

## Written evidence submitted by YouTube

“YouTube has been a great support to GRM Daily as platform [sic], and have [sic] been willing to partner with us and amplify our brand even in these difficult times.” - GRM Daily, entertainment platform and YouTube channel with 3.4 million subscribers<sup>1</sup>

### 1. Background

Google appreciates the opportunity to submit comments in connection with the Digital, Culture, Media and Sport Committee’s inquiry into the economics of music streaming. This submission focuses on YouTube Music (since Google Play Music will be deprecated by the end of 2020) and describes our unique contributions to the music industry, whilst seeking to address each of the topics specified in the Inquiry.

The Internet has enabled British creators, artists, and songwriters to connect, create and distribute new works of art like never before. A key part of preserving this creative economy is ensuring creators and artists have a way to share and make money from their content. YouTube accomplishes this in two ways in partnership with the music industry: with our subscription music service, YouTube Music, and our advertising-supported music platform, which includes content from rightsholders, creators, and artists, as well as original, user-generated content (“**UGC**”). Services that host UGC, such as YouTube, are stimulating an explosion of new creativity - by making it easier than ever for creators of all types, amateur and professional, new and established, to find their audiences - and generating significant income for rightsholders whose works are used in UGC.

We think it is critically important, and recognise our responsibility to ensure, that artists, creators, and rightsholders benefit from their work. Today, millions of channels and creators from over 90 different countries earn revenue from their videos—from some of the world’s biggest record labels, movie studios, and news organisations, to independent musicians and creators. It is encouraging to see that over 610 YouTube channels in the United Kingdom have more than 1 million subscribers. We are also proud to be a chief exporter of British talent: more than 84% of views on UK content come internationally.

Globally, we’ve paid out over USD\$12B to the music industry from our advertising and subscription businesses as of January 2020.<sup>2</sup> We continue to fuel both business models and record labels agree it is possible we will become the music industry’s number one source of revenue by 2025.<sup>3</sup>

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<sup>1</sup> Quote provided directly to YouTube.

<sup>2</sup> Our licence agreements are structured such that we typically do not typically pay local subsidiaries separate from their parent companies (many of which are domiciled outside of the United Kingdom), so it is near-impossible to ascertain how much of this figure ends up in UK rightsholders’ hands.

## 2. YouTube's Unique Role in the Music Ecosystem and Business Models

YouTube creates significant value for the music industry, and for creators of all kinds, including those who previously did not have a platform to share their content. According to research by Oxford Economics, 83% of the British media and music companies surveyed who use YouTube agreed that the platform shines a light on undiscovered talent.

One way we do this is by partnering with musicians to support and amplify their work through every phase of their career. Foundry, our global music artist development program for independent artists, included Dua Lipa (who was already a YouTube user) in its first class in September of 2015. Through Foundry, we help artists find and engage fans and build careers on their own terms. When we selected Dua Lipa, she had just 1,500 YouTube subscribers. She went on to become the youngest female artist to earn 1 billion views on a YouTube video for her song "New Rules" in 2018. In 2019, she won Best New Artist at the Grammy Awards and won Best British Single for "One Kiss" at the BRIT Awards. Her channel currently boasts over 15 million subscribers. Similarly, Dave was selected for our second Foundry class after building a following on YouTube and earning a Mercury Prize; since taking part in our program, he won one BRIT Award (and was honored with three additional nominations).

"Youtube has helped me take my creative vision to the next level, and charted my journey from my earliest freestyles to singles that have been shot all over the world. YouTube has been there since the beginning. As an independent artist, that's been an invaluable help along the way." - Dave<sup>4</sup>

Our business model relies on twin engines, the first of which is **advertising-supported**. In a way that no other platform can or does, our ad-supported, free-to-the-user platform allows us to monetise users who are not able or ready to purchase a subscription, through the use of industry leading technology (Content ID, described later in this submission). These users are coming to YouTube, rather than seeking out piracy sites. In fact, without YouTube, 85% of time spent would have shifted to lower or similar value channels, according to a listening behaviour survey carried out by RBB Economics.<sup>5</sup>

Our second engine is **subscription-based**. We are growing YouTube Music, our subscription service, with 30 million paid subscribers. YouTube Music is available in 95 countries and is full of audio, videos, lyrics and other music-related content to engage fans.

