

# Digital, Culture, Media and Sport Committee

## Oral evidence: Economics of music streaming, HC 868

Wednesday 10 February 2021

Ordered by the House of Commons to be published on 10 February 2021.

[Watch the meeting](#)

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

Questions 417-579

### Witnesses

[I](#): Roberto Neri, Chair, Music Publishers Association; Geoff Taylor, Chief Executive, BPI.

[II](#): Graham Davies, Chief Executive, Ivors Academy; Horace Trubridge, General Secretary, Musicians' Union.

[III](#): Steve Bené, General Counsel, Twitch; Raoul Chatterjee, Vice President for Content Partnerships, SoundCloud; Katherine Oyama, Director, Government Affairs & Public Policy, YouTube.



## Examination of witnesses

Witnesses: Roberto Neri and Geoff Taylor.

**Chair:** Order. This is the Digital, Culture, Media and Sport Committee's latest hearing into the economics of music streaming. We are joined by three panels today. On our first panel will be Geoff Taylor, CEO of the British Phonographic Industry Limited, and Roberto Neri, chair of the Music Publishers Association. We will have two further panels, and I will introduce those witnesses as we come to them. Prior to our first question, I ask Committee members whether they have any interests to declare.

**Kevin Brennan:** I am a member of the Musicians' Union and have received support from it at election times. I am also a member of the Ivors Academy and PRS for Music, and I have received hospitality from the BPI in the past.

**Chair:** Thank you. Good afternoon to our two witnesses.

**Geoff Taylor:** Good afternoon, Chair.

**Roberto Neri:** Good afternoon, Chair.

Q417 **Chair:** Thank you very much for joining us today; it is much appreciated. My first question is to Geoff. Streaming—a sale or a rental? Discuss.

**Geoff Taylor:** That is an interesting question. We would say that it is not necessarily always helpful to take older concepts and try to apply them to streaming. I agree with other witnesses who said that a stream is a stream, but to try to answer your question, we say that you have to look at the market and how it has evolved. If you go back to 2009, it was about a £1 billion trade revenue business, of which about three quarters came from physical sales. In 2019, again it was about a £1 billion trade revenue business, but about three quarters came from streaming, so streaming has largely supplanted the physical business. When the framers of the internet treaties granted rights for the future, they granted an exclusive "making available" right, which is what applies to streaming, and they did that in the knowledge that an exclusive right was needed because these interactive digital transmissions were going to take over from the sales model. So we would say that, if you are going to compare to either, it is really a "making available", but the better comparison is to a sale.

Q418 **Chair:** Why do you think it is, therefore, if the better comparison is to a sale, that artists have come before us and told us that they cannot even make their rent even though they have millions of streams. You would normally think that, if you have millions of sales—I am using your approximation of sales to streams—that that individual would not be struggling to make their rent. How do you explain that?

**Geoff Taylor:** There is a very interesting question of relative scale here. A million streams sounds like a lot, but in the modern streaming business, it actually isn't. If you have a million streams, you are about 6,000th or 7,000th on the list of most streamed artists in the UK. Artists who have



## HOUSE OF COMMONS

significant commercial success have tens or hundreds of millions of streams in the UK alone. In fact, one of the most important dynamics of streaming is that it is very much a global market, so artists who have tens of millions of streams in the UK will typically have four times that if they are British, or ten times that, altogether, if they are an international artist, so the streaming business deals in very big numbers.

The good news is that more artists are being successful in streaming than ever were even in the days of CD. Some 1,800 artists in the UK hit 10 million streams a year; if you went back to 2007, only about 1,000 artists were hitting 10,000 sales. More artists are benefiting, but because there are a lot more artists in the business now, obviously there are some artists who are not generating enough streams for that to provide a living on its own.

**Q419 Chair:** There does seem to be an inequality here when it comes to the amount of money. Obviously, we would not expect that someone would get the same as they would do with an old-style physical product back in the day, but it seems quite jarring to this Committee that you end up in a situation where you have artists who are award winners and who seem to have a great deal of impact, and a lot of cultural impact as well, yet streaming does not play a major part in their income. Their income is derived from live music and, as we know, that just isn't working for them at the moment. How do you explain that?

**Geoff Taylor:** You are absolutely right. The absence of live music is a crisis for the industry as a whole. We thoroughly understand the pain of the artist community and are trying to support them in helping to lobby Government for measures such as reinsurance, which could help get that business back up and running. That is the most important step that can be taken to restore artist incomes. There are lots of artists who are earning well from streaming—as I say, more who hit the sales benchmarks than in the CD days—but ultimately, the economics of streaming are what they are. Looking at 2019, there were about 100 billion streams; that generated about £1 billion in retail revenue, which is then divided according to popularity. Each stream is worth about a penny, and then it flows through the system. Of course, we would love there to be more—

**Q420 Chair:** Excuse me, but why is a stream worth just a penny?

**Geoff Taylor:** If you take the total revenues that streaming generates from Spotify, Apple Music and all the other services, and then you divide it by the number of streams, that is how it works out.

**Q421 Chair:** I understand how you get to that sum of a penny, but it is more a philosophical question. Why is it worth just a penny to stream someone's music? Why is that the price?

**Geoff Taylor:** That is a good question. We think it should be worth a lot more. There are various distortions in the market that have essentially reduced the amount of value that comes into the streaming economy. The first one is that, obviously, the consumer price has not moved in 10 years and has fallen behind inflation, but there are reasons behind that. The



most important reason is competition with free services. You have services such as YouTube in the market that have huge numbers of users, which, for a lot of their content—all the content that is uploaded by their users—pay a fraction of what is paid for a stream on Spotify. The differential is 10 times. Looking at how much is paid for a user-uploaded stream on YouTube, it is about a 20th of a penny, compared with about half a penny in revenues into the industry. There is a huge differential there, which has two effects. Not only does it take users away from the streaming services; it also exerts price capping pressure on the other streaming services. Then of course the other big distortion in the market is piracy, which affects all artists, all labels and so forth. That costs about £200 million a year in lost revenues. Altogether, there is almost half a billion pounds in revenues that could be coming into the streaming economy but is not.

**Q422 Chair:** This is my final question before I call Damian Green. Again, it is to you, Geoff. Music majors take quite a substantial risk, and we appreciate the fact that they put a lot of investment into artists. Artists themselves take a lot of risk; financially, many of them are not doing particularly well and are therefore taking risk—they could be doing something else, so to speak. This is something they do not just because they love it, but because they wish to earn a living out of it. What risk do you think streaming services take, and what risk do you think YouTube takes in order to make its money?

**Geoff Taylor:** They take the risk of technical innovation and building their service, and they take the risk of marketing that service so as to attract as many users as possible. To be fair to the streaming services, it is a very competitive marketplace. You have the biggest global brands in the world all competing to grow their music services against each other and to attract users, and they are continually developing their services. That technological innovation and investment has benefited the music industry. The respective shares that you were referring to a minute ago, Chair, are worked out in the market, and I think they probably reflect the relative risk and reward, but the total amount that is coming into the industry, as we said a moment ago, should be substantially higher. That would benefit everybody in the chain.

**Q423 Chair:** You didn't talk about YouTube there. Are they taking any risk whatsoever? I can't see it from where I am standing.

**Geoff Taylor:** Again, they have established and run a platform, and that involves some element of risk, but we think that the ratio of their risk and reward is out of kilter, because they are growing this business—it is part of an enormous advertising empire across all of Google's services—and yet they are paying such a tiny fraction. The differential between what YouTube pays and what Spotify and Amazon Music and other services pay is so huge, and that is entirely caused by the fact that their position on the safe harbour is that they don't necessarily need a licence. When their users upload, they could operate without a licence. That has resulted in a massive underpayment by YouTube to the music industry.

**Q424 Damian Green:** Afternoon, both of you. I have a couple of questions for



## HOUSE OF COMMONS

Roberto and then a couple to Geoff.

Roberto, music publishing pays artists as though there is both a sale and a broadcast occurring, so some revenue gets split equitably between artists and publishers. In view of the previous discussion, why does publishing split the revenues in this way?

**Roberto Neri:** First and foremost, we represent music publishers at the MPA, who in turn represent songwriters. Obviously, songwriters can be artists as well, but we represent songwriters. Historically, we have had a performance element to our business and a mechanical element, which has been long standing, for over 100 years.

Q425 **Damian Green:** Should that model, which has existed since they invented shellac or perhaps cylinders, apply in the modern streaming world?

**Roberto Neri:** You can argue that it shouldn't, and it would be lovely if it was as simple as just calling it streaming income, which is how we see it, but the reality is that there are implications in there. There is a performance element, because it has been performed; there is a mechanical element behind that, to actually get on the service. As you know, with these streaming services, you can download the tracks on to your devices—there lies the mechanical element—so there is definitely a mechanical element and a performance element within the stream.

Q426 **Damian Green:** Is there any underlying logic behind the inconsistency between publishing and recording, in terms of the rewards?

**Roberto Neri:** I can only speak to the publishing element. I think it is fit for purpose as it currently is. We work with various stakeholders to negotiate and to look at how it is divided. There is a lot of thought in that process and we are very happy as a community with how the publishing side of that currently sits.

Q427 **Damian Green:** The song side of the copyright receives 15% of streaming revenues, whereas the recording side receives 55%. The Committee has heard from songwriters and composers saying that that devalues the songwriting part of the process. Do you agree with that?

**Roberto Neri:** If we go back to where we were 10 years ago, when streaming first surfaced, we were at 8% to 10%. We have moved up in the right direction. Equally, my understanding is that in more recent negotiations the label share has come down slightly, as we are moving up. We are convinced that we are moving in the right direction. I am very glad to say that songwriters are at the table when we are discussing our negotiations, both at society level and at the various hubs we are working with. Could we do more? Would we like more? Of course, yes, but we are moving in the right direction. You could question what the streaming services are taking in what is now called the new normal that we are living in, but we are moving in the right direction. Publishers fight hard on behalf of songwriters. To say that we are not getting what we deserve—we would love more, but we are fighting hard, consistently, to push that value up.



## HOUSE OF COMMONS

Q428 **Damian Green:** Fair enough. You have gone up from 8% to 15%. Where would you like to end up? Would you like it to be 50:50?

**Roberto Neri:** It is a free market—we are all negotiating and would love it to be as high as it possibly is, and, as I say, with every negotiation we are managing to nudge it up.

Q429 **Damian Green:** Do you have a target? Is it literally just a negotiation every time?

**Roberto Neri:** It would not make sense for us to have any form of bar or ceiling. We want to push the rates, on behalf of songwriters, as far as we can get them.

Q430 **Damian Green:** And you think that anything more that goes to songwriters should come from the streaming services rather than any other part of the process because, obviously, a lot of people take bits of this pie?

**Roberto Neri:** I can understand why people discuss these things—they are not as simple as that. As I say, we would like to take the share from wherever we can take it and we are doing that with every negotiation. I would argue, why are the streaming services taking double what the underlying composition—the musical work—takes? Our songwriters are half of what is brought to the table. Without the songs, there are no music services. Songwriters are the heart and soul of the entire music industry. Without a songwriter creating a song, there is no music industry, so, of course, we value that and are fighting to push the rate up at every single negotiation.

Q431 **Damian Green:** What levers do you have for that? It is interesting because what you just said was reflected in some of the oral evidence that we heard from writers, as you would expect, and it is clearly a big issue for them. Your submission didn't mention it, particularly, but clearly you feel strongly about it as well. Do you have any levers that you can pull to increase the percentage?

**Roberto Neri:** If you look at our submission, what we discussed in there was, really, how can we push up the overall value. Some of the things that Geoff said earlier hit home with me as well because, if you look at the app store available on Google for Android phones, or Apple devices through the App Store, and search free music, you will have a whole load of apps popping up that look legitimate. You can imagine the consumer using these app stores, believing that they are legitimate and downloading apps which enable them to receive free music. The actual technology behind these apps is very sophisticated, so they are, pretty much, getting a similar offering for free.

On Geoff's point as well, the £9.99 has been in play for 10 years now. It would be £13-plus with inflation alone if we could combat and allow them to raise the prices, but they are fighting with free. I am not here to bring sympathy for the digital services but the reality is that we would all love that £9.99 to go up because that would really impact on all the things that we are hearing from artists and songwriters as to why they are upset at



## HOUSE OF COMMONS

the moment. We need to bring the overall value of the stream rate up. The only way of doing that is combating the free apps out there and equally looking at the services that you are discussing today, and talking to them about some of the safe harbour provisions they are hiding behind.

We are not equipped to deal with those large, mammoth services with the takedowns we are trying to put on them. We are playing whack-a-mole every time we are taking down one of the usages they have put up. We are having to try to take them down constantly. We need to have some form of measures in place to keep all of them down, basically. We would love the Government to take that seriously in our asks in our submission.

**Q432 Damian Green:** Thanks. I am sure we will come onto those in our questions later. That was interesting. I have a couple of questions for Geoff. Record labels in France and Germany split recording revenues similarly to the way UK publishers do. Isn't the UK's current situation inconsistent both in comparison to the way other countries remunerate artists, but also the way we do it with songwriting?

**Geoff Taylor:** I am not sure that the model in France and Germany is so different on the recorded music side. As far as I see in the streaming economies in France and Germany, there are also record companies that are directly licensing platforms. Those platforms are paying the label and then the label is paying their artists. Across all our members, both independent and major, they see that structure as the structure that delivers the most value into the music economy. That is why they would be concerned about any recommendations that would steer away from that, because ultimately it is all about bargaining power. What labels need is the maximum bargaining power, as Roberto was saying, to argue for as much of the share from the streaming services as possible and that benefits the artists who share in those revenues.

**Q433 Damian Green:** Okay. I have one point about the global revenues, then. The BPI recently said that one in 10 global streams are from British artists. Great, that is very good and a huge credit to the industry, but the global streaming market is valued at £20 billion. The UK recording industry grosses under £1 billion. Simple maths would suggest that ought to be £2 billion rather than £1 billion, so where has the other £1 billion gone?

**Geoff Taylor:** First, you have to make sure that you are talking about the same years, and secondly, half a billion pounds in export income is also earned by the UK industry and is not typically included in our recorded music figures that you would read. We are very excited about the opportunity to grow that. As you say, the recorded music business is worth about \$22 billion, and as it grows over the next few years, it will grow to about \$40 billion. We are about to publish a report about the enormous opportunity for British music from exports. If we can keep that one in 10 streams being British figure that you were talking about, there is an enormous opportunity for us to bring hundreds of millions of pounds more into the UK music economy.



Q434 **Kevin Brennan:** Welcome Geoff and Roberto. I will start with you, Roberto, just to follow up on what Damian Green was asking. The difference between your evidence, as the Music Publishers Association, and the evidence from the Independent Music Publishers Forum, is striking in that you have just made it clear to the Committee that you are reasonably happy with the state of affairs, while the Independent Music Publishers Forum's written evidence called the splits from streaming a "gross disparity and inequality", and also used the term "scandalous". Why is there such a difference between the MPA's views and the views of the Independent Music Publishers Forum?

