

Written evidence submitted by Isaac Neilson

DCMS Select Committee evidence

Name: Isaac Neilson

Occupation: Music producer, Songwriter, & Session Musician.

I am writing this testimony from the perspective of a working musician, whose livelihood is predicated on the success, and therefore economic return of my musical output. As it currently stands, live performance is not viable, so the only remaining income at my disposal is revenue generated by streams.

If it had been left to the major industry giants such as Spotify, Apple Music, or YouTube, this would not have been a remotely viable option for me, however I have been able to find success in a smaller independent platform called Sonstream (as I will expand upon in Q5). Alongside selling merchandise, this platform has enabled me to continue releasing music at a profit while live performance remains impossible for the foreseeable future.

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

The vast majority of music is consumed at no cost to the consumer, through ad funded platforms such as YouTube & Spotify. With the two largest players in the game operating predominantly on the freemium model, it becomes impossible for alternative models which more fairly compensate rights-holders to gain any real stake in the streaming market.

While the ad model is free for consumers, it does come with some drawbacks, including: repetitive advertisements interspersed between (and during) content, and more importantly the harvesting and resale of consumer data. While these drawbacks are deeply intrusive, who doesn't want something for (the illusion of being) free!

While both of these (and the other major) platforms have subscription models operating on their platform, it is no surprise to see the ad-funded model has way more traction with consumers. According to The Trichordist, YouTube's ad-funded model alone constitutes 51% [1] of the entire world's online music consumption. Despite having 20m paying music subscribers on their platform, these figures are obviously dismal.

Comparing freemium to premium figures illuminates a damning truth for the music industry – you can't compete with free. Considering that the streaming ecosystem has existed for almost two decades now, if the premium models were going to be competitive, it's reasonable to assume they would have reached this point by now. So what can be done?

Digging the UK's most culturally significant industry out of the mud will require real legislative change to force the tech industry giants to fairly award streaming royalties equally.

One of the most disingenuous practices in streaming is the intentional obfuscation of streaming tariff's relative to an artist's profile. As it currently stands, whatever content can produce the most ad-revenue, will be most valuable to a platform's agenda. The emergent problem with this relationship, is that music which generates the most streams (1million+) will earn proportionally far more per-play than say, a track with 50,000 or less streams. [2]

As the most streamed artists are signed to the major labels which back these platforms, there is an inherent disadvantage in both establishing profile (due to playlisting), and remuneration for the smaller working artists.

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

It is obvious to anyone involved in the industry that this is the case. The more important question is why this is done?

The advent of streaming has resulted in a curated system of 'playlisting' not so dissimilar to that of radio. However, when these playlists are curated by the platforms which control how content is monetised, and these platforms are funded by major labels, there is clearly an emerging conflict of interests...

So much so that Spotify have been caught multiple times rigging their playlist with fake artists [3 , 4] in order to pay out fewer royalties to the artists they claim to support.

Aside from this scheme, the agenda of playlisting control is a far greater manipulation than even this story would have you believe...

The current state of the Spotify playlist has completely delegitimised the Top 40 Charts. Although the Top 40 isn't incorruptible, having playlist control rest in the hands of the platform, enables sweetheart deals with their label backers, enabling Spotify (and others) to control the narrative of what music is and isn't successful, again undermining the growth potential of small independent artists, who either can't, or choose not to operate under The Major's ecosystem.

By extension of this, algorithmic curation is also deeply unfair. Artist and album 'Radio' playlists on Spotify suggest related music which they believe will complement your tastes. In the majority of cases, this is used to promote 'high-tier' artists backed by Spotify, and act as a justification for mass collection of user data.

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

With the emergence of piracy in the 90's and 00's, the writing was on the wall for all sectors of music, film, & software industries. These products were now becoming readily available for free, for anyone with an internet connection piracy became the most convenient, and of course cheapest way of accessing content. IP and it's profits were rapidly shrinking

When Steve Jobs announced iTunes & the iPod in January of 2001, it marked a paradigm shift in the music industry. iTunes represented a change in the industry which can be summarised as this: consumers are willing to pay a little more for a service which they consider to be more accessible, convenient, and egalitarian.

Understanding this is the key to understanding that even if freemium ad-funded models were to be eradicated, people are still willing to pay to listen to the music they love. Streaming is going nowhere, and will likely remain the dominant means for music distribution. The issue with streaming is that it's monetisation has been monopolised by the tech industry, and rather than being the product, has become the conduit by which their product of advertising and data harvesting has been possible. This relationship must be reconciled in order for music to be meaningfully revalued as an art form.

To see this in practice look no further than Netflix or Amazon Prime. Even with shared accounts, Netflix and Amazon operate exclusively paid models which have diminished piracy with convenience, and lead to the greatest age of content, and industry growth film has ever seen!

4: 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?

A UK equivalent of the Copyright Directive is absolutely necessary. Legislation is required so that platforms such as YouTube & SoundCloud only host content which is fairly and directly compensating the rights-holder. As it currently stands, anyone can take a track and re-upload it to YouTube, sit back, and watch the profits roll in...

Although YouTube's Content ID algorithm is famously effective, the issue in this regard is having your content represented under this system. As it currently stands you would need to be a member of an institutions such as the BPI, or signed to a major label to reap the benefits of this system; in the case of smaller / independent artists, this is certainly not made clear enough. Regardless, the code to have this carried out the moment content is uploaded is available, however it is evident that YouTube have no intention of implementing this, and would probably tell you that they can't. According to Impala Music last year, 38% of music globally is consumed through copyright infringement [5], it must be obvious to YouTube that their platform is instrumental in this statistic; they will not address this crippling flaw in their platform as it still generates them ad revenue, and only deprives the rights-holder.

[1] The RIAA claimed this year, that YouTube makes up 51% of all music streams, while paying out a meagre 7% of the revenue for that year. And that's only accounting for music which was registered under their Content ID system.

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

This year I discovered a new platform called Sonstream. (found at www.sonstream.com).

Their platform operates under a pay-per-play model, with complete transparency. This means no adverts, no subscriptions, and no algorithms – the three things crippling the state of the music industry.

Sonstream's platform enabled me to directly upload music without a distributor (enabling me to retain more of the income generated by streams), and then directly paid out to me weekly for any streams I had received, via PayPal.

On their platform, I have earned just over £945 with 37.8k streams. This is an unprecedented figure, and has been instrumental in enabling me to retain my livelihood through the COVID pandemic (while gigs have been impossible).

Although it has required a LOT of promotion on my part to achieve this, it is clear to me that this business model is the only way forward that will truly compensate artists in a meaningful way. I'm frankly staggered that I've been able to achieve this on such a new platform. If ad-funded music wasn't dominant, so much would become possible for creators under a tariff system such as this.

This model directly pays out 2.5p per stream, which is around 21x Spotify's rate.

[1] <https://thetrichordist.com/2020/03/05/2019-2020-streaming-price-bible-youtube-is-still-the-1-problem-to-solve/>

[2] www.godisinthetvzine.co.uk/2019/04/10/opinion-why-we-need-fairer-alternatives-to-spotify/

[3] <https://www.theverge.com/2017/7/12/15961416/spotify-fake-artist-controversy-mystery-tracks>

[4] <https://www.musicbusinessworldwide.com/fake-artists-still-dominate-spotifys-chill-playlists-now-real-artists-are-fighting-back-with-apple-music/>

[5] <https://impalamusic.org/stats-2/>