Written evidence submitted by BPI

Submission to the DCMS Select Committee

Inquiry into the Economics of Music Streaming

16 November 2020

Executive Summary

Music entertains, inspires and thrills. It is central to our culture and our national identity. It represents our artists' voices on all manner of topics and issues. For music fans, it is the proverbial soundtrack to our lives.

Music fuels jobs, the economy and digital innovation. As a matter of national pride, we punch above our weight: British artists account for one in ten streams around the globe – not only an economic success, but a powerful component of the UK's 'soft power' on the world stage.

This Inquiry takes place at a time when Covid-19 is having a devastating impact on many colleagues and fellow businesses in the music industry. The BPI supports more being done to provide immediate employment and business support, particularly to those affected by the effective sustained and ongoing closure of live music. These issues are urgent and immediate.

The questions raised by the Inquiry centre on the long term and economic impact of streaming, which has become fundamental to the music industry, but is still a relatively nascent technology. Record labels reinvented their business models as they embraced digital technology, and they continue to adapt and innovate.

Streaming provides the industry with a sustainable, new source of income. As a result, growth has returned to the sector following many years of severe damage inflicted by piracy in the early 2000s. The record industry has been growing over the past five years, but revenues have still not yet returned to historic levels.

The role of record labels is to partner with artists to realise their creative vision. Labels find and develop new talent; they support the creative process of making music and connecting artists with fans; labels also invest heavily in licensing music to hundreds of platforms and in digital technology to provide data insights and protect the value of artists' content.

The music industry is built on hits, and for every success, there are inevitably more that may have merit creatively, but don't succeed commercially. Through their investment, labels support the whole music ecosystem. They shoulder most of the financial risk in the release and promotion of high quality new recordings. Where artists are provided with upfront advances, artists do not need to repay those advances or the costs of marketing and promotion if the project is not successful; and if they do succeed, then the rewards are shared between the label and artist, as well as being reinvested into new talent and the creation of more music.

The streaming-based music industry is characterised by choice. Consumers can choose between multiple different music streaming platforms with different features; and can listen to any track from the whole history of recorded music at the press of a button. The recorded music sector is dynamic and diverse, featuring strong competition between three major labels – all headed globally by British executives - and hundreds of small and medium sized independent labels. And artists have more choice than ever – between labels, between types of deal and whether to sign to a label at all.

Streaming has replaced CDs as the dominant means of music consumption; on demand listening via streaming platforms now accounts for 70% of music consumption. In 2019, fans listened to 114 billion tracks. However, CDs and vinyl still make up 20% of sales income, with vinyl (and more recently cassettes) enjoying a surge in popularity.

Streaming revenue is shared between platforms, labels and artists, publishers and songwriters based on arms' length negotiations and its distribution takes into account their respective contributions, investment and risk.

The return to revenue growth is directly benefiting artists. As label revenues have increased, so too has creative investment by record labels in Artists and Repertoire (A&R) and marketing and promotion; and overall payments to artists by labels have increased significantly.

The creation of new music that is funded by record labels also supports other parts of the music value chain – including songwriters and other creators, publishers, studios, producers, session musicians, video directors, as well as bringing forward the new talent and new repertoire that (in normal times) fuels the live sector.

However, there are distortions that drain value away from the music industry to the detriment of the whole music value chain. Compared to premium subscription, advertising-funded and user upload platforms seriously undervalue the music content on their platforms. And despite the very significant investment and resources put in by record labels over many years, piracy remains a significant problem. Piracy deprives the industry of nearly £200m in annual revenues and modern forms of piracy such as stream ripping continue to proliferate: money lost through piracy is money lost to creative reinvestment.

Labels and their trade bodies continually scan digital platforms for infringing content and take extensive action to protect them and their artists from illegal and infringing use of their music. Much more needs to be done to ensure platforms and digital intermediaries take greater responsibility to ensure the content they publish is legal, and pay more fairly for including it on their services.

The UK's music sector is a global success story; the world's third biggest music market and second biggest exporter after the US. Exports have been growing rapidly in recent years, and the global streaming market is set to grow exponentially in the next decade. The UK is ideally placed to benefit from this global explosion in music streaming – underpinning further growth of the whole UK music economy. In order the maximise this opportunity, the UK's gold standard IP framework must be maintained, including in free trade negotiations; and ongoing support is needed for independent SME labels and artists in the form of the Music Export Growth Scheme.