Both engines fire powerfully in part because of our close relationships with music partners, who help us improve and iterate our products so that they get the most out of our platform. We have

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<sup>3</sup> "Why YouTube and the Music Industry are Getting Along Better than Ever," Billboard, Feb. 13, 2020, <https://bit.ly/38n2K5r>.

<sup>4</sup> "Youtube Backs 14 More Independent Artists Via Its Foundry Development Program," Music Business Worldwide, Sept. 24, 2019, <https://bit.ly/36k7A0t>.

<sup>5</sup> "Value of YouTube to the Music Industry," RBB Economics, May 2017, <https://bit.ly/2UmKp0h>.

licence agreements with every major record label and music publisher, independent labels, music publishing collecting societies (including the UK's PRS for Music), and work collaboratively with these partners so they have the tools to control the rights that they own and to leverage the reach and revenue potential of our platform.

YouTube is “absolutely the most valuable platform for us.” - Rosie Lopez, President, Tommy Boy Records<sup>6</sup>

One critical way we enable rightsholders to maximise value from YouTube is through the use of our rightsholder-facing content management system, Content ID. Content ID lets rightsholders choose to either monetise or block UGC that includes their content, whether that is the sound recording (for an artist or label) or the composition (for a composer/songwriter or publisher). If they choose to monetise, they will share in the advertising revenues generated from that UGC. The results speak for themselves: music rightsholders have chosen to monetise over 95% of Content ID claims. This new business model has created additional economic opportunities for creators and musicians of all kinds. Monetisation of UGC has revolutionized the online ecosystem and enabled rightsholders to unlock new sources of revenue from users who may have otherwise turned to piracy.

YouTube has also made significant advancements in developing entirely new revenue streams for the music industry. When the COVID-19 pandemic initially hit, we ramped up our launch of Superchat and Superstickers, which are chat messages that fans can purchase during a livestream to make those messages stand out (e.g., pinned to the top of the [chat](#)). We have worked with our partners to find new ways to deliver value to artists and fans alike, particularly throughout the pandemic, when music lovers have yearned for an opportunity to experience music communally; for example, we hosted a Beatles “Yellow Submarine” global sing-a-long and featured an Elton John archival concert series. We have also enabled governments to livestream culture to societies, hosted “listening parties” to celebrate the release of new albums, and begun to help UK artists host livestream and exclusive ‘gigs’ that are funded via off-platform “ticket” sales.

YouTube aspires to be the partner of choice for the music industry and continues to innovate to find new ways to be a top contributor to the ecosystem.

### **3. YouTube’s Influence on Consumer Habits**

YouTube strives to help users effortlessly discover new music, and to enable artists and songwriters at all levels of their careers to succeed and find new audiences. We have designed our platform to deliver this in a number of ways.

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<sup>6</sup> “Tommy Boy president: ‘YouTube could become our number one DSP,’” MusicALLY, April 20, 2020, <https://bit.ly/3eGhNlw>.

First, our recommendation tools help users discover music and videos they may enjoy. We take into account many signals, including a user’s watch and search history (if enabled by the user), as well as the channels to which a user has subscribed and contextual factors.

Recommendations are a very popular and useful tool in the vast majority of situations, helping boost discoverability of new artists and creators.

Second, our artist programs are fundamental to music discovery on YouTube. Our Foundry program, described above, has provided Dua Lipa and numerous other British artists, including Beebadoobe, Alfie Templeman, Josef, Jayka, Rina Sawayama, Arlo Parks, and Dave, with promotional and marketing support to help them maximise revenue through advertising, merchandise, and concert ticket sales.

Additionally, Beebadoobie, Aitch, Mahalia, Mabel and Freya Ridings, have each received the promotional benefits of being a part of our Artist on the Rise Program. Artists see a real impact when we put our promotional weight behind them: approximately 70% of the 2020 BRIT Award nominees were featured in YouTube programmatic packages.<sup>7</sup>

Third, we use Content ID to facilitate music discovery for songs included in UGC. Once a video is claimed, we can display information about the songs that appear in fan-uploaded videos, including the title, artists and songwriters, and the record labels and music publishers who represent them. This helps drive users to discover more music recorded by the same artist or written by the same songwriter.

