

Culture, Media and Sport Committee

Oral evidence: Creator remuneration, HC 156

Tuesday 12 December 2023

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Members present: Dame Caroline Dinenage (Chair); Kevin Brennan; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; John Nicolson; Jane Stevenson.

Questions 91-166

Witnesses

I: Professor David Hesmondhalgh, Professor of Media, Music and Culture, University of Leeds; Merck Mercuriadis, music industry executive, artist manager and entrepreneur; Nile Rodgers, artist, producer and Chairman of the Songwriters Hall of Fame; Dr Hyojung Sun, Lecturer in the Business of Creative and Cultural Industries, University of York.

II: Paul Clements, Chief Executive, Music Publishers Association; VV Brown, singer-songwriter, record producer and board director of the Ivors Academy.

Examination of witnesses

Witnesses: Professor David Hesmondhalgh, Merck Mercuriadis, Nile Rodgers and Dr Hyojung Sun.

Chair: Welcome to this meeting of the Culture, Media and Sport Committee. Our session this morning continues the Committee's work on creator remuneration, and revisits work we have done on music streaming—the Committee has had an ongoing interest in music streaming for some time. We are joined today by Professor David Hesmondhalgh, professor of media, music and culture at the University of Leeds; Merck Mercuriadis, music executive, entrepreneur and founder of Hipgnosis Songs Management, Hipgnosis Songs Fund and Hipgnosis Songs Capital; Nile Rodgers, multiple Grammy-winning artist, producer and chairman of the Songwriters Hall of Fame; and Dr Hyojung Sun, lecturer in the business of creative and cultural industries at the University of York. My goodness me—saying all that is a mouthful. Thank you so much for joining us today; you are all very welcome. Before I start, I remind Committee members to declare any interests before you get to your questions.

Dr Huq: I've got one, but I don't have a question.

Q91 **Chair:** You will in a moment—we will make sure you have it. I will start the questions, as is my Chairman's privilege. Nile Rodgers, our Committee has made it our mission to uncover how streaming impacts musicians' remuneration, and its impact on the music industry more broadly. As our most experienced panellist today—albeit with probably more energy than I can usually muster—will you start us off? How has streaming changed and disrupted the music industry over your career?

Nile Rodgers: This is a really interesting question, because whenever people say "streaming", they think it is the one thing we are talking about, but streaming is just the process by which music is moved from one place to the other. What has happened with the business surrounding streaming is what is really important; the business that surrounds streaming has changed things considerably, and not for the better.

Streaming is, in fact, amazing. When it first appeared in our business, I was one of the people who said we should bring the streamers into the music business, because I was so happy that I was able to acquire titles that I couldn't get in retail stores; it was so exciting to me. Everybody ganged up on me and said, "Oh, those people are stealing our music," and I'm saying, "No, they have come up with a process by which they can deliver music all over the world." So I feel uncomfortable when we just say "streaming", because it is not streaming but the business that surrounds it that could be so much better. If you make it very simple, and you think that streaming is the way that you move the product from this place to that place, while the quality of the product stays digital and never degrades—that is amazing; it is absolutely amazing. Because that lowers the price of everything, what should naturally happen is that the people who are providing the music should make more money, because all the



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costs that they used to have have gone away. I hope that makes it simple. I want to make it very, very simple.

Q92 **Chair:** That is the theory, but, in your experience, how has it changed the music industry?

Nile Rodgers: In my experience, when we are just talking about financial remuneration, that is the problem. If I have a business and all of a sudden my costs go down exponentially, then what I pay out to the people who support my business should go up, because I have plenty of money to go around. Typically, if you just take my simple business, if I make hit records and my audience becomes bigger, I pay the people who help me to create my business more money. That is just what I do. It just seems the natural human process. Why wouldn't you do that? If I have more money and I can spread that around, I will do that. That is, in a very over-simplified way, what we are asking. It is not some complicated mathematical problem; it is a very simple human problem.

Q93 **Chair:** This Committee recommended a reset of streaming in our report a couple of years ago. Have you seen any evidence that that reset is beginning to take place?

Nile Rodgers: Yes, I have. First of all, I have to say that I am the oldest person in this room. I am 71 years old; I have been doing this for 50 years of my life, and in 50 years, you would have thought that, with the advent of all the new technologies, people like me would have a much better life, that things would be easier and we would all profit together, but that is not the case. There is something dreadfully wrong with that.

Q94 **Chair:** Dr Sun, can I ask you the same question? Are you seeing evidence of the reset that this Committee advocated for in our report?

Dr Sun: First, thank you very much for this opportunity to share my thoughts with you today. I did my PhD on digital disruption, and how it actually did not happen in the marketplace. As Nile was suggesting, we had a prediction about disruption, but it did not happen. The main reason for that is that the rights holders, who had power coming from the bulk of rights, found a way to reposition themselves in the new economics of music streaming.

To answer your question on whether there was a reset, I think that some small but significant changes have happened, including some agreement on metadata, and I believe that contract transparency will be released at some point, although I do not have any details. There were some voluntary measures taken by industry stakeholders, who either wiped out or disregarding unrecouped advances, which allowed some musicians to start seeing the royalties from streaming. I believe that that would not have been possible without the Committee's intervention.

I believe that we have come a long way. Even the fact that we are having this conversation now says a lot to me; we believe that this has not happened before in the history of the music business, yet I believe that we



still have a long way to go before we can say that the music industry has been reset.

- Q95 **Chair:** With that in mind, Professor Hesmondhalgh, what are the areas in which we still need to make progress?

Professor Hesmondhalgh: I understand that there is a great deal of tension between stakeholders. I understand that it is difficult, but things seem very slow, and they seem to involve matters that are somewhat marginal to the real power issues—the real issues concerning creator remuneration. It is important to realise that a relatively small number of people earn substantial money from recorded music, compared with the number of musicians in the country. If we are concerned with the wellbeing of musicians, recorded music is only part of the issue. That came out in the survey for the report that Hyojung and I worked on with two other colleagues. Many musicians are struggling, and streaming, even as it has grown, still represents a source of income for relatively few people.

- Q96 **Chair:** This is an area in which the industry holds so many of the strings that must be pulled to solve the problems. It does not necessarily need Government intervention, yet so far we have seen very slow and limited progress. Nile, do you think the industry ever come to a consensus on this?

Nile Rodgers: In my heart, yes, because I am such an optimist and I really believe in music and music lovers. I have to just give you a brief history. When the music business started, all the people who formed the companies were music lovers. They would have sold their house to sign Ray Charles. They would have done everything, because they wanted to spread this wonderful art form to the world. The fact that they were able to sometimes make money doing it was an exciting proposition. Most of the people who run the business now are not necessarily music lovers. They may be music likers, but they love the money that music generates.

I am speaking only personally, but I can see and feel the difference now from when I started out. The good thing is that I have been doing this for 50 years, so I have been around those people who would sign an artist like me and keep me on board for a long time until I came up with a hit. Thank god, the first one I did was a hit—and the second one, and the third one, and the fourth one, and the fifth one. I remember there were other groups, such as Los Lobos, where I could not believe how talented they were. Warner Bros. would not drop them because it believed in their talent. It kept them on until they finally got the right project. That was a very different music business. These were people who loved artists and believed in their ability to flourish and hit the market at the right time with the right product.

You have to forgive me, because I am speaking as an artist. I am speaking as a person who does this because I love it. I lose a lot of money, but I also make a lot of money. That is because I work hard and I love it—I love the art form. I started with like-minded people, but it has changed so much. I am not dealing with the same type of people I started out with. I



am the same, but the business people are not the same.

- Q97 **Chair:** I will move on to the “Music Creators’ Earnings in the Digital Era” report. Dr Sun, can I start with you? Which of the findings from the report were most surprising and, in your mind, need addressing most urgently?

Dr Sun: First, we identified some misunderstandings about the way musicians get paid from streaming, potentially because of the changing economics of streaming. It is fundamentally different from the conventional economics based on pay per unit. In streaming, it is pay per stream; you pay £10, and then you get all the music in the world. That fundamentally changes the economics. Pay per stream was used as a way to understand streaming economics, but we identified that it is not necessarily the best way to do so. The way musicians get paid has more to do with the split of the pie, as we say. Musicians’ earnings had more to do with how the revenues were distributed among the different stakeholders, and their contract terms with the intermediaries, such as labels or publishers, than pay per stream.

Another thing that stood out was this: from my qualitative data analysis, I observed that the most contentious area was the share that the recording sector was receiving. It is argued that their share is based on the conventional model, in which the labels used to take a lot of risk with the manufacturing, storing, distributing and so on that was involved in physical products. Now that that has gone away, did that money go to the musicians? It is still a moot question. The recording sector argues that an increase in A&R explains why they still have to take that share, though our report has found evidence that the reduced manufacturing cost was not offset by an increased amount of A&R.

- Q98 **Chair:** Professor Hesmondhalgh, the report basically shows that the recording industry has not even really recovered from the era of digital piracy. Do you think we will ever see the industry recover to pre-2000 levels?

Professor Hesmondhalgh: I think we are nearly there; we may even already be there. You are right: I think that is significant. Sometimes we talk so much about streaming that we forget that it is about digitisation. That was one of the most striking things for me. We are barely back to where we were in 2000, in terms of overall revenue.

There are a lot more artists being streamed now; the figure was something like 400,000 per month in the random month we chose in 2020, versus 200,000 in 2014. That is a huge increase in the number of artists that are on streaming, but it is striking that it is still a “winner takes all” market. It is still an area where the superstars and the people associated with them get most of the money. A lot of the issues are about moving the attention and the money further down the long tail—towards the torso, as it were.

- Q99 **Chair:** What about the greater significance of catalogue music? What does that mean for the talent pipeline?



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Professor Hesmondhalgh: I think it has real significance. The Competition and Markets Authority report showed that 86% of music available on streaming services was more than a year old. Perhaps it matters more if it is more than 20 or 30 years old. Perhaps what really matters is how many living, working musicians are still gaining money, even if it is from back catalogue; but there is no doubt that the presence of catalogue is a huge factor in taking away money that would be there for musicians making new music.

Q100 **Chair:** Does anyone have anything to add on that point?

Merck Mercuriadis: Yes. I think one of the exciting things about streaming, and the reason why it has taken hold the way that it has, is the convenience. Part of that convenience is that the consumer is in charge and able to press play on whatever he or she wishes to hear. As the Professor was alluding to, 86% of the music that is played is over a year old, but more than 70% is over five years old, and catalogue very much has the attention of the music industry today as a result. That is why I think it is very important to recognise that these iconic songs that become part of the fabric of our lives and society are consumed over and over again.

One of the things that I think often gets lost is that people look at music as being entertainment, and it is that, but it is also food, air and love. It is one of the fundamental tenets of our life that people need music. If you got on the tube this morning at 8 am, you would see all these people with headphones on; people think they are being entertained as they go from point A to point B, but it is not entertainment. They are getting the sustenance that they need to get through whatever life is going to throw at them that day, good or bad.