The overriding objective for policy makers – and for the Committee's attention – should be where policy can a) increase the value derived from streaming to the benefit of all, b) eliminate distortions so as to rebalance the relationship between platforms and content providers, and c) stimulate global growth. With the right policy interventions, the full value of music can be realised, enabling the UK to turbocharge the growth of its world class music sector. This will benefit creators and the whole ecosystem that supports their success.

Record labels are committed to partnering with artists, providing the creative and commercial resources and expertise that can help them succeed, and providing opportunities for the widest and most diverse range of talent from all across this country. This partnership is the foundation of the UK music industry's exceptional success over the last 70 years. We hope that the Committee will recognise the complexity and ingenuity that underlies that shared success, and make recommendations that will strengthen the growth of all parts of the ecosystem.

BPI Response to the DCMS Select Committee Inquiry into the Economics of Streaming

INTRODUCTION

About the BPI

The BPI is the representative voice of UK record labels. It promotes British music and champions the UK's recorded music industry – the world's third largest and the second biggest exporter of recorded music after the US. The BPI helps to safeguard the rights of its members and of all the artists, performers and record label members of music licensing body PPL, who collectively create around 99 per cent of all legitimate sales and streams of music in the UK. The BPI's membership consists of over 450 independent labels and the UK's three 'major' record companies, which together account for up to 85 per cent of legitimate domestic music consumption.

This response is submitted by the BPI with the endorsement of its members.

The BPI also works with labels and artists to promote British music overseas. This includes support through numerous trade missions as well as through the Music Export Growth Scheme, which since 2014 has awarded over £4 million in government funding to over 250 music projects benefitting mainly independently-signed artists. The BPI provides valuable insights, training and networking with its free masterclasses and presentations and through a variety of programmes and events, including strands on technology and diversity.

The BPI owns and organises the biggest night in the music calendar, the annual *BRIT Awards with Mastercard*, and the *Mercury Music Prize*. It also co-owns the *Official Charts* and runs the *The BRIT Certified Awards* programme, recognising artist achievement with the iconic Platinum, Gold and Silver Awards. The BPI established and funds *The BRIT School* in Croydon (the UK's leading Performing and Creative Arts School, which is free to attend) through *The BRIT Trust* charity, which has donated over £26m to music education and wellbeing charities, including *Nordoff Robbins* (the UK's largest independent music therapy charity, which uses music to enrich the lives of people with life-limiting illnesses, disabilities and feelings of isolation).

Economics of Streaming Inquiry

The BPI and its members welcome the opportunity to respond to the Committee's Inquiry into the Economics of Streaming. Streaming has had a profound and far-reaching impact on music. In many respects this has been positive, providing a legitimate and convenient means to connect artists and fans, and return the recorded music sector to growth. The globalised digital nature of streaming has also opened up markets for British artists to reach fans all over the world, bringing opportunities for growth as well as intensifying competition for attention. As with other creative industries, music remains in a period of transition and innovation as digital technology and consumption patterns continue to change.

Clearly, this Inquiry takes place at a time when the Covid-19 pandemic is causing immense hardship to many colleagues across the music community. These are obviously pressing issues, both from a policy and business standpoint. BPI members have coordinated substantial funding to support our colleagues in those sectors, and from a policy point of view, the BPI supports additional immediate and targeted employment and business support for those most affected. We touch on the impact of Covid-19 before considering in depth the longer term, structural issues related to music streaming.

Overview of the music industry and the role of record labels

Our detailed responses to the Committee's questions follow below. Here, we offer an overview of the UK's music industry and the role of labels.

British music entertains, inspires and thrills us. It is central to our culture and our national identity. It represents our artists' voices on all manner of topics and issues. For music fans, it is the proverbial soundtrack to our lives. As a matter of national pride, we 'punch well above our weight': 10% of music consumed around the world is by a British artist.

Music also fuels jobs, the economy and digital innovation. It is a key driver of digital growth and innovation that spurs our national economic competitiveness – which explains why it is typically the first content that digital platforms and services want.