Lastly, we note that organic engagement on YouTube is increasingly a launchpad for true commercial success in the industry. Michael Omari (better known as “Stormzy”) is a successful British grime artist who began his career releasing videos on YouTube<sup>8</sup> and used the platform as an independent artist for eight and a half years before signing to a record label. Among his accomplishments are a Number One album, multiple BRIT Awards, and a feature on the cover of Time Magazine as a “Next Generation Leader”<sup>9</sup>. Dave, Dua Lipa, and numerous other artists around the world have similarly used YouTube to launch their careers.

YouTube “pulls every lever and turn[s] every knob with every opportunity on their platforms to create the biggest impact they possibly could.” - Monte Lipman, CEO, Republic Records<sup>10</sup>

#### **4. Economic Impact and Long-Term Implications of Streaming on the Music Industry**

<sup>7</sup> “Music Business UK,” Music Business Worldwide, Q1 2020, <https://bit.ly/35o75n8>

<sup>8</sup> Stormzy previously posted the following on Twitter (days before headlining the 2019 Glastonbury Festival), prior to deleting his Twitter account: “I just hit 1,000,000 subscribers on my YouTube channel [<http://youtube.com/StormzyTV>] I started this channel in 2010 because I couldn’t get my videos on GRM. I released vid after vid after vid trying to finally release that video that got 1m views and it took me 20 vids to do it.”

<sup>9</sup> Time Magazine, “It’s My Purpose to Shine a Light Where I Can.’ How Rapper Stormzy Is Championing Black British Culture,” Oct. 10, 2019, <https://bit.ly/3kkH8ZW>.

<sup>10</sup> “Why YouTube and the Music Industry are Getting Along Better than Ever,” Billboard, Feb. 13, 2020, <https://bit.ly/38n2K5r>.

Streaming platforms have played a vital role in recovering music industry revenues lost to piracy and generating five consecutive years of growth globally.<sup>11</sup> In 2019, global streaming revenue grew 23%, accounting for 56% share of global revenues, the first time streaming accounted for over half of global revenue.<sup>12</sup>

In the UK, the industry has posted gains for four straight years, with an increase of over 7% from 2018 to 2019.<sup>13</sup> The British Phonographic Industry (BPI) confirmed that streaming “which leapt by 21.8 percent,” is driving the growth.<sup>14</sup> Music publishing is also seeing record growth. PRS for Music, which administers rights in musical works held by UK writers, touted “record amount[s] collected on behalf of [its] members” for the 2019 year (up 8.7% from 2018).

YouTube is proud to contribute to the industry’s remarkable growth, having paid out USD\$3 billion to rightsholders in 2019 globally. The payments are made according to the terms of our bilateral agreements and we of course enter into those agreements with the intent that artists and songwriters will be compensated fairly. Being signed to a record label or music publisher is not the only way for an artist to make money on YouTube, however. As we noted above, we have enabled numerous direct-to-fan monetisation features (such as for merchandise or digital experiences). Additionally, once an independent artist has over 1,000 subscribers and videos with over 4,000 public watch hours in the prior twelve months, the artist is eligible to apply for our YouTube Partner Program and earn more than half of the revenue generated from advertising served on their videos.

Our contributions to the British economy do not stop at the amounts we pay directly to rightsholders, artists, and other creators. According to research by Oxford Economics, in 2019 YouTube’s creative ecosystem supported 30K Full Time Equivalent jobs in the United Kingdom, and the total contribution of YouTube’s creative ecosystem to the UK’s GDP was £1.4 billion. We have also partnered with British music institutions, such as the East London Arts & Music Academy, to provide mentorship and digital skills training to youth, whilst our YouTube Space in London has hosted numerous workshops, video premieres, and other events to connect music artists directly with fans.

## **5. Anti-Piracy Initiatives and the Copyright Directive**

At YouTube, we invest significantly in the technology, tools and resources that prevent copyright infringement on our platform and prevent the flow of money to those who seek to pirate content. We also work with others across the industry on efforts to combat piracy.