**Roberto Neri:** We represent a broad church, from independents to large international publishers—from sole traders all the way through to the biggest companies that exist. The common consensus on our board is that we are moving in the right direction. Clearly, we would like more, as we have suggested, but we were in a dynamic of 10:1 at one point. Now, going by the figures that have been suggested today, we are down to 3:1 or 4:1. Just by that alone, we are moving in the right direction. The submission that we supplied is really to fight for the things that we are asking for, and that is to combat piracy, which has not been fixed through streaming. The market was so down from 2002—

Q435 **Kevin Brennan:** We will get on to piracy, and I do not want to take away from those who will ask questions about that. As you have described, you represent big publishers, who are also part of the same corporations as the big labels, and you also represent smaller publishers. Do your smaller publishing members agree with the Independent Music Publishers Forum that the current split is a scandal, or do they agree with the view that you have outlined to the Committee?

**Roberto Neri:** I have to honestly say that I have never heard it referred to as a scandal. Clearly, I hear different points of view, and we all want more. We are moving in the right direction. I have not heard anything as concrete as what you have just said to me.

Q436 **Kevin Brennan:** I am just quoting from their written evidence to the Committee. Is it an unfair charge to say that because the majors own most of publishing as well as most of the recordings and record labels these days, that unduly influences the views that are put forward on publishing and suppresses value? As Joni Mitchell put it, it is their job to stoke "the star maker machinery behind the popular song". Is the value of the popular song itself being suppressed because those stoking the star making machinery—the record labels—also own publishing?

**Roberto Neri:** Obviously, I am not privy to the record labels' commercial arrangements. I have not encountered or seen anything, but I have heard conspiracy theories in the 20 years that I have been in the business. The major publishing companies are helping to push the rates up in the other forums that I sit in, on different boards. In music publishing we are fortunate. The company I work for collects up to 20,000 different source types. Music streaming is one element. I can only say that in the forums in which I am sitting with these major music companies, they are helping



## HOUSE OF COMMONS

songwriters collect better rates from other sources of income, when I am at the table with them. I can't speak for the major labels with their digital deals.

Q437 **Kevin Brennan:** Okay, that's fair enough. Can I ask you one other question and then I will ask Geoff a few questions? What do you make of all the activity that is going on at the moment with companies like Hipgnosis, with Merck Mercuriadis and others buying up future income streams of songs? What is your view, as head of the Music Publishers Association, on that? Roberto, did you hear my question?

**Roberto Neri:** Sorry, I thought that was to Geoff. Apologies.

**Kevin Brennan:** Did you hear the question?

**Roberto Neri:** I heard the question with regards to Hipgnosis acquiring copyrights.

**Kevin Brennan:** What is your view about that and what that means for the business? What are the implications for publishing?

**Roberto Neri:** I think it demonstrates the long-term value of song copyrights, to be honest. It equally enables songwriters to choose what they wish to do with their songs. It has always been a competitive marketplace. Acquisitions of copyrights have taken place prior to Hipgnosis. Clearly, you are seeing some big headlines at the moment because people are recognising, particularly in the covid era, that the value of songwriting and music publishing is very strong and will sustain growth over a long period of time.

Q438 **Kevin Brennan:** Thanks Roberto. Geoff, as you know, over many years I have argued strongly in favour of intellectual property and policy changes to ensure that the music industry can protect its copyright, combat piracy and so on. Is it fair to say that, as the chief executive of BPI, your role here is to represent the interests of the majors in lobbying Parliament and Government?

**Geoff Taylor:** Absolutely not. The BPI has 450 members, most of whom are independent music companies of all shapes and sizes: frontline labels, catalogue labels, classical labels, jazz labels—every genre and every business model. We engage closely with them. We listen to their views. They have 50% of the seats on our board and 50% of the votes around the table, and they are treasured by us.

We run a lot of programmes specifically for the indies, like the Music Export Growth Scheme, which raises grants for indies. The Mercury Prize, which we took over some years ago, is very important for the independent community. We do an awful lot of training and other services specifically for the indies. So, no; not in any way. We try to promote the interests of the recorded music sector as a whole, which includes the independents, the majors and the artists.

Q439 **Kevin Brennan:** There was a story when the UK heads of the majors



## HOUSE OF COMMONS

appeared before us that lobbyists had been employed to coach them before they appeared before the Committee. That wasn't something BPI was engaged in, was it? Did you employ these lobbyists for them?

**Geoff Taylor:** We certainly spoke to the majors and we discussed all the issues that were likely to come before the Committee. Frankly, we wish that you had invited some of our indies to give evidence on the indies panel, because we would have done the same with them.

Q440 **Kevin Brennan:** In fairness, the majors are getting a go, you are getting a go, AIM got a go—

**Geoff Taylor:** Well, that's fair enough.

**Kevin Brennan:** It's only fair that we have both sides of the argument. Has the BPI engaged any lobbyists on this inquiry, to try to influence events?

**Geoff Taylor:** To try to influence events? We have professional advisers who will advise us on media and on policy issues. That is not unusual for us.

Q441 **Kevin Brennan:** Is that in relation to this specific inquiry?

**Geoff Taylor:** We have instructed a firm in relation to this inquiry who are helping us on media and understanding—

Q442 **Kevin Brennan:** Are you able to tell us who they are?

**Geoff Taylor:** I think it would probably be fair to write to you with that.

Q443 **Kevin Brennan:** Geoff, you know what the general charge is that is levied, and I think it is only fair that you get a chance to answer it in front of the Committee and the industry. Broadly speaking, the charge tends to be that there is a lot of opulence for major record label executives, the industry lawyers, lobbyists and so on, but not sufficient of the income that is generated by music creators gets down to the creators themselves: the singers, musicians, songwriters and so on. As I said to you earlier on, I have always been very much in favour of trying to grow the size of that pie by making sure intellectual property rights can be enforced, but as we have already said, the lack of live has brought sharply into focus that streaming is not bringing a lot of money down that ecosystem as far as it perhaps could go down. That is the charge: the opulence versus austerity. What is your answer to that as an executive within the industry?

**Geoff Taylor:** Simply that we would not agree with the proposition that not a lot of value is flowing down from streaming. The streaming market is growing very robustly year on year, as you know. In 2019, for labels and artists, it generated £629 million. That is growing every year, and the number of artists who are benefiting from that—as I said before—is increasing every year, too.

Of course, to go back to one of the Chair's observations at the beginning, you have artists who are critically acclaimed, who are fantastic artists



musically and who have a great live following, but for whom streaming income represents only a relatively small proportion of their income. That is perhaps because for those artists, not every genre is heavily streamed. Not all artists have fans who necessarily engage heavily on streaming services. They might do well through physical sales or through selling merch, and absolutely through selling live. Artists' incomes have always been a mixture of all of those different areas, but streaming is growing really well. It has the potential to get us back to the levels we were at during the height of CD sales, and potentially beyond, but only if we allow all these positive dynamics of competition, the free market, and investment in A&R to continue, and that is what we would like to see—  
[*Interruption.*]

If I could just finish the thought, Kevin, that is something we would like to see, because we believe that would be by far the most effective way of increasing artists' earnings: rather than redistributing the existing pot of money in some complicated way, grow the amount of money coming into the industry, and then ensure that it flows through.

**Q444 Kevin Brennan:** The thing is, we have Mercury-nominated artists who, as you say and as we have heard, are struggling to make their rent. Are you comfortable with the \$593 million share bonus for the top six executives as a result of the Warner IPO, or the \$120 million remuneration package for the top five executives at Warner Music Group in 2019, which is the entire revenue of the top 27 tracks in 2019? I notice that in 2017, total directors' emoluments at BPI were only £724,779. Do you ever feel that you should have got into a more lucrative part of the music industry yourself, Geoff, based on those figures?

**Geoff Taylor:** Like a lot of people in their jobs in music, I was probably guided by my interests and my passion for music more than how much money I could make, so I am very motivated doing what I do. In terms of remuneration for executives in the industry, I cannot really comment—that is their issue, and not really anything to do with BPI—other than to say that these are major global corporations and very large companies with huge responsibilities. It is really not for me to comment on how they are paid. What I do want to see is British record companies, and record companies generally, making a profit and being successful, because that is what leads to growing investment in the next generation of talent.

**Q445 Kevin Brennan:** Let me ask this, though, because we are limited on time: why is it unfair for artists and songwriters to complain they are not getting a few more crumbs from that extremely heavily laden table?

**Geoff Taylor:** The industry's investment is what has driven British music's success over the past 60 years. The fact that we have such an incredibly successful recorded music industry that is popular all around the globe is because we take more risks on artists. We in this country invest a higher proportion of turnover—25%—in A&R than in virtually every other country in the world. That cycle of taking risks on unknown artists and spending heavily on marketing and in the recording studios to make the best album possible, and so on, is what has driven the success of British music, and



that requires companies and capital to come into the business and take risks. That is what we are keen to preserve, because we really believe that ensures that most artists benefit.

Q446 **Kevin Brennan:** Do your figures on A&R include royalties that are paid to artists?

**Geoff Taylor:** They include advances, which is, I think, 50-something per cent, and the costs of production—so, recording costs, video costs and tour support. I think that accounts for almost 90% of it.

Q447 **Kevin Brennan:** Just finally, Chair, before I finish, I want to cover the issues around competition and the industry, and the way that it has become very vertically integrated. We have talked about the fact that the industry did have a big dip in revenues when piracy came on board and digital came through, and we have talked about executive rewards. I mean, the idea is that the industry is only about the size it was 20 years ago. Executive pay is not the same as it was 20 years ago, though, is it? How does that stack up?

**Geoff Taylor:** You are trying to pin me on executive pay. I don't even monitor executive pay; that's really not my principal concern. My principal concern is the growth of the business, and how much we are managing to create—in terms of revenues from streaming—and how we can invest more of that every year, into more British artists—

Q448 **Kevin Brennan:** But if the pie is the same size and more of it is going to the top, then obviously that is the issue, isn't it, that some people are complaining about?

**Geoff Taylor:** I think the issue that has rightly been raised is that there are artists who are critically acclaimed, as I said, who are not able to earn enough money from streaming to support themselves. We want to see those artists earn more money from streaming—we truly do. We absolutely think that some of the artists who have been complaining about it are talented artists and we'd love to see them earn as much money as possible.

However, you can only do that by increasing the total amount that comes into the streaming economy, which we touched on at the beginning, and we have a series of policy measures that we would like to put forward that we think could be very effective in achieving that.

**Kevin Brennan:** Okay. Thanks, Geoff. Back to you, Chair.

Q449 **Chair:** I think that if the majors did actually spend money on lobbying for the session that they had in front of us, they should ask for a refund.

Mr Neri, I just want to pick up on a couple of points from your questioning by Kevin. You talked about the acquisition of copyright. Is the phenomenon of the mass acquisition of copyright that we are seeing effectively a symptom of the way in which the economics of music streaming are so distorted and distended that there is often, in effect, a fire sale to make ends meet, because they are not actually making the



money from what we call the traditional means?

**Roberto Neri:** From my experience and from what I have heard elsewhere, I have been aware of a couple of particular instances where, due to the lack of live performance at the moment, it has had an impact. That has actually helped particular songwriters to consider taking their copyrights to market. I have never heard of it being based on streaming. Clearly, there is growth in streaming; the number of paid subscribers is going up. We are hoping that the issues—

Q450 **Chair:** Forgive me, but if the return is only a few pence per stream and 0.05p in terms of YouTube, then clearly they are not making the money. Therefore, you will have the copyrights—a commercial product—that can be sold in the open market, and that is what is happening. This is an indication—that is what I am asking you. Is it an indication of the way in which the economics of music streaming is pressing down on the overall position of creatives in the sector?

**Roberto Neri:** I think songwriters have recognised that this is available to them as a choice; I do not think it is due to the economics of streaming. There is future value for the person acquiring these rights, because we see the growth coming from new markets recognising copyright. Equally, the things that we would like to have addressed will hopefully happen. YouTube, for example, has six times the amount of monthly plays of Spotify, but pays one tenth. So, look at the potential value there, if the Government address the issues we are asking them to look at.

Songwriters have been given the values—some say they are high at the moment. For me, I just think that it is recognising the value of songwriting.

Q451 **Chair:** So you don't recognise any relationship at all between songwriters selling off their product—the rights to their product; the copyright—and the fact that there isn't fair remuneration in the industry?

**Roberto Neri:** That doesn't resonate with me, no.

Q452 **Chair:** Okay. You stated earlier that streaming services are taking double the share of the pie compared with the song, and that without the songs, streaming services would not have anything to play, but the recording is taking almost four times what the song is taking. Could you not say that the same critique you made of streaming services could be made about the recording?

**Roberto Neri:** Record companies have always been good partners with publishers and songwriters. This goes way back. Record companies enable those songs to be promoted in ways that publishers have not traditionally operated. There is a change in the market now where publishers are becoming more involved, and there are DIY services available, helping artists go direct. It is a choice for artists whether they go down the DIY route or sign to the labels. The ratio has changed from 10:1 or 11:1 to 3:1 or 4:1, in my understanding, so I generally believe that we are going in the right direction. Would publishers like to collect more on behalf of songwriters? Absolutely, yes. The majority of what we receive, we pay to



our songwriters. We are left with a fraction of what we receive. We do that in the best interest of songwriters.

- Q453 **Steve Brine:** Hello chaps, and thanks for joining us. Could I talk to you about safe harbour, which I am interested in? It seems to have created quite a lot of interest around the business and during our inquiry. Geoff, BPI argues that there should be no extension of the provisions of safe harbour to YouTube and other companies. Artists have certainly told us that they are opposed to safe harbour. Tom Gray, who gave evidence right at the start, described it as a get-of-jail-free card for many. Why do you take that position? What are the impacts for the recording industry? At the start, please set out exactly what safe harbour is. We on the Committee know, but many people who watch this might think it is something else. Why do you take the position that you do?

**Geoff Taylor:** Safe harbour is essentially a legal protection that has been granted to internet companies where their users upload content. Essentially, it says that if the users upload content—provided that you take it down, if you receive a notice, because it is illegal—then you are not liable for that. That has had two important effects. First, certain services use that in negotiations, to say, “I don’t even need a licence from you, Warner Music, or independent label, I will pay you this much and you can be happy with that, because otherwise we will operate without a licence.” The existence of the safe harbour changes the negotiation substantially. That is why you see that huge differential in per stream rates between user-uploaded content on YouTube, for example, and other streaming services.

The second effect of the safe harbour is to protect pirates. If you are running an illegal pirate site and your users post content on to it, you can say, “We are not liable for that. Send us a notice and we’ll take it down.” It goes straight back up. You send them another notice. You take it down. The BPI has sent 1 billion notices to Google and Bing, removing content on behalf of the labels and artists whose work we are protecting. It is ridiculous. How many billions will be enough? One is never really able to keep pace with the speed of piracy.

What is needed to address that? First, we need to clarify the safe harbours and make clear that it should not protect them in those circumstances. Secondly, we need to put proactive obligations on platforms to ensure that illegal content does not appear on their service and will be taken down automatically by them—notice and stay-down obligations, and know your business customer obligations, which require them to get rid of bad actors on their services. Those two measures would make a great deal of difference. The Competition and Markets Authority digital taskforce just recommended that the Government do that and impose those proactive responsibility on digital platforms. I think it would be very helpful if more pressure were put on the Government to make that happen.

- Q454 **Steve Brine:** That may well be something that we pick up in our recommendations. Given that we have heard about 51% of the world’s music, and that eight of the most-streamed videos on YouTube ever are



## HOUSE OF COMMONS

music videos, that makes your point for you. YouTube will tell us that they paid out £12 billion to rights holders as of January last year and will become the industry's main source of revenue in five years' time. How would you respond to that argument, Geoff?