Despite the immediate effects of Covid-19, British music is a great success story – artists are connecting with fans in new and engaging ways and as a result fans are enjoying more music than ever before. Creatively, British music is in strong health – with a diverse range of new talent creating outstanding music across numerous established and emerging genres. Economically, the sector has also returned to growth, leading to more investment in talent and creativity.

But this didn't 'just happen'. The success has come about as a result of the substantial work and investment of those working in music. Record companies have played a central role in this. Their role is to discover and help develop and promote artists to achieve their greatest creative and commercial success. In the UK, recorded music companies invest hundreds of millions of pounds annually in the discovery, development and marketing of British artists. This connects artists with fans across the UK and around the globe via hundreds of different formats and platforms.

As streaming has become the primary channel for recorded music, what has come to characterise the sector above all is *choice*: fans have a fantastic range of services, with different features; they have access on-demand to millions of artists and tracks at the touch of a button; and artists have every option available for how they reach their fans and manage their career.

Music entered the digital transition early, and it took a deep toll on music and its people. Between 2002 and 2015 recorded music revenues dropped by some 40% worldwide – largely due to the effect of piracy in the new digital era as fans sought digital offerings that weren't yet fully available from legal sources. No part of the ecosystem was immune from the harm.

But rather than resign itself to this fate, music has led the way through the digital revolution. It transformed its systems, fostered digital innovation and even reimagined its basic business models.

This is key because as much as we've recovered from the worst of the losses, recorded music still hasn't returned to its revenue peak in 2001, without even adjusting for inflation. Piracy continues to suppress the size of the market; and while our digital partners are essential to the future success of music, we often differ on what represents a fair return for their use of music.

As we will explain further in our response to Question 4, the growth of piracy has been contained through robust industry action and the licensing of new and innovative legal digital offerings. Yet it continues to choke the growth of the streaming business. Industrial scale piracy has morphed and evolved with sophisticated international players using new technologies to undercut legal services and harm creators. Record labels bear the brunt of both the effects and the significant costs involved in combatting piracy, rather than the major technology businesses who are directly or indirectly involved in perpetuating and benefitting from it. Furthermore, there remain concerns with how some platforms – particularly those based on user uploads and funded by advertising – undervalue music as part of the content offer that makes them so appealing to their audiences. Solving these issues are key to the music ecosystem's future and sustainable health.

In our view the overriding objective for policy makers – and for the Committee's attention – should be where policy can support the music ecosystem and all who work in it by promoting growth. In order to achieve this, policy makers should prioritise actions that:

a) **Help grow the UK recorded music market** as a whole and increase the UK's share of global streaming. This will facilitate increased investment into UK talent and greater choice for UK consumers. It will require policies to support export growth, secure positive outcomes in free trade negotiations, avoid barriers to touring after the end of EU transition, as well as looking at additional fiscal incentives for music production and to drive inward investment; and

b) **Prevent value flowing out of the music ecosystem**, which affects every part of the music industry. This requires more concerted action to combat piracy, through a 'Duty of Care' on platforms using content, and by preventing platforms misusing 'safe harbour' provisions to reduce the value that flows back to those who create and invest in music.

