

Written evidence submitted by Ali Gavan

Introduction

My name is Ali Gavan, I have worked in the music industry for 20+ years. I have run a successful recording studio for the last 12 years. I have worked with both major and independent record labels and have seen and experienced the changes to the music industry throughout my working life. I have featured on both label and self-releases for dozens of albums and many hundreds of tracks as songwriter, musician or producer. I have also created film scores, music for tv and adverts that have been used worldwide. I have experienced the changes from the 'old' music industry model of advances and physical releases, to the newer digital model now largely centred around streaming and the internet. I believe I have a wide ranging experience of the issues being investigated by this committee.

General points

It's important to understand the music industry's fast embrace of streaming services. There was genuine panic due to illegal downloading from the late 1990s into the mid 2000s when revenues from recorded music for record labels collapsed. Websites such as Napster were widely credited for this in the media, but there were many places online you could easily download any artist's music for free. This was directly linked to the growth of the internet and the development of the MP3 as an alternative to CD (and other physical media), which until then had been the only way to sell/distribute music. The music industry was slow to react to the impact of the internet and missed many of the opportunities it initially provided.

As an example, an album I was involved with in 2007, released through one of the remaining major labels, was not regarded as a commercial success having only sold 10,000 units worldwide, mostly on CD. The same album was estimated by the label to have been illegally downloaded 250,000 times in Asia alone. So although by this time Napster etc had been closed and iTunes had become the main source of legal downloading, the culture of downloading music for free was too established to ever return fully to the old model.

Hence- I believe streaming was seen by the industry (and some artists) as a way to still generate revenue whilst the average consumer could, essentially, listen to music for free. Although with some adverts, or later a subscription fee in the style of Netflix or similar. I also believe that unlike the previous failures with illegal downloading, the centralised music industry was determined to make sure this time it completely controlled music streaming.

- What are the dominant business models of platforms that offer music streaming as a service?

There are fundamental problems with the music industry's business model since the late 1990s/early 2000s. Most significantly- an oversupply of new music compared to demand. This is partially due to advances in technology: it no longer costs very much money to create and distribute music, so many more people do. It no longer requires the financial support of a record label, hence many artists now 'self-release' and have done so with varying levels of commercial success.

This had led to the growth of companies such as CD Baby, Tunecore or DistroKid that help distribute artists to streaming sites such as Spotify and Apple Music, or MP3 download sites such as iTunes or Amazon. An artist pays a fee or subscription, and their music becomes available online. The royalties from streaming and downloads are then, in theory, paid back to the artist by these digital distributors.

Unfortunately, the remaining large record labels seem to have majority control of the main streaming platforms and have developed opaque and inconsistent royalty rates. Simultaneously, the consumer, despite getting a great deal, fundamentally isn't paying enough for the service they receive. Spotify for example provides the listener with almost the entire history of post 1950s recorded music, revenue from advertising plus a comparatively limited number of subscriptions cannot generate sufficient income to compensate all of those artists for their work properly. In fact as I understand it, Spotify has never made a profit itself, let alone passed anything significant back to the majority of artists. Without the idiosyncrasies of the music industry, a company like Spotify couldn't work.

Despite money coming into streaming services from a wide range of sources, including artists themselves, that money is not distributed back evenly based on an artist's relative success. In fact, the lion's share of revenue generated apparently goes to the larger labels that have controlling interests in the streaming services themselves, despite the fact their business model relies entirely on their effective financial subsidisation by independent artists. It's brazenly unsustainable.

No significant alternative model has emerged at this time, so most smaller artists for the sake of exposure, feel obligated to be on the mainstream streaming platforms, particularly Spotify. It is worth also mentioning YouTube, where royalty collection and 'monetisation' remain difficult to understand and not particularly generous to smaller content creators. Although not technically a streaming service, the increasingly strong links between music and video make YouTube part of the same problem. Artists feel they have no choice but to have their music on YouTube, but are not compensated consistently for it. Some digital distributors offer a service where they collect royalties from video streams from YouTube or Facebook, but the deals are difficult to understand. They are often lumped in with the overall distribution package, sometimes seeming to impact upon rights ownership, whilst rarely resulting in any significant revenue for the artist.

