



Department for
Digital, Culture,
Media & Sport



Department for
Business, Energy
& Industrial Strategy

Amanda Solloway MP
Parliamentary Under Secretary
of State - Minister for Science,
Research & Innovation
Department for Business,
Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

15 September 2021

Dear Andrea,

On the 15th July the DCMS Select Committee published its report of its inquiry into the Economics of Music Streaming. It identified a series of concerns, including the possible market dominance of the major music groups and the potential for contractual agreements between the major music companies and streaming services to stifle innovation in the streaming market. The Government has carefully considered the Committee's recommendations and is submitting its response to the Committee today.

The Committee highlights a number of issues in the streaming market that it says result in low remuneration to musicians and performers, and diminish the UK's ability to support new domestic talent. The Committee heard from a number of artists who think they are not receiving a fair share of revenues from streaming, compared to record labels and streaming platforms. The Committee also commented on the position of the three major music companies, which may cover up to 75 percent of the UK recording market. They questioned whether this, together with the major labels' publishing operations and equity stakes in streaming services like Spotify, was distorting competition in the recorded music market. They were concerned that this was leading to unfair outcomes for other players, including creators, performers and independent labels.

The inquiry has also raised concerns about a lack of transparency on contractual terms from both music companies and the streaming services that may exacerbate issues around creator remuneration.

As you will no doubt be aware, it was against this backdrop that the Committee made its recommendation to the CMA to undertake a market study.

The Government's view is that transparency and fairness in the global streaming environment are key. It wants to encourage innovation in the market, to help foster diversity of music genres and consumer choice, and is acutely aware of the pressures on music creators. However, this is a complex area, so it is vitally important that any action by the Government be led by robust evidence.

We respect the independence of the CMA in deciding how best to use its resources to deliver its objectives in making markets work well for consumers and businesses. There may be value in a market study and we would be grateful if you could share your considered view of this recommendation with us.

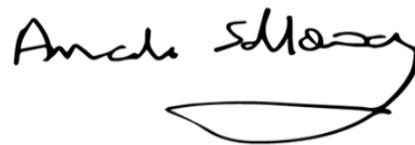
In addition, we note the recommendation for the (statutory) Digital Markets Unit (DMU) to consider designating YouTube with Strategic Market Status (SMS). As you know, the Government launched its consultation on the pro-competition regime for digital markets in July, including on the scope of the regime and approach to SMS designation following a robust, evidence-based assessment. It will be for the DMU to determine which SMS designation assessments to undertake, subject to specified prioritisation criteria.

We are copying this letter to Julian Knight MP, Chair of the DCMS Select Committee.

Yours sincerely,



Caroline Dinenage MP
Minister of State for Digital and Culture



Amanda Solloway MP
Parliamentary Under Secretary of
State for Science, Research and
Innovation

Julia Lopez MP
Minister of State
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From: Andrea Coscelli CBE
Chief Executive

George Freeman MP
Minister for Science, Research and Innovation
Department for Business, Energy & Industrial Strategy
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SW1H 0ET

20 September 2021

Dear Ministers,

Economics of music streaming

Congratulations on your recent Ministerial appointments.

On 15 September, your predecessors – Caroline Dinenage MP and Amanda Solloway MP – wrote to me in relation to the Digital, Culture, Media and Sport Committee's report on the *Economics of Music Streaming*. This letter responds to that correspondence, and in particular the request that the CMA give consideration to undertaking a market study in this area.

In its report, the Committee concluded that the advent of streaming has made music cheaper, more personalised and more readily available to consumers, but that it has also raised significant questions about the structure and sustainability of the recorded music industry. The Committee has proposed a broad range of legislative and regulatory interventions, including on copyright and the remuneration of artists. It also recommended that the CMA conducts a market study into some of the concerns raised in the inquiry, with the government providing further resources to the CMA if necessary.

The CMA will give careful consideration to this important recommendation. It may be helpful if I briefly explain the possible options and the steps that we will now take. In summary, a market study is one of two tools that the CMA can choose to take action on markets that may not be working well, the other being a market investigation. In particular:

- A market study can take up to one year to complete. It allows the CMA to gather information to understand a market; but it does not give the CMA powers directly to address the problems in that market. The CMA would be dependent on government, and potentially other stakeholders, accepting and implementing any recommendations.
- A market investigation is led by a Group of independent Panel members. It lasts up to 18 months, after which legally binding remedies can be imposed on market participants to address any competition problems that have been identified.

Under statute, responsibility for launching a market study or market investigation sits with the CMA Board.¹ We will consider this recommendation in line with our [Prioritisation Principles](#), taking particular account of:

- the other potential cases that have been brought to our attention;
- the potential impact of CMA work in this area at this time, and in particular how far the concerns raised by the Committee are driven by competition issues, as opposed to copyright law;
- the significant increase in demands on the CMA's resources this year as we assume several additional functions.

I have requested that CMA staff develop initial proposals for the Board's consideration at its October meeting, after which we will provide your officials and the Committee with an update on that discussion. The rationale for a piece of markets work on music streaming could also be influenced by the findings from the CMA's ongoing in-depth investigation of the acquisition of AWAL by Sony Music Entertainment.² This investigation, which was announced last week and is currently scheduled to conclude in March 2022, is a separate piece of work, but seems likely to examine certain issues (such as the current market position of the major labels) that would likely be highly relevant to any market study.

¹ Section 132 of the Enterprise Act 2002 also gives Ministers the ability to make market investigation references as a reserve power.

² [Sony Music Entertainment / AWAL and Kobalt Neighbouring Rights businesses merger inquiry - GOV.UK \(www.gov.uk\)](#)

I hope that CMA, BEIS and DCMS officials, alongside others across government, are able to collaborate and contribute to discussions on how best to address the issues raised by the Committee.

The CMA has responded separately to the Committee on its recommendation in regards to the possible designation of Strategic Market Status in relation to YouTube's streaming services.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Coscelli', written in a cursive style.

Andrea Coscelli CBE
Chief Executive

CC: Julian Knight MP, Chair, Digital, Culture, Media and Sport Committee

Attachment: letter from Caroline Dinenage MP and Amanda Solloway MP to Andrea Coscelli, 15 September 021