People are consuming great songs whether they're living their best life or experiencing some of the challenges that the world has experienced over the last three or four years. They are taking comfort from, and escaping with, music. It therefore becomes even more important to ensure that the songwriters and artists who are responsible for this music are paid correctly.

Dr Sun: There is nothing wrong with listening to old music, as long as those who made it are compensated properly, but the problem is those musicians signed contracts between the 1960s and the early 2000s that tended to have contractual terms of very long duration, which is the life of copyright. They also had very low royalty rates of 10%, or even one-digit rates, compared to the modern streaming rates of 25%. When those musicians' rates were updated to streaming, and now that their music has got a new life on streaming, is it okay to continue that model?

Another problem is that if all the music is coming from back catalogues, where is the room for new musicians? When will we have new Beatles, or new Rolling Stones?



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Nile Rodgers: The great slang that is a truth in the music business is that this is the one business where after you pay off the mortgage, they still own the house.

When I got my first advance, my first record was a million-seller, and I paid it off right away. But guess what? I didn't own my product any longer. I did not get a chance to own it until some 20, 30 years later, and that is fundamentally not right. I wrote a book, and that book was, relatively, a flop, but now I own the book and I get to do a movie and all sorts of things.

It's a business that, in its inception—I don't know how they came up with the concept of how to do these deals. We were locked into these companies for a long time after we had made millions and millions of dollars. If you have an advance of \$1 million, you might pay it off right away, which I easily did, because my advance was only \$35,000 and I made millions right away, but I didn't get to go to my company and say, "Guess what? I've overpaid. Can I have my masters back and do new deals?" It's very strange contracts that we signed, and they don't quite make sense.

Unfortunately, musicians are typically not the most sophisticated when it comes to dealing with financial issues, because we are just so happy that we get a chance to play music and hear our songs on the radio. God knows how many times I've walked into an environment and heard a song that I struggled over on the bed. I hear it and I just light up like a Christmas tree, and I'm just the happiest guy in the world. I don't think about the music, and I don't think about the remuneration; I just think about the joy that it has given me as a composer to share it to the world.

As we entered the building today, all the police officers were taking pictures with me and singing "We Are Family". That is honestly what I do it for. I made a lot of money years and years ago. What you give back to the people as an artist is an incredible thing. You don't have to stand and look at the Mona Lisa to hear your art form coming back and making people's lives happy; you can just watch them walk down the street listening to your stuff. As an artist, there is no greater feeling I have ever had, and I still continue to have it.

Merck Mercuriadis: Going back to Dr Sun's evidence, these contracts that she was referring to—these legacy contracts that did not even contemplate compact discs, let alone streaming—are very, very difficult to renegotiate. This is where it is important to take on board the difference between catalogue and new music. There is always going to be a big, big audience for new music, and there is always going to be an audience for the classic songs that I was talking about.

If you have given the world "Le Freak", which is the biggest-selling single in the history of Atlantic Records, and "We Are Family", "Upside Down", "Let's Dance" and all of these iconic songs, and it is just as difficult for you as it is for anyone else to get the attention of the recorded music business so that you can get those contracts adjusted and are paid properly in a



streaming world, both as a songwriter and as an artist, that gives you a very strong indication of how serious this trouble is.

As Dr Sun did at the beginning, I would like to thank the Committee for having us, but I would particularly like to thank it for the incredible work it has done over the last number of years. The point that Dr Sun made about recorded music being at the centre of these issues is consistent with the evidence that we gave at the beginning of the Committee's work. But there is a tremendous amount of work to be done and, unfortunately, the music industry is not doing it for itself, although I hope that, one day, it will. Therefore, the work that you are doing as a Committee is incredibly important to us.

Chair: Thank you. Jane?

Q101 **Jane Stevenson:** For clarity, I would like to declare that I have accepted hospitality from Hipgnosis to attend a Nile Rodgers concert, which was fantastic, so thank you.

I want to turn to Professor Hesmondhalgh and Dr Sun. Your study found that the number of songwriters earning more than £10,000 has risen, but as a proportion it has decreased a little bit, and inflation has not been taken into account in that £10,000 figure. What implications are you drawing from that change?

Professor Hesmondhalgh: On the relationship of songwriters to performers, which is one of the many areas of tension, what our study found, partly due to the brilliant forensic work of our colleague Dr Richard Osborne from Middlesex University, was that between 2008, which is when streaming really gets going, and 2019 songwriters and publishers did relatively well. Things were pretty static for performers and record producers.

There is evidence that, in recent times, it has shifted a little bit and that performers and record producers are beginning to do better. That is partly because the continued international growth of streaming tends to favour performers, because songwriters are heavily reliant on neighbouring rights—that is, all those performance rights, broadcast rights and sync rights, which are not so much associated with streaming.

We found that the movement between 2008 and 2019 favoured songwriters somewhat, but things have moved a little bit away from that in recent research.

Dr Sun: Yes, I agree. I think this data has to be put in context. The publishing share used to be 8% before digital, and it has been updated to 15% or so. Just because it increased, that does not necessarily mean that it is appropriate. The CMA report has looked into this side of the division in depth. The focus was more on whether the publishing share was justified, but I believe they should also have looked at whether the recording share is justified. I believe that that would have given a richer account of the story.



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Q102 **Jane Stevenson:** Thank you. As a former classical musician, I have to ask about this: does the bias against pay per streaming in classical music, where a track can be half an hour long, as opposed to a three-minute song, need rethinking?

Professor Hesmondhalgh: I think there was some discussion of this at a previous Committee meeting, which I found very interesting. One of a number of proposed solutions that are being discussed, although maybe not as much as they should be, is whether there might be some recognition of track length. I do not hear much progress being made on those different models at the moment.

Q103 **Jane Stevenson:** Would it be fairer to have pay per minute after 30 seconds? Where is the best—

Professor Hesmondhalgh: I guess that is one possible route, but it would need more research and yet more working groups. As we have seen, those working groups seem to be evolving rather slowly and, as I think was pointed out previously, sometimes with a lack of transparency about what conversations are taking place.

Dr Sun: I have nothing to add. I agree.

Q104 **Jane Stevenson:** Nile Rodgers, can I come to you? You are Chairman of the Songwriters Hall of Fame. For songwriters starting out now, are things easier than when you started or are they becoming more and more difficult? What advice would you give to someone starting out as a songwriter?

Nile Rodgers: When you say “easier”, what does that mean?

Jane Stevenson: Easier to make a living, get established and feel that you are being fairly paid for your efforts.

Nile Rodgers: For me, it is much more difficult to make a living, and I’ll show you why. If the Committee will indulge me, I would just like to show you what my life was like.

This is a great industry to be in; obviously, I would not be in it if I didn’t believe that. But we all need to remember that we’re all in this together. When we do that, we can be successful. When I started out, Chic, my band, made our first record, which was accounted to us for more than 1 million in sales. My partner and I just split 3%. We were signed to a production company that took the bulk of our profits and more than double our remuneration. When I say a production company, they had no prior experience, but they did front us \$3,000. Though they had nothing to do with the creation of the song, they did give us the seed money to make the record, and we were quite thrilled because of that. We accepted it because, without the seed money, we would never have been able to make the record. But it was a massive ROI on their part—I mean, they made a fortune, and we did okay. They wound up on the cover of *People* magazine. They were a hot company that could find new songwriters.



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To make a long story short, the only hits they ever had were on our next two albums. We litigated to get our rights back, because they broke the terms of our contract within six months, when their egos got the better of them. They forgot that we were contractually obligated, and we had to perform certain duties and they had to perform certain duties. We all earned on my million-seller, and I was only getting 1.5%. I was a novice; I had never written a pop song in my life. I earned \$100,000, which in today's money is equivalent to about \$400,000.]

So when you say "easier", I was just starting out. I was homeless, by the way. My homeless life changed, and we decided to get a litigator. Our attorney said to me, "Guys, be satisfied with what you have, because any part of a million is great." He was right; we made \$100,000 in 1977. That was a fortune for a guy like me who lived on the subway. The sales of that first single went on to drive live tours, merchandise and album sales. Album sales was the real money, because our single was just for sale for 70-something cents; the album was for sale for about \$8 or \$9.

On that point, songwriters could make a decent living back in the old days just by selling products and being able to audit companies that were dealing in hard goods. With streaming, you are not dealing with hard goods; it is whatever they say it is. So where are we today? Is there anyone in this room—I am just throwing it out there—who can say that a songwriter, who is the foundation of the entire music business, is getting remunerated anywhere on the level of a then-novice songwriter like myself?

I am sorry; I don't mean to cry, but it was life-changing. I never did anything, and I made \$100,000, simply because I wrote something that touched people's hearts. By the way, we were getting cheated every way you could imagine, because the guys that we had signed to had a contract that was giving them more than we were getting, and we wrote the songs. I just saw a post where superstar Snoop Dogg had streamed a billion. His remuneration was \$45,000 for streaming a billion.

Merck Mercuriadis: That is \$100,000 in 1977—\$400,000 to \$500,000 in today's world, in today's money—versus \$45,000 for a billion streams today. That goes back exactly to the point that Dr Sun was making about the split and how that split is very much focused on recorded music at this time.

Q105 **Jane Stevenson:** Thank you. A final question: with the internet and streaming and everything else coming along, do you think that songwriters in your guild are a bit more savvy than you were, perhaps, because there is information online about how to avoid getting into a really bad contract? Is that at least some sort of plus of now versus then?

Nile Rodgers: Some are, and some aren't, but that doesn't mean that they should be penalised for being artists. Typically when you are an artist, you are not necessarily thinking about those types of thing. You just want to create and create. If you are lucky, like me, you happen to connect. I always call it convergence. All these things in the universe that



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had nothing to do with me after I put the record out seemed to come into convergence. The record company, the radio station, the public, the discos and whatever all seemed to say these songs—"Everybody Dance", "Dance, Dance, Dance (Yowsah, Yowsah, Yowsah)" and "We Are Family"—were really great songs that they wanted to hear.

I was a little more sophisticated than most, which is why I was able to litigate to get out of my contract, and by my third album I had my rights back. But I think that the business should be set up just like the sports business, which is set up to take care of the people who are providing all this money and all this entertainment for the spectators. I hope that I am answering your question. When you ask if it is easier, even if it is just the same, even if it is a certain amount of people who are savvy who do well and a certain amount of people who are just in love with the art form—as I said, I did incredibly well just because I happened to connect and happened to have the talent and the passion and the heart to somehow write a hit record. I don't know why, but I did.

What I do today is exactly what I did 50 years ago. It has not changed. The technology has changed a bit, but my participation is exactly the same. I met with a filmmaker yesterday. He showed me the film, I looked at it and I said, "Oh, the song should be called 'so and so'. I'll go and write it tonight." He said, "I love that idea." It's the same thing I would have said when I did "Coming to America". I watched the movie and went, "Hmm, it should start with the Zulu language because blah blah blah." It's just an artistic feeling that you have. You may be right, or you may be wrong, but if you do a job, you get paid for your work. That is all we are really talking about: equal pay for your work.