**Geoff Taylor:** I would be thrilled if YouTube overtook Spotify in terms of how much they pay the music industry. We are not on a path to achieve that, let's put it that way. Last year, we received something like £35 million in the UK for all the tens of billions of views of music videos, which are largely on YouTube. That is about half of what we earn from selling vinyl records. That cannot be right. To me, I don't really recognise the projections that YouTube has. Of course, they are trying to grow a subscription music service. If they can grow YouTube Premium, their subscription tier, that could generate a lot more money and that would be a fantastic thing. The industry is waiting to see them do that successfully.

Q455 **Steve Brine:** As you know, they are coming before us later on this afternoon. You would be clear: you don't think they are on the trajectory to become the industry's main source of revenue in five years' time?

**Geoff Taylor:** Well, look, the data so far does not suggest it to me. They may have business plans and investment plans and brilliant ideas that will help them to achieve that. I would love to see it happen. They should be contributing a huge amount more to the creators of the content that drives their business.

Q456 **Steve Brine:** Yes. What we are trying to do with this evidence is produce something that we can tangibly put into a report and recommendations to try and drive change. You both call on the Government to include rights holders in the online safety Bill. The Government have been clear—it is right to do so—that online harms legislation will only apply to individuals, not corporations. Is there a way that you can see around that, in terms of recommendations that we can make, Geoff?

**Geoff Taylor:** That is a great question. The online harms Bill creates structures that could be very appropriate for dealing with those issues. The idea that there would be a regulator that would establish codes of practice is exactly the type of measure that is required to deal with the economic harms that we are talking about here. Those economic harms cause harms to individuals, who are creators—I would just like to make that point.

The suggestion could be that a hook is put in the Bill, so that it could at least at a later date be extended to cover IP and economic harms. That would create an incentive on the platforms to agree voluntary measures that would hopefully address these problems.

In parallel, there is the CMA digital taskforce recommendations. Those might represent another route to achieve a very similar thing, which is to ensure the platforms have a proactive duty of care to prevent illegal content on their services, and to sweep it regularly and ensure that once something has been notified, it never comes back up.



Q457 **Steve Brine:** Thank you. Thank you for your clarity and your concise answers. There are many who could learn from you.

Roberto, would you like to touch on the whole safe harbour issue, which you will be very familiar with. Is there anything you would like to add to what Mr Taylor has said?

**Roberto Neri:** Just on the word “platform” that has been used: I wouldn’t call them a platform. They are a music service—450 of the top 500 most viewed videos are music-related. It is not fair, as I said right at the beginning. The £9.99 continues to exist with the streaming platforms that are referred to as being music services. We would like them to push their prices up, but they can’t when YouTube has such a mammoth offering and is almost a default for the consumer to go to. Even the five-second ad you have to watch and click “skip” when you can is not much of an inconvenience. We really want the Government to look hard at this. We can provide as much evidence—whatever you like—in addition to what I am saying today.

Q458 **Giles Watling:** I’d like to follow up on something you were talking about with Kevin Brennan, Geoff. It has just come into my head. We all love the idea of spending on A&R. It means you find new artists. You are out there. Of course, the way you do that these days has changed—you look online, see who has got a following. The big companies are doing that. But are we spending too much on that kind of thing when good artists with followings are struggling to pay rent? Is it possible that the big companies are increasing their throughput—taking on artists, sucking them dry and then moving on? Is that perhaps the case?

**Geoff Taylor:** I do not think so. We are seeing in the streaming world that it actually takes longer to break an artist. It is no longer a question of putting an album together and putting it out, and therefore you have broken the artist and it gets to a high chart position very quickly. It typically takes years now to develop an artist to the point where they are truly successful. I do not see labels burning through artists in that way. The A&R really is the key to the business. As I said before, one reason why the UK has been so successful is our relatively high levels of A&R spend. My ambition is to see that go up, but the only way that labels can risk that extra money every year is if they get more in from streaming, because that is now the primary source of revenue that drives the business.

I think all the indicators at the moment are super positive—A&R investment has been rising year on year and royalties paid out to artists have been rising and have risen as a share of label revenues as well. We have a super-competitive marketplace now, where artists, as I think Roberto was saying a few minutes ago, can choose the type of deal they want. They can choose the type of deal that is an assignment of copyright and they get a big advance and lots to spend on marketing, or they can do it themselves or just do a label services deal and keep all the money. It feels to me like all the pillars that we need to drive a successful market are in place, but we have to let it grow.



## HOUSE OF COMMONS

Q459 **Giles Watling:** Do you think the dividing of the cake—the spending—is about right? The proportions are about right as we are?

**Geoff Taylor:** Yes, I think they are. We are spending 25% of total turnover. That is much higher than most industries spend on their R&D. I see that as a good thing.

Q460 **Giles Watling:** Okay. Moving on to online harms, the Government said that the online harms regime would cover harms only to individuals, not corporations. Geoff and Roberto, you both called on the Government to include harm to rights holders in the online safety Bill. Why is that?

**Geoff Taylor:** Because ultimately the different forms of harm that the Government are looking at go back to the same place: the platforms claiming not to be responsible for the content that is on their service, despite the fact that it is fundamental to their business—Roberto made a good point about services such as YouTube being a music service, rather than a platform—so they should be responsible. I also do not think that it is right to say that consumers do not suffer from illegal services, because consumers do suffer, and those are individual harms. The individuals working in the creative industries also suffer. The creative industries contribute £111 billion in gross value added to our economy every year, which is tremendous. It is one of the fastest growing sectors in the economy, and it should be a priority for the Government, and therefore the Government should be thinking how it can protect creators in the online harms legislation.

Q461 **Giles Watling:** And that includes the rights holders?

**Geoff Taylor:** That includes the rights holders. I think they should actually broaden it to include economic harms more generally, but if not, they should at the very least create a structure to extend it later to economic harms if the platforms do not take sufficient voluntary measures.

Q462 **Giles Watling:** Does the method by which the record industry gets copyrights from creatives mean that it will fall outside the regulation of tech companies? As an add-on to that, what legislation would you like to see?

**Geoff Taylor:** Well, we certainly think that the online harms legislation will not do it for us as it currently stands. As I have said, we were pointed by the Government in the direction of the CMA digital taskforce and its review, following on from the Furman review. Given the fact that we were pointed in that direction, we hope that the Government will now move with alacrity to implement the recommendations of that digital taskforce, which are all about the proactive responsibility of digital services and dealing with things such as “Know your customer”. Let us say that you are eBay and you have a consumer who is continually uploading listings of illegal stuff. You should know who they are, and when they reappear with a new username, you should not allow them back on the platform because you should know who they are. That is the kind of proactive step that



every digital service needs to take, otherwise they are just handing the keys over to the pirates.

**Q463 Giles Watling:** That is a very good analogy, and I hope that the Government will be listening when we finally publish our report. Finally, YouTube and Twitch differ from SoundCloud, as I understand it, as both companies allow users to livestream music. Does livestreaming pose a particular problem for rights holders that we have not yet heard in oral evidence?

**Geoff Taylor:** I think the pandemic is changing things. First, livestreaming was not a huge business for artists in terms of concerts and obviously artists have had to get really creative about how they create new livestreams as a business model. At the same time, illegal streaming of live content, or illegal streams, weren't a huge part of the piracy problem. We have seen that tick up, but particularly what's called streamrippers. Services like YouTube, which aggregate huge amounts of content, don't protect that content properly, and then you have these hostile applications called streamrippers, on mobile devices, that will just turn a livestream into a download, effectively—so you have got that song for free, forever.

I think someone mentioned app stores earlier. The app stores host all these streamripping apps. They are very difficult to get down in most cases. We need a whole suite of measures to deal with those. You need to be able to get blocking orders much more cheaply and easily to block access to those services. You need to be able to get them out of search rankings. You need to be able to get them off the app stores. Ultimately these are just people running businesses to rip off creators and enrich themselves. Government could move a lot faster to deal with all these issues. If it did, it would make the UK the best place to invest in creating content, which would be a huge advantage for us, particularly post-Brexit.

**Giles Watling:** That is great. Thank you for that.

**Q464 John Nicolson:** Mr Taylor, there was an interesting revelation earlier on, when you told one of my colleagues that you employed a lobbyist for this inquiry. Can I ask what the lobbyist's brief was?

**Geoff Taylor:** Yes, surely: simply to help us deal with the huge number of issues that the inquiry raises and advise us both in terms of what do you put into the media and what don't you put into the media, in terms of responding to the ongoing debate that is happening out there, particularly on social media. So, it was about how we should deal with those issues; and what issues we needed to prepare, for questions from yourselves, in appearing before the inquiry, suspecting that we might get called to give evidence.

**Q465 John Nicolson:** So, more media training than lobbying—or lobbying as well as media training?

**Geoff Taylor:** Certainly for me it has been principally helping to advise me, to prepare for this session—acting as you guys, actually, doing a



## HOUSE OF COMMONS

grilling session, asking tough questions, like this. But, also, very much more on the comms side, which is about what messages we should get out to try and articulate our case.

Q466 **John Nicolson:** Have the lobbyists contacted individual Committee members?

**Geoff Taylor:** I am not aware. I don't believe so, but I am happy to ask.

Q467 **John Nicolson:** That would be interesting. Who are the lobbyists, out of interest?

**Geoff Taylor:** I think I was asked that before. It is a small agency. I would prefer—just because it would feel to me more appropriate—if I could write to you with that.

Q468 **John Nicolson:** I don't understand. Why is it a secret?

**Geoff Taylor:** It is not really a secret. It is just that I think they might prefer it, but if you insist I can tell you.

Q469 **John Nicolson:** Yes, please do.

**Geoff Taylor:** Okay, it's a small company called Fleetwood.

Q470 **John Nicolson:** Expensive?

**Geoff Taylor:** It's all relative. I wish they weren't as expensive as they are—

Q471 **John Nicolson:** How expensive are they?

**Geoff Taylor:** My goodness, I don't know, exactly. Maybe £20,000, £30,000—something like that.

Q472 **John Nicolson:** Just for this inquiry.

**Geoff Taylor:** Yes. Well, we have taken them on since the inquiry was announced, it is fair to say.

Q473 **John Nicolson:** Fascinating. And are they also lobbying Ministers?

**Geoff Taylor:** I think we do that direct, to be fair. We have a relationship with Ministers ourselves. That is not really what we need them for. What we need them for is to help us deal with a really complex inquiry: what facts do we need to look up; what messages do we need to get out there?

Q474 **John Nicolson:** So as far as you know the lobbying firm hasn't contacted Ministers—just lobbying the press and, possibly, individual Committee members.

**Geoff Taylor:** Yes. I am not aware of them having contacted Ministers but, again, I would have to check, to be fair.

Q475 **John Nicolson:** What is the principal message you ask them to get out there for that large amount of money that they are charging you?



## HOUSE OF COMMONS

**Geoff Taylor:** To be fair, they have helped us to do our own press releases, so it is not so much that they are getting the message out there; they are advising us on our messaging. As you will have seen, we have published a series of press releases about the year-end figures and the growth of the streaming market. There is a lot of data and a lot of points to explain around the operation of the streaming market, and that is what we have been trying to do well.

Q476 **John Nicolson:** Mr Neri, may I ask you just a quick question, because I am conscious we are running short of time? What is to prevent apps being downloaded that allow the illegal use of music?

**Roberto Neri:** They should not be available through the app store platforms to begin with.

**John Nicolson:** What is to prevent that from happening? What is to prevent the illegal downloading from and use of them?

**Roberto Neri:** We need to have stronger measures in place not to allow these app stores to provide such apps in the first place. We need more scrutiny and more Government intervention when we ask for it.

Q477 **John Nicolson:** Specifically, how would that work? What do you want the Government to do, specifically? Since all we can do is to give recommendations to the Government, what would you like to see this Committee recommend?

**Roberto Neri:** Thank you, Mr Nicolson. It is such an important subject that I would love to come back to you in writing, specifically about this—all our asks on this particular subject.

**John Nicolson:** Perhaps just give us a headline—the top ask. By all means, follow that up, if you would.

**Roberto Neri:** Yes, we will definitely follow that up. Just to take down—when we identify an app and say, “This app is not licensed and is acting illegally. We want it removed,” we would like to be able to enforce that. Currently, we do not have the measures in place.

**John Nicolson:** Thank you.

Q478 **Mrs Wheeler:** I would like to ask some questions about the multi-year global licence agreements. This is to David Joseph, if he is on the line. I am interested in those licence agreements with Spotify where in effect you have reduced the royalty rates with it. I am wondering whether those reductions have also been passed on to the artists.

**Geoff Taylor:** If I may, I do not think that David Joseph is at this session. Apologies.

**Mrs Wheeler:** Am I a bit too early, Chair?

**Chair:** That is fine. Your question, I believe, was to Roberto Neri—sorry, to Geoff Taylor. David Joseph was the gentleman from Universal who had great knowledge of Harry Potter.



## HOUSE OF COMMONS

**Mrs Wheeler:** Right, I beg your pardon—he negotiated that. Geoff or Roberto, thank you.

**Geoff Taylor:** It is difficult for me to comment on individual companies' commercial deals. We are a trade body; we do not get to see their commercial deals. The only general point that I would make is that labels negotiate deals with services, and their interests are aligned with those of their artists. As Roberto was saying, the label wants to get as much money as it can; the more money it gets, the more money it then pays on to its artists in royalties. It is always trying to maximise its own interests and those of its artists. If it ever agrees a lower rate, that would be because it wants to help the platform grow its size, its subscriber numbers, in the belief that that will ultimately benefit everyone. That is probably the best answer I can give, but I cannot be more specific, I'm afraid, because we do not get to see those deals.

**Mrs Wheeler:** Right. I think I want to ask my questions to the next panel, please, Chair.

**Chair:** Okay. Julie Elliott.

Q479 **Julie Elliott:** Geoff and Roberto, you have both called for increased Government intervention against piracy. What do you think that the Government could do to help prevent piracy? We will go to Roberto first, then Geoff.

**Roberto Neri:** It is fair to say that we need to have clear corporate liability and modern anti-piracy tools available.

Q480 **Julie Elliott:** Like what?

**Roberto Neri:** It is clear that some of these services can know everything about your shopping habits but not yet identify what songs you are uploading—that is one example. We need transparency obligations on the digital services. There is not enough transparency with the data that some services are providing us.

**Julie Elliott:** Thank you. Geoff?

**Geoff Taylor:** I would say we need a clear duty of care on platforms to take proactive measures to prevent piracy from appearing on their services and to remove it when it does, and we need a faster and cheaper system of website blocking. At the moment, you can get court orders to block an illegal site, but it takes months and costs tens of thousands of pounds to do so. If you are individual photographer, how can you possibly protect yourself under that system? We need faster, cheaper website blocking.

Q481 **Julie Elliott:** How would they do that? How would they have that faster, cheaper system?

**Geoff Taylor:** At the moment, you have to go to the High Court. We would suggest that you could look at an administrative system, such as exists in some other countries, or at least reduce the volume of evidence



## HOUSE OF COMMONS

that you are required to provide in order to get a blocking order, simply because it is an access to justice question. It is only groups such as BPI that can bring these cases, because they are a huge undertaking to bring. That means that most of the pirate services are never subject to blocking.

Q482 **Julie Elliott:** Anything else?

