming had had any detrimental effect on the way that you make music with Elbow, but in the music that comes across your desk, have you noticed the phenomenon of shorter introductions to songs? Is that something where the technology is affecting the way that songs are being presented?

Guy Garvey: You have reminded me that we have altered the intro to a song for fear that it would not be included on playlists. We had a long introduction to the first song on our last album, which we clipped for streaming use. Yes, there is that, but Elbow is an album band. We never had the conversation. We never discussed whether or not we were an album band. In those terms, plenty of bands or artists who are contemporaries of ours don't consider the recording the finished artwork. They consider the recording as some recorded versions of songs and the songs are an entity on their own. But for us the end goal was an album and because we never discussed it, whenever we have conversations about what to do in an instance like, "Will you trim that intro so that it will be included on a playlist?" we will say, "Yes, if it leads people to the album."

That might be an old model in some people's eyes but it is certainly the way I still listen to music and there are plenty of new album listeners out there. I don't think there is anything wrong with playlists. I don't think there is anything wrong with algorithms if they lead people to music they would not have otherwise heard. I think they are great. I think curated is a lot more interesting and a lot more exciting. Also, I think if the streaming platforms did have an open relationship with musicians they would find their creative input to be to everybody's benefit. I would rather hear what Ed listened to when he was making his solo album than have it algorithmically delivered to me, and I think other people would as well. There are all kinds of scope for co-operation here if the basic question of whether or not there is a problem is answered honestly by all parties. That is the exciting thing about being a part of today. If we can all acknowledge there is a problem, we can work it out together.

Q97 **Kevin Brennan:** Finally, Ed, I have had some meetings over the last couple of years with Imogen Heap about blockchain and its potential as a technology perhaps to solve some of this problem about whether or not artists are able to trace and identify the money that they should be getting for the use of their music. Is that something Radiohead or you have taken an interest in, and do you think that kind of technology might be another way of trying to make sure that people get paid?

Ed O'Brien: I don't know enough about blockchain. Imogen has worked tirelessly on it, and there were elements of it that really struck me that I love. We have a problem with data that was outlined. This digital era requires a proper global database. I don't know if you guys know, but on a stream it doesn't say who the songwriter was. There is a real problem here. What Imogen was trying to do was to address that, but I do not feel confident enough to answer that question properly. Sorry, I am not up to speed entirely with blockchain.

Kevin Brennan: That is fair enough. It is very patchy. You can dig down on streaming services and find out who the songwriter is through clicking on the three little dots sometimes, but it is very, very patchy as to whether that data is there, and indeed the production data as well, which would need to be there for people to get paid. Perhaps that is another area we might have to say something about in relation to data.

Q98 **John Nicolson:** We have heard some extraordinarily moving testimony today. In particular, the fact that you, Ed, were prepared to talk about mental health issues is very unusual. As somebody who actively campaigns on this issue, I thank you for the fact that you did that, and you too, Nadine.

Nadine, I will start with you. I think you have been incredibly brave to talk in such personal terms for us. You have talked about financial struggles, which I think all of us have found really shocking. I will reassure you; you said you were worried about coming across as cap in hand. You have certainly not done that; you have just made a very reasonable point that you should be paid fairly for your work. I will ask you a basic question: what would you like us to do on the Committee? What would you like us to recommend that would make things easier for people in your position?

Nadine Shah: Thank you. First, thank you very much for this inquiry; I am very, very grateful for it. Speaking on behalf of many of my friends, my fellow musicians, so many of them are scared to speak out because, myself included, we do not want to lose favour with the streaming platforms, and we do not want to lose favour with the major labels. But what—

Q99 **John Nicolson:** I am sorry; are you worried? Are you worried that by putting your head above the parapet you could be punished in some way?

Nadine Shah: You called me brave, some have called me stupid, but I am used to it.

Q100 **John Nicolson:** I am sorry; can I ask you about that? What kind of punishment do your friends fear could be incurred by doing what you are doing?