How the music ecosystem works

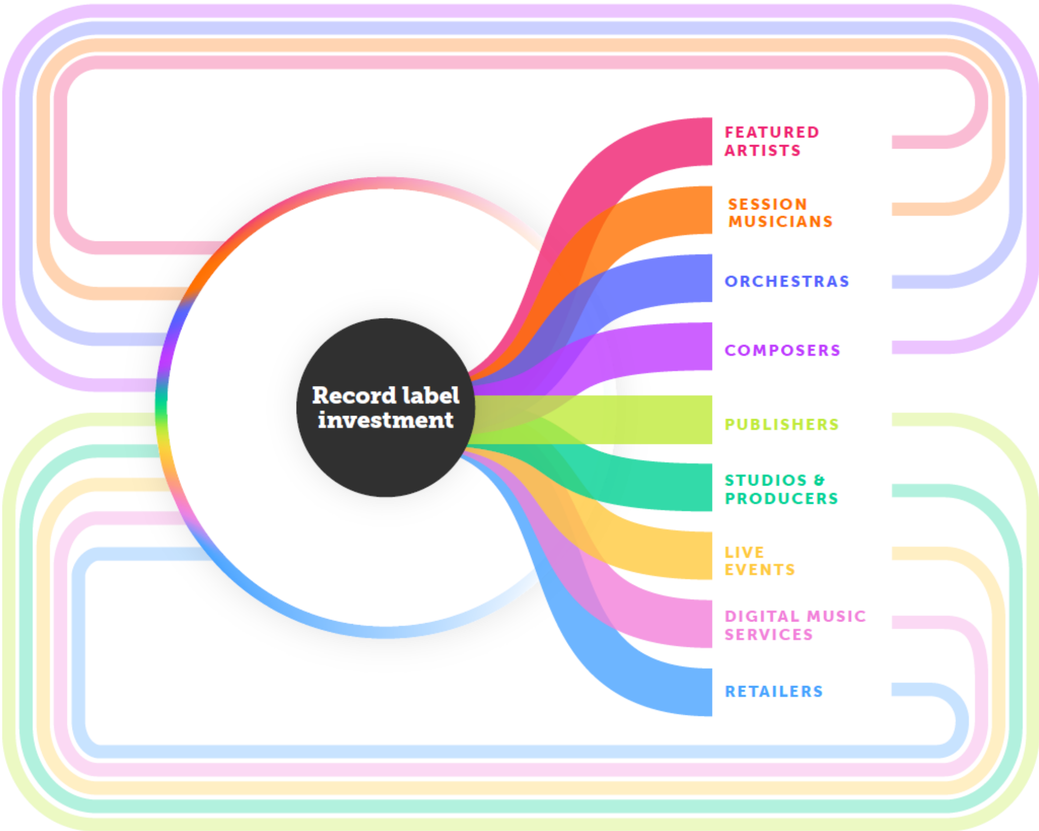
Music forms a valuable and growing part of the UK's world-class creative industries, itself the UK's fastest growing sector, worth more than £110 billion in economic Gross Value Added (GVA). The Government recognised their importance in the Creative Industries Sector Deal as an undoubted economic strength and competitive advantage, highlighting in particular the sector's strong future export potential. The UK's music industry alone generates annually £5.2 billion in GVA[1] and £2.7 billion in exports. The *recorded* music sector generates approximately £1.5 billion in retail revenues plus around £500 million in export revenues for the UK economy. Moreover, its role as the primary creative partner to artists and main investor in new talent helps to unlock much of the overall value generated across the music business, including the live sector and music retailers.

Music works as an ecosystem, comprising a number of different and overlapping contributors who mutually reinforce each other. The music ecosystem includes: featured artists (many of whom are also songwriters), record labels, session and orchestral musicians, songwriters and composers, music publishers, studio producers and engineers, the live sector and digital music service providers, as well as merchandisers, distributors, wholesalers and retailers, including hundreds of independent record shops all over the UK.

As with any ecosystem these components co-exist and mutually succeed. This is fundamental because like any vibrant ecosystem, music thrives when resources are recirculated – or reinvested – within the system. We describe the role and activities of record labels in more detail below but, in summary, the initial investment made by labels to produce recorded music supports, reinforces and grows the ecosystem as illustrated here:

Fig 1: Record labels and the music ecosystem

[1] UK Music: *Music by Numbers 2019*



The structure of the recorded music market

The UK has a thriving, diverse and highly competitive recorded music sector, including the three 'major' record labels, a dynamic and diverse range of independent labels and thousands of artist / entrepreneurs / self-releasing artists.

The three 'major' record labels, Sony Music, Universal Music and Warner Music, all have significant flagship offices in the UK, testament to the UK's global strength in music and the quality of artists and talent throughout the UK's music ecosystem. The majors spend hundreds of millions of pounds every year in the UK on creative investment and artists, as well as providing employment to several thousand people directly, and support many thousands more jobs within the music ecosystem and in associated businesses involved in video production, music publicity and journalism and other professional, marketing, creative advisory services etc.