**Geoff Taylor:** I agree that more needs to be done about app stores. Particularly on the Google Play Store, there is no pre-vetting of apps. Any app can go up, and then we have to find them and get them removed. It is a very time-consuming process and often does not work that well. There are lots of apps that get uploaded for big artists. I saw one yesterday for Billie Eilish—it is just an app that contains Billie Eilish’s album. How could Google think that that is legal, when it has been uploaded by some unheard-of tech corporation? They can’t. Again, I suppose it comes back to the proactive duty of care: they should be scanning these things themselves and taking reasonable measures to prevent piracy from coming on their platform. At the moment, all of the responsibility is on the creators both to monitor it and to get it taken down. That cannot be right, and it is never going to work.

Q483 **Julie Elliott:** When I was doing a bit of research—a bit of homework—for this session today, I came across reports about the departure in 2015 of BPI’s former head of anti-piracy, David Wood, who happens to be an ex-police officer. At the time, BPI said it was due to restructuring, but later it emerged that it had been sacked for gross misconduct. BPI took him to bankruptcy court, and the matter was then referred to the police. Has BPI ever recovered any money from that?

**Geoff Taylor:** We’ve tried. It was an employee fraud against us. It is a horrible thing when somebody you have employed and trusted turns out to have been taking money from you. I will probably have to write to you with the details, because it was a few years ago, but we took every action we could. We got a civil agreement that he would repay certain sums, but then he went bankrupt, so it has been difficult. I believe we still have some kind of outstanding order against him. Obviously, we think he should pay all of that money back.

Q484 **Julie Elliott:** Would you write to the Committee with that information? I think it would be useful in terms of seeing what has actually happened, especially when it is around this area of piracy, which he worked on.

**Geoff Taylor:** Sure.

Q485 **Chair:** Thank you. Geoff, you stated that you wanted to see the online harms or online safety Bill include economic harms. This is quite a familiar call now; we are getting this in relation to areas such as scams and other such things. But I think you recognised in your follow-up that that is not likely to happen, and that it is quite unrealistic to expect that the online harms or online safety Bill will be such a catch-all, or what I refer to as Christmas tree legislation, where everyone wants to hang something off it. Given that it is likely that that will happen—that your particular gripes will be addressed—what other levers can be pulled in



order to ensure a more equitable system within music streaming?

**Geoff Taylor:** First, as I say, I think it would be useful to amend that Bill, if it is not included at the beginning, such that the Government has the power to extend the legislation to cover economic harms—

Q486 **Chair:** Forgive me, Mr Taylor. You can amend the Bill all you like, but the Government has a majority of 80-odd and it won't go through unless the Government wishes it to do so, and if they are not minded to do it, it will not happen. So let's park the idea of online harms dealing with all your problems. It almost certainly will not do so, in the same way that many other areas are looking for it to do so. I will repeat the question: what levers can be pulled either by Government or, frankly, the industry in order to ensure there is a fairer balance in the economics of music streaming?

**Geoff Taylor:** Two things, then, which have been touched on earlier. First, the clarification that safe harbours do not apply to either services which are music services using them to negotiate undervalue royalties, or to services which are havens for pirated content. Clarify that the safe harbour does not protect either of those.

Secondly, take forward the recommendations of the Competition and Markets Authority digital markets taskforce that a proactive responsibility should be put on platforms to introduce "know your business customer" procedures and notice and stay-down procedures, and to use technology to ensure that illegal content is recognised and not allowed on to the platform in the first place. There are myriad different measures that could be taken pursuant to those recommendations. I believe Government to be looking at the possibility of consumer protection legislation as a vehicle for that. Whatever the vehicle is, it needs to adequately protect creators and those who invest in them.

Q487 **Chair:** That is quite interesting. The first part of that—safe harbours—would require legislation, and your idea was basically that it would be tacked on to online harms as such. Let's look at the second part—the more realistic one, if you like, at least in the short to medium term—to do with the CMA and its digital markets taskforce. You would like to see it come at this from a competition angle. Do you think there should be a wider investigation into the industry in terms of things like integration and whether or not there is fair value for musicians and songwriters in music streaming and, as Mr Neri said, YouTube, which in many respects is the largest music streaming website in the world?

**Geoff Taylor:** I referred to the Competition and Markets Authority because it was entrusted with setting up a digital markets taskforce and looking at the role of platforms and the structures in the market for platforms. I think the taskforce is looking at it from more of a consumer protection angle, and certainly there, the types of online harm we are talking about—economic harm to creators—could be addressed. But the streaming market overall shows signs of healthy competition. The safe harbour is a distortion to that usual process of competition, but if one eliminates the safe harbour, you see Apple Music, Spotify, TIDAL, Amazon



## HOUSE OF COMMONS

Music and all the other streaming services competing incredibly hard to have the best service and attract the best users. You see labels competing intensely to sign the best artists and get the best deals with those services. So from where I sit, the music streaming sector is a highly competitive sector; you just need to get rid of the distortions.

Q488 **Chair:** We accept that you believe it to be a highly competitive sector, and in isolation it probably is, but when you throw YouTube into the mix it becomes less so; it becomes more distended. Do you believe the CMA and the taskforce needs to look at that relationship?

**Geoff Taylor:** I think it certainly could. It seems to me that the CMA was looking at piracy as only one subset of a much broader set of issues. I think the CMA could potentially be a means to address the safe harbour point and to clarify that if you are hosting content, you cannot hide behind a safe harbour either to reduce the value of the rights you acquire or to claim that you are not responsible for illegal content that appears on your servers. So yes, the CMA route is worth examining for both the safe harbours point and the piracy responsibility issue.

Q489 **Chair:** To drill down further on the safe harbour, I would have thought that would need separate legislation. How is that a competition matter, rather than one about copyright?

**Geoff Taylor:** It has competition effects, because as we touched on quite a lot earlier, the fact that YouTube is able to acquire rights so cheaply because of safe harbours means that it has a competitive advantage over the other services. It is not paying out as much in costs for the music it is using as the other services are, and it has the effect of both suppressing demand for subscription to the other services and constraining price. For those reasons, I see the safe harbour as a major distortion to the competitive landscape.

**Chair:** Thank you. That is really interesting. Thank you very much for your evidence today, Mr Geoff Taylor, and also Roberto Neri. That brings our first panel to an end. We are going to take a two-minute recess as we set up our second panel.



**Examination of witnesses**

Witnesses: Graham Davies and Horace Trubridge.

**Chair:** We are now joined by Horace Trubridge, the general secretary of the Musicians' Union, and Graham Davies, the CEO of the Ivors Academy for music creators. Good afternoon, Horace and Graham. Thank you very much for joining us today.

**Horace Trubridge:** Good afternoon, Chair.

**Chair:** Thank you. Our first question is going to come from Damian Hinds.

Q490 **Damian Hinds:** I will start with Graham. Do you have any idea where the 30% of revenue that goes to the streaming platform itself, which is twice as much as goes for the song, comes from, and do you consider it to be an equitable amount?

**Graham Davies:** Thank you, Mr Green, and thank you, Committee, for the opportunity to speak today.

**Damian Hinds:** We are interchangeable! I am Damian Hinds, but carry on. It doesn't matter; it happens a lot.

**Graham Davies:** The question of the split of moneys derived from streaming is one of the central issues for us at the Ivors Academy of composers and songwriters, because so little of that is making its way through to our members. When we look at the division of that pie, you are right that circa 30% is going to the platforms and circa 55% is going to the labels, and 15% is left. However, I would like to say that some of those percentages are perhaps overstated. I think the 15% that is often commonly talked about going to the publishing sector is at the high end. I have been told of deals of, say, 12%.

In terms of the 30% you are talking about—I think this has come up in previous discussions—we should recognise that the streaming services have done a fantastic job of creating the new market we have, which has returned huge value to the industry and is growing significantly over the next five to 10 years. It would be true to say that the streaming services have costs; they have taken on a lot of the marketing and promotional activities that once were the domain of the record labels, who would record, market and distribute content. We are seeing huge amounts of that promotional activity now happening on the platforms, and I would argue that that promotional activity is increasingly around the songs. Many people are now commenting that streaming is a song economy. I don't have the information on exactly how the streaming platforms divide up the money that they are taking.

Q491 **Damian Hinds:** You could say that streaming has saved the record industry from piracy. On one view of the world, the record industry and all the different bits of it are so incredibly grateful to streaming that they give it this enormous slice of revenue. My question was whether you have any sense of whether the 30% is reasonable in the circumstances. You



## HOUSE OF COMMONS

say they are taking on all this marketing effort, but I would imagine the record labels might slightly disagree with that, as they are building the equity in the acts—and, by the way, the industry is effectively subsidising the growth of those streaming services through their free service. Why does all the attention go on how the 70% is divvied up and whether that is considered equitable, rather than whether the 70% should be more like 85% or 90%?

**Graham Davies:** For the Ivors Academy, a lot of the attention is put on the 70% because the song value should be higher within the 70%. The song value has been suppressed, and we would argue that that is because of the industry mechanics, in that it is in the interests of the record label to do so. Streaming came on the back of downloads. If we go back to 2005 when digital started, it was a download economy and we used to download singles and albums. We can see why the industry adopted a model more akin to a physical sales model, but it really is not applicable to streaming.

There is ambiguity over whether or not it is a sale. Clearly, a download is a sale, where you purchase something and you can listen to that as little or as much as you like for the rest of your life. That is what a download is. A stream is not a download. We would really advocate for clarifying that aspect, because it is a communication to the public, and the more the industry has propagated it, the more it has suppressed the value of the song.

Should the industry be pushing to get more out of the overall take from the subscriber and reduce down that 30% take of the DSPs? Well, sure; of course. We are representing songwriters and composers. We would advocate for anything that gets more money into our members' pockets. I am trying to explain why, for us, it is really important that whatever money comes into the industry, if it isn't going to go into creatives' pockets—what would be the point of us advocating for more money, if it is all going to go into one place?

Q492 **Damian Hinds:** Horace, do you have anything to add there? Does the Musicians' Union have a view on the 30%? You are muted, I think, Horace.

**Horace Trubridge:** Schoolboy error! At least I got your name right. If you consider a streaming platform like a shop, then a record shop in the old days would probably have taken a margin of around 30%, to cover all their overheads—their staff, their rent, etc.—so I don't think that a streaming platform taking 30% should really be the focus of too much alarm.

It is far more about the amount of money that goes to the labels. My friend Graham has already said that the streaming platforms, on average, pay about 15%—sometimes less—to the publishers, but 55% to the record labels. You have got to ask yourself: why that imbalance? Is the performance so much more valuable than the song? I am not sure that it is.



Q493 **Damian Hinds:** Sorry to pull you back, Horace, but can we stick on the 30% for a bit? We have spent a lot of time in this inquiry talking about how the 70% is divvied up; I want to home in on the 30%. Isn't the whole point of moving to electronic music distribution that you take a load of cost out of the system? The fact the record shops used to take 30%, presumably, is irrelevant, because online platforms don't have a network of high street stores, business rates, people to pay and national insurance contributions. Well, they do for the people they employ, but not on the same scale. Isn't it an excessive margin?

**Horace Trubridge:** I am not sure; I couldn't really tell you, to be honest. What I do know is that Spotify have yet to declare a profit—they are still not in profit. I think that is largely to do with the fact that they invest in new markets all the time. I don't know how much. You will be able to ask the gentlemen and the ladies who are coming on after me how much it costs to run a streaming platform, but because I have been in the industry for a long time, I guess I look at the streaming platform as just another way of getting the music to market. Graham is absolutely right: it's not a sale. It never was a sale. It is a communication with the public. It is like modern radio, basically.

Q494 **Damian Hinds:** We heard from the last panel that a stream comes in at about a penny a time. As an industry, do we know how many times, on average, a typical 99p single, or indeed a download, got played?

**Graham Davies:** I don't think there is that concrete research. If you had a CD, you would take that into your home, and it is very difficult to know if someone has listened to it at all. There are always some tracks on an album that would get listened to more; we see that in streaming. When we talk about streaming becoming a song economy, that is what that is about. It is breaking the connection with listening to a whole album by an artist and picking the songs that you want to listen to. I am not aware of any research that answers the question that you just asked.

Q495 **Damian Hinds:** To ask a different but related question, do we know how much the typical punter used to spend on music and how much they spend now? We know the global total revenue has increased, but a lot of that is to do with new consumers and opening up new markets. Do we know, on a like-for-like basis, in a free market like Britain, how much cash there is available from the typical music-loving buyer now, compared to 10, 20 or 30 years ago?

**Horace Trubridge:** I don't have those figures, I'm afraid. Anyone who subscribes to Spotify and pays the equivalent of about 120 quid a year to do so, is probably someone who is paying more than the average person would have paid for physical music in the past, but I have to keep emphasising the fact that it isn't like buying music. I still buy albums and CDs. If I want to own something with the music on it, I do that. But I listen to Spotify—I subscribe to Spotify—because I like the convenience of it. I am not buying anything that I listen to; I am just listening to it like I listen to radio.

Q496 **Damian Hinds:** Sorry, Horace. I am just trying to get a sense of whether



## HOUSE OF COMMONS

in the round, in total, when you look at the whole music-producing ecosystem, there is more money available to go to that now than there used to be. "Is it being divvied up in a more equitable way?", has been at the heart of this inquiry. But is there more or less? I am not sure anyone has really told us. Does anyone know?

**Horace Trubridge:** Let me say this: I was in a band back in the '70s, and when you played live in the '70s, you played live to promote your recordings because you could make a living out of your recordings. You could do. Even if you weren't hugely successful, you could still make a living out of recordings. You can't really make a living out of recordings anymore, unless you work for a record label.

Q497 **Damian Hinds:** That is an interesting and important answer, but to a different question. As they say on Twitter, "Genuine question". Do we think anybody actually knows whether the total amount of remuneration coming into music from the buying public is higher, lower or the same as it was a couple of decades ago?

**Horace Trubridge:** As I understand it, the BPI are moving into a position where they are starting to get as much money from recorded music as they did during the boom during CD sales. Obviously, they took a terrible cold—

Q498 **Damian Hinds:** But that is partly from growing new markets, I think—more punters.

**Horace Trubridge:** It is possible that it is about that. Again, the platforms have a lot to do with the success of taking music into new markets.

Q499 **Damian Hinds:** Okay. Finally, we talked a lot in the last session about safe harbour and user uploaded content. Can you both say what your perspective is of the issues created by that part of the market?

**Graham Davies:** We would advocate that there are creators who are missing millions from streaming and, absolutely, the safe harbour ambiguity is a cause of a big loss of value. Just to put on the record, as was stated by the previous panel, the value gap is the gap between what YouTube should be paying and should have been paying from the start, or what would be paid for fully by a service like Apple Music. This ambiguity has given rise to an under-licensing of YouTube. YouTube has had a licence from the music industry pretty much from the start, but it has not been a full licence.

Five years ago, I worked on some papers that were trying to define why this was such a problem. As has been expressed, it has an impact on competition in the market if entities like YouTube are benefiting from parasitic growth—growth where you are not paying for the full inputs that you should be. That is having a chilling effect on competition in the market. We have talked a lot about how we all want to grow the revenues into the industry—yes, the £9.99 fee, or yes, more streaming services or more competition. Well, it is absolutely essential that safe harbour is addressed.



## HOUSE OF COMMONS

Q500 **Damian Hinds:** Just to be absolutely clear, the chilling effect that you mention includes, presumably, both holding back the £9.99 and holding back the efforts to restrict the free part of the offer.