These efforts are having an effect: around the world, online piracy has been decreasing and spending on legitimate content is rising. According to a 2020 study by the European Union IP office, piracy is declining: “[b]etween 2017 and 2018, overall access to pirated content

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<sup>11</sup> IFPI, “Global Music Report: The Industry in 2019,” May, 2020, <https://bit.ly/3p7Q8Fn>.

<sup>12</sup> IFPI, “Global Music Report: The Industry in 2019,” May, 2020, <https://bit.ly/3p7Q8Fn>

<sup>13</sup> IFPI, “Global Music Report: The Industry in 2019,” May, 2020, <https://bit.ly/3p7Q8Fn>; “UK record labels’ trade income reaches L1.1 billion in 2019,” the British Phonographic Industry, March 17, 2020, <https://bit.ly/3n73tf3>.

<sup>14</sup> UK record labels’ trade income reaches L1.1 billion in 2019,” the British Phonographic Industry, March 17, 2020, <https://bit.ly/3n73tf3>.

decreased by 15%. The decrease was most pronounced in music, at 32% followed by films (19%) and TV (8%).”<sup>15</sup>

We also take copyright management very seriously and our tools have shifted from simply an anti-piracy focus to helping generate new revenue streams, encourage creativity and fan engagement. Anyone can access components of YouTube’s Copyright Management Suite, which gives rightsholders control of their copyrighted material on YouTube. We work with rightsholders to match them to appropriate features based on the scale of their copyrighted content on YouTube, and the resources they have dedicated to responsibly manage their content online. We are always working to expand access to more powerful features while balancing the need to protect creators, viewers, and other rightsholders from significant disruptions that result from the misuse of these tools with platform-wide reach.

There are three main tools that comprise our Copyright Management Suite: the webform, Copyright Match, and Content ID. All of these tools use Content ID’s matching technology to prevent the reupload of matching content. To date, we have invested over USD\$100 million in building and enhancing these tools. We have been able to do this, in part, due to the flexibility in copyright law, which allows us to develop the tools that are most appropriate and well-tailored to our platform, users, and other stakeholders without the limitations of prescriptive regulatory schemes.

For most rightsholders and creators, who are infrequently confronted with a situation where they need to manage their rights online, the public webform is the only tool they need. It is available to everyone and is a streamlined and efficient way to submit copyright claims, and provides a way for rightsholders to quickly remove infringing content from YouTube. Matching technology then prevents reuploads of the same file.

We also recently recently launched the Copyright Match Tool to bring the power of Content ID matching technology (described in detail below) to more creators and rightsholders. Creators using the Copyright Match tool simply need to be the first to upload a video to YouTube and then they are shown subsequent uploads of those videos. Rightsholders can choose to leave a video up, request removal, contact the uploader, or archive the match.

Finally, Content ID is our solution for those with the most complex rights management needs. When a video is uploaded, it is compared to our database of millions of “fingerprints” corresponding to copyrighted works. Partners provide YouTube with reference files for the works that they own, along with metadata such as the title and detailed ownership rights. Based on these references, YouTube creates digital “fingerprints” for the copyright owner’s works, and then conducts automated scans of the platform to determine when audio or audiovisual content in an uploaded video matches the reference content. Using the system, rightsholders in the UK can be automatically notified of user-uploaded videos that contain their creative work and can choose in advance what they want to happen when those videos are detected. Thanks to the

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<sup>15</sup> European Union Intellectual Property Office, “2020 Status Report on IPR Infringement,” June 2020, <https://bit.ly/2UaAxGI>.

different options that Content ID gives copyright owners, it's **not just an anti-piracy solution, but also a growing revenue-generation tool for creators.**

Through Content ID, creators and rightsholders can earn money from UGC. In fact, over half of the revenue we send to the music industry comes from Content ID claims. YouTube has thus created an entirely new revenue source that was unimaginable to rightsholders only a few years ago, whilst continuing to enable artists to connect directly with their fans.

We are continually improving our policies, tools, features, and functionality. For example, earlier this year, we acted upon the concerns we had heard from stakeholders within the content industry to update our Community Guidelines, explicitly prohibiting “how-to” videos that show users how to gain unauthorised free access to music content that normally requires payment.