Nadine Shah: It is something that I do not want to speculate on, and like I was saying before, it is maybe a darker territory that I do not want to go into so much.

Q101 **John Nicolson:** You do not want to give them ideas?

Nadine Shah: Yes, or that. Yes. Like Guy was saying before, I do not want to be in a huge fight with record labels. I do not want to be in a fight with streaming platforms. I also think Spotify is brilliant, and I use it, and I pay my subscription to Spotify. Spotify enables me, as a lover of music, all things weird and wonderful, to access catalogue to some really quite obscure artists. I love Iranian psychedelic music. I love music that is ethio-jazz. I love Ghanaian music made in west Africa. There is a lot of music that I love that I have access to via this platform, and I am grateful to this platform for that.

But I worry about whether the artists that I listen to are being treated as unfairly as I believe I and my fellow musicians are. What we can do, what you can do with this inquiry, honestly, I have been feeling pretty hopeless—pretty hopeless—and I know that I speak on behalf of so many of my fellow musicians when I say that. But this actually has made me feel very hope-ful, and that is very exciting. I find this whole inquiry extremely exciting, and I am very grateful.

Q102 **John Nicolson:** Thank you for that. People do not often say that to us. That is exactly what these inquiries are meant to be about. I am a journalist by profession, and what I like about the inquiries is that you can ask the experts questions and they can give you answers, and if you don't understand the answers you can ask other questions, and then you can compose a report that you hope will help advance good policy making. That is why I am keen to know from you specifics that you would like us to include in our report which will help.

Nadine Shah: Thank you, John. Thank you so much. I will go back to what Tom Gray was saying earlier in the first session, in that I started to do my homework, and the answer seems to be equitable remuneration—equal pay for equal work. I do make meaningful income from my PPL, so I do not see why that should not be able to translate to this model as well. That is mainly my line. I do not believe this will answer all of my questions or solve every problem, but I do believe that this is a step in the right direction and the knock-on effect of providing this legislation could be phenomenal for so many of us musicians.

Q103 **John Nicolson:** We talked about the user-centric model. Would that help you? I am not an expert in this by any means, but I was quite surprised to discover that if I sit and listen to an artist that I enjoy there is not a direct correlation between the music that I am listening to and what that artist gets. I didn't realise that. I really want to encourage obscure musicians, young musicians, and musicians who might have been forgotten about, for that matter. I want to encourage those, and I don't want my tiny contribution to go to big, successful artists who are already rich anyway. Would this user-centric model, if we were to recommend it or try to help secure it, work for you?

Nadine Shah: I hope so, and I am an advocate of it also. Anybody who is spending their hard-earned money on anything wants to know where it goes. If I am talking to my fans, for example, many of them get in touch with me and they say, "What is the best way for us to listen to your music?" because they want to. Just like that YouGov poll Tom was talking about earlier on, most fans want to know that the artists that they love are being treated fairly. They also want to know that those artists are going to be able to continue to make music that they love. I think the user-centric payment system is a great model. How realistic that is, because of these conversations I have been overhearing about Deezer and all the rest of it, I don't know, but yes, I think it is a brilliant, brilliant model, and I am all for it, personally.

Q104 **John Nicolson:** Okay, that is very clear. I will move on to the other subject that I raised with the first panel, and that is Brexit and the effect that Brexit will have on artists who tour, the ability for artists to get in and out of the UK easily, and for their fans to get in and out of the UK easily. The first panel was pretty damming about Brexit and Brexit preparations. What is your sense, as an artist, about where we are placed, with the weeks ticking down to the cliff edge?

Nadine Shah: Personally, I find it terrifying. Touring is very, very expensive for me. I have only recently been able to make a decent profit from touring after many, many years. As a solo artist I have to pay my session musicians, and I choose to pay my session musicians fairly and well; I hope they would tell you that. There is a whole team of us, and like we were saying, it is a family. It was so beautiful; I remember my first time touring around mainland Europe. I was in France, and a very good friend of mine from Germany said, "I will be there." I said, "But I am in France and you are in Germany." He said, "Oh, you. Because of a bit of water around you, you don't realise." That was the beauty of it. I felt so connected to mainland Europe. It was a really beautiful thing. It has been my bread and butter for a long time, as it has been for so many other musicians.