**Graham Davies:** Absolutely.

**Damian Hinds:** Thank you. Horace?

**Horace Trubridge:** We absolutely would like to see the safe harbour provisions looked at. We would like to see YouTube paying what the other platforms pay for the wonderful music that people download from it or stream from it. For us, we are supporting the rights owners in that lobbying to get the safe harbour provisions changed and the value gap closed, but it is difficult to give 100% support when we know that most of that money will still be going to the rights owners and not to artists and writers. We would much prefer the record labels to turn around to us and say, "Okay, support us in closing the value gap, and we will make sure that we give you a greater share of what we get." That is what we want to hear. Then, we could give wholehearted support to what they are doing. It just feels like what we are doing is saying, "Yeah, they should have an extra 10 quid, so that our lot can get an extra 10p."

Q501 **John Nicolson:** Mr Davies, can I start off with you? Who do you think gets most cheated by the current system?

**Graham Davies:** I think the creator is cheated most. The Ivors Academy represents songwriters, so I will talk to that audience, and Horace will talk to the performer perspective of the music creator. The songwriters, as we all know, invent the music. You do not have a recording, you do not have music, without the song. We have heard a lot about how the recording side of the industry is investing in R&D, A&R and talent. Well, songwriters are often overlooked here in terms of the work that they do. Songwriters have to sustain their careers; they have to pay for their studios, equipment and time; and they have mortgages, just like anyone else.

Often, for all the time that they spend developing artists and creating master-level recordings, they will only get any compensation if there is a royalty. That royalty now has often to be split across multiple writers because it is a common position that the songwriter will give away shares in the song copyright to artists, so you can have five or 10—we even hear of 15—writers on a song. The royalty is going to be split up into a lot of different parts. Without constantly referring back to suppression of the value of the song, when a songwriter royalty is paid through a publisher, 80p of that goes through to the creator. PRS is in collective rights management in the publishing side, where at least 50% of the PRS royalty will go straight into the creator's bank account.

In answer to your question, those who are suffering most from the current arrangement, and who see the least of the money, would absolutely be the music creators. This inquiry has been very well received by our community because there is an increasing lack of trust in the system in understanding where moneys really are going. We hear about huge amounts of money, but where are those moneys going? What is the



## HOUSE OF COMMONS

transparency on that? That is feeding through into the erosion of consumer trust as well.

**Q502 John Nicolson:** I think most people would be very surprised to learn that only 15% is allocated for the song itself, to the song copyright holders—the publisher, songwriters, and composers. That is really a tiny amount. Does anybody get rich as a songwriter these days, through this system?

**Graham Davies:** Just to add to that perspective, 15% is the upper level. From that, you have the publisher, who does a good job for the 20% common deduction that they take, and you have the collecting society deduction in there as well. Obviously, some works are incredibly popular, and get used an awful lot, so those songwriters will be doing very well, but on behalf of my membership—you heard oral evidence from some of our members—it is becoming more and more of a precarious career to follow.

**Q503 John Nicolson:** You could also argue that the consumer is being cheated, too. I think that when people subscribe, they think that they are buying this song forever. My house is full of CDs and records—33s and 78s—and they are mine, and I can play them whenever I want. I am kind of conscious that I have this addiction to Spotify now, and I have to keep feeding it, because as soon as I stop paying my subscription, it all vanishes into the ether. We often talk, and we have talked in this inquiry, about how cheap Spotify is—probably too cheap, given it is not giving enough money to the composers and performing musicians—but at the same time it is a very imperfect deal for the consumer, isn't it? It is just renting. That is all we are doing; we are renting, but probably most consumers do not really think about that.

**Graham Davies:** I agree. In this room, I have a wall of CDs, tapes and even videos. All consumers have the same feeling—or maybe some of us of a certain age, who have grown up with that purchase—that actually buying a piece of music was more than just acquiring it; it was creating a connection between you and your favoured artists and that music. It is an identity piece. Obviously, new generations are coming along and all they know is streaming, user-generated services and so on. The consumer perspective is increasingly getting used to streaming as the main source. We did a YouGov survey last year to start to understand whether consumers think about where their money goes. It is a real concern that consumers are not aware of how little of their money goes to the artists and songwriters.

**Q504 John Nicolson:** Before I move on to Horace, may I ask you one final question? Has the Ivors Academy paid lobbyists to lobby the members of this Committee or to influence this inquiry?

**Graham Davies:** No, we have not.

**Q505 John Nicolson:** Horace, who do you feel is getting cheated most by this particular system that is in operation?

**Horace Trubridge:** I think performers are being cheated. For us, Spotify is a modern version of radio, but at least radio pays equitable remuneration, which means that studio musicians, session musicians, get



## HOUSE OF COMMONS

paid for the fantastic contributions that they make to recordings. Streaming does not pay anything to studio musicians. A studio musician could play on a track that becomes the most successful recording in any year and still be paid only £120 for their session—no more money, apart from that, for all the different streams that might occur on all the different platforms.

When the right to equitable remuneration was introduced for musicians, it was a fantastic lifeline. It meant that when their music was played on the radio, they got guaranteed income that the record companies could not get their hands on. As streaming slowly replaces radio as the method of choice for music lovers, radio is also dwindling. If streaming completely replaces radio at any point, equitable remuneration will die and, believe me, it has been an absolute lifeline for musicians.

When I started work at the Musicians' Union 31 years ago, *NME* and *Melody Maker* cover stars would say to me, "We can't afford to have a record deal. We've spent our advance just on paying off debts, we cannot go to record for anyone else and we got very little money in our publishing advance. There is nothing we can do—we have got no money and we can't earn any income." When equitable remuneration came in for radio play, it was a lifeline. It meant that you had a source of income that the record companies could not get their hands on. However, it will gradually—it is already—dwindling, as people listen more to streaming services than they do to radio.

Q506 **John Nicolson:** If you have one top ask for us as Committee members, for our report, what would it be?

**Horace Trubridge:** It would be to reclassify streaming as communication to public, to see it as we do radio. That way the money is split 50:50 between the record labels and the artists. That would seem to us to be the fairest way.

Q507 **John Nicolson:** Did the Musicians' Union pay a lobbying firm to prepare you for this inquiry, or to influence the inquiry?

**Horace Trubridge:** We are paying a lobbying firm to consult on the best way to approach this inquiry. I have not been coached by them, and we have not paid them to approach any of you.

Q508 **John Nicolson:** What is the name of the lobbying firm?

**Horace Trubridge:** Lodestone.

Q509 **John Nicolson:** How much are you paying them?

**Horace Trubridge:** Something like what Geoff is paying his lobbying firm, I believe.

**John Nicolson:** I think a lot of people listening to this will think they are in the wrong business.

**Horace Trubridge:** Mr Nicolson, if I could please come back in—this is so important to musicians that if I did not hire a lobbying firm and we do not



## HOUSE OF COMMONS

get any progress with this problem, then in years to come people will say to me, "Why didn't you do that? Why didn't you try absolutely everything, because an opportunity like this only comes along every now and again?" And if we do not do something to make sure that artists and session musicians are properly rewarded, then our industry will wither on the vine eventually.

**John Nicolson:** I can tell you that I think the sincerity of what you say and the justice of the claim that artists and musicians are making are vastly more powerful than any lobbying firm communication can ever be. Back to you, Chair.

**Chair:** Thank you. That felt like an "And finally..." at the end of the news there, John.

Q510 **Julie Elliott:** Horace, you have already answered my first question, so I will ask Graham: how do you think streaming should be classified?

**Graham Davies:** Streaming should be classified as communication to the public. In relation to the songwriters, songwriters and composers already have an exclusive right, and that is exploited by communication to the public already. So, when Horace was asked for his No.1 ask, it is to bring performers into something that already exists for songwriters and composers.

The issue we have for songwriters and composers is that the control of the major labels, in controlling 68% of the record market and 58% of the publishing market, acts to suppress the value of the song. So, we do not need any new rights. What we are advocating for and what we would like the Committee to consider is a code of conduct for those that are responsible for this task of licensing of recording and publishing rights, such that we could then get the required trust back into the system that all of the moneys that are due to songwriters are paid through, because there are many deals—we heard of a deal, I think on Monday, from Universal Music Group with TikTok. That is from Universal Music Group, which will have two separate arms—one on labels and publishing—but they are still attached to the same body and they are still directed by the same head. And the industry is so much constrained now by this control over the proportions, we need a mechanism to enable the—

Q511 **Julie Elliott:** Codes of conduct aren't usually binding, are they? So, would you want a legally enforceable code of conduct? Is that what you are suggesting?

**Graham Davies:** Yes, with a regulatory backstop, too. We would hope that it would be a voluntary code and adopted in that way. However, as you say, these things need to have some—

Q512 **Julie Elliott:** Yes, but a voluntary code is not worth the paper it is written on, usually.

Horace, how much do you think digital downloads from the iPod era brought about the situation and the classification issue that we are now seeing with streaming?



## HOUSE OF COMMONS

**Horace Trubridge:** Yes—100%, Ms Elliott. The thing is that the WPPT—the WIPO Performances and Phonograms Treaty—was designed for the digital sale of music. It saw the Apple iTunes model coming; it had to react quickly. WIPO did a very good job on the WPPT, but at the time nobody envisaged streaming; nobody knew what streaming was. And the thing about a download is that you choose one piece of music, you pay what was—if I remember rightly—79p, and you downloaded it on to your device.

With streaming these days, if I—for instance—go on to Spotify and I call up a track by an artist, then I get that track, but then, after that, I get other tracks that I did not ask for. So, it is a completely different model—a totally different way of consuming music—and so much of what the streaming platforms do is pushing music at the consumer, as well as letting the consumer pull music.

That is why it is a bit like radio, because if I listen to radio I choose the radio station I want to listen to around the music that I want to listen to. So, I might want to listen to Jazz FM to listen to jazz, or I might want to listen to BBC 6Music, so that I can hear breaking bands and indie music; it depends what mood I am in. It is exactly the same when you use a curated service on a streaming platform. That is why we think it is far more akin to radio than it is to the sale.

Q513 **Julie Elliott:** I have to say, that is the one thing about streaming that drives me mad, when I am listening to something and then suddenly it goes on to something else, and I think, “Where’s that come from? I didn’t ask for that.” It is like the thing in the corner, taking over your life.

In terms of artists who are on legacy contracts that predate music streaming, how has streaming affected those people?

**Horace Trubridge:** I am really pleased you asked me this, because this is something that I do not think has come up in the inquiry so far. First of all, you have to remember that an awful lot of music that is streamed on streaming platforms is from artists who signed deals before streaming existed. They signed deals in an analogue era, if you like—like I did in the ’70s—and the deals that you signed then were not very good, I have to say. They were pretty poor.

But the other thing is that your records were released. You got royalties and you got accounting until the record label decided it was not economically viable to keep pressing up and releasing your records and putting them in the shops, and when that happened, you stopped getting royalties and you stopped getting accounted to. Over the years, you forgot all about it, to a certain extent. Imagine how many thousands and thousands of musicians were in all those different bands that were one-hit wonders that came and went on “Top of the Pops” over the years, and when their labels decided that they were no longer able to make money for them, they stopped pressing up records and stopped marketing their music. But then along comes streaming, all these years later, and suddenly there is a market for that music again. People are streaming



## HOUSE OF COMMONS

stuff that they have not heard for years and years, and very few of the record labels that own that catalogue now have all the details of the musicians they should be paying the money to. Even if they have, the royalty deals that they pay them under are so low, or those artists are unrecouped, so they do not pay them any money.

The Committee might be interested to know that in 2004, the New York Attorney General Eliot Spitzer arrived at a settlement with major record labels in America, where they put \$50 million into a fund that was to represent unclaimed royalties and royalties that they had not paid out to musicians who were due that money because they could not find them. Interestingly enough, one of those artists was Dolly Parton. How hard is it to find Dolly Parton? Fifty million dollars was put into that fund, and you can bet that if they put in \$50 million, it was probably \$200 million they owed, so there is an awful lot of money flowing into record labels on legacy contracts that they are not paying out because the artists are not recouped. If they are paying them out, they have to find those artists, and there is no due diligence like there is with a collecting society to actually find the musicians they should be paying to.

Equally, every other area of business writes off bad debt after six years, but not record labels. If you owed them some money from the 1970s, you still owe them that money, and they will not pay you any royalties, so when Geoff and his colleagues talk about the money they need to invest in new artists and all the rest of it, an awful lot of that money is coming from legacy artists who do not see a bean, but are still streamed on the platforms. Most of that money, I am afraid, goes to allow the very high salaries and the profligacy of record labels.

**Q514 Julie Elliott:** That sounds to me as if it is not under any kind of scrutiny or checks and balances, from what you are describing.

**Horace Trubridge:** No, that's right.

**Julie Elliott:** It is not transparent.

**Horace Trubridge:** Quite right, and the collecting societies—I am a director of PPL, I should declare—are subject to the CRM directive, which came out of Europe, and all the elements of transparency, accountability and governance that are involved in that directive. Labels are not subject to any of that, so they do not have to make any effort whatsoever to find all those musicians from the past 40 or 50 years whose money they are collecting, but they are not paying out.

**Q515 Julie Elliott:** Thank you. Graham, last week, the indie record label said that rebalancing the split of revenue between the song and the recording sides would pose an existential risk to many labels. Representing songwriters, how would you respond to those concerns that they raised?

**Graham Davies:** I would respond by saying that they would say that, wouldn't they? Looking through the written submissions, there is some really interesting evidence coming through, and one I would draw to your attention is BMG, which is the fourth-biggest music group. They are saying



## HOUSE OF COMMONS

that the windfall of money that has been flowing into the labels needs to be shared more evenly with artists and songwriters. We are seeing many organisations that are starting to take a more progressive line, which would go against the concept that this is the destruction of labels.

We are quite clear about the major music intermediaries being the centre of attention. Rob Stringer, who is the head of Sony Music Group, said last year: "Profits are the least of our worries. Profit margins are way better than the last great era of profit 20 years ago." Profits are absolutely the concern of songwriters, composers and performers. It is the balance that we are raising here.

Q516 **Julie Elliott:** The money is clearly there. It is just not being shared around, is it?

**Graham Davies:** Absolutely right.

Q517 **Julie Elliott:** Horace, do you agree that there should be a rebalancing of the recording side of things in favour of the songwriting side of things?

**Horace Trubridge:** Yes, I do. It is very important that the song is properly recognised and rewarded, and that the writer is properly rewarded. It is definitely unfair, and it is not hard to see why it is unfair, if you don't mind me explaining. As Graham has already said, the publisher will pay out up to 80% of what they receive to the songwriter, whereas the record label will pay nowhere near that. If you are really lucky, the record label might pay about 20%. Bearing in mind that the companies are intertwined, there is a real interest on the shareholders' side to keep the publishing payment down and the record label payment up, because they have to give less of that money away. It is very easy to see why it is like it is, and it is unfair.

**Julie Elliott:** Thank you very much.

Q518 **Chair:** Horace, to come back on one point, we have heard a lot about equitable remuneration and a lot about the unfairness, as you categorise it. I will play devil's advocate for a moment. There is no shortage of people wanting to be musicians, is there? Is this not just a matter of supply and demand? You have said in the past that many contracts that you have seen, dating back to the '60s, '70s and '80s, were pretty poor. In that respect, isn't it the same as it always was in the music industry?