Merck Mercuriadis: Could I add a couple things? Nile mentioned sports. I think it is important to point out that, whether it is the NFL in America, Major League Baseball, the National Hockey League, or the Premier League here in the UK, these teams that generate all this money and these leagues that generate all this money pay somewhere between 40% and 70% of the money generated to the players. We are obviously nowhere near that in the music industry—we are at a quarter of that.

Dr Sun: It is true that the royalty rates have improved, and a lot more choices are given to the artists when they are signing contracts. However, at the same time, there has been the increasing challenge of rising above the noise, because of the attention economy, which results probably in a very limited choice for certain musicians who really want to make it. In terms of understanding contractual terms, it is very important that there are power dynamics that are conceived to be imbalanced or skewed.

Jane Stevenson: I know there are so many more questions to come, and without getting into our football pyramid conversations, which is something our Committee goes into—

Chair: Yes, I am conscious of time; we have a lot of questions to get through today. I'm going to move on to Damian.



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Q106 Damian Green: Can I play devil's advocate for a bit? We are proceeding in this conversation on the basis that there are innocent, young, talented people doing what they love, being exploited by evil businesspeople. Sorry, I should declare that I have taken hospitality from BPI in the past. Is there any merit in the argument made by the major labels, which is that they throw a lot of money at a lot of people? You write a hit with your first song, and the rest is marvellous; but the other 99 people of the 100 they signed that year do not make money.

Nile Rodgers: They used to do that. They don't do that any longer. Look at the statistics: you put out a record right now, but you don't have 1 million followers, and you don't get any traction—boom! You are gone.

Merck Mercuriadis: I think it is important to say first of all that I don't think there is anyone who is evil. We are dealing with a paradigm that has existed for decades and decades, and that it is very difficult to get away from. I will give a response that also answers Jane's question about whether it is more difficult for songwriters today. When I started in this industry 40 years ago, there was what I would consider to be the post-Beatles paradigm. Artists wrote their own songs; they had a very good idea of who they were and who they would like to be. Anyone from U2 to David Bowie to Nile and Chic fit into that post-Beatles paradigm. The job of someone like me was to believe in them, and to put a plan in place that would bring that belief to fruition, but they were responsible for everything.

In the last 20 years, the music industry has become much more like it was in the '20s, '30s and '40s: the songwriter and the producer are very much the people responsible for having hits. Some 10% or 15% of the artists being signed today are in that paradigm that existed when I started; 85% rely on outside songwriters to provide them with their hits. There has not been a Billboard top 100 album of the year—one of the 100 best-selling albums of the year—that has not had an outside songwriter on it since 2014. Even Coldplay records have outside songwriters on them today.

The work that recorded music does developing new artists is excellent work. You are right: they sort of throw them out there 10 at a time, and one of them sticks and nine of them don't, and that has a cost to it, but the reason why the hit ratio is so much better today than one in 10 is because of the work of outside songwriters, who do not have the same income streams as the record company or the artist. They only get paid on the song.

Q107 Damian Green: What is the academic evidence for that? I get the point that there is no physical investment any more, because it is all streaming, and all music ever is on your phone, so the investment isn't there, but what do you say to the idea that there are risk takers out there, and a lot of their money just goes down the drain, and that is what we have to put up with?

Dr Sun: I have no doubt that publishers and labels take great risks, and their role will continue to be very important. Our research found that the



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claim that reduced manufacturing costs are offset by increased investment in A&R was not true. We could not find evidence that that was offset.

Nile Rodgers: I have to butt in and say this: at the very beginning of this meeting, I talked about Warner Bros. keeping Los Lobos on the label for years and years. You cannot find a label like that now. The thing is that they always love to say that. They love it. They go, "Oh, but we put so much money in." Believe me, I have worked with artists, and they get dropped right away. If they don't have a hit, they get dropped right away. They don't give you two chances.

For my first record, I was signed to a singles deal. If it had not been a hit, I would never have had an album deal. And that was back in the day. Nowadays it is nothing like that. The A&R people don't take a chance. You don't find some genius like a Prince and say, "Oh my God, let's develop him." Maybe Disney and companies like that, which have a long-term relationship with people because they're children, they're cute and whatever, can put in the time and do this, or the Korean companies do. But for the most part, the old paradigm has gone away. I see that all the time. I work with artists that I think are geniuses. I just told Merck today I want to try to get this girl who I worked with and who is phenomenal. She works hard and hard and hard and she's not making any money; and I'm thinking to myself, "Boy, if I can get her in my band, she's going to be a superstar and going to make us look great."

It is just not true, and I really hate the fact that they keep using that argument, which is completely archaic and just a—I hate to use a word like "lies", but it is a lie. They just do not do that any more. They don't.

Professor Hesmondhalgh: It is important to recognise one of the continuities in the new system we have, which is that it is a star-making business. There is that great song by Joni Mitchell that talks about "the star maker machinery behind the popular song". So those companies, be they majors or independents, are extremely important no matter what you think about what they do in creating the stars. While we all must recognise the absolute centrality of artists, songwriters and performers to the business, those intermediaries are essential, and the success of the majors, their domination of the most successful repertoire—well, you could read it as domination, but you could also read it, of course, as their skill in being the ones that build the stars most successfully.

Merck Mercuriadis: The dominance of—well, I shouldn't say "the dominance". The need for recorded music labels, particularly the major labels and the bigger independent labels, is never going to go away, because they have an infrastructure, around the world, that allows you to be able to create a product that will have a lasting effect. But A&R, to go back to Damian's question, is a data-driven system now, and thanks to streaming, you don't ever have to sign anyone or take a risk on anyone—a real risk—unless the public have already spoken, because artists put the records up themselves—I am talking about those 250,000 songs a day that are going up on streaming platforms. The ones that talk back are the



ones that the major record companies sign; and at that point, there is very little risk, because the public have already spoken.

Nile Rodgers: Taylor Swift is more responsible for Taylor Swift than any label. She is doing it herself. Artists who are on that level actually are the ones who—if you look at the difference between somebody like a Taylor and me in the beginning, I had to come up with a clever idea, which happened to stick. They come up with a clever idea, but when it sticks, it goes out to billions. I just went out to a few thousand and then it worked like, as they say, throwing a rock into a pond and it breaking in concentric circles—then the next person, the next person and the next person. Now, you get to hit the whole world. You really have to put it in context; it is not nearly the same as it used to be.

Q108 **Julie Elliott:** Welcome, everybody. I also need to put it on the record that I accepted hospitality from Hipgnosis for the Nile Rodgers concert, which was brilliant in spite of the rain that evening. The Competition and Markets Authority did an investigation into this. What are your perspectives on its findings regarding the market power of major labels, and why do you think that it decided not to pursue an investigation into the music market? I will go to Professor Hesmondhalgh first and then move along the panel.

Professor Hesmondhalgh: That report has an amazing amount of fascinating information in it for anybody interested in music. It is very, very revealing in all kinds of ways. Of course, I can see that that would not have come about but for the work of this Committee. So it is another thing that we should all be grateful for, and perhaps especially music industry researchers like myself.

My view would be that it understates the power of the majors, or fails to treat it in the way that many people interested in music would believe it needs to be treated. I can see why that would happen. The remit of the Competition and Markets Authority is the welfare of consumers—it takes the economist's perspective; it has certain limitations on what it can do. But its definition of what constitutes sustainable and excessive profits seems really quite limited. The definition of sustainable and excessive profits seemed extremely technical and yet somehow rather vague. I defy anybody to deduce from its explanation of its methodology how the profits were deemed to fall on the right side of that line. There is lots of evidence that the majors are making very substantial profits, and that they are growing.

There is a debate to be had about what action could be taken and what negative effects there might be from any fuller investigation, but I think it is a shame—it is unfortunate that there was not a fuller investigation. I know it would have taken a lot of time and a lot of money for a lot of people, but it would have allowed us to understand in even greater depth—but really helpful depth—the kinds of issues that lie behind the splits and the contractual issues that Hyojung was referring to earlier.

Q109 **Julie Elliott:** Dr Sun, you are nodding away, so you clearly agree with



the professor. Why do you think they did not pursue anything else?

Dr Sun: Part of the problem was the focus on consumers. As we all know, consumers got the best deal in streaming. They used to have to pay £10 per CD. Now they pay only £10 for the entire catalogue in the world. Having said that, that does not mean we should not look at consumers' welfare. I agree with Dave that they have done an amazing job. But in dealing with the division of splits, there was one fundamental issue, which is that they treated the publishing sector as one sector. My observation is that there is major publishing and independent publishing. They did not differentiate, which did not necessarily give a full picture of what independent publishers are facing. I also noticed that a lot of data were informed by the major stakeholders without any critical lens. They probably could have been a little more critical.

Q110 **Julie Elliott:** Do any of you think that a challenger to the majors will emerge any time soon on this issue?

Merck Mercuriadis: There are two things. First, from the point of view of the position of the majors—as I said before, I think there is always going to be a place for the majors because they have this infrastructure. If you are an artist in the UK, you don't want to just be successful in the UK, you want to be successful globally, and they have got someone in Brazil that knows the right things to say to the right DSP in Brazil, to the right newspaper, to the right radio station, and so on. So the role they play is very important, and it will continue to be an important role.

What has to change, though, is the agreements and particularly the split between how recorded music artists are paid and how songwriters are paid relative to the excessive profits that the professor was referring to. That is something that has to come through advocacy, like the advocacy we are doing at Hipgnosis, but also the important work that you are doing to bring this to the public's attention.

Back to your question about the CMA, that was a missed opportunity. I suppose the reason it was a missed opportunity is that, as Dr Sun was saying, streaming is good value for the consumer and streaming has absolutely changed the music industry. You can look at an 18-year-old person in the eyes today and say that the best days of the music industry are in front of it. This is a great industry to be in, but it is not yet as great an industry for songwriters and for artists as it is for recorded music companies.

Chair: I ask the panel to be as concise as possible in their answers. We have so much to pick your brains about that we want to try and get through as many questions as possible, but we are aware that there is another panel after you.

Q111 **Kevin Brennan:** I chair the music all-party parliamentary group, so I should declare that, as well as the fact that I have also attended and received hospitality from Spotify, the BPI, MPA, the Musicians' Union, the Ivors Academy, PRS for Music, PPL and probably many others as well because of my interest in this area. That is on both sides of the



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argument, I should make clear; I am happy to talk to people on both sides of the argument.

It was an interesting discussion just then about consumers. I am not happy as a consumer, even though I am getting a good deal, price-wise. When I bought a record when Nile was starting out in the industry, I can be pretty confident that some of the money—not enough of it—might have ended up in the pocket of the artist I love. As a consumer now, of course, when I stream, probably because of the nature of the music that I stream, that is not the case, is it, Dr Sun? What happens to my money, as a consumer? Where does it go?

Dr Sun: It is a good question. Dave, do you want to start?

Professor Hesmondhalgh: Without denying that there are important issues to be fixed here, I think it is a little bit simplistic to say that there was a time when the money went directly to the artist so that you could be confident that the money you were paying was going—

Q112 **Kevin Brennan:** I still have my 50-year-old copy of “Ziggy Stardust”, which cost about £2.19 at the time. Surely David Bowie would have got some of that money, wouldn’t he?