- Have new features associated with streaming platforms, such as algorithmic curation of music or company playlists, influenced consumer habits, tastes, etc?

Spotify seems from the outside to manipulate playlists and algorithms. Smaller artists pay to feature on high profile playlists or digital mix tapes, but do not receive a fair distribution of the royalties back from the streams/plays that they receive as a result. There has always been an ambiguous role played by PR in the securing of radio play/press within the music industry. But now artists, and particular younger artists, are pressured to pay for the 'exposure' that a certain playlist may give them, but do not seem aware that they are unlikely to be fully compensated even if they have a 'successful' song as a result, as the royalty distribution is too uneven.

Streaming services often guide the listener to the next track, in a similar way to YouTube suggesting the next video to watch. This gives an enormous amount of power to these companies to influence what people listen to or watch, without ever really disclosing how these systems work.

- What has been the economic impact and long-term implications of streaming on the music industry, including for artists, record labels, record shops, etc?

It's possible that streaming could have had a positive impact on the music industry, but unfortunately the revenue generated (and therefore the power) is concentrated in too small an area. The international nature of streaming and the modern music industry makes understanding the business model from the outside difficult.

Although the internet has ended the era of the high street record shop (Virgin, MVC, and presumably HMV soon), it is possible to conceive of a new model where there is a more direct link between the artist and consumer.

Unfortunately, the lack of income available to artists from recorded music has eroded UK music as a genuine meritocracy. The only way an artist can now pursue a career in music is with some type of independent financial support. The UK has achieved extraordinary worldwide success with its music sales in the last 60 years, genuinely and demonstratively 'world-beating'. However with the model as it currently stands, you could not have another Beatles, or another Rolling Stones, or another David Bowie, or another Queen etc. Besides Ed Sheeran and Adele, the UK has broken a negligible number of new major artists in the last 10 years. It's not a coincidence.

The lack of income from recorded music has become particularly obvious due to the impact on live gigs by the Coronavirus pandemic, where for years many artists have been attempting to make up for their lack of revenue from music sales. Changes to Job Seekers Allowance and Income Support have also had a huge impact on artists from non-privileged backgrounds, along with the abolition of student grants and introduction of tuition fees, although it remains taboo for some to admit.

In short - if the inequalities of the current business model, centred around streaming, aren't addressed, UK music cannot remain sustainable long-term.

- How can the Government protect the industry from knock-on effects, such as increased piracy of music? Does the UK need an equivalent of the Copyright Directive?

Although there is some merit in the copyright directive, and preventing widespread piracy, I believe many artists would argue these aren't the main issues. The main issue is the fair payment of royalties for use of an artist's music. Although maybe not explicitly so, the monopolisation of streaming and sales of music by such a small group cannot be seen as fair competition. We prevent abuses by monopolies in other industries and ought to consider doing so in the creative industries also.

- Do alternative business models exist? How can policy favour more equitable business models?

There almost certainly could be an alternative business model for streaming, although it may not address the fundamental issues of over-supply and under-demand for UK music. The sheer amount of capital required to create a genuine competitor to Spotify or Apple Music (with a more sustainable business model) makes it unlikely anyone who doesn't already have a stake in the system could succeed independently.

At it's most basic, if an artist's work is used to an equal amount as another artist, they ought to be similarly compensated for that. While the imbalance in royalties between the artist and other controlling parties in streaming simply isn't sustainable. Presumably government could legislate in some way for that.

If there was less of a monopoly on streaming, presumably that would create better competition and incentives for companies to offer artist-friendly packages. Ie- the market working as it should. Right now there is no market, just Spotify and Apple Music. They can pretty much do whatever they want, and unsurprisingly, they have.