**Horace Trubridge:** I think you are right, inasmuch as there are probably more people wanting to be successful in the music industry, but there are more people in the world anyway. What worries me most is that, from schoolchildren up into stars in the music industry, we are getting a narrow social field now, because the provision of musical instrument training for schoolchildren is dwindling to the point where it is only those whose parents can afford it who can learn to play a musical instrument. When you get to the point where you have to struggle for a couple of years as a musician, there is no enterprise allowance scheme or any of the other Government-funded schemes that musicians used to get their little foothold in the industry. Again, you are relying on the bank of the mum



## HOUSE OF COMMONS

and dad to get that foothold, so you are getting a very narrow class of musicians coming in.

In fact, somebody who runs a very successful independent publishing company in the UK said to me a couple of years ago that he had looked at the writers they had signed—young, independent artists who were writers as well—over the last year. He said that at least 11 of them, out of the dozen or 15 that he had signed, had come from public school backgrounds. That worries me an awful lot. Mr Brennan once said, very famously—it has always stuck with me—“Talent is everywhere, but opportunity isn’t.” That is what is flowing right the way through the tapestry of the music industry now, from schoolchildren right the way through to people who become stars in the industry. There is a lot less opportunity for people from deprived backgrounds.

**Q519 Alex Davies-Jones:** Before I start, I should declare that I am a proud member of the Musicians’ Union. Horace, I have a question on the point that you were just making. In YouTube’s submission to us, they have argued that they are investing in new artists through their Foundry programme and have supported successful young British artists, such as Dua Lipa and Dave. Do you think that these types of programmes are having a meaningful impact in supporting our emerging talent here in the UK?

**Horace Trubridge:** Not really. I think that YouTube’s turnover—those eye-watering figures that you see—enables it to do what appears to be quite philanthropic activity within our industry, but I do not see it reaching down into the grassroots.

**Q520 Alex Davies-Jones:** Are you aware of any other streaming services offering a similar programme for any new artists, even as a philanthropic or throwaway task?

**Horace Trubridge:** Spotify has artist liaison people within their organisation. In the early days of Spotify, I attended some meetings with grassroots musicians and Spotify, with Spotify quite keen to develop them. Spotify, for a while, invested in showcase events, and it had a showcase stage at South by Southwest to showcase new talent. Things like that are great, but it is very much on the periphery of the core business model.

**Q521 Alex Davies-Jones:** Graham, I will bring you in now. What should these streaming companies or social media companies be doing to support new artists? Is there anything else that they could be doing, other than paying them what they do?

**Graham Davies:** You probably just answered it for me. I think those that are doing well out of streaming should be putting more back in. The Ivors Academy launched our trust last week specifically as a vehicle to start getting more money returning into education and increasing diversity and inclusion, just as Horace talked about, because that is a really important issue in the industry. Obviously, charitable giving should be what people do because it is the right thing to do and because they believe in the



## HOUSE OF COMMONS

industry, not as alternative to paying proper royalties. That goes for all parties in the music industry.

**Alex Davies-Jones:** Thank you both. Thank you, Chair. I have no more questions on this section.

Q522 **Kevin Brennan:** Sitting here, I just reflect on the fact that I am in my constituency office in Cardiff West on the street where Ivor Novello was born, Cowbridge Road, and where there is a pub called the Ivor Davies, named after Ivor Novello's original name, so I feel a link with the Ivors Academy. Graham, you used to work for PRS for Music before you took over at the Ivors Academy, so you kind of know a lot of the ins and outs of this. I think what is interesting to the Committee is that we have heard from publishers and they do not seem to argue as ardently as you for the value of the song in streaming services. What is your observation on that?

**Graham Davies:** I was going to make a pun about keeping the home fires burning, if you are where you are right now. That is right. I think that the industry is a bit caught by precedent and practice. We absolutely encourage publishers to speak more stridently on behalf of their songwriters, to push the value up. I heard Roberto say that. Again, if you look at the submissions, you can see some very clear voices within the publishing community and the collecting society community advocating for a higher share. It seems to be the job of the creators to speak freely on this matter, and that is what we are doing.

Q523 **Kevin Brennan:** One criticism might be—you referred to this earlier—that perhaps songwriters give away their rights too easily these days. There is the famous story of Jerry Wexler stopping Carole King and Gerry Goffin on the street and saying, "Write me a song for Aretha. You've got to call it 'Natural Woman'". Jerry Wexler—the old saying is "Add a word, take a third"—is credited as one of the songwriters. That might seem fair enough. However, when we have heard of there being 10, 12 or 15 names on a song, are songwriters their own worst enemies in that sense?

**Graham Davies:** I think it talks to the predicament of songwriters, and I think Horace would say it is the same for performers, in that there is a certain pressure—some of the questioning of the previous panel was about this, in terms of Hipgnosis and the buy-out models—in terms of the extent to which creators face an uncertain future with scarce royalties. It should not be the case that people are giving away their copyrights. Some creators work for free; that should not happen. People shouldn't be giving away their copyrights when they don't need to.

Some of the education we need to do is to support creators in this task. We are seeing that more artists are getting shares, but there is now a move the other way, where songwriters are advocating to get points on recordings. I think this speaks to the distortions that are going on in the industry right now, where people are doing whatever they need to do to get money into their pockets.

Q524 **Kevin Brennan:** Dolly Parton refused to give Colonel Parker any of "I



## HOUSE OF COMMONS

Will Always Love You” when Elvis was going to record it, and that was the best business decision she ever took in her career—as it seems we are on Dolly’s case in this session.

Graham, in previous sessions we have heard how performer revenues that were unattributed or unattributable end up in black boxes, because they cannot be given to the correct performer due to incomplete data. Does that happen in songwriting royalties?

**Graham Davies:** Thanks so much for this question. It is really important. It is a huge issue on the publishing side of the industry affecting songwriters. I will just explain how we get a black box in the first place. When a recording is put on to a streaming platform, commonly, it can go up without the required minimum information on who the owner of the recording is, but also who wrote the song. It will go up with the recording owner information, but no details on what the song is. That is creating a huge black box of streaming royalties on the publishing side.

We would advocate—together with the platforms, which we would like to join with us in saying this—that no recordings should go forward anymore without this required data, because songwriters will suffer and not get paid. We put out a statistic—a guess—that there were over £100 million-worth of unattributable streaming royalties in the collecting societies. No one has disproved that yet. We would like to know what the full scale of it is. Those royalties are paid out on the streams that have already been paid. Those streams that have already been paid will be the most well-resourced streams, so it is a bonus payment. We think that that system is really wrong. It should be going to good causes, like is happening at the PPL.

Q525 **Kevin Brennan:** So the money goes to the most successful artists on streaming in any case.

**Graham Davies:** Correct.

Q526 **Kevin Brennan:** As we have heard already, that is divided up by a single pool, rather than by any user-centric system.

To finish up, Horace, you were in a very successful band in the 1970s, Darts. As Randy Newman once said, “Whatever happened to the Duke of Earl?” Do you get any money through streaming from your participation in Darts?

**Horace Trubridge:** A trickle. It’s very small. It’s interesting, I think there was a pop programme on Radio 2 a week ago—someone was telling me—and one of the questions was can you name three of Darts top-10 hits. The answer came, “Who’s Darts?” That is a bit disappointing but there we are.

It is streamed. There is a trickle of royalties. I remember doing “Top of the Pops” countless times from 1976 through to about 1981. Every time we did it, we were on with new acts, which we saw maybe once and then they disappeared. That is the point I am trying to make. All those bands—including our band, but a lot of them more than Darts—are being



## HOUSE OF COMMONS

streamed now, but the labels don't know and don't care where those musicians are. Unlike the black box money that gets paid out to the top writers, it doesn't get paid out to anyone; it gets kept by the record labels. They can look back on their contracts and find a reason. "We don't know where that person is or they were unrecouped anyway, so we'll keep that." As you mentioned in the earlier session, it is no wonder that record executives can be paid £120 million a year. That is an extraordinary amount of money. I don't know how you explain that.

I personally, in my 31 years of working for the Musicians' Union and from my 50 years of being a professional musician, have never met a musician who has earned that kind of money—never. Yet the executive who makes all of their money out of the fantastic art forms that writers and performers create can afford to pay them that kind of money. Anybody looking in dispassionately has to see that this is very unfair.

**Kevin Brennan:** It is also because there were nine of you in the band, Horace. That's why it's only trickle. It is far too many. Back to you, Chair.

**Chair:** Thank you. Finally, Steve Brine.

Q527 **Steve Brine:** I have enjoyed your evidence, gentlemen. Thanks very much.

When Graham said earlier that those doing well should put more in, I just wonder about something. Thinking about songwriters, I was listening to that interesting "We Write the Songs" programme that Gary Barlow is doing on Radio 2 at the moment, talking to different songwriters—Barry Gibb has been on, etc.—about the art of songwriting. Those who have made a lot of money out of the industry—when I bought my "Take That & Party" cassette in 1992, which I know the Chair enjoys as well, clearly I was contributing to his fortune. I just wonder: there have been some artists—Tom Gray, earlier in the session, and others, such as Radiohead, who have spoken up; but they were quite clear that there are quite a lot of artists who are afraid to speak up on these subjects. I just wonder whether you think that people should do so more, who have made a lot of money out of this, like, maybe, my "Take That & Party" artists.

**Graham Davies:** I think that there are further significant artists that have spoken up on this—songwriters. Paul McCartney spoke out, and Jimmy Page, and there have been others. The Ivors Academy does get support, and calls of support, to us—maybe not always publicly. I think for me the question is more that we have had other contrary voices saying, "There are artists doing very well that are not speaking up in support of the status quo." I would more point to that—that actually it is such a privilege for me to be involved in the Ivors Academy. The community is so generous. It is so supportive. I think the songwriters and composers have a lot of solidarity. They want what is right. I am hoping that these new charities that we have as vehicles can channel more back in, because everyone, fundamentally, loves music, loves new music, and wants more of it.

**Chair:** Thank you, Steve, and thank you Horace Trubridge and Graham



# HOUSE OF COMMONS

Davies for your evidence today—much appreciated. We are going to take a very short adjournment of probably two minutes before our final panel.



## Examination of Witnesses

Witnesses: Steve Bené, Raoul Chatterjee and Katherine Oyama.

Q528 **Chair:** This is our third and final panel of the day. We are joined by Katherine Oyama, director of government affairs and public policy at YouTube, Raoul Chatterjee, vice-president for content partnerships at SoundCloud, and Steve Bené, general counsel at Twitch. Katherine, Raoul and Steve, thank you very much for joining us today.

**Katherine Oyama:** Thank you.

**Raoul Chatterjee:** Thank you.

**Steve Bené:** Thank you.

**Chair:** Our first question will come from Kevin Brennan.

Q529 **Kevin Brennan:** Welcome, everybody, and thank you for joining us. Is it Katherine or Katie? I have two different interpretations on my list here.

**Katherine Oyama:** Either one is totally fine.

Q530 **Kevin Brennan:** Katherine, isn't safe harbour just a get-out-of-jail card to allow copyright infringement to happen on your services?

**Katherine Oyama:** Thank you for that question, and good afternoon. Thank you so much for inviting us to be part of the conversation. I don't think so; if we look at safe harbours, they exist in pretty much every modern economy in the world. They have been credited as being a key foundation for the vibrant digital economy that the UK has. I can say from the tech sector, not only do we see creativity flourishing, but the digital economy in the UK is such an important place for start-ups, FinTech and EdTech, and safe harbours have been credited as creating a foundation of certainty that allows investment in services.

Specifically from YouTube's perspective and relevant to today's conversation about music, safe harbours have powered the user-generated content movement we are seeing. If we look at the economics of our business, in the panel before someone mentioned a statistic that we are proud of: we have sent \$12 billion to the music industry. Many of the partners we work with receive more than half their revenue every year from the user-generated side, so not only has that system created a really vibrant place where artists and fans are able to be more interactive and we see pieces of music content going viral, but there has been a big shift where this sector is driving real revenue and powering these five to six years of positive growth that we are now seeing in the global recorded music industry. We are happy to see streaming now be a majority, and we see the UGC side truly powering a lot of that growth in the industry.

Q531 **Kevin Brennan:** You heard the record label representatives earlier on saying that it effectively just suppresses the value of their intellectual property. For example, when the EU copyright directive was being debated—the UK Government at the time was an active player in favour



## HOUSE OF COMMONS

of it, although it is working out what it is going to do now we have left the EU—is it not true that YouTube paid some of its video stars to allege that the directive would ban memes, which were actually exempt under the directive? Was that not a case of your promoting fake news?

**Katherine Oyama:** I don't think so. Of course, the directive is still under evaluation; I believe it has only been transposed by one member state so far, so these debates are ongoing. We have heard concerns and uncertainties raised by all sectors. If you look at the debate even in the German transposition today, there is truly an equal amount of concern and controversy from the user community and from the rights holder community. Our creators were following that very closely. One specific example—

Q532 **Kevin Brennan:** Is it true, though, that you paid some of your music video creators to say that the directive would ban memes when, in fact, they are exempt under the directive?

**Katherine Oyama:** No. One specific concern that they have raised with us in the past two months is that, due to some of the uncertainty, some of the music rights holders have been concerned that the new laws could be so confusing that incidental rights holders—for more incidental uses in a music video such as a toy or the owner of a copyrighted design on a T-shirt—would be empowered to strike down their content and reduce their revenues. I think that is actually a legitimate concern.

Q533 **Kevin Brennan:** Are you trying to influence policy makers in the US to insist that safe harbour is part of any UK-US trade deal that might be negotiated, even though the UK Government previously favoured the directive and may want to introduce a form of it—their own form of it—in the UK eventually?

**Katherine Oyama:** I think we generally support the safe harbour foundation for the importance it has had both for the digital economy and the music sector, driving more than half of the revenue. Certainly that was a debate in the US-Mexico-Canada agreement. I have not been any part of the debate in the UK-US discussions.

Q534 **Kevin Brennan:** So you haven't been talking to people in Washington and trying to persuade them to insist on inserting that into any future US-UK trade deal.

**Katherine Oyama:** I haven't. I think if we were asked, we would be happy to share what we shared earlier: we do think it is a strong foundation. We obviously go far above and beyond the safe harbour framework with our investments. We have been licensed in the UK for more than 10 years with all the major players—all the labels and the publishers. We have opened up a new platform for creativity for artists. But I think injecting significant uncertainty in the framework by eroding the safe harbours would have a counterproductive effect, and we are concerned about rolling back the important growth we are now seeing in the industry.

Q535 **Kevin Brennan:** Some people might think it would be the digital



## HOUSE OF COMMONS

equivalent of chlorinated chicken if you insisted on putting it in, but I will not ask you to comment on that because that is a very active debate here rather than with you.

One final question to Raoul from SoundCloud. This inquiry is into the economics of music streaming and we have had a bit of discussion about user-centric payment systems for streaming services. Am I right in saying that SoundCloud is getting into this a bit?

**Raoul Chatterjee:** It is definitely an interesting area. As an artist-first platform we are always looking for ways to make pay-outs to artists fairer—that is definitely something we believe in—but a very complex, detailed investigation needs to be taken into user-centric. It is one potential path that we are exploring. We have not rolled anything out just yet and we have not officially announced anything—I am aware that there have been some stories, but none of those is officially announced. It would require industry-wide conversations and support to be impactful. We actually pay the majority of pay-outs through intermediaries—record companies, distributors, publishers and collection societies—so in order to have the most significant effect on artists we would have to work in co-operation with those partners of ours.