Unfortunately, I have not been able to tour the US, because the visas are far too expensive for us to undertake doing that for each one of the members of my band. For me to pay for each visa, it has not been possible for us. However, Europe has been, and I worry, because the festivals pay us well and they pay us fairly.

Q105 **John Nicolson:** That is where you make a big body of your income that gets you through the lean months?

Nadine Shah: Yes, the majority of my income comes from my paid tours, but that has taken a long time. That has taken a really long time. I am on album four; I would say it was by album three that I was able to make that kind of profit from touring live.

Q106 **John Nicolson:** Thank you so much. Let me ask a couple of quickies. Guy Garvey, thank you for your very powerful testimony. I am sorry you were up at 5 o'clock in the morning worrying about this. We are pussycats, really. I love the idea that you use something like Spotify to listen to older artists. It is strange, but the other day I was listening to The Ink Spots on Spotify, because I was talking to my partner about my grandma and what her favourite music was, and I just remembered that The Ink Spots was a band that she loved. I found The Ink Spots on Spotify, and I started listening to The Ink Spots. It rather upsets me, Guy, that The Ink Spots' descendants—because I am sure we are on to the grandchildren, maybe great-grandchildren now—will not get a penny from me listening to The Ink Spots. It seems that there is a consensus growing that when we listen to streamed music it should be user-centric in order to help artists.

Guy Garvey: I believe so. I am sure that it is not without its complications in implementing it, but I just cannot see a downside to an artist receiving money that directly reflects the depth of affection the listener has for the music. In terms of whether the user-centric model favours bigger artists, I don't care how successful Drake is. I don't care how much money he makes. Good for him. Ed Sheeran worked his balls off to get where he is. I remember Nadine telling me she used to see him jumping up on stages all over Camden without a microphone, plying his trade. I think, "Great, you guys, go and be successful." We need the next one. We need the next Ed Sheeran, and we need to make sure that the platform is broad so all these people come up. I also want to know that when people make music that only appeals to 1,000 people, but touches them to their soul, that that is reflected somehow monetarily. It is something akin to the way that radio popularity is worked out, but I don't know quite enough about that. It is not just figures; it is reach, or something like that. What was your question, John?

Q107 **John Nicolson:** That is loud and clear. All of us on the Committee have the message.

Ed, I will finish with you. Again, many thanks for talking about mental health issues in front of the Committee. It is hugely important. I will pursue the line that I was asking Nadine about—the effect of Brexit on the music industry. For bands that tour, it is enormously important, isn't it, to be able to cross the border back into the UK and out again really simply and without paperwork? I have been quite shocked by the evidence we have had today from every single witness who tells us they have had no discussions, and no industry discussions have taken place, apparently, with the UK Government about this. We seem to be utterly unprepared for what is going to happen on 1 January, and that will have a big effect on bands that rely on the summer festival market for a significant bulk of their income, which then has a knock-on effect to what people listen to in the winter months.

Ed O'Brien: Absolutely. We are not prepared for it at all. When I talk to my managers, people are just waiting. They say, "We don't know what is going to happen". It is huge. It is massive. It is interesting hearing Nadine say she has not been to America because the visas are prohibitively expensive. I have been lucky because I have done a lot of touring in America, mainly Radiohead, but also solo. It is really hard getting in there. Especially in the last four years, it has been even harder. One of the things as a young band with Radiohead was that ease. Basically, from 1991 through to 1998 we didn't stop at all. If we weren't making an album we were touring. So much of that touring happens outside the UK, and it happens in Europe. It is about building your tribe, building your following, and going back there. It is an essential part.