Professor Hesmondhalgh: What I was going to say was that a lot of the way in which you were consuming music back then was not just that purchase. It would be radio and television. You probably first came across David Bowie via television or radio, I imagine. There has always been a complexity and an opacity to the way in which the money flows. Of course, back in those glorious days, there were huge problems of exploitation and huge problems of asymmetry in contracts. To be honest, my view is that streaming could lead to an improvement in the terms for musicians in the longer term. I think it would be very difficult to find those political solutions.

Q113 **Kevin Brennan:** Briefly, what is the mechanism to do that? It is not happening now.

Professor Hesmondhalgh: As we were saying earlier, the progress that is being made, even in Britain, which has taken the lead, seems to be extremely slow. If you are asking for my personal opinion, I think a lot of this, if we are concerned with musicians further down the long tail, in the torso, is actually about other things, such as music education and so on, where some of the most significant advances could be made.

Q114 **Kevin Brennan:** This streaming model does not exist in nature. It was invented by human beings. As you said, the publishing share went up after 2008, but that is because it was lousy in the first place. That is the truth of it. Gradually, the shame of that got through and it eventually led to an improvement in that.

You were talking about transparency before, Dr Sun. We just had a session before this one—I am not going to reveal it because the briefing we had was in confidence—where the representatives of major record labels came in front of us to talk about their response to one of our



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recommendations. They talked about what had happened and how much money was being paid out to musicians as a result of that recommendation about old contracts that had not recouped and that streaming revenues from those should start being paid out to artists. Yet, the record labels are not even prepared to reveal publicly how much money artists are being paid as a result of that measure. Nile, did you want to say something about that?

Nile Rodgers: I did David Bowie's biggest album, "Let's Dance". I call David Bowie the Picasso of rock and roll. It used to piss him off when I'd say it; he hated it. But it was because I thought he was an absolute genius. Do you know that if someone like David Bowie came along today and it took him all those albums to finally make "Let's Dance" with me, he would not have? As a matter of fact, I do not believe that anyone in this room knows that David Bowie paid for that album himself. He was dropped after he did "Scary Monsters". He was dropped; he had no record deal. They gave him all that time to try to make a hit. He never made one. He called me up; we made one. I believe Mr Green brought this up. Those days of music lovers and supporters taking on this financial responsibility, and carrying the artists that they believed at some point in time might finally break, are honestly truly over.

Q115 **Kevin Brennan:** So there is a particular point, Nile, about the fact that there are artists who are unrecouped. They signed contracts before streaming even existed and they remain unrecouped, yet millions of streams have been generated by their music. Do you have any comment on that, Dr Sun? Do you agree that the record labels ought to follow Sony and roll that out on a year-by-year basis, so that more and more artists who are unrecouped are able to make some money out of streaming?

Dr Sun: I did some follow-up work as a co-investigator, along with Associate Professor Richard Osborne at Middlesex University, on contract adjustment and rights reversion. I believe they were selected for further investigation because of the perceived inequality that lay with the legacy contracts that you mentioned. Contract adjustments would give an opportunity for music creators to revisit their terms that might not have been updated to the modern way, and rights reversion addresses the issue you mentioned that the music industry is the only industry where you pay off your mortgage but still don't own your house.

There were a lot of concerns raised about the legal provisions introduced in the UK, but other countries have those provisions. In the States they have termination rights, but the US music market is stabilised, and we have found that those legal provisions tend to be a prompt for music creators to go back to their labels or publishers and resit or renegotiate their terms.

Q116 **Kevin Brennan:** You talked about the split being the important thing. I was hinting earlier about user-centric payment. In other words, down the line, there ought to be a situation where the consumer determines where their money goes. If somebody streams 24 hours a day every day for a week, it is their music taste rather than mine that determines where my



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money goes. That is the reality of it. I understand that there are difficulties with that, but let's get back to the split. Roughly speaking, the Committee concluded that the split was that 55% goes to the record, 15% goes to the songwriter and 30% goes to the streaming platform. What should the split be, Dr Sun, after looking at this market?

Dr Sun: I can't put my finger on it, but—

Kevin Brennan: Well, which way should those numbers be going? You must have an opinion.

Dr Sun: That is a difficult question to answer. To be able to answer it, we need further research on the share that the recording sector takes, which relates to the legal definition of streaming as well as the reduced cost for the manufacturer and whether that has been offset by A&R.

Kevin Brennan: David, you look anxious about what I was saying.

Professor Hesmondhalgh: Well, I am just not sure that there is action that could be taken to substantially shift those shares without—

Q117 **Kevin Brennan:** Had the Competition and Markets Authority gone through a full investigation, it might have led to recommendations. Those shares don't exist in nature; they were created by powerful corporate entities.

Professor Hesmondhalgh: Indeed, but the laying out of mechanisms by which those shares would be adjusted has not been discussed much.

Q118 **Kevin Brennan:** Did you see the private Member's Bill that I introduced based on the Committee's previous report?

Professor Hesmondhalgh: Of course.

Q119 **Kevin Brennan:** Might that not have had some influence had it been adopted by the Government?

Professor Hesmondhalgh: Are you talking about things like equitable remuneration, which we haven't yet discussed here?

Kevin Brennan: Indeed.

Professor Hesmondhalgh: Equitable remuneration, or performer ER for short, is a really important issue, and one that is being discussed. I take the view that it would be extremely helpful for session musicians, but I know that some people take a very different view about its desirability. I think that is somewhat different. We have seen the shares across recording rights, song rights and the music streaming services go up and down over the last 15 years. They are constantly in a state of readjustment within 2% or 3%, but should we take away 10% from the music streaming services? That would be to attack the very business model that, arguably, has led to some benefits for musicians, or at least the earners.

Q120 **Kevin Brennan:** We live in a world where just last week a Spotify



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executive sold their shares and cashed in while sacking a significant amount of their workforce. How on earth is that an ethical way to behave?

Professor Hesmondhalgh: We are going to have this system that is based on streaming for a long time to come. If there is going to be significant intervention, it would have to be a public service model that moves the attention, as I said at the beginning of this session, down the long tail towards the torso and favours musicians who are not getting sufficient attention in the present context. There are things to be done, but I am not sure whether we can just simply shift the shares between the three major entities.

Q121 **Kevin Brennan:** A user-centric model, I put it to you, might actually help the people who we are really talking about. We are not talking about the very, very long tail, although obviously Spotify has just dropped them, we are talking about the people who ought to be able to make a living out of music—credible people with a credible following who are being squeezed out by the current model. Anyway, I am not going to hog too much sun, so I will just ask Merck and Nile if they want to add anything.

Merck Mercuriadis: There is no question but that when you look at the 30% that is going to the DSPs, you can make an argument that that should be a little bit less, but that is not really the material point. The material point is really the 55% versus 15%. Within that 55%, it perhaps to some people would appear that maybe the artist is doing quite well, but the artist is not doing well either. The majority of that 55% is going to the recorded music companies.

Kevin Brennan: And 80% of songwriters are artists anyway.

Merck Mercuriadis: Correct. Exactly, mate.

Q122 **Kevin Brennan:** So they will get a bigger payment on the pound on that side than they would do on the recording side.

Merck Mercuriadis: Correct. But at the same time though, that split of 55% versus 15% does have to change. I met the head of business affairs for an American record company a couple of weeks ago and they said, "What do you think? Do you think there needs to be parity? Does it need to be 50:50?" and I said, "No, it doesn't need to be 50:50, because we do recognise that you're doing a level of development that's required and you've got this worldwide distribution and this worldwide infrastructure and so on, but there does need to be an improvement on that 15%." I would say that it needs to be somewhere above 20%.

Nile Rodgers: I have not seen a proper audit like I used to see in the old days. When I had a problem with any record label, I was able to go back to the source and get a real audit. Since these contracts are under NDAs and things like that, I don't really know. We have some kind of idea, but I don't have an absolute—

Q123 **Kevin Brennan:** By the way, has anyone heard any inkling that artists



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are being told that if they expect to get some of the money from the forgiving, if you like, of the recoupments of 20 years ago on their streaming, they have to agree to not ask for future audits? Has anyone come across that? Is that on anyone's radar?

Merck Mercuriadis: Yeah, I have heard that, but Nile's point about transparency is absolutely true. When I get my pay check at the end of the month, I can look at what it says my gross pay is and I can look at the deductions. If the deductions and the net amount totalled the gross pay, then I know that things are probably okay. A songwriter or an artist gets a statement sometimes every three months if they are lucky, but most times it comes every six months. They have no idea what they are being paid for a stream. So you can walk into your bank manager's office and say, "I've sold 50,000 records this month" or in this period. The bank manager would say, "Okay, what's that worth to you? What are you expecting?" and you can only answer, "I have no idea."

Kevin Brennan: I have a final observation on rights reversion. Someone pointed out to me that Adam Smith, who wrote "The Wealth of Nations", the great book about the free market, actually made all his money because the rights to the book reverted to him after 14 years and that is how he made his fortune. That is another recommendation from the Committee, obviously.

Chair: A wise man.

Dr Huq: My main declaration is not having accepted loads of money, but that David and I wrote something together.

Damian Green: No one has accepted loads of money!

Dr Huq: Not loads of money, loads of hospitality! Sorry, let's get this right: loads of hospitality; it is not pecuniary anything. Anyway, I did go to the Ivor Awards so, yeah, I have accepted hospitality from whoever paid for my seat there.

Kevin Brennan: The Ivors Academy, probably.

Dr Huq: Yes, the Ivors Academy.

But my main thing is that David and I wrote something together—I have just googled it—in 2002, in a former life, and I have never seen any royalties from that, ever.

Professor Hesmondhalgh: Sorry, Rupa.

Dr Huq: Never mind. Anyway, you have gone on to great things since then.

Professor Hesmondhalgh: I didn't see any either, by the way.

Q124 **Dr Huq:** It is like that in academic publishing. Actually, I have a quick question for the academics. When we did the gambling inquiry, it looked like a lot of the gambling research was funded by betting firms. I do not



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know whether it is the same in academia. The AHRC and the European Research Council are listed here. Are those bodies funding you to do this sort of research? Do they think, "We have given it to you; that's done now"? It is such a fast-changing environment. Does it need a refresh?

Professor Hesmondhalgh: I am doing a project that is funded by the European Research Council. It is ongoing research. The kinds of discussions that you have in places like this are really important to me.

Dr Sun: I am conducting some research that is funded by the AHRC as well, but the research that we did on musician earnings was commissioned by the IPO. The scope of research was expanding because of the increased attention on this matter, and we were looking for some money from the AHRC. Because of the fast-changing nature and because it takes forever to get the funding, we were not able to actually get it.

Q125 **Dr Huq:** It is faster than those bodies can go. That is interesting. When we were in popular music studies back in the day, it was often people doing it on the side of something else. I was teaching research methods, and the stuff we wrote on dance music was a little release from that.