Within the BPI's independent membership a wide range of SME (small and medium sized) companies from across the UK are represented, along with a broad range of musical tastes and styles. This includes:

- **Front-line independent labels** such as BMG, Partisan, Marathon, Kobalt/AWAL, Good Soldier and Dirty Hit, who are highly innovative, releasing a broad range of new music and breaking new and exciting British artists such as Idles, the 1975, Wolf Alice and Freya Ridings;
- **Classical labels** such as LSO Live (the London Symphony Orchestra) and Chandos;
- **Genre specialists** such as Greensleeves / VP Records (Reggae), Tru Thoughts Records (Electronic, Jazz, Soul, Hip-Hop, Downtempo, Grime) and AEI Music (Drum and Bass);

- **Labels more focused on catalogue releases**, such as Demon, Snapper and Cherry Red Records;
- **Members also involved in distribution and/or rights management**, such as PIAS (Play It Again Sam), Absolute Label Services and Believe Digital.

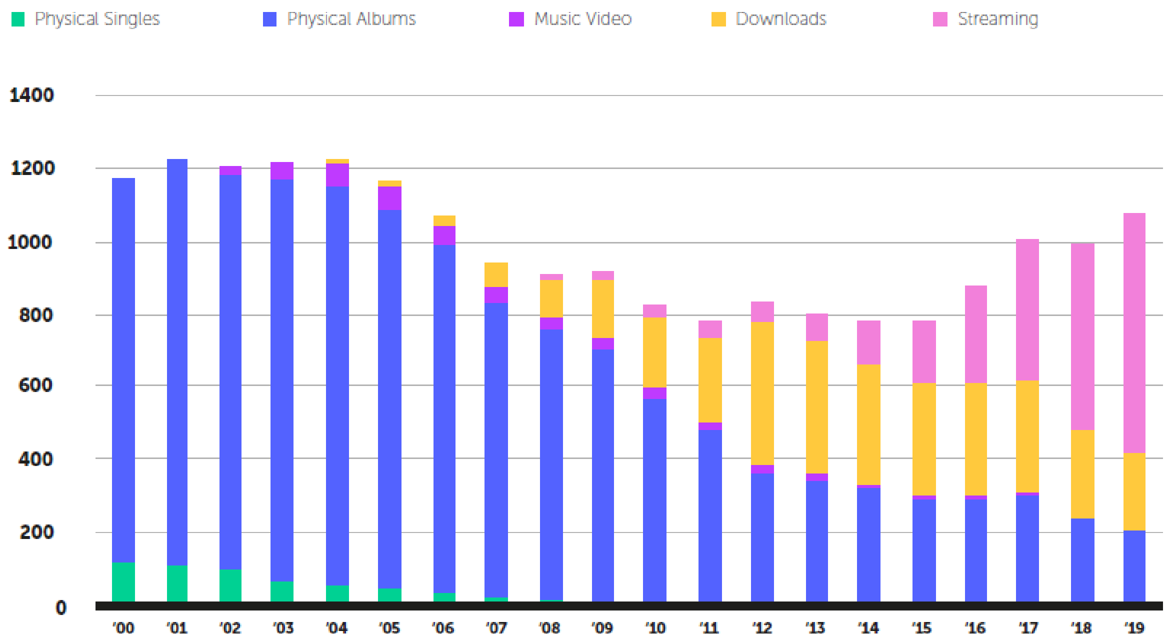
BPI's fellow trade body AIM also represents many hundreds of independent labels of all sizes, from the established labels of Beggars Group to many start-up labels and artists acting as their own record label. This plural environment means artists have enormous choice in the labels they choose to work with, the type of deal they wish to sign, and, indeed, in the era of streaming, whether to sign with a label at all. This means that 'DIY' self-releasing artists can release their music on streaming platforms, either themselves where user upload is permitted or using aggregator distribution services. We discuss the positive impacts of this on the market in our response to Question 3 below.

Within the £1.1 billion in trade income generated by UK record labels from sales and streams, as well as other revenue such as Sync, broadcast and public performance[2], the largest revenue stream now comes from streaming. According to BPI data for 2019, around 70% of consumption is now through streaming, with streaming income making up about 80% of label sales. While streaming continues to grow, and as the focus of this inquiry will form the basis of this submission, it is worth noting that physical music continues to represent about 20% of income – and for some independent labels makes up a much more significant proportion. CD sales continue to decline, but vinyl (and even cassette) sales have been growing in recent years as premium collectable items for dedicated music fans, often complementary to streaming consumption.