**Kevin Brennan:** I will leave it there. Thank you.

Q536 **Alex Davies-Jones:** Katherine, many in the industry have said that the safe harbour policy has resulted in a value gap, with revenue from free, ad-funded music streaming paying out significantly less than that of subscription-based streaming services. What is causing that to happen? Do you think the value gap is currently fair?

**Katherine Oyama:** From the panel I heard a few hours ago, I do think there is a little bit of confusion. I think it is important to remember, especially from the YouTube side, that we have a few different business models powering our music business. On one side, we do have the subscription service—we have been a later arrival, but we are super-happy to see we now have more than 30 million paid subscribers. I think all the analysis I have ever seen about pay-outs and breakdowns is that we are on a par with those other services.

Separately, there is the ad-supported side of the business, which has the user-generated content, and that is probably where there is quite a bit of confusion. If you take a platform like YouTube and take a step back, music is incredibly important to the platform. We also have health and fitness, education, religious institutions, non-profits and film makers. So it is possible that music surfaces on that side of the house both in the premium channels where, say, a label or an individual artist might upload just their video, but there is also a lot of content on YouTube that has these more minor uses, like a video of a skateboard or a tourist video where you have a different amount of music. It is important to remember, when you are looking at a service as robust as YouTube, that not all streams are exactly equivalent to this one model that we might have, but we are happy to see this fan-uploaded content. I have been at the company almost a decade. When our partners saw fans uploading five years ago, I definitely think



they were like, “We want to use your tools to block the content. We don’t want it there.” Any time a user is uploading, our partners—indie labels, publishers—are alerted that their content is being uploaded, and today, in 95% of the cases, rather than block and think, “We don’t want it on the platform,” they are choosing to have it up and they are choosing to get the monetisation. Of course, it is completely their decision.

**Q537 Alex Davies-Jones:** Is it their fault that the value gap exists?

**Katherine Oyama:** No, I don’t think it is anybody’s fault. I think we honestly reject the notion. We are seeing value. We have sent out over £12 billion to the music industry and daily we are seeing artists being broken on the UGC side. Queen is a good example. They had a video from before the 1990s, but they had over a billion views only a couple of years ago, partly because tens of thousands of their fans were participating with their content. That was creating an entirely new revenue stream. For us, I don’t think there is a gap. I think we are seeing new forms of revenue to songwriters, traditional institutions and new artists.

**Q538 Alex Davies-Jones:** Do advertising revenues from ad-funding streams work in the same way as premium revenues? Would you take 30% and the industry take 70%?

**Katherine Oyama:** Generally, yes. There is a revenue share where we take the minority and the majority goes to the rights holders. As you know, there is a complex system on the rights holders’ side of how that gets divvied up, but I think the breakdowns of the numbers that someone mentioned in the panel earlier are generally accurate.

**Q539 Alex Davies-Jones:** Raoul, is that the same for SoundCloud?

**Raoul Chatterjee:** SoundCloud operates a different type of service from YouTube. We don’t have video; we are audio only. SoundCloud has a hybrid model. We have uploaded content from individual creators and artists. More than 12 million creators are heard every month. We have over 250 million tracks, so it is a very different service—very differentiated.

With such a wide range and array of content, there are different types of models that we work under. We have a direct monetisation scheme for a lot of artists. Many artists sign up with us and join the revenue share programme with us. We also work with the music industry, record companies—all the ones that have been on; Merlin for the independents and lots of direct independents and publishers.

There are a whole variety of different types of deals, but on the ad-supported service it is worth remembering that not all the ad-supported services are the same. SoundCloud is a fully interactive service. We have the ability for everybody to search for and select a track. That is not necessarily the case across all the different services, but because of that interactivity some of the charging structures can change as well. We believe we pay over the 70% amount for the ad-supported service.

**Q540 Alex Davies-Jones:** Raoul, what mechanisms do you have in place to



proactively identify any cases of copyright infringement?

**Raoul Chatterjee:** We put a huge amount of effort into protecting the industry's copyright content. We have a content identification system, so when users upload content it is scanned against a reference database of content that we have that we have collected ourselves. We also work with the industry market leader, Audible Magic, who have a reference library as well. If there are any matches against the music industry's content, then we take the most conservative business rule, which is typically block.

We work with the music industry to block secondary copies of their content. They prefer to have their content sitting on their own artists' profiles—the pure home of the content—so you do not tend to see secondary copies, because we do not have videos where you might have a different skateboarder, for instance.

In our world, the labels can make the choice as to whether their tracks appear in the ad-supported service. They have the choice. They can actually put music just behind our subscription paywall, which is a different way of working compared to some of the others.

Q541 **Alex Davies-Jones:** Katie, is that the same for YouTube? What are you putting in place to prevent any copyright infringements?

**Katherine Oyama:** We have a system called Content ID. It powers all of YouTube. We have invested about \$100 million into Content ID. It is basically a collaboration with the rights holders, so they give us their fingerprints or their digital files. When the user is uploading the content, we can alert them in advance, before it goes live, that there has been a match. Then they get to decide what they want to do. They can choose to monetise that content. This also includes composers and songwriters, if there has been a fan cover song. They can choose to just let it go up—they don't want to monetise, but they want to see some kind of analytics about how it performs.

They can also choose to block. If they do not want their content, they have the full ability to strike it from YouTube, or to do that geography by geography. So, they might say, "Hey, I like this rate that I am getting in the Philippines, but I don't like this rate in Nigeria." They have that kind of granular control. They could say a user fan cover can go up for 30 seconds, but not for two minutes. It is quite granular. That system has sent about \$5.5 billion out to rights holders.

**Raoul Chatterjee:** Can I come in and talk about the so-called value gap idea as well? It is important to remember that with the ad-supported services, there is a lot of incremental revenue that is being created. Not everybody in the world can afford to pay £9.99 for a subscription service. We have a high range of diversity in our user base. There are many young people, who do not have that kind of disposable income. Earning money from advertising from those groups is definitely additive to the industry.

We also have a large number of people who are using our free ad-supported service who also subscribe to one of the other services—there



## HOUSE OF COMMONS

are many others that I know you are talking to later on this month. If you are paying for a subscription and they are experiencing an ad-supported service alongside that, because they are accessing additional content, that is additive to the industry. There is no so-called value gap when it comes to those two situations.

Q542 **Alex Davies-Jones:** I appreciate that people maybe cannot afford the £9.99 subscription service, but we have musicians who cannot afford to pay their mortgage and are struggling to pay their bills because they are not earning the average wage in the country. Your justification is that because people cannot afford to pay the subscription service, we should just give it to them for free.

**Raoul Chatterjee:** Any of those musicians can work with SoundCloud to figure out the best way to represent their content on SoundCloud. Obviously, I have a huge amount of sympathy for musicians who are struggling, particularly those who have had their income hit in the last year or so. We are an artist-centric platform. The majority of people who are using SoundCloud are uploading their own material themselves. We have a whole variety of tools to help them reach their audience and collaborate with other musicians. That is a very normal thing that people do on SoundCloud. As I mentioned before, there is a whole variety of different ways that they can operate to ensure that their music is protected.

Q543 **Alex Davies-Jones:** One of the issues is protecting it from copyright infringement. What proportion of copyright infringements are proactively identified, before you have to be told, compared with where the rights holder has notified you that the infringement has taken place?

**Raoul Chatterjee:** On SoundCloud, we have a team of people who are working 365 days a year to respond to any requests that come through. It is worth bearing in mind that we operate a "notice and stay down" policy. If somebody puts up a request and sends a request against a new sound recording and that has been taken down, that is recorded and put into our reference database, so no further copies of that audio can be uploaded by anybody else. That "notice and stay down" policy is something that we have had for many years. It helps protect every single rights holder, so they do not have to make repeated take-down requests. We do not get complaints from rights holders or artists that there is a big challenge with trying to send repeated take-down notices.

Q544 **Alex Davies-Jones:** But how many are identified by you directly compared with the take-down requests that you receive?

**Raoul Chatterjee:** I do not measure that. That is not something I am prepared to answer, but I can help you separately to look at the balance between the two. We are active. The technology is active. It blocks content. People do sometimes try and upload things they shouldn't, and it does block things. Every day, things are being blocked. Every day, we have things that are requested to be taken down. But every day, we also monetise content, and every day we pay rights holders a growing amount of money for the use of their content on SoundCloud.



Q545 **Alex Davies-Jones:** Katie, on YouTube, how much copyright infringement is taken down directly by yourselves compared with what is reported to you?

**Katherine Oyama:** We have a very simple web form where rights holders can submit the web form and then we also have the more automated content ID system I mentioned. About 98% of claims go through the content ID side, so there is much less on the web form. In about the last six months, we have processed 600 million claims in content ID. Those are all the automated proactive matching. Of course, it is a collaboration, where we want to know from the rights holders that they own the content, but the vast majority is now at this point automated rather than manual.

Q546 **Alex Davies-Jones:** Hypothetically, then, if a user were able to upload music that they did not have the copyright to, and they were able to monetise that on your platform—like Raoul, you have said it is monetised content—before it was identified or flagged to you, what happens to that money generated by you and them once it has been flagged for copyright infringement or finally taken down?

**Raoul Chatterjee:** The monetisation programmes for creators are not open to everybody. We have a number of different programmes and selection criteria are in place in order to join them. We assess the suitability of the people who join that programme, so not anybody can just join and use somebody else's content. They have to provide original material. Extra checks—further ones—are provided.

By the way, we also distribute content on to other platforms. We distribute content on to YouTube on behalf of creators, and on to Spotify and other places, so we are very used to looking at that content, working with creators to make sure it is quality controlled and in good standing to be monetised.

**Alex Davies-Jones:** Katie, if that were to happen to YouTube, what would happen to the money?

**Katherine Oyama:** Generally, on content ID, because we are licensed with all the major labels, the indies, the publishers and the collecting societies, it would be notified at upload, because we are working with those different partners. It is possible. We have a dispute system, where there can be a claim and then a dispute. In the case of music, it is rare that there are disputes but, half the time the disputes happen, the rights holders themselves will say, "Sorry, I didn't understand"—they have that conversation and actually release the claim.

**Raoul Chatterjee:** It might be worth saying—I think Graham talked about this in the previous session—that the way in which publishing works is very different from sound recordings. Certainly, for the SoundCloud and a lot of the other DSPs—maybe not YouTube—content is in our programmes, it is under a licence, it is being monetised. With the publishing world, the reports are sent to the various back-office companies—so PRS use ICE, but there is a whole variety of them—and they analyse everything that has been used on the platforms and they



## HOUSE OF COMMONS

claim for the copyright of the songs and the composition. Everything that is monetised gets reported to those publishing entities, in order to collect the royalties.

**Alex Davies-Jones:** Thank you both. Thank you, Chair—no more from me.

Q547 **John Nicolson:** May I pursue that for a moment, Katie? I am interested in finding out what happens if, for example, someone uploads some music to which they do not own the copyright, they make money from it and then you are alerted to that. How does the person entitled to get the money end up getting back the money that has been wrongly allocated to someone else?

**Katherine Oyama:** Generally, because content ID is at upload, that would be very rare. On the specific question you ask, on if there is a dispute on something on which there has already been monetisation, I would have to follow up with you on that in writing.

Q548 **John Nicolson:** But you think that is relatively unusual?

**Katherine Oyama:** Yes.

Q549 **John Nicolson:** We are asking everyone who appears before the Committee what particular challenges do you think there are for musicians and composers at the moment, with the streaming model? How do you think that this Committee could recommend the best possible reforms to drive more money into musicians' and composers' pockets?

**Katherine Oyama:** I am happy to start. It is of course such an important question. Obviously, most songwriters or artists we know today are working across a number of platforms and incorporating live. That is challenging, to be that spread across. One area where we have seen concern raised throughout your inquiry, and we hear it ourselves in the industry, is the lack of transparency—or the need to have more transparency. I know that the IPO had kick-started an effort, a paper on 2025 and modernisation.

From our side, the services side, the lack of a comprehensive database of ownership adds a lot of complexity. In the music space, as you know, you can have four songwriters sitting around one night and they develop a song, but there is nothing in copyright law to say that they have to record it at that time. We on our platform truly want to know who—who to pay or how to split it up. For a 90-second song, we are often having to divide that across maybe 14 different entities and different rights holders. So, on the ownership side, having more transparency about ownership.

On the pay-out side, we are sending the majority of revenue out. If you are an artist who is working directly with us, you would see in our artist analytics a lot of data about how your works are performing, what your ad rates are, and what the total revenue is. But I have heard throughout this inquiry a real call for more transparency about what happens to the dollar as it works through the system and works through a number of different entities. I think it would be only fair that there is more transparency there.



On the business side, a piece that we have been looking at continuously is how we diversify revenue streams. In the last year, there has been an even bigger shift to digital, because of the immense hardships in the live industry. We have been spending a lot of our time thinking about whether there are other ways that we can think about how to attract users to pay more for the service. We have been looking at livestreams. In the last couple of months, we have had livestream concerts—Blackpink is a good example. They just sold tickets to a live concert on YouTube. They sold out about 20 times the capacity of the O2 arena for one concert. I think Niall Horan did one recently in the UK from the Royal Albert Hall; he had about 150,000 customers, at maybe \$20 each. It is about diversifying and looking at whether we can monetise livestreams more. A lot of artists are turning to their channels to sell their own merchandise, or even their own vinyl records. Some are experimenting with memberships on their channels. I think there will be more opportunities like that.

Q550 **John Nicolson:** That is interesting. When a concert like that takes place, what percentage of the money do you get, and what percentage does the artist get?

**Katherine Oyama:** It should be around 70:30. The majority goes out to the artist. Of course, hosting those is also expensive and involves a complex system of licensing. We have a share, but the majority goes back out to the artist or the rights holder of that content.

Q551 **John Nicolson:** Can I ask you the same question, Raoul? What do you think can be done, having listened to so much of the evidence that we have heard, to give a fair and better deal for artists?

**Raoul Chatterjee:** I have been watching the sessions with great interest. It has been very interesting to see how many different things have come up. There is clearly a lot that is causing difficulties for the artist community. There has been such a volume of powerful submissions, and anyone watching, regardless of whether you are involved in the industry or not, knows that being an artist in these times, when the main source of being able to perform in front of your fans is taken away from you, is incredibly challenging and difficult.

But it is complex. There are so many different issues that have come up. Streaming should be defined as streaming; I don't think we should be looking to try to apply old business models to what is now the dominant format. We should be looking at how we can consider more equitable ways to allocate royalties to the artist. That is something that has come up, but it could be investigated further. I don't think the answers have been given in these sessions. On whether they warrant further investigation, there is a good cause to do that.

The songwriters piece came up a lot in the previous session. There are incredible challenges around data for songwriters. If we can fix the challenges around data, so that the DSPs and platforms like ours can have great data to work with and to provide to the collections societies and the publishers, so that they can collect and pay out in full, that would



eradicate a lot of problems. There is a huge time lag on the publishing side. We can pay out to record companies and distributors at the end of the month; we can put money in their banks. When it comes to the publishing side, it takes many months, even years on many occasions, for the songwriter to get paid, because of the lag in being able to process billions of rows of data and being able to collect it completely. From my perspective, there isn't one thing, but many things, that we should all be doing to improve the situation for the creators and the artists.

Q552 **John Nicolson:** Do you agree with Graham Davies of the Ivors Academy from the last session? He came out with what I thought was a memorable phrase when he said: "Song value has been suppressed."

