

## **Supplementary written evidence submitted by Phonographic Performance Ltd (PPL)**

5 February 2021

Dear Mr Knight

During the DCMS Committee hearing on “The Economics of Music Streaming” on the morning of 19 January 2021 you asked me to provide in writing some of the numbers that I was talking to when answering questions. Hopefully the information that I have set out below is what you were looking for, but please let me know if there is anything else with which I may assist you.

### **Global recorded music market, 2019 vs 2001**

The global recorded music market peaked in 2001 at US \$23.4b. Due mainly to the impact of piracy the global recorded music market declined to a low point in 2014 of US \$14b. Each year from 2015 to 2019 the global recorded music market has grown and in 2019 was worth US \$20.2b.

The source of this information is the IFPI “Global Music Report” for 2019, which includes physical sales (CDs, vinyl), streaming, downloads, digital uses including free to user and subscription streaming, as well as performance rights from CMOs like PPL, and synchronisation (into films etc). It in effect covers the value for record companies and performers in recorded music (it does not include the rights of songwriters or publishers, or the live sector).

So in 2019 the global recorded music market is still worth less than it was in 2001, nearly 20 years earlier. If you adjust 2001’s value for inflation then it would have been worth over \$33b in 2019. This means that in real terms as of 2019 the global recorded music market is worth less than two thirds of its 2001 value.

This has a real impact as there is a smaller amount of money to support an ever increasing number of record companies and performers, with greater and greater consumption/competition. This is why the music industry was so keen to have legislative developments on the Value Gap, so disappointed to hear that the UK Government will not be implementing the long negotiated provisions in the Directive on Copyright in the Digital Single Market on increased ISP liability for copyright infringement, and hopes that the UK Government will instead now take its own steps forward on this important issue. The increased ISP liability would enable the music industry to re-address its licensing arrangements with YouTube whereby, for example in 2019 in the US, YouTube was responsible for 51% of all streaming of recordings but only 7% of the value (source, The Trichordist 5 March 2020).

I also referred in one answer to prices, in relation to subscription streaming services, being “stuck at £10 since the noughties”. The fact that the headline price of a premium subscription streaming package that has now become the main income source for recorded music has significantly eroded over time (i.e. out of step of consumer price inflation) will of course have impacted on the overall size of the pot available for rights owners and creators. This is a point I note that the BPI also cover in their written evidence to the Committee. They note on page 16 of their evidence that:

*“The usual consumer price has remained steady for more than 10 years despite inflation and rising costs; had it risen in line with CPI inflation the price would now be £12.71 per month, 27% higher than the current price.”*

In real terms, the change is actually even more stark given the prevalence of discounted subscription fees. The advent of family subscription discounts offering multiple use accounts (in the UK both Spotify and Apple offer single households up to 6 users for £14.99 per month), other discounts and the impact of subscriptions that are bundled with other products and services at a lower monthly fee, mean that the average price now paid for a subscription streaming service in the UK is much less than £10 per month. If it were required, the Committee could consider requesting confirmation of the realised Average Revenue Per User (ARPU) for the UK from the streaming services.

PPL is not seeking to comment on the suitability of the pricing of these services per se (and it is not for PPL to do so). I am simply making the point that it is clearly a relevant factor in considering why the global music market has shrunk in value, alongside other factors such as piracy and the Value Gap in relation to the licensing of free to user services.

### **PPL Momentum Fund**

During the hearing I was asked about PPL's funding of the PPL Momentum Fund, as operated by the charity PRS Foundation. I confirmed that this funding is provided from performer equitable remuneration (ER) monies and not from record company monies. It may assist the Committee for me to expand upon this slightly, particularly as there were further questions on this matter in the session that followed the one in which I was involved.

PPL's performer directors (elected by PPL's performer members) have decided that, against the backdrop of PPL paying around 122,000 performers at least once a year on 1.2m recordings, some ER monies should be used to support up-and-coming talent. In the case of the PPL Momentum Fund, PPL contributed £450,000 in 2019. The PPL Momentum Fund offers grants of £5,000 to £15,000 for UK artists to take their career to the next stage. Activities eligible for support include recording, touring and marketing. More details on the PPL Momentum Fund can be found here <https://prsfoundation.com/funding-support/funding-music-creators/next-steps/ppl-momentum-music-fund/>.

As I explained in my verbal evidence to the Committee, PPL's contribution to the PPL Momentum Fund is made from the performer share of the small residual percentage of PPL monies that, despite our efforts, we are ultimately not able to distribute. This residual amount is typically 2% or less of the original total collected. Currently, PPL's record company members do not provide funding to the PPL Momentum Fund. Instead, there is a formula for paying any undistributed record company monies to the record companies themselves. They then choose to make investments in new artists and donations to charity directly.

I hope that this information is of assistance.

Yours sincerely

**Peter Leatham**  
**PPL Chief Executive Officer**