We have also continuously invested in various approaches to combat stream ripping, including through (i) improvements to technical infrastructure, (ii) working together with third parties, with whom we have run various technical experiments and explorations, and whose lawsuits against rippers we have supported with declarations, and (iii) other legal means (such as sending cease-and-desist letters and filing domain name disputes).

Balanced copyright law enables us to explore different methods to combat piracy and infringement. While Article 17 is still in the local transposition process (and therefore no tangible effects can yet be ascertained), we are concerned that any overbroad implementation of legislation of that type may lead to vague, untested requirements that could result in online services needing to over-block content to mitigate potentially significant legal risk. Such an overbroad implementation would also risk lowering the revenue to traditional media and music companies from YouTube and will potentially devastate the many creators, artists and songwriters who have built their businesses on our platform.

In the music industry in particular, data regarding ownership of rights is often unclear. Platforms do not always have access to the complete information that they need about the content they are licensing. For example, to properly account to and pay a music publisher, a licensee needs to know what songs the music publisher owns, which sound recordings those songs correspond to, and the fractional share of interest controlled by the publisher. That information also needs to be updated in real-time as writers switch publishers and take their rights with them, and also should be provided prior to usage of the applicable works. Historically, it has been very difficult for platforms like YouTube to obtain all of this data. Unfortunately, this lack of data is exactly what could lead to over-blocking in an Article 17-like regime and ironically could favour incumbents versus new insurgents within the industry. After all, if you multiply these risks with the scale of YouTube, where over 500 hours of video are uploaded every minute, the potential liabilities could be so large that no company, especially startups, could take on such a financial risk.

## **6. A Role for Policy**

The Committee's inquiry comes at an important stage in this maturing market. Despite the unprecedented challenges that COVID-19 has brought to the music industry, streaming services continue to provide growing revenues to the music ecosystem.

At YouTube we are proud of our unique role in driving the twin engines of growth by supporting both ad-supported and subscription-based business models, using technology and a global audience to deliver revenues to UK creators. Looking forward, we would urge the Committee to support a music policy that remains flexible and balanced, whilst providing much-needed certainty to enable business models to evolve to meet consumer expectations.

In the last several years, YouTube's own business has grown from an advertising-based user-generated content platform to include a subscription service and numerous alternative monetisation features (such as the direct-to-fan offerings described above). The elasticity built into the current legal framework on which our platform rests is not only foundational to YouTube's contributions to the music industry and society at large, but also allows new market entrants to build their businesses and innovate without fear of undue legal liability.

Balanced copyright law allocates responsibility and liability among all stakeholders. In furtherance of that objective, transparency is key. The music industry has long been plagued by gaps in ownership data, and licences are often issued to licensees without complete and accurate lists of the rights and works licenced. Licensees like YouTube must be able to obtain data about what they are licensing from rightsholders, and should not be liable for any harms arising from a licensor's inability to provide that information.

Our offering generates unique benefits for artists, songwriters, creators and rightsholders, derived from the size of our audience and the way we leverage that audience to create new opportunities. We are committed to driving meaningful revenues and promotional opportunities back into the music industry so that the ecosystem sustains its growth and continues to thrive.

To support the sustainability of the wider music industry, we would therefore call for:

1. *Policy certainty*: Stability in the law has allowed a robust digital music marketplace to develop and drive revenues back into the music industry and we would urge caution before forcing new regulatory interventions in this dynamic space. In particular, any copyright changes should not be introduced until a full economic impact assessment can be made of the impact of Article 17 in the EU.
2. *Data transparency*: We encourage the committee to explore the development of a comprehensive musical works and sound recording ownership database that would have beneficial applications across all areas of music licensing. The committee could take advantage of this rare and important opportunity to facilitate collaboration among the music industry to solve the data problems that plague music licensing; poor and missing ownership data cause unnecessary risk and expense for music services, and prevent timely, accurate royalty payments to songwriters and publishers. Similarly, we wholeheartedly endorse transparency principles as applied to artists, songwriters, and other royalty participants, who deserve to understand how their royalties are calculated and distributed throughout the entire ecosystem.

We hope this perspective is useful to your inquiry and look forward to working with the committee and other stakeholders on this important issue.