The transition to streaming has led to five consecutive years of growth for recorded music after a prolonged period of decline, which was caused by industrial-scale levels of filesharing and illegal downloading. This blighted the industry from the early 2000s and significantly undermined the market for paid-for music consumption. The return to growth has been beneficial not only to labels directly, but also to artists (see further Q3 below) and to the wider music ecosystem. As the graph below shows, streaming has largely replaced CD income over this period as the primary means of music listening and generator of revenue. However, it should be remembered that despite this recovery, record label revenues have still not recovered to pre-piracy levels. The value of the market would be 90% higher had revenues increased in line with inflation since 2004.

[2] Sync is music licensed for use in films, TV programmes, advertisements other video content and games; broadcast and public performance income includes music played on radio and TV and played in public (e.g. music venues, pubs, bars, nightclubs, restaurants, shops, etc)

Fig 2: Label revenues from UK sales, 2000-2019 (£m)



In addition to domestic growth, the rise in streaming has contributed to the strong performance of British exports of recorded music. UK labels' export revenues rose to around £500 million in 2019, rising from £328m in 2015. UK artists have developed fanbases all over the globe – building on the UK's long track record in achieving global success dating back to The Beatles and The Rolling Stones, through to today's breakout global stars such as Adele, Ed Sheeran, Lewis Capaldi and Dua Lipa. Lesser-known talent has also found a significant following in global markets, such as Rex Orange County, Glass Animals and Jorja Smith.

Around 10% of tracks streamed globally are by a British artist[3]. The revenues created by this strong export performance are set to grow further in the coming years as streaming expands, including in a number of fast growing developing markets, such as in South America and Asia. Goldman Sachs predicts that streaming will see the value of the global recorded music market grow from £15 billion to £30 billion by 2030. The strong reputation and following of British recording artists around the world means the UK is well placed to benefit from this growth, providing a significant source of 'soft power' as well as economic returns through the potential to double exports to more than £1bn in the coming decade. This can only be achieved if Government puts in place the necessary steps to help SME labels to increase exports. We discuss this more in reply to Question 5.

Record labels as creative partners to artists

Record labels vary in size and structure, from micro-businesses to larger organisations, but all have at their heart the purpose of providing the investment and creative support required to enable artists to realise their creative vision; and in turn to reach and develop fanbases. Record labels are inherently 'people businesses', staffed by people committed to the craft of music – many of whom are musicians themselves; and to helping the best talent achieve their ambitions. As well as supporting artists over

[3] Source: BPI Research

long careers, labels are heavily focused on developing new talent pipelines and investing in exciting and diverse new British talent from all over the UK. The main activities of record labels are to provide:

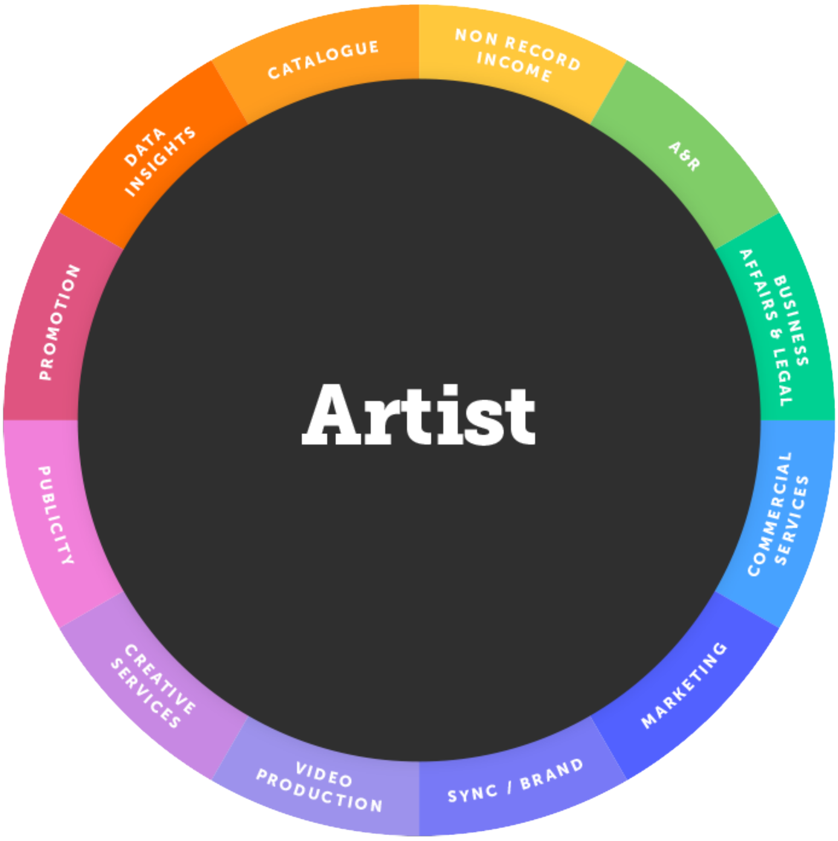
- **Investment** - to give artists the financial resources and freedom to help them realise their artistic vision and commercial success;
- **Creative support** - with recording, videos, artwork and styling;
- **Resource and teams** - to support artist development;
- **Expertise and insight** - to deliver cutting edge promotion and marketing;
- **Relationships to connect artists** with talented songwriters, producers, other artists and brands;
- **Global-local reach** - to nurture fanbases and distribute across thousands of platforms and retailers with local expertise worldwide.