I have some questions for Merck and then one small one for Nile at the end. You said that your main mission is to ensure that the artists whose catalogues you look after are getting a fair deal—and better than any other model. You also said that when things moved to CD, you got a historical back catalogue. Are you looking after songs more than people now? Is that the way it works?

Merck Mercuriadis: That is exactly what Hipgnosis Song Management does. The songwriters that we buy from are songwriters who have written very successful songs and have great legacies. Of course, we look at after them to protect those legacies, but really we are managing these iconic songs that they have written—songs that, as I was saying before, are part of the fabric of our lives.

Q126 **Dr Huq:** And how do you get a fair deal for those people? Is it a difficult conundrum?

Merck Mercuriadis: The reason why Nile and I created the company is that I had had very privileged career looking after people like Elton John and Guns N' Roses—wonderful artists who made money from songs, touring, name and likeness, recorded music and so on. At some point in my practice, I allowed songwriters to start coming through as well. What I then saw was the disparity between what a songwriter was being paid—someone like Diane Warren, who writes an incredible song like "I Don't Want to Miss a Thing" for Aerosmith and gets paid a tiny songwriter royalty—and the band getting paid \$1 million a night for playing that song live. The record company is making tons of money. Everyone is making money except for the songwriter who is actually responsible for generating all that money in the first place.

When I started to recognise what the issues were, I thought that I needed to go outside of the music industry—into the investment community and to the institutional investors—and get them to decide what the value of



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these incredible songs is. We therefore pay the songwriters we are buying from fairly and equitably for these iconic songs that they have written—not by music industry standards, but by the investment community standards.

Q127 **Dr Huq:** Nile, you said that streaming is just another way of getting the stuff out there. It feels like a very democratic way that this can be accessed compared with before, when there was “Top of the Pops” at 7.30 pm on Thursday. Do you know what I mean? There were a small number of windows.

Merck Mercuriadis: Streaming is incredible. We have gone from a paradigm in which extraordinary success was a platinum record. If you take the United Kingdom, that is 300,000 records. If you take the United States, that is 1 million records, in a country that has 360 million people in it. That tells you that a successful record is 1 in 360 people. People might love music, but they didn’t love it enough to put their hand in their pocket and pay for it.

That has been replaced by 100 million homes in the United States each paying \$10 a month for a premium music streaming subscription service. The access that people have to music is incredible, and they are paying for it, but those payments are not being split fairly and equitably with the artists and the songwriters.

Nile Rodgers: Mr Brennan said it so perfectly: if you love David Bowie and were listening to him back in the old days, you knew that some of the money that you paid was going to David Bowie. As a matter of fact, a fair amount of that money was going to David Bowie, based on his contract.

These things need to be less opaque now; things need to really be very clear and transparent. This is the thing that always bothers me. I say to my friends in the business—I call them my friends, because we still have dinner with everybody, we still go out together, we are on their big yachts and all that sort of things—that the truth of the matter is that if there is any time to fix this, it is right now, because all you are going to do is see it go up and up. It is the right time. The perfect time to fix it is now, because we are all going to see this escalation in profits together.

It just frustrates me, because I believe in my heart that we are all nice people. We want to do the right thing, and there is no better time to do the right thing. Merck said it earlier: this is probably the best time to be in the record business, because it is only going to get better as the technology and accounting methods get better—they are pretty damn good now—and it becomes clearer. Why would you not do it now? You could base it on nothing but growth. That is what is going to happen: there is going to be growth.

As Merck said, when we first started Hipgnosis, there were a certain number of people in the business who paid for whatever services—Pandora, Spotify or whatever—but it is just growing every year, every year, every year. Some countries that don’t have very sophisticated DSPs are allowing access on cell phones, so it is just going to get better and



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better. I travel around the world all the time, and these kids, they hear the music, and they know it all.

Merck Mercuriadis: One of the very simple fixes is related to metadata for songwriters. Currently, if you have a record on Spotify, Apple or any of the DSPs, there are two payments that are made: one is paid for the actual recording that you are listening to, and the other is being paid for the publishing and the songwriters. The metadata for the recording, the ISRC, goes in at inception, but the metadata for the songwriters, the ISWC, currently is not being added to the metadata. That would allow for a tremendous amount of money to arrive in the hands of the correct songwriters.

What happens right now is that Spotify has to declare at the end of the period, "These are the songs that we paid." That gets sent to all the performing rights societies, which then claim for their works, and about 30% to 40% of those claims don't get made properly. If the ISWC was there at the inception of the recording, going into the DSP, songwriters would be paid automatically in the same way that record companies are paid automatically.

Q128 **Dr Huq:** Is it easier to manage the back catalogue of someone like a Bowie or The Doors, or, I don't know, all these people who don't turn up late and don't get drunk? Or is it more complicated?

Merck Mercuriadis: No, it's easier, but it's easier because the songs are iconic. You don't have to convince someone that "We Are Family", "Sweet Dreams (Are Made Of This)" or "Under The Bridge" is a great song. You just have to put the time and the effort into managing it to get better returns.

Q129 **Dr Huq:** What's the secret of eternal youth? You are looking good; I hope I look like that when I'm 71, anyway.

Nile Rodgers: At this moment, you're talking to an emotional artist. From the technical side, what Merck just pointed out, it is so easy to implement that you just don't understand why it's not happening. I think I know why. It's because traditionally the record business has been so incredibly opaque.

On some level, I really do understand it. I really do understand that if you have somebody who's just sold 1 million or 2 million records, and you have a lot of money, and you have somebody that you believe in, you want to take that money and shift it over to them. Let's go back to an old retail concept: the lower third, the middle third and the top third. You want to try to move that person from the lower third to the middle third—you just want to try to help them out, because you believe in them.

Right now, we have a system that can work so unbelievably well, so unbelievably efficiency—inefficiently—[Laughter.] As I said, I'm an emotional artist: please forgive me for forgetting the English language. But it's time—it really is time. And what's frustrating for me is that we've been fighting so long for something that is so simple and so easy to do. It



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makes absolutely no sense for this to be prolonged, unless there were some sort of nefarious—and I hate to say that type of thing—reason for not doing it.

I like money as much as the next person. Come on! But I also like dignity and I also like fairness. I mean, come on. I'd rather be a nice person than a greedy person. I like that. And now is such a great time to move into this new space, because of the technology. I mean, just imagine where we're going to be in the next two or three years, as, you know—

Merck Mercuriadis: The space is greed to nice? Is that it? *[Laughter.]* From greed to nice?

Chair: Talking of which, I will bring in the panel's Mr Nice Guy, John Nicolson. *[Laughter.]*

John Nicolson: That is a vile slur, if I may say so. *[Laughter.]* I will declare that I have also accepted hospitality from Nile, at Hampton Court, and it was the best concert I've ever been to, I would say.

Nile Rodgers: Oh, thank you.

Q130 **John Nicolson:** It was just after the lockdown ended and I think we all needed cheering up. So, thank you—a belated thank you for that.

Could we rattle through some answers here? I would like to start, first of all, by asking you guys to come up with your wish list for what you would like this Committee to recommend? We have looked at streaming over the last couple of years. It's clear that the aspirations and wishes that you had aren't working. I think the professor summed it up, and I wrote down what he said: "Superstars get most of the money." The Musicians' Union has come up with some pretty shocking figures about what the average artist gets. The average artist gets less than £200 from streaming. So, something's gone wrong. In a sentence, what would each of you like this Committee to recommend? Professor, let's begin with you and whizz down.

Professor Hesmondhalgh: I would like you to recommend something that you haven't discussed much previously, which is how pressure might be put on the streaming platforms to modify their systems, so that attention and therefore income gets pushed further down the long tail.

John Nicolson: Okay. Dr Sun?

Dr Sun: I think the main issue in streaming, which is continuing to grow, is the distribution—not growing the market, although growing the market is good. In terms of the distribution for performers, ER has been suggested as a very efficient and fast way of remunerating. Can I say more than just one sentence? There are three things that—

John Nicolson: Let's call this a parenthetical clause.

Dr Sun: There are three main reasons why ER was introduced in the first place in the rental and lending rights in 1992. One is that performers were perceived to have weaker bargaining power compared with labels, and



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they thought the one-time fee given to the session musicians was conceived not to be enough to take account of the contribution to their sound recordings.

Nile Rodgers: You said something about superstars. I think if you are a superstar, you deserve the superstar money. You have earned it; you have worked your way up to that level. When I was younger, there were superstars—as I said, like old retail—and there was an upper tier, a middle tier and a lower tier.

Q131 **John Nicolson:** But what is your recommendation? What do you want us to say?

Nile Rodgers: I just want it to be equal and fair. As Mr Brennan pointed out, when he bought a David Bowie record, he knew that that money went to David Bowie. The whole black box system has always been very, very elusive and very controversial. We have the technology now to clean up things and have money go where it should go right away. We know exactly how to do it—let's just do it.

Q132 **John Nicolson:** Merck, on that point, my team spoke to one particular artist, Steve Byrne of Malinky, and this is what he said. He is doing pretty well, I think, by most people's standards, and he told our team in my office that one of his tracks was played half a million times last year. Guess how much he was paid for that?

Merck Mercuriadis: Three quid.

Q133 **John Nicolson:** You got the three right. Three hundred quid. That is £300 for half a million—that is an extraordinary figure. I was a contemporary at university with all sorts of great Glasgow bands—Lloyd Cole and the Commotions, Hue and Cry, The Blue Nile, Altered Images, Belle and Sebastian. They were all around university in Glasgow at exactly the same time. I was presenting youth programmes; they were doing music. It was a different world. I do not see how you can have a career now.

Nile, you gave memorable evidence last time, and you were passionate about getting a better deal through streaming. You talked about that, and I think all of us remember that evidence. I noticed that since last time round you have become a producer in residence for Apple Music. Can you tell us why you have done that?

Nile Rodgers: The main reason why I did that is that when you are the artist in residence, typically, the way I have always understood it is that I am now privy to their highest technology to be used in whatever projects I am working on.

Q134 **John Nicolson:** Aren't you worried that it has compromised you as an independent critic?

Nile Rodgers: Oh, no—not at all. Believe me, as Merck will tell you, I do not mind opening my mouth and I do not mind saying what is on my mind. If I do not get the right answers, I move on.



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Q135 **John Nicolson:** But here is what Apple pays on its streaming. This is the amount that musicians get for their music being streamed on Apple: it is 1 cent per play. In comparison, it is 0.005 cents with Spotify. It is clearly better with Apple, but 1 cent per play is not good.

Merck Mercuriadis: But, again, that is the issue that we are really talking about here. It goes back to Kevin's 55% versus 15%. What Apple can pay and what Spotify can pay ultimately comes down to the deals they are able to make with the recorded music companies.

Q136 **John Nicolson:** What do you say to Apple? Presumably, you raise that with them, Nile? Last time, you told us, "I've made lots of money, and what I really care about now is young artists." You presumably say to them, "A cent per play, Apple? Now that I'm on board with you, you have to do better than that." What do they answer when you say that?

