

Sir Julian Knight MP  
Chair, DCMS Select Committee  
House of Commons  
London SW1A 0AA



10 November 2022

Dear Sir Julian,

In advance of the Committee's follow-up oral evidence session on the *Economics of Music Streaming* inquiry on Tuesday 15 November, I am reaching out to raise our concerns on the lack of action on the recommendations you as Chair and your Committee members delivered in the excellent July 2021 report. We are very concerned at the lack of progress in addressing the economic impact of the dominance of the major recorded music companies and the resulting adverse impact on songwriters.

As a result of your report, the Government asked the CMA to look into the issues you raised. We have since engaged proactively and constructively with the CMA throughout the inquiry process providing evidence. The CMA is to publish a final report in the coming weeks and we are not confident, on the basis of our engagement with them, that they will address any of the key issues you raised in the report.

The CMA in its July 2022 interim report acknowledges the lack of transparency in the music streaming market, highlights the continued dominance of the market by the major labels and the adverse impact this is having on songwriters' ability to earn a living, many of whom are feeling the pain even more during the current cost of living crisis.

70% of all those responding to the CMA consultation called for reform, yet the CMA appears minded to avoid fully investigating or addressing the clear failures its own interim report study in July identified.

I believe on the basis of our conversations with the CMA that the final report, to be published imminently, will reject the opportunity to deal with the concerns raised by your Committee. It is a disappointment for songwriters who earn pitiful returns from streaming, not because there is not enough to go round, but simply because it is not being shared fairly and equitably.

Hipgnosis is determined to continue to push for fundamental reform of a broken system which does not recognise the paramount role of the songwriter in the music ecosystem. There would be no recorded music industry without songwriters.

We continue to place our faith in legislative and government authorities who have the power to redress the economic imbalance where major recorded music companies that own and control the major publishing companies are purposefully undervaluing the songwriter's contribution.

Given that we are continuing to receive signals that the intention of both the CMA and the IPO is to close down their activities without having addressed the major issues, there is a strong justification for you and your Committee to call in the CMA and IPO to the follow-up hearing on the 15th November to ask them to address these important matters for the songwriting community. This could be helpful to get action, at a very minimum, on three key areas we have identified below. If the Committee could highlight the issues below in the session on Tuesday and call for action, it would have a significant impact in rebalancing the system and support taking the songwriter from the bottom of the economic equation to the top.

Moreover, in the spirit of collaboration, we offered to provide expert evidence to the CMA on the royalty income statements point below to back up the need for transparency which they rejected. We would therefore be happy to have those experts give oral evidence at your session on Tuesday to reinforce the proposal below for transparency.

As your Committee identified, recorded music companies owning and controlling the major publishing companies results in a bad streaming economy for songwriters because the labels are able to dictate that most of the money goes to recorded music where they have the biggest margin at the expense of the songwriter and artist.

We believe there are three simple, fair and quickly achievable remedies which would go a long way to resolve the long-standing issues:

1. **Transparency:** The Committee recommended that artists and songwriters should have more royalty income data presented in a simple and transparent way. Hipgnosis owns the rights to c.150 catalogues of the world's greatest artists and while the CMA reported high quality statements exist, Songwriters are not being provided this. This is simple to remedy and the DCMS should insist that the CMA mandates high quality statements are provided *in a simple, transparent and user friendly way for all artists*.
2. **NDA:** In practice, labels are not providing information, citing NDAs as the reason for withholding basic and essential earnings data. These prevent artists being able to meaningfully check whether they are being paid money they were due. This also prevents them taking day to day business decisions around investing in their catalogue as it is impossible to forecast return on investment. Spotify also submitted evidence to the CMA that NDAs are stifling innovation – so this is a move which has multiple benefits for Digital Service Providers, songwriters, artist and consumers of music. This is a solution the DCMS could demand where everybody wins!
3. **Right to Switch:** This transparency accompanied by a genuine “right to switch” labels and publishers would provide a market solution – an artist and songwriters who did not believe they were receiving fair compensation would be able to shop around for a new label (or effectively re-negotiate terms with their existing label).

I want to put on record my thanks to you personally and to your Committee for your work. It is only thanks to you that songwriters have progress beyond what we could have imagined when we started Hipgnosis four years ago with the ulterior motive of using our success to advocate and fight on behalf of the songwriting community and to take the songwriter from the bottom of the economic equation to the top. However, the progress made is at risk now if this does not lead to concrete action to address the problems that you and your Committee so effectively raised.

I hope we can grasp this opportunity now to get this right and put the digital music streaming economy on a successful path into the next decade.

Yours sincerely,



**Merck Mercuriadis**

CEO and Founder, Hipgnosis Songs Management  
merck@hipgnosissongs.com