

Julian Knight MP
Chair,
Digital, Culture, Media and Sport Select Committee
House of Commons
London
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From: Sarah Cardell
Interim Chief Executive

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Dear Julian,

I wrote to you on 26 July 2022 to provide an update on the progress of our music and streaming market study. Thank you also for our meeting of 15 November 2022 where we discussed CMA projects relevant to the Committee's work, including this market study. We have today [published the final report](#) from the study.

Our study has assessed the impact of streaming on the music industry, creators, and consumers. Generally, we have found that competition is delivering good outcomes for consumers. Whilst some aspects of the market are improving for artists and songwriters, we have heard their concerns about how much they earn from streaming.

Consumers have embraced music streaming and today music streaming accounts for more than 80% of music sales. It has facilitated an increase in revenues for the music industry from the lows caused by piracy. Users have easy access to enormous and growing catalogues of the latest music and classic hits on streaming services. There has been substantial innovation and the average monthly cost for consumers fell by more than 20% in real terms between 2009 and 2021 – with many services also offering music streaming for free with ads.

Turning to creators – those that write and record the music - there have been some improvements to their outcomes overall. There is now more choice about the type of deals available with record labels and it is possible for artists to directly release their music on streaming services. The number of artists being streamed has doubled from 200,000 in 2014 to 400,000 in 2020. Average royalty rates in the major record companies' deals for new artists have increased steadily from an average of 19.7% in 2012 to 23.3% in 2021. For songwriters, the share of revenues going to publishing rights has increased significantly from 8% in 2008 to 15% in 2021.

However, a key concern that we have heard consistently from artists and songwriters is that they are not able to earn a significant income from streaming. While we understand these concerns, our analysis in the study suggests they are largely unrelated to competition issues in the market. In particular, from the analysis we have been able to undertake, we have not found evidence of substantial and sustained excess profits by the majors or the main music streaming services that could otherwise be distributed to creators by interventions that the CMA could potentially put in place. Instead, we think the work being undertaken by the government and IPO (including on copyright) in response to your Committee's Inquiry is likely to be more suitable to address creator concerns about their remuneration.

Your Committee's Inquiry report expressed concerns about a 'value gap' between the rates that are paid by user-uploaded content platforms, such as YouTube, and music streaming services, such as Spotify. As you know, UUC platforms have some protection in law through the 'safe harbour' provisions which limits their liability for hosting illegal content in some circumstances. Some stakeholders have suggested these provisions give them an unfair advantage. In the market study, we were able to secure the information needed to estimate the size of this differential. Our analysis of this value gap for YouTube specifically found that it has reduced from 20 percentage points in 2017 to less than 5 percentage points in 2021. This equates to around £5 million of revenue which is less than 0.5% of the total recorded music revenues in 2021.

The market study contains a detailed assessment of this still new sector. We have been able to use our information gathering powers to build an authoritative and detailed picture of the industry and its value flows. Based on these findings we do not believe that competition-based interventions are likely to be appropriate, and hence we are not going to undertake a Market Investigation, something some stakeholders called for. While the report marks the end of our market study, we hope it helps to shine a light on the issues and concerns that do exist, and offers a valuable evidence base for others to draw on when considering policy options in the sector to address the concerns of artists and songwriters. We support the work of DCMS, the IPO, and the Centre for Data Ethics and Innovation in considering the legislative and policy framework and/or undertaking relevant research. We also support the Select Committee's work in this area, and would be very happy to appear before the Committee to give evidence on our findings.

Best regards



Sarah Cardell

Interim Chief Executive

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