

Written evidence submitted by the Internet Association

Digital, Culture, Media and Sport Committee: Economics Of Music Streaming Inquiry

1. Introduction

Internet Association (“IA”) welcomes the opportunity to provide written evidence to the Digital, Culture, Media and Sport Committee’s inquiry into the economics of music streaming.

IA represents over 40 of the world’s leading internet companies¹ and is the only trade association that exclusively represents leading global internet companies on matters of public policy. IA’s mission is to foster innovation, promote economic growth, and empower people through the free and open internet. In 2018, IA established a London office to constructively engage in the internet public policy debate in the UK.

We are firm believers in the benefits that technology brings to everyday life and the economy, and for the potential that internet innovation has to transform society for the better. IA economic analysis shows that the internet sector contributes £45 billion to the UK economy each year and is responsible for nearly 80,000 businesses and around 400,000 jobs.² Recent IA polling found that three-quarters of British people believe that the internet “made their lives easier and more enjoyable.”³

IA believes that the internet sector needs a balanced policy and regulatory environment to continue, and grow, its contribution to the UK economy, consumers, and society in the future, and we believe that policymakers should focus on enabling the internet sector to: 1) drive UK economic growth; 2) provide services that people value highly; and 3) make a positive contribution to society. In relation to the issues relevant to this inquiry, IA encourages policymakers to continue to enable platforms to be a key source of revenue for the music industry, and to be drivers of creativity and content creation.

In this evidence, IA discusses the positive economic impact of the internet, including music streaming services, on content creation and discoverability; and provides comments on the UK’s balanced copyright framework and the economics of the music streaming market.

2. Internet Association Written Evidence

2.1 Internet Companies Enable Content Creation, Discovery And Innovation, Which Benefits Consumers

The internet empowers billions of people to create and interact with more content than ever before, through a variety of platforms and services. IA member companies are creators and innovators who produce, distribute, and stream original and licensed content, making the internet the preferred medium for video and music.

In recent years, internet companies have revolutionised their relationship with the creative community, and these sectors are partnering in ground-breaking ways. Internet companies have expanded user access to content through licensing and distribution deals as well as funding the production of content and collaborating with the creative

¹ IA Member Company List: <https://uk.internetassociation.org/our-members/>

² <https://uk.internetassociation.org/publications/measuring-the-uk-internet-sector/>

³ <https://uk.internetassociation.org/publications/uk-digital-nation-an-internet-enabled-recovery/>

community.

UK consumers are streaming music more than ever before, with 114 billion plays on audio streaming services in 2019, the first year this figure has exceeded 100 billion according to industry body the BPI.⁴ Streaming-generated revenues in the UK contributed £628.9m to record labels' trade income in 2019 (up 21.8% from £516.4m in 2018), making up the majority (58.8%) of record labels' trade income.⁵ Similar levels of growth were also seen globally, with overall streaming revenues flowing to rights holders increasing by 22.9% in 2019 to US\$11.4 billion. Growth in streaming more than offset a -5.3% decline in physical revenue.⁶

Looking at consumer spend, UK consumers spent just over £1bn on music streaming subscriptions in 2019, up 23.5% from £812m in 2018.⁷ This unprecedented level of access has fueled record levels of content production, and global exposure to music from around the world. For example, Ed Sheeran's "Shape of You" was the first song with more than two billion streams, and his music is popular in almost every country in the world.⁸ Effortless access and expanded options mean greater choice for consumers and more exposure and reach for artists.

In addition to providing greater access to works, IA member companies create value for artists by connecting them with consumers in groundbreaking ways. Artists using internet platforms to post their own works are finding access to new, unlimited audiences. These connections improve relationships, drive engagement, and inform artists. Finally, these services also provide new revenue sources from user-generated content, the sale of merchandise, and new methods of fan engagement.

An excellent example of the positive impact of streaming for artists is UK indie rock band Glass Animals, who, despite having no commercial radio play and limited track record, reached No. 2 on the U.S. Alternative chart and the top 20 on the Billboard 200 chart. Lead singer Dave Bayley credited streaming with this success, stating: "Streaming has definitely leveled the playing field ... It has allowed this tiny band from Oxford – us – to be given the same opportunity as Drake." The band has been hailed as "international streaming sensations" for harnessing the power of streaming to grow their popularity around the globe.⁹

Perhaps most importantly, the positive impact of streaming outlined above works to the benefit of consumers. Streaming and social media companies introduce listeners to new music and video, and connect existing fans with their favourite artists. In addition to greater access and choice of content, these services enable greater personalisation and curation, providing an enhanced consumer experience.