Nile Rodgers: That is not true. I haven't had that conversation yet, because, right now, what I am concerned with is AI and the technology of the future. The reason I accepted that position is that I wanted to make the experience better for all of you—for everybody in the world. That was my particular area of focus.

Q137 **John Nicolson:** Why have you not asked them that yet?

Nile Rodgers: Because there are only so many things you can deal with at a meeting.

Q138 **John Nicolson:** But that is quite a big one.

Nile Rodgers: It is a big one, and I know that it will absolutely come up. I really want to be clear. Merck and I had very important meetings dealing with high-level technology that will make our lives better, I believe, and I wanted to concentrate on those things in those particular meetings because that is my focus.

Q139 **John Nicolson:** Are you going to ask Apple in one of your future meetings to do better for artists than the cent that they are paying them?

Nile Rodgers: I certainly am.

Q140 **John Nicolson:** Good, because you are in a good position to do it. Look at Bandcamp, for example, which a number of artists have mentioned. You can get free music on Bandcamp, but after a while, you can also pay for the music. By contrast, Bandcamp gives 85% of all its revenue to the artists. That seems fairer to me.

Nile Rodgers: That is fantastic.

Q141 **John Nicolson:** Would you be better being producer-in-residence at Bandcamp?

Merck Mercuriadis: Bandcamp is not a streaming service. It is a physical distributor. It is a different model.

Q142 **John Nicolson:** But you can listen to music on Bandcamp, can't you?



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Merck Mercuriadis: You can, but again, for us, the issue is not a DSP issue. DSPs have saved the record business; that delivery mechanism has been able to give what are now 600 million paid subscribers around the world all the music that they want for a tenner a month, whether that is pounds, euros or dollars. These DSPs have pricing power, and when they increase those prices, more goes to the record companies and the publishers, and more goes to the creators as well.

Q143 **John Nicolson:** I have looked at the figures. When the record companies appeared before us previously, they told us that streaming was going to be terrible for them.

Merck Mercuriadis: It is fantastic for them.

Q144 **John Nicolson:** I have looked at the figures. The bar graph is almost like one of those Lib Dem election bar graphs except that this one is true. It shows a sharp rise in the profits that these companies are making.

Merck Mercuriadis: We now need to look at the 55% that is going to recorded music to see how we can get more for the artist and for the songwriter as well.

Q145 **John Nicolson:** On another issue, you recently collaborated with K-pop artists. The Committee have been to Korea and hung out with Blackpink—because that is who we are. Do you see more collaboration with artists who perform in languages other than English?

Nile Rodgers: Absolutely. If you look at Afrobeats right now, it is coming on big time. I was just in Paris with Burna Boy, and there must have been 40,000 people there—I also played myself—at le Taratata. The place was packed. Right now, what is happening with music is something that I have always believed in. Most of the time, when we hear music, it is primal: it makes us feel good. I always make a joke when we are on stage that my mother, and this is the truth, used to sing, "Just come on down to the fifth floor." I would go, "Mom, we're talking about Studio 54. Why are we saying, 'Just come on down to the fifth floor'?" We are going, "Just come on down to 54, and find a spot out on the floor." She would argue with me, and I'm going, "Mom, I wrote the song! Don't tell me what I'm saying." She would say, "Oh, but the fifth floor sounds nice. You're coming down to the fifth floor." "No! I don't even know if there are five floors in the building."

The thing that is going on with world music now is that we are responding to it primally. It feels good to us. We do not know what the words are, but they sound good. As a matter of fact, old friends of mine like Paul Simon and David Bowie used to listen to music in other languages, and if the words sounded like English, they would get inspired and go off on these interesting journeys because they just sounded cool.

Q146 **John Nicolson:** From listening to your stories, I feel that my mother short-changed me a little bit.

I will conclude by asking you about something else that a number of Scottish artists have raised with me. They say that Spotify and other



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platforms tend to recommend music that trends towards the mainstream and often the internationalised. They are worried that that will draw audiences away from local, grassroots, young and niche music. That is a concern for them because they can have huge audiences, but they are localised or within the country as a whole. They do not necessarily aspire towards an international identity because of the language they speak. We are going to do an inquiry soon into indigenous languages of the UK. If you are singing in Scots language, for example, I am guessing you are probably not going to sell millions in Korea.

Merck Mercuriadis: But as you know, John, and as a Nova Scotian at heart, there is a massive Scottish diaspora all over the world. Once upon a time, if you were in Canada in 1982 and you wanted the latest Simple Minds record or the new Blue Nile record, you had to wait and pay a premium to get your hands on that record. Now, on a Thursday night going into Friday at midnight, the record goes up on the streaming service. You can be a Scots person in Australia, Africa or China and you have access to that music. I am someone who worked at the very beginning with Simple Minds for many years as well as The Blue Nile, Endgames and many Scots groups.

John Nicolson: Jim Kerr was my first ever interview as a youth presenter.

Merck Mercuriadis: He is one of my closest friends. What you need in Scotland is to create that identity again that Scotland had in the early '80s of being different from England.

Q147 **John Nicolson:** I think my musician friends would say that they certainly are, and that music in Scotland has never been healthier or thrived more.

Merck Mercuriadis: I agree.

John Nicolson: But we are running out of time. It has been a pleasure, thank you.

Chair: Having bossed everybody at the beginning and asked them to declare their interests, I then forgot to do my own. I have also accepted hospitality from Hipgnosis and watched Nile in concert, so thank you very much for that—it was a great pleasure.

Thank you all for your time today and your answers. If you think of anything else that we should take into consideration, can you drop us a line after this hearing and let us know? Thank you very much.

Examination of witnesses

Witnesses: Paul Clements and VV Brown.

Q148 **Chair:** We are now joined by our final panel, on which we have Paul Clements, chief executive of the Music Publishers Association, and VV Brown, professional singer-songwriter and board director of the Ivors Academy. Welcome to you both; it is really kind of you to join us. I remind Members to declare their interests before asking questions. I will



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not make the same mistake again this time—I have accepted hospitality from Paul. Lovely to see you both; thank you so much for coming. VV, can I start with you? What is it like being a songwriter and composer in the music industry in the current climate?

VV Brown: First, I would like to say thank you for having me here today. It is an honour to talk from the perspective of being a songwriter, and I hope to represent a lot of other songwriters who have voiced their opinions on things to me. My career has spanned 20 years, so I have experienced being a songwriter through the vast evolution of technological changes that have happened. I was signed in 2007 and I continue to be a songwriter in 2023, so I have experienced the influence of streaming, Spotify culture and iTunes. I remember my first record was on CD. The industry has changed dramatically through the evolution of technology and the course of me being a songwriter. I stand in a position right now where I would say it is incredibly difficult to have a sustainable career as a songwriter due to the current position with streaming culture.

I will give you an example. When I released my record through a major publisher, I was able to make a living. I was able to pay my rent at the time. In 2023, in the environment and the culture I am in—I have two children and a mortgage—there is no way for me to sustain myself as a human being in my industry any longer. I have six jobs; I have multiple streams of income. I have had to find ways to be able to pay my mortgage and look after my children. That is a pure example of the change in the culture as a songwriter now.

I could go on with lots of different points about us not getting enough from the publishers and the streaming platforms financially, even down to transparency and understanding where my money and rights are. Simply put, it is a difficult landscape to navigate. I am here representing songwriters as one who has sold 2 million records, but has also been in two areas of both being on a major label with a major publisher, and now publishing myself. I have seen both sides of the coin. I am living both lives—having sold 2 million records and now being an independent artist. It is very difficult indeed.

Q149 Chair: Paul, you have been involved in the industry a really long time. You will be aware that three years ago, this Committee made a number of recommendations, many of which the Government accepted. In those days, in poacher-turned-gamekeeper style, I was the Minister who accepted many of those recommendations. Three years have elapsed; have you seen any meaningful changes in that time?

Paul Clements: First, thank you very much for inviting me here today. As you said, I have spent 27 years investing my life in supporting composers and songwriters on the publishing side—not working on the record company or artist side, I hasten to add. I think there has been a most definite shift—a positive shift—over the past three years as a result of the inquiry and the recommendations made. As for how those shifts have manifested thus far, I am pleased to say that the whole UK music industry, supported by the IPO, agreed on signing up to a metadata



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agreement to improve the flow of metadata in recognition of composers and songwriters earlier in the processing, as was referred to by Merck on the earlier panel. I think that was a big step forward.

What is particularly impressive, and perhaps it should not have been necessary, is that we have seen for the first time the platforms, labels, managers, producers, composer-songwriters, artists, societies and other trade bodies associated with that coming together to get into solutions mode and say, "How do we fix these issues?" There is a great deal of gratitude and, indeed, optimism based on the necessary push that we required to make progress in that space. We are already starting to see inroads in terms of that progress materialising. PRS for Music has announced a Nexus programme to try to bring together the sound recording and works data quicker.

We and PRS combined have issued a "Get Paid" guide, which helps better educate creators as to what they need to do in terms of participating in making metadata available sooner and how revenues are thereafter delivered to them from streaming. That is a good piece of progressive work that we have dealt with, but it will be ongoing for the coming years. It is arguably just the start. Thereafter, we have been working very hard with the IPO, and it has taken quite some time to complete a transparency code. It is in its final draft stage. We are now consulting our publisher members on it in the hope that we can sign it in the new year, as will other trade bodies. It sets about ensuring that there is clarity for creators, as well as those protecting and administering rights, as to what should be made available—and what should be made available to the creators we all invest in and represent.

Again, I think that that is an important exercise, and it has been quite revealing. It has been an interesting study when we have been able to demonstrate on the publishing side to both DCMS and IPO what tools are already available in relation to business intelligence and distribution statements—the granular detail that is already made available. It has been somewhat of a surprise because it is easy to conflate the entire industry into one bucket, and I think there are different things happening in different quarters of the industry right now.

I have been pleased to evidence that the publishers and collection societies have prided themselves in transparency and the amount of information that has flowed back to songwriters and composers. One of our issues is, unfortunately, the statistic that sub-30% of them are actually looking at that information; they are busy making new music. They are busy touring and doing all the things you would expect a creator to be focused on, but I am sure we will be getting the approval of the MPA board to sign that agreement. Despite the fact it is a voluntary code, we anticipate our members signing up and adhering to it. I think there has been progress in those areas.

Finally, we have been hearing quite a lot about the difference between the publisher's and writer's shares in streaming and what the labels receive. There is a lot of history to that. Unfortunately, I was suffering with covid



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when the inquiry started, so I was not able to attend, but there was a key factor missed that I think you ought to all be apprised of, which will help bring to life why we have been on this journey and why we have arrived at where we have today. Two years before everybody talked about streaming, in 2008, there was a joint online licence tribunal in the UK. The IPO copyright tribunal heard that case. It was download platforms and ringtone companies that applied against PRS for Music—or PRS, as it was then—and MCPS in terms of the digital rates and value they were looking to procure from that market. This was just pre-streaming.