**Raoul Chatterjee:** It is hard to understand and agree with that when, as you heard from Rupert from Beggars in the previous session, the value of the song in the dominant format, or the proportion of the payment for the songwriters and composers, has pretty much gone up 50%. It was about 8% of wholesale in the CD era, and now we are talking about 15% of retail.

**John Nicolson:** With a maximum of—*[Inaudible.]*

**Raoul Chatterjee:** Actually, I do not agree with that point, either. I work in an area where we operate a fully interactive, on-demand, ad-supported service, and we pay out more than 15% to the songwriters. Not everyone has one of those; not many companies can afford to run one of those services. SoundCloud is very proud of what we do—that we operate a business that has been growing and improving—but it is hard to make money in this business. If you look at our company accounts, we still run at a loss, so we are certainly not generating excessive profits and margins and paying excessive salaries in order to be in this business.

Q553 **John Nicolson:** How do you keep going if you run at a loss?

**Raoul Chatterjee:** Thankfully, we have great support from our investors.

Q554 **John Nicolson:** How much of a loss do you run at?

**Raoul Chatterjee:** Our company accounts from 2019 are public, so you can take a look. Feel free to do so. I think it was about 16% in 2019, but it has come down over the years.

Q555 **John Nicolson:** At what point are you predicting breaking even?

**Raoul Chatterjee:** I would like to think we will be breaking even pretty soon. I think we announced recently that we have had some quarters where we have broken even, so things are moving in the right direction.

Q556 **John Nicolson:** A loss of 16%—what kind of numbers are we talking about? What does that mean in money?

**Raoul Chatterjee:** We turned over €147 million in that year.

Q557 **John Nicolson:** Okay. Could I go back to you, Katie? We have heard a lot about Spotify in the course of this inquiry, and Spotify's subscription



## HOUSE OF COMMONS

prices have not increased for, what, a decade? Why do you think that is?

**Katherine Oyama:** It is hard to speculate on their business. I would give them credit that they have smart people looking at the overall economics, and that they are also motivated to grow the business as a whole. There may be an assumption that if you increase the subscription price, the output would only be a growth, but as we have seen, not every user can pay a subscription. Not every user today is ready or willing to pay a subscription, so I am sure that given how competitive the market is, they are looking at what the right price point to run the business is.

Q558 **John Nicolson:** You are competing, aren't you? You are offering a premium service yourselves.

**Katherine Oyama:** Exactly.

Q559 **John Nicolson:** So I guess you are watching very closely what Spotify are doing and charging. What will you be charging for the equivalent service of Spotify's £9.99?

**Katherine Oyama:** I believe that our price is the equivalent. We have a premium model where it is music and other content, and we have just the music subscription, which I believe is also £9.99. That is the licensed service that we entered, probably only a few years ago, but we are already at 30 million paid subscribers, so that is exciting to us. Our goal, obviously, is to continue to drive more and more subscription into that funnel.

Q560 **John Nicolson:** Before I hand back to the Chair, and because I am a journalist by profession, I am going to ask you a human interest question. You worked in the White House for President Biden when he was vice-president, didn't you?

**Katherine Oyama:** That is right, for then Vice-President Biden.

Q561 **John Nicolson:** Does he have good musical taste?

**Katherine Oyama:** He does. He is wonderful, and he has a very broad and eclectic taste. He has a lot of grandkids who keep him updated on modern music. He also, of course, loves Irish music, and he has excellent taste and—as you probably know—close relationships with the music industry.

**John Nicolson:** Yes, because I do a radio show on a Sunday, and when he was inaugurated I played his choice of pop music—not that he called me up directly and told me, but *Billboard* magazine had collated from various interviews what his choice of music is, and the people who supported him and the music that he played at rallies. It is certainly eclectic. He likes Harry Styles, Coldplay, Adele and Bruce Springsteen, so there is something for everybody. I wonder if he did any image consultancy in order to come up with that list.

**Katherine Oyama:** Maybe we can encourage them to release a playlist, you know—a summer playlist, or something like that.



## HOUSE OF COMMONS

**John Nicolson:** I think they do that, actually, as a matter of course. We have a programme called “Desert Island Discs” here—

**Katherine Oyama:** I am a big fan.

**John Nicolson:** I love it too. You can tell whether politicians are being entirely truthful about their musical choices or not. Gordon Brown famously chose the Arctic Monkeys; he is the least “Arctic Monkeys politician” you’ve ever met in your life. Can I hand back to the Chair, please?

**Chair:** Thank you, John. And on the subject of excellent musical taste—Steve Brine.

Q562 **Steve Brine:** I would just like to point out that after the Poison, Celine Dion and—today—Take That bombshells, I could never be accused of making anything up for credibility purposes.

Katherine, thank you for your evidence—interesting insight there into the Biden White House. You talked quite a lot in your evidence about the Foundry programme, which seems interesting to me. Dua Lipa and Dave were mentioned in the written evidence, but how many artists does the Foundry programme support? And what does that support look like?

**Katherine Oyama:** One of our bigger strategies is to work with young people and the industry, as they are interested in music, along their career. So, we start earlier with music education—in Belfast, Manchester and Bristol, working with schools.

Foundry comes in more when someone has already expressed the interest to be an artist full-time. I believe that it has maybe 10 to 15 participants every year. So, Dua Lipa was in that initial class; she had maybe 1,500 subscribers.

Q563 **Steve Brine:** She was a user of the platform, yes?

**Katherine Oyama:** Yes. And she’s now the first UK female to hit a billion in views on a single video; she has won BRIT awards, Grammys—you name it. I think Dave was possibly in the second class. I know that he’s talked quite a bit about the importance of YouTube to his career from the very beginning.

So, it is a smaller programme; the idea is to kind of really work and cultivate. And I think that just yesterday we launched another annual programme, with a music managers forum, where we are working with that side of the industry, again with managers who are generally at the tipping point of their career. So they are working maybe another job, but they also want to do management full time for artists. It’s an extensive programme. Foundry is critical. I think we have seen huge successes come out of that programme, but it is just one of many.

Q564 **Steve Brine:** With new artists coming into Foundry, that is all obviously available for us to see, for our growing playlist, which Mr Brennan likes to keep an eye on. Do you receive any benefits for your support for these



## HOUSE OF COMMONS

artists—preferential licensing agreements, for instance—as a result of nurturing talent? It wouldn't be unreasonable for you to do so.

**Katherine Oyama:** On the licensing side, of course, artists can always choose to be on the platform or not. I think the benefit to us is that we cultivate a true personal relationship and we're just much better able to serve the individual artist once we understand what their goals are, or we understand their genre of music. So, it is absolutely mutually beneficial, but it's not transactional, I guess, if that's the question.

Q565 **Steve Brine:** Okay—that does answer the question. Just while I've got you, we were talking to the BPI earlier. You mentioned the \$12 billion to rights-holders, as of January last year; you mentioned that at the start of your evidence. And you say that you will be the industry's main source of revenue in five years' time. The BPI has said that trajectory does not suggest that that is the case. Tell me why that is wrong.

**Katherine Oyama:** Honestly, I was surprised and a bit disappointed by the testimony that I heard. Frankly, it does not reflect at all the individual relationships that we have with individual members of the BPI. Lyor Cohen runs our global music business; Dan Chalmers is leading UK music. I think they would both say that the relationships that they have with the UK music industry have never been better.

The numbers that I have seen—in 2019, we sent \$3 billion to the music industry. We don't yet have our 2020 numbers done, but it has been growing every year and we have no reason to think that it has not grown quite significantly last year.

With Spotify, the last press release that I saw for them, for Q4—the fourth quarter—of 2020, is that they are sending \$1 billion per quarter to all rights-holders; I am sure that music is a significant portion, but also podcasts and others.

I mean, if you just look at that data, we are close, and we absolutely want to get there. We want to be the best partner possible to the industry. If we make money, artists make money; I think our interests are very aligned. And that's where we want to be—we want to grow the business.

**Steve Brine:** Thank you. Time is short, so I will hand back to you, Chairman.

Q566 **Chair:** On that point, Katie, how can you say that you want to be the best partner possible when you pay 0.05p for every song, while Spotify pays a penny?

**Katherine Oyama:** That is just not a metric I have ever seen, so I cannot confirm it. I think, on the subscription side, the businesses models work very similarly—they are on par. On the ad side, it is an ad share—

Q567 **Chair:** Forgive me Katie, but you were watching the first session. Are you telling me that they were untruthful? What is your explanation for paying a twentieth of what Spotify pays?



**Katherine Oyama:** I think a couple of things are happening. Some of the testimony is what artists are seeing in their ultimate pay-outs. We see what we are sending to representatives—the labels or publishers. We do work directly with some artists, and then they would see all of it in their analytics, but many artists choose, for good reasons, to be represented, and so one piece that is happening is that we are not seeing exactly what is happening from the pay-out to what the artist is seeing. That is a big reason why we are calling for additional transparency.

The other piece is on the ad side. The enormous opportunity is that this has totally blown open the music industry. It has given artists an ability to upload. They do not need to live in London or know specific people in the industry. We have models where, again and again, artists have uploaded and become successful. They are reaching a global audience, so the ad rates do differ. In a developing economy, in north America or in the UK, the rates differ. At the end of the day, they are getting the majority.

**Chair:** Forgive me, but the evidence from the Musicians' Union said that actually, because of the economics of music streaming, they were finding that the demographic profile of those taking up being a musician had become narrower, mentioning that many were from public school—public school in a British sense, not an American sense, of course.

**Raoul Chatterjee:** I would quite like to come in on that one, because that is not something that—

Q568 **Chair:** No, I am addressing my question to Katie on another matter. Katie, in what you just stated, you skirted around the issue of the amount of money that YouTube pays for playing music on your platform or your streaming service. You have been talked about as the No. 1 streaming service. Is the 0.05p figure right or wrong?

**Katherine Oyama:** It does not sound right to me—

Q569 **Chair:** What does sound right?

**Katherine Oyama:** Again, it fluctuates based on where the ads are happening and—

Q570 **Chair:** What does it fluctuate between?

**Katherine Oyama:** —that spending is the majority of the revenue. Any ad revenue or subscription revenue—the consistent piece—is the majority of the revenue that goes out to the music rights holder.

Q571 **Chair:** What does it fluctuate between?

**Katherine Oyama:** It will fluctuate based on whether we are talking about the subscription side, which—

Q572 **Chair:** Numbers.

**Katherine Oyama:** We do not have per-stream rate—

Q573 **Chair:** I will be very clear here. They have said that it is 0.05p. You have



## HOUSE OF COMMONS

said that that is not correct. What I would like to know is what band—or what area, effectively—of pence is. Is it 0.1p or 0.2p? Is it 0.2p to 0.5p, or is it less than that? What is the banding for paying out when music is played through your platform?

**Katherine Oyama:** I am sorry, but we do not have a per-stream rate like that—it is an ad share.

Q574 **Chair:** It is quite ironic, is it not, that you complained about a lack of transparency, and you have homed in on that as one of the areas that we have looked at, yet you are not being transparent with the Committee? We do not know how much.

**Katherine Oyama:** That is not true. The artists can see on their own dashboard where their views are coming from, the ad rates, and the amount being paid out. If they are represented by another entity, we as YouTube do not know or have visibility on what happens to that royalty after it leaves the platform.

Q575 **Chair:** I would have thought that when coming before the Committee you would know how much you pay artists when you use their content on your platform, when it is uploaded by users. It is astounding that you do not actually know the level, or can we read into this that you do not want to say because, frankly, it would expose the fact that you are making an absolute fortune from other people's work? At the start of the session, I asked the BPI what the risk and reward is here, and they stated that, effectively, the risk and reward for YouTube compared with artists and record labels is completely out of kilter. Do you recognise that fact?

**Katherine Oyama:** Because we are sharing revenue, if we make any money the majority of the revenue is going out to the music industry. So, respectfully, I do think that it is a partnership.

Q576 **Chair:** So the majority of the revenue that you are paying post-stream, effectively, is going out to the music industry; but the total you are paying is minuscule in comparison to Spotify. If you were paying the same as they were, for instance, then you would not be giving \$1 billion a quarter to the music industry—what was it, \$3 billion a year last year? You would not be giving that; you would be giving many multiples of that, would you not?

**Katherine Oyama:** All the evidence I have seen is that we are on a par with those other services, including Spotify, that you mention—

Q577 **Chair:** In terms of total you are, yes, but not in terms of the amount of money that you are paying out per stream.

**Katherine Oyama:** Even on that analysis, although it is not a metric that we rely on, the research that I have seen that does analyse that has had us absolutely on a par with them.

Q578 **Chair:** Not a metric you rely on—that is probably because it is fairly inconvenient in that respect. Isn't the truth of the matter, frankly—we find this across the whole piece; you are effectively in front of the



## HOUSE OF COMMONS

Committee that deals with YouTube and Google on a regular basis—you are an enormous company. You are literally almost a state unto yourself in many respects. You are absolutely enormous. Isn't this another example of where you are just so big, and you are making such huge profits, that effectively you are dampening down an entire industry? You are becoming, effectively, almost like—I don't know how to put it—not a gangmaster but a huge entity, and you are taking huge sums of money out of the creative sectors. Yet they are having to have a hand-to-mouth existence with yourselves. It is true for journalism and it is true for music streaming, is it not?

**Katherine Oyama:** I don't think that is the case. I think that we have seen artists—Stormzy is a great example, unsigned on the platform for many years, now a global success. I think we are seeing YouTube being used as a platform for creativity from the music industry for many UK-based creators. We are so excited to work with them and when they upload to YouTube they are reaching a global audience. They have the opportunity to be discovered, to build their business, to hire others for their team. We are seeing success stories like that again and again.

Q579 **Chair:** Why is everyone pointing the finger at you, then? There is an English phrase—your ears must be burning. Why is it, do you think, that throughout the entire first two panels they wanted to rubbish YouTube and the amount of money that they actually give to the music industry for the streams, and they feel as if, frankly, you are gaining profit and they are not getting a share of it? What do you think that is?

**Katherine Oyama:** It is a very fair question. I have heard different things about YouTube. I think the Beggars testimony was mentioned earlier. I think maybe what was happening in the first panel today was a little bit of a distraction to alleviate hard questions about their own industry, frankly. It is true that not every artist is having the same experience. We would love every artist on YouTube to receive a BRIT award and be successful. We know that that is not the case. Our job is to empower as many artists as possible who have creativity, who have access to broadband, to get a chance.

I do think that there has been a lack, maybe, of some other voices as part of this process. We would be so happy to recommend some who can share some best practices about things that they are doing. The Royal Opera House is actually a good example—so not just these kind of modern artists, but there are many traditional institutions across the country who are posting backstage content, who are trying to reach a younger audience, who have themselves amassed 1 million subscribers. I do think there is tremendous value in what we offer. It is unique. It is different. It doesn't necessarily fit the model that maybe you have heard from some of the other services but, from the partnerships that we have, including many indie labels in the UK, including the major labels, I do think the partnerships are in a better state and that folks are more hopeful about what the next few years look like than we have ever seen them be before.

**Chair:** I have to say that the Royal Opera House doesn't really generally



## HOUSE OF COMMONS

have to worry about making ends meet, in my experience. Katherine Oyama, thank you very much for your evidence today. Raoul Chatterjee, thank you as well; and also Steve Bené. Thank you very much. It has been most illuminating. That brings our session to a close.