2.2 The UK Copyright Framework

The Committee states in its description of the inquiry that it is considering "whether the government should be taking action to protect the industry from piracy in the wake of steps taken by the EU on copyright and intellectual property rights."

It is important to recognise that the advent of subscription streaming services has led to a dramatic fall in piracy online. For example, in 2018 a YouGov poll found a 18% decrease in illegal downloads of music since 2013.¹⁰ By offering consumers an attractive alternative to pirated sites – enabling them to seamlessly access and discover music while ensuring artists get paid – streaming stimulated the recovery of a global music sector in decline. Over the last

⁴ <https://www.bpi.co.uk/news-analysis/streaming-breaks-the-100-billion-barrier-fuelled-by-exciting-new-talent/>

⁵ <https://www.bpi.co.uk/news-analysis/uk-record-labels-trade-income-reaches-11-billion-in-2019/>

⁶ https://www.ifpi.org/wp-content/uploads/2020/07/Global_Music_Report-the_Industry_in_2019-en.pdf

⁷ <https://musically.com/2020/01/03/uk-music-streaming-spending-2019/>

⁸ DiMA - Digital Media Association [Annual Music Report](#)

⁹ DiMA - Digital Media Association [Annual Music Report](#)

¹⁰ <https://www.prsformusic.com/m-magazine/news/study-finds-music-piracy-is-falling-in-the-uk/>

decade, subscription services have become the single largest generator of revenue and growth in the UK music market.

In addition, IA member companies protect content better than ever before. They maintain robust policies to protect copyrighted works and take action when they are notified of infringement. IA member companies also dedicate significant resources to respond to potential breaches of their copyright policies and invest in voluntary protective measures, demonstrating the effectiveness of the current framework.

Internet companies are committed to fostering creativity and ensuring access to a wide variety of content through the free and open internet. A balanced, innovation-oriented copyright system is critical to the digital economy because it enables internet companies to provide the best products and services possible, while also ensuring that creators' rights are protected. IA supports a balanced copyright framework that provides rights holders, creators, internet companies, technology industries, and users the tools necessary to grow a robust online ecosystem, and believes that the current UK copyright framework effectively strikes the right balance. In particular, the current copyright law provides legal certainty that has been instrumental and indispensable in the development and success of internet companies, which in turn have fueled growth in traditional creative industries and enabled the launch of new, innovative digital services.

IA therefore encourages both the Committee and UK government to take an evidence-based, deliberative approach to considering any potential changes to the UK copyright framework in general, and in particular changes similar to those created by the recent EU Copyright Directive ("EUCD"). IA welcomes the UK government's statement that it has no plans to implement the EUCD, and that any future changes to the UK copyright framework will be considered as part of the usual domestic policy process. As set out in this submission, the current system ensures that content is protected and that a diverse range of stakeholders across the ecosystem are able to benefit. To the extent that there are concerns relating to the current framework, IA believes that the best route to solutions is through collaboration, voluntary frameworks, and good-faith partnerships, rather than legislative reform in the first instance.

2.3 The Music Value Chain

In addition, IA believes it is important for the Committee to consider the general context in which streaming services pay royalties and the distribution of revenues along the music value chain. In particular, there are two key points to note. First, that streaming services do not pay artists directly – rather, they pay intermediaries like record labels and publishers, who then enter into private contracts with artists regarding terms of remuneration. Streaming services are not privy to, nor have any influence over, these negotiations. Second, that streaming revenues are distributed among other actors in the value chain – such as agents, managers and legal teams – before they reach artists.

IA believes that this context is important when considering statistics such as the percentage of streaming income flowing to artists, and we encourage the Committee to examine the overall distribution of payments and how the current balance impacts net payments to artists. To this end, IA encourages the Committee to take evidence from a wide range of actors along the value chain, to develop a comprehensive view of the market.

3. Conclusion

IA welcomes the opportunity to provide written evidence to the Digital, Culture, Media and Sport Committee's inquiry into the economics of music streaming.

In this evidence, IA discussed the positive economic impact of the internet, including music streaming services, on content creation, discoverability and innovation, and how this benefits consumers. IA's evidence highlighted the popularity of music streaming with consumers, and the significant revenues that streaming services generate for rights holders. IA outlined how legitimate music streaming services lead to reduced content piracy, and summarised

further industry initiatives to protect content. IA set out its support for the UK's balanced copyright framework, and encouraged policymakers to take an evidence-based, deliberative approach to considering any potential changes to UK copyright law. Finally, IA highlighted the distribution of revenues along the music value chain.

IA hopes that this evidence is useful to the Committee as it undertakes its inquiry.

Internet Association

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