As such, the artist and repertoire (A&R) activities of record labels are at the core of the business, with teams of people, each experts in their fields, dedicated to identifying new talent and signing artists, providing creative and commercial expertise, and investing significant financial resource to support the artists' music creation. A&R in record labels is comparable to the R&D functions of other industries, the activities through which research, development and innovation take place. Looked at through this lens, A&R as labels' R&D compares favourably to other industries, with an 'intensity' of over 25%, compared to 15.4% in pharma and biotech and 10.8% in software.

As the diagram below shows, there are many other functions of a label that further support the artist. This includes legal and business affairs who work with artist on contracts partnerships and the extensive work on licensing, creative teams who work to develop the artist's visual identity and branding, to marketing, publicity and promotion, teams spanning advertising, media/PR and playlist and radio plugging; through to commercial services, responsible for physical and digital sales; and data insight teams. Labels also provide anti-piracy resource to maximise value for artists' music. Data analytics has become an ever more important aspect of labels' work, helping artists to cut through in the highly competitive streaming world where they now have to vie for attention with three million other artists and a reported more than 60 million tracks available on services like Spotify. As streaming has succeeded the CD in popularity with fans, labels have reorganised to move resources from operations relating to the physical music market – such as packaging and retail – to new teams focussed on generating impact and success digitally.

The illustration over the page shows the business divisions typical within a larger label structure:

Fig 3: Functions of a record label



The wide range of creative support provided by a label to its artists (see below, Fig 4) are funded through the revenues it earns from recorded music and how these are shared with its artists under the recording, label services, distribution or profit-sharing agreements it negotiates with them.

In a 'traditional' full-service record deal, the label may provide a significant 'advance' to the artist. This covers certain creative costs that they control, as well as other personal expenses. These may include (for example) recording and video production costs, or those may be paid by the label on top of the advance, depending on the details of the individual negotiation.[4] In addition the label will typically commit substantial sums in marketing, promotion and distribution costs, as well as providing all of its other services and resources (see Fig 4) without fees to the artist. In this type of deal, the artist will not be required to pay back any part of the advance, even if the record is totally unsuccessful commercially, nor to share in the losses the label may make from its further investments in the artist, or to recover its overheads. Rather, the record label seeks to earn back its investment through monetisation of the recordings made under the agreement. If the record enjoys some success, then the artist will be paid further royalties, at the contractually agreed rate, on all sales and streams once agreed costs have been recouped. The level of advance and royalty payments are determined on a case-by-case basis, and set out in a contract which is negotiated between the artist and label, with the artist advised by specialist lawyers and (usually) the artist's manager. It is interesting to note that commercially successful artists often renegotiate, obtaining additional advances and sometimes

[4] Labels will always ensure that an artist is suitably represented by a competent manager and independent legal adviser before signing a recording agreement, to avoid any possibility of claims of 'undue influence'.

securing higher royalty rates in recognition of their success or in return for committing to make more recordings with the label.