The BPI was allowed to join that case on the side of the download platforms and ringtone platforms. That outcome—that determination—arrived at a 7% to 8% royalty rate. That is the key part of this storyboard, which has not sufficiently come to life to date. What happened thereafter was that major publishers withdrew their rights from MCPS in the UK. They looked for multi-territory licensing of these platforms and drove hard at getting that rate increased from that 7% to 8% in that download ringtone environment to the effectively 15% to 18% we see today. That is what it took, and the societies followed suit. As the tides rose, all of us started to benefit from those increased rates.

There seems to be some form of misunderstanding as to the origin of this much lower rate—it was determined by our UK's IPO copyright tribunal. I think the point to be made is about recognising the importance of song writing and composing, and it is important that the Government and their Departments do so as well.

Q150 Kevin Brennan: Thank you for putting that on the record, Paul. That is important, and I don't think that even the study by the Competition and Markets Authority picked that up. It seems to believe that there was a massive success in getting the rate to go up from 8%, whereas the real point was that that was a dismal rate in the first place.

Thank you also, VV, for coming to the Committee. It is our privilege, not yours, to have you with us today and we are very grateful that you have come along. I should also declare, in addition to what I mentioned earlier, that I am having lunch with Paul on Thursday at their Christmas party, so that should also be on the list of declarations.

Paul, the streaming inquiry we conducted raised some concerns about independent publishers and their viability going forward in the digital streaming era. From your perspective, what are the main issues around that? Do you share those concerns as the person in charge of the Music Publishers Association?

Paul Clements: From what we heard earlier, I am more concerned than optimistic in general, for the simple reason that as things stand, on a daily basis, globally we are seeing between 120,000 and 150,000 pieces of new music uploaded on to streaming platforms. Of that number, around 4% relates to majors; when you think about how many new pieces of music are going up, it is about 6,000 new pieces of music related to major artist-supported releases. The rest of it is independent publishers, labels and artists.



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When you get to that volume of music available it is absolutely no surprise that thereafter the spread of revenue gets so thin, and it gets so thin for all. The reason I am concerned is that without a sufficient increase in pricing for the subscription service—which has more music than ever, and additional services, whether that is audiobooks nowadays, or whatever it is that is built into the system—without more value being applied to it, and with a narrowing definition of what royalties we should attract in relation to the revenue streams being generated by these platforms, arguably you are further slicing the opportunity away from creators, particularly those middle-tier and growing creators out there.

Q151 Kevin Brennan: Are you seeing independent publishers going under now, or being taken over?

Paul Clements: There is no evidence of that. MCPS, which I oversee, is one of the companies that form part of the MPA group. It looks after mechanical rights—in a stream, there is 50% value attributed to mechanical, and 50% to performing. In that area, I have seen membership growth in the last four years by about 7,000 members. A lot are independent composers and songwriters, but many new independent publishers as well. There is also some consolidation, naturally, as within any industry, but there is a growth in appetite to get involved.

Q152 Kevin Brennan: Can I ask you, VV, as an artist, for the benefit of the Committee and for all of us, what is the role that a publisher plays in the life of an artist? Is it a valuable role, or is it becoming redundant in this new era where people can publish their own music, and so on?

Paul Clements: Can I—

Kevin Brennan: I will ask VV first and come back to you, Paul.

VV Brown: I think the role of the publisher is still relevant as long as they are doing their duty and their job.

Q153 Kevin Brennan: What is your view of the job that publishers do?

VV Brown: They still help when it comes to your catalogue syncs. They have a massive contact list that, for instance, I do not have. There are resources that they have that can definitely benefit the artist. If you are in partnership with the publisher, and if it is seen as a partnership, it can be excellent. I was with my publisher for years and it was a great partnership. There are benefits to being with a publisher, but it is important that in your partnership there is a level of respect and understanding.

As technology is evolving, policy, legislation and contracts are being constantly reviewed. I think the problem is that there is an archaic nature to contracts and legislation: they are still very old and are not evolving. There are tensions brewing between artists and publishers, because there needs to be a bit more of a catch-up. It is great that we are having these conversations. There are publishers that want to be more innovative in their contractual solutions. Overall, I see it as a positive relationship.



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It also depends on which publisher, because it is a very subjective question. Every publisher is different. It is a business, contractual relationship. There just needs to be a level of respect for the songwriter.

Q154 **Kevin Brennan:** Do you have a publisher yourself?

VV Brown: I was with Sony/ATV from the ages of 17 to 33.

Kevin Brennan: A major publisher from the start.

VV Brown: For a very long time. I became independent from 2013, so I have really experienced both sides of the coin.

Kevin Brennan: So you are self-published now.

VV Brown: I am now self-published. I had a great relationship with my publisher, I must say, but I was with my publisher pre-streaming. I experienced an income, a culture and a nature of publishing that is very different from streaming culture now.

Q155 **Kevin Brennan:** I think you had a hit early on as an artist that did very well as a single, didn't you?

VV Brown: Yes.

Kevin Brennan: Do you still get any significant income from that? Has streaming affected that in a beneficial or non-beneficial way?

VV Brown: Streaming has impacted my income massively. Even with a recouped balance, I do not even look at my statements, because they make hardly any money. I speak on behalf of lots of artists in this position where we are not making the money that we should. I sold a lot of records and I don't even see my musical career as a way for me to survive, to eat, to pay school fees or to put food on the table for my children. Music does not do that for me. Like I said earlier, I have other jobs.

It is a very sad position. I would not say that I am Rihanna by any means, but I do represent a lot of the average artists on Spotify. If I, who have sold 2 million records, am not making any money, what about the younger artists? What about the independent artists? We have to change this; we have to reform.

In the last report, there was something about a "complete reset"—those were the words used. There needs to be a complete reset, but I do not think that that has happened. We are talking about it, which is positive, but I would just like to keep those two words in our minds: a complete reset for artists who are valuable and who are the foundation of the billions of pounds being made. We make the music; we are the bricks.

Q156 **Kevin Brennan:** We did call for a complete reset. It has been more of a little twiddle in the meantime, hasn't it—or is that unfair? Paul, shall I come to you? In doing so, let me ask this: you represent both major publishers and indie publishers—I will not call them minor—in your organisation. What is your view on whether the major share of the



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market distorts competition?

Paul Clements: The major share of the market?

Kevin Brennan: Not only their share, but their presence, both in the publishing and the recording side of the business.

Paul Clements: I am sorry; I prematurely interjected there. In that last discussion, there was a significant conflation of the role of a publisher, which looks after songwriters and composers, and the role of a label, which looks after artists. I have witnessed this throughout all the interviews thus far. I think it is so important to compartmentalise what publishers do for the songwriters and composers, and artists alongside their labels.

Q157 **Kevin Brennan:** But they are often in the same company. That is the point.

Paul Clements: But they are very different divisions, and they are independent divisions. I will bring that to life in a moment for you. I say that because it is important: as the CMA inquiry set out, the publishers are paying 80%, on average, of the revenues they collect from streaming back to the composers and songwriters. That is an all-in deal, where they are getting the nurturing, the support, the marketing, the enforcement support and so on. With an admin-only deal, that can look like 95:5, where 95% is going back to the creator. I think it is really important that that is set down.

Q158 **Kevin Brennan:** Is it your case, Paul, that there is no influence whatsoever on the behaviour, the policies and the approach of the major publishers as they operate in your organisation or within PRS for Music and so on, because they are part of a major corporation that also includes a recording division?

Paul Clements: My experience—I had 22 years of PRS for Music and I have had five years of the Music Publishers Association—is that the influence that the majors have had has been a positive one. As I said earlier, the majors drove up that rate, through their bilateral negotiations with platforms, from the 7% to 8% that the tribunal in the UK left us with to 50%.

Q159 **Kevin Brennan:** Major publishers drove it up, after the major companies—sometimes the same ones—had driven it down in the first place in their negotiations by taking the side, through the BPI, of the ringtone companies. Isn't that what you said at the outset in your evidence?

Paul Clements: What I said at the outset was that PRS and MCPS applied for a rate that was much higher than the 7% to 8% that was received by way of judgment. We did that through our own independent bilateral negotiations on behalf of songwriters, composers and publishers, and it was all-in at that point. The major publishers weren't involved; this is PRS and MCPS on behalf of the creators, so it was completely independent. The bottom line is that those major publishers have helped us, thankfully, to

drive that rate up. As I say, as the tides have risen, everybody else's rates have increased. There is a real misunderstanding about how that has worked.

Q160 Kevin Brennan: VV, do you think songwriters these days have a meaningful choice about which publisher they can go with? How would you advise a new songwriter coming into the industry? Should they go to a publisher? Should they choose an independent publisher, or should they look to get signed by a major publisher?

VV Brown: It is a really difficult question, because it really does depend on the person who is signing you, and the intention of the person who is signing you. There are great positive opportunities in major publishers, so it is a very subjective decision based on the person, based on the department, based on the country and based on the type of music that you are doing. I wouldn't be able to answer the question in a simple way; what I would advise is for artists to have contexts, have a business strategy to their decisions and look at the variables.

We are living in a culture where publishing yourself is very easy. Personally, I am all about intellectual property and owning everything that I do, because I have experienced what it is like to relinquish my intellectual property. Now that I know the value of that, I would choose to keep as much as possible for myself. I am seeing the financial benefits of that now, because with all the records that I am publishing myself and releasing myself, I am actually not making the greatest income, but in a short space of time I am making more money relatively. So for artists, I suggest, it depends. That is all I can say. There are positive conversations going on.

The other thing that I would be really wary of, with regard to signing with a major, is the amount of time that they hold on to your publishing rights. An example with the major labels is that they have wiped the debt from deals from pre-2000, but in publishing that hasn't happened—there isn't a wiping. So there are things to look at contractually, but there is context to that answer.

Kevin Brennan: They haven't actually wiped it, but they are forgiving it for now!

VV Brown: They are talking about it.

Q161 Dr Huq: Hi, both. Would you say that the fact that Universal, Sony and Warner—the big boys, the majors—have a stranglehold over both recording and publishing is the biggest barrier to the value of song rights?

Paul Clements: As I alluded to earlier, if 4% of the daily output—120,000 to 150,000 new pieces of content going up on these streaming platforms—is a stranglehold, I am not sure I agree at all. I think what they have is an infrastructure. It is optional, because it is a bilaterally negotiated contract between an artist and the label, but I won't go there; I don't have that experience, although I do with the publishing side. If a songwriter and a



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publisher wish to invest in that contract together, that is them working hard to try to maximise revenue for the outputs that they create, full stop.

I do not think that there is this perceived stranglehold. Quite the contrary: I think that there is actually a huge flood of independently released, bedroom-producing musicians who are uploading content to the likes of Spotify and so on. There is no fee to do so—the doors are open—and it is fuelling a huge amount of music.

Is that a bad thing? I do not really have a response to that, because I think the public will decide what it wants to listen to unless it is pushed, because you have lean-back and lean-forward types of usage. That aside, I just do not think that there is that stranglehold, other than a very much stronger infrastructure in terms of getting music out there, supported and marketed—on an international basis, if it is associated with one of those major companies. That is the same for independents, by the way: independent publishers on our side will do exactly the same function, but there might be some different experiences in terms of the tools made available and so on. All those published creators will be receiving the same requisite support in nurturing their career and marketing them.