The summer festivals, in terms of not only the way that you grow—our first festivals we were on at 11 o'clock in the morning and Rage Against the Machine were on—you learn your craft through that as well. It is not just monetary, it is an education, and it is a rite of passage. To have access to that and to let it flow is so key. It is so important for young artists, middle artists, even bands like Radiohead. Radiohead is a different example because we can probably get around any problems like that because of the sizes of audiences, but it is so key to sort this out.

Q108 **Steve Brine:** Thank you very much, everyone. It has been a privilege. We could carry on all day, but you have other things to do, and the broadcast team will cut us off. I wonder, Guy, if you were aware that the guy who runs the Apple Music streaming service gave an interview a couple of years ago and said, "We are not in it for the money." They use it as an incentive to encourage users to buy the iPhone and the iPods and then to stay in the Apple family, the Apple ecosystem. Basically, you are click-bait. Does that rather sum it up?

Guy Garvey: I have heard it before, because of how devastatingly insulting it is. It is too easy to come out with things like that. It is too easy for a company like Apple to say that they are the point, and their product is the point. I would argue that a phone that plays music is popular not because it is a phone. The general attitude needs to be that this is not content. The word content is so offensive. It is a brilliant device. They are brilliant devices, and I use them, but that is really insulting.

Q109 **Steve Brine:** On festivals, as has been mentioned, we are also doing a piece of work looking at festivals, which I think you would find interesting. Obviously, they are taking a huge hit this year. Most of them have not happened, even the biggest of them all has really struggled, and we have to make a decision very soon as to what will happen next year. If this does not change, this inquiry and what we are talking about, given that there will almost certainly be festivals that do not return as a result of this pandemic, what impact do you think that has on the talent stream, the next round of click-bait for Tim Cook?

Guy Garvey: I think festivals are as much a foothold to find your audience as radio play, as being included on a play list, and as being recommended in print. Going towards what Ed was saying there as well, the first time I felt like Elbow could consider themselves successful was when Jarvis Cocker nodded at me, or Ian Brown waved at me, or when Belle and Sebastian challenged us to football. The privilege of being a working part of the music community is not lost on any of us, because we love music in order to get there in the first place. I have to say, I find this in people who work in the music industry right across the board. This whole conversation, what needs to happen next, we need to come together. We have heard artists banging on about labels before, throwing stones at the giant, and demonising record labels as being this thing. They promote and they lift up what we do, and they get it out there, and the streaming platforms are the latest thing in all of our armoury to connect with our audiences.

What we are seeing is foul play, and we need to put a halt to it, and we need to put some things in place in law that will stop it happening again. We want to improve what is already there, but when I was listening to Bessie Smith this morning, thank God somebody pressed record and I could hear her voice from 100 years ago. They are an integral part of what we do. I also think that the people that are listening to music at the other end need a voice in this as well. People are now very responsible about what they eat and how they shop for clothes. I think they consider themselves responsible, and I think they would like to be able to ethically source their music.

Q110 **Steve Brine:** That is a brilliant way of putting it. Finally, Guy, because you are obviously a radio presenter, do you have any view on the ongoing discussion around "Fairytale of New York"? The delicate listeners of Radio 1 will be spared the original lyrics, but the rest of the stations will make a choice, and 6 Music will alternate between the two. I just wondered whether you had a view on this latest twist—the historical correction?

Guy Garvey: I do, a very firm one. That song is a songwriting masterclass. What it does in four minutes is beyond comprehension. It is so beautiful. You won't believe how long the intro is compared to the rest of the song, for a start. And for something so beautiful to be lost because of an offensive slur, I think is a crime. I am very in favour of the lyric being changed, because I want to hear it again and again, and I want to do that without any feelings of guilt.

Steve Brine: Okay, lovely. Thank you very much for your time, all three of you. It has been a real privilege.

Guy Garvey: Cheers. Thank you very much.

Ed O'Brien: Thanks very much.

Guy Garvey: And thanks to Tom Gray.

Chair: Thank you. That will conclude our session. Thank you to Guy Garvey, Ed O'Brien, and Nadine Shah for your evidence today.