Dr Huq: You went the other way, VV, with the fact that they have got recording and publishing.

VV Brown: Slightly. I do feel that if there is a sense of a monopoly, there is going to be a conflict of interest for the artist. If you have Universal Records and Universal Music Publishing, and there is a framework of a specific type of contract and they are in bed with the streaming companies, there will be a crossover where the interest will lie more towards the companies than towards the artists. Even though they are separate entities, there will be cross-pollination on legislation and so on.

I always try to talk positively with good intentions, because I have had good experiences with major labels, but it worries me. I see it where independent publishers are getting taken over by the major publishers and being swallowed up. It is the same in the record industry. I think that there is a sense of the artist being squeezed out because of this monopoly. We need to be careful of that, which is why we need conversations such as this to create the frameworks to hold them accountable for things that are not going in the artist's way. I speak with positivity, but I have to say that there are issues with that.

Paul Clements: May I say, on the point we have just discussed, that we have mixed artist, publisher and creator again? I think there are different experiences. For example, in publishing it is known that you can enter into a publishing contract for just one of your songs—"I need publishing support for that song for a specific period of time, with an advance"—because it might be a song of high appeal. There is not this catch-all of signing an artist; there is a lot of opportunity to really get what you need as a creator out of the experience, as well as what the publisher can offer. They are service providers, at the end of the day.



Q162 Dr Huq: Do you think that the split in the valuation of the song rights versus the recording is okay at the moment? We have the figure here: the current share for songs is 15% after VAT. You said that you are not able to eat and you have mouths to feed. That is pretty depressing for a big-name person like you.

VV Brown: Yes. That is simply not right, and it needs to change. For the artists—the songwriters specifically, as we are talking about publishing here—there needs to be more value in what we do. I know artists who have much bigger careers than me who I sought out specifically before today's meeting to ask questions about where they are positioned. Well-known artists, who I will not name for certain reasons, have said the same thing: it is simply not right, and it needs to change. There needs to be a disruption. The infrastructure needs to really be dismantled so that we can eat.

Paul Clements: I have spent my 27 years predominantly in commercial roles and have always fought for fair and—arguably, in many cases—increased value for songwriters and composers. That is what I have been doing throughout my career.

I think it is fair to say that we have to go back to where all this started. If you are thrown in a ditch and given a 7% to 8% royalty rate, you have a big ditch to climb. We have been climbing it since and we will not stop trying to climb, but in that climb we also encourage platforms to not narrowly define what their revenue pie looks like and actually take into account revenue streams that are relevant to what could be royalties payable. I think that needs to be explored.

We also need greater attention paid to certain platforms, whether it is Apple or Google and their stores, that are now hosting apps that are able to rip other music sites and take music content and get away without licensing or pay-through. We are engaging, via our international publisher trade body, on this issue with the biggest platforms, but the bottom line is that this is serious and is also depriving hard-working creators of the livelihoods and revenues that they should be getting. So, combined, we continue to fight for increased value, but we have got that history behind us, which is forced against us each time we argue for it—where we have come from and what rate we are entitled to. It is unhelpful.

Q163 Julie Elliott: Welcome. VV, the talent pipeline is absolutely crucial for the long-term future of the music industry. What is it like financially now for people starting out in their careers?

VV Brown: Starting out now in your career in the music industry is incredibly difficult. Because there is so much music, there are so many songs being uploaded via the streaming platforms, you can get lost very easily. So the simple answer is that it is very, very difficult.

The other thing that makes it hard for new artists and that I want to talk about is that there is a gatekeeping culture, where decisions are being made by these companies without us having a say. An example of this is that Spotify has talked about the fact that any artist that makes 1,000



streams or less is not going to get paid. There was no consultation with the artist. There was no consultation with the publishers. This was a decision that was made. So if you are an artist who is starting their career and has less than a thousand streams, a decision has been made whereby you will not get any money. That kind of culture—I would say arrogance, in a sense—is wrong. And I think that showcases how difficult it is for young artists.

There isn't a respect. I was listening to the last panel talking about how it was in the olden days—even though I am 40, I feel old now. There was a respect for evolution and waiting and nurturing songwriters. I don't think that it is the same now. When you hear about Spotify making those kinds of decisions, it shows a lack of respect. Sometimes there is a perception that writers and artists are not business savvy and we do not know what we are talking about—we roll around on floors and we are silly; we do not understand the business aspect, and the companies can make decisions on our behalf. There is a real patronising tone towards our rights.

If we have that culture, if those things are happening, that is also contributing to it being very difficult for new, young artists. I lecture at a university, where I am dealing with young artists on a regular basis, so I am hearing it on the ground. I am hearing up-and-coming artists telling me how difficult it is. We need to change that, and these conversations are so powerful and helpful towards that, but it is very hard.

Q164 Julie Elliott: Although on the figures that John Nicolson gave earlier, you would have to have over 1,600 streams to actually make 1p, so not being paid for less than 1,000 is fairly marginal; it is not going to make the difference. But it is the principle; I understand that.

VV Brown: It is the principle. If we have that principle, that 1p is the artist's 1p. We have to value that, because it is the principle of the matter; it is that person's money.

Q165 Julie Elliott: To move on, the Competition and Markets Authority has contested the testimony that we heard in our inquiry, saying that there is no evidence for any diminishing diversity of music as a result of streaming. What is your view on that?

VV Brown: What is difficult is that there are categories of music that are losing out because of the algorithms and because Spotify is pushing mainstream music. So, where there are millions of different types of music that are being put on to Spotify, there are certain genres that are not being heard. Because of that bias, there are definitely issues there.

Paul Clements: As I say, it is a numbers game. There is so much music and it is about how much a user leans forward and selects the music they want to hear. I think it's fair to say that there is such a significant volume. I am a user—I am a user of Spotify, I am a user of Apple Music, and so on. Where are my go-tos? They tend to be the playlists that I curate based on all those amazing songs that I have loved since I was a child through to the current day.



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At some point, that list will exhaust and you will be pushed some other music that comes through. Now, what type of music that is will depend on how diverse your appreciation of new music, new language music, and so on might be. Are you hearing it at that point? You may have lost focus. You may be cleaning up the garden or something. The point is that that is in play, but, arguably, in terms of the opportunity for a user to enjoy music of all forms of genre, the situation could not be better.

I grew up going into Soho and going into independent record stores. Could they host the volume of repertoire types, let alone artists, on a Saturday? No, there were some white labels there, and there were loads of new releases, but they were few in number. I have now got the opportunity to go into a stream store—or even a download store such as Apple to download a track if I wanted to own it and appreciate it—and I think that a wealth of opportunity has opened up. But, to VV's point earlier, that makes it a bit more difficult for those independent artists, particularly those that are not supported with marketing and so on, to really get seen and heard because they are competing hugely with such a high volume of other artists and creators who are also uploading content through aggregators.

Q166 Chair: Finally, before I let you both escape, can I just ask you something very quickly? As a Committee, we have raised some of our concerns about the impact of AI on the creative industries. How do you think it is disrupting song writing and publishing, in particular, Paul?

Paul Clements: I hope you will know and appreciate that we had a quite long and hard-fought battle and it was arms locked—Ivors Academy, BPI and all the rest of the UK music participants—in relation to a text and data-mining exception proposed earlier this year. Thankfully, it was decided there was no need for an exception and that should remain the case, I hasten to add.

Where we are at right now is that we are wanting to leverage AI as something that can help creators, and, indeed, creators are investing time in exploring how it can do so. At the same time, there is a huge black cloud hanging over us in that we do not seem to have been able to make progress with the UK Government or IPO yet on laying down a proper regulatory framework that protects the interests of creators, whether they be musicians, authors or screenwriters. Whatever creators are out there, they need better protection and more clarity. The clarity is there.

When it comes to the CDPA, we pride ourselves in the UK on having such a robust copyright framework. It is there for all to see, but we need the IPO and everybody in general to come out and recognise that when AI platforms and large language models ingest millions of pieces of copyright, there is a need to seek permission for that ingestion, and there is a need to have a conversation about the licences which should follow.

It is fair to say that in all of the experience I have had—I have been heavily invested over the last nine months in these discussions—among the platforms there are very few, and there are a few, good examples of

good actors. The rest are bad actors who do not want to come to the table and do not want to respect copyright. All the while, they want to build their models in order to provide an alternative future, which is generative AI music output.

Although that might not yet be ready to compete effectively with human authored content, it will get there. If it has the inkling of curing cancer, I am sure it will work out a way through that algorithm to produce alternate content. Even if that cannot appear on a stage at Glastonbury, it certainly could be synchronised for music in a BBC TV drama, an ITV drama or something on Netflix. That, in turn, deprives creators of the combined revenues that they can collect from the use of their music.

I also think that we need to impress the importance of ensuring—this has not happened to date—that records are kept when this content is being ingested. Even if they do not want to have the conversation now, we will need to have it downstream, so we need records to be kept. Certainly, in the public's interest, we need to ensure that all of that AI output is labelled as such. Let's make sure that people know what they are listening to.

Interestingly, when we survey the public we can see that, fortunately, as things stand they seem quite keen on supporting human creators. Not only do they want to appreciate that music, but they want to ensure that their children and grandchildren might have a chance to create music, perform in a show or write the script for a TV drama. It is really important that we all understand the negative ramifications alongside the positive opportunities that we are exploring in using AI.

Chair: That is very clear; thank you very much. VV, do you have anything to add?

VV Brown: I agree with everything that has been said. We are having an existential crisis right now when it comes to AI. The speed at which AI is going, with the quantum computer around the corner, is something that I am obsessed with.

It is incredibly important that we take this seriously. It is not just about copyright and licensing, but about consent from creators. It also dives into consent on identity, because we are moving into an era that is not just about licensing and copyright; it is about licence of identity. We were talking about voice, actors' rights and personality, and it can even move into politics—we have an election coming up. Creating a framework within the music industry with AI is important, but as we all know, it is an important framework for everything.

Chair: Thank you both so much for your patience and your contributions today. If you have any further evidence that we need to hear, please drop us a line.

Before I conclude this panel, I just want a moment of the Committee's time. It feels like the right time to say that in the new year, the



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Committee will be saying goodbye to a very important member. One of our number, Kevin Brennan, is going further up that greasy pole, as he has joined the Opposition Front Bench. He has been a member of this Committee since the start of this Parliament; he has made a significant contribution and has been a driving force in our work, not just on music streaming but on music across the board, on artificial intelligence, on grassroots and professional sport and on everything we have done on the remuneration of professionals. He is a bit of an expert across the board. He is a star, not just on this Committee but as a member of MP4 and as a solo artist. "The Clown & The Cigarette Girl" is available to download now.

Kevin, on behalf of this Committee and all the team who support us, can I put on record our enormous gratitude for your work and all your contribution? From a personal perspective, it has been such a delight having your expertise and your contribution during my time as Chair. We are really grateful.

Kevin Brennan: Very embarrassing, but thank you!