It is important to recognise too that artists not only have a wide range of labels to choose from as partners, but also the option to choose between a range of different types of label partnership and deal. This includes:

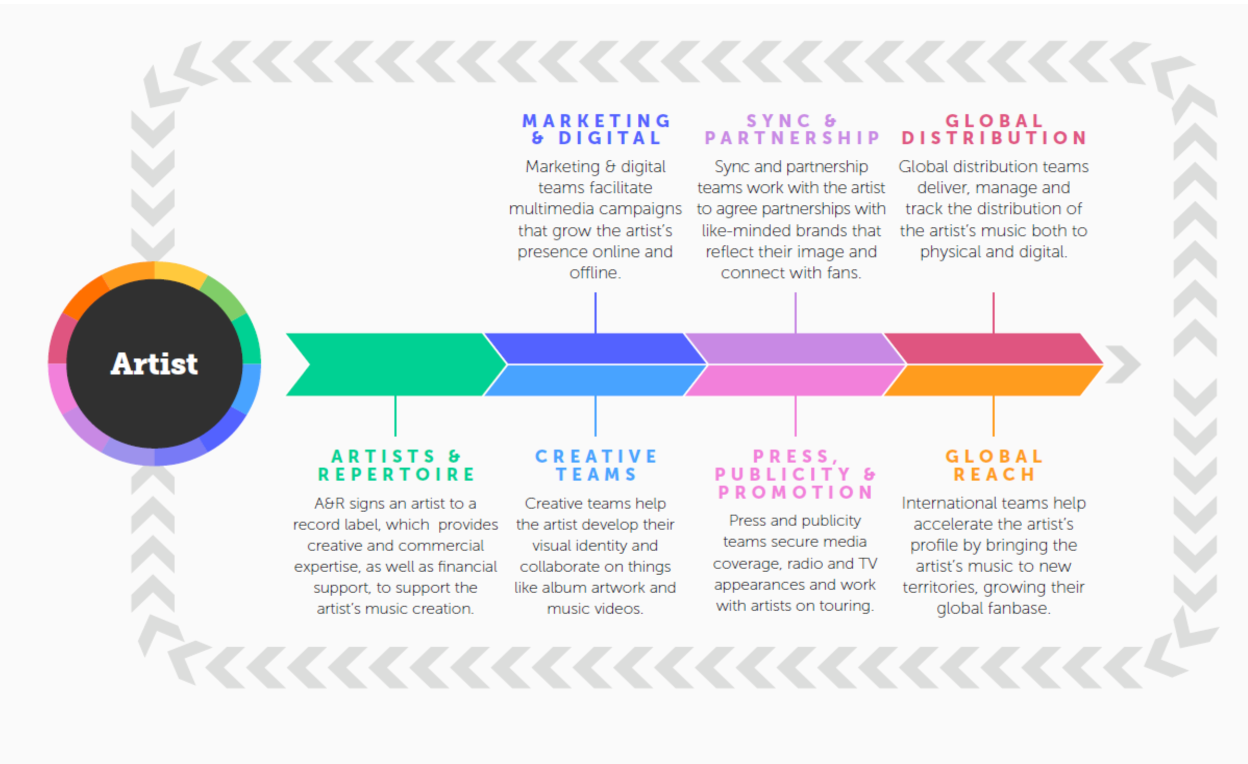
- Traditional recording agreements (either based on an advance and royalties; or advance and profit share);
- Licence Agreement;
- Distribution Deal;
- Label Services Deal.

More detail on these deal options are provided in Question 3.

Streaming has also provided greater opportunities for artists to go it alone – self-releasing and effectively operating as their own label, uploading music themselves onto streaming services. At one end of the spectrum in the traditional agreement the label is providing the upfront investment and shouldering the risk; the self-releasing artist undertakes all of the risk, across creative output, marketing and distribution and can retain a greater share of the "label" revenues paid out by the streaming service. While this suits some artists, many recognise the challenges of achieving 'break through' without the resource and expertise of a label in a crowded streaming marketplace featuring millions of artists. It remains the case that the vast majority of artists who have achieved significant and enduring commercial success have done so with the support of a record label, in particular in the initial stages of their career.

The illustration below summarises the creative process in which the artist and label collaborate in a 'traditional' full-service relationship:

Fig4: the record labels' creative process



Developing talent, releasing new music and building artist careers is complex and challenging – and recorded music always has been an unpredictable and hit-driven business. Whether an artist or their tracks and albums will achieve commercial success and build fans has always featured an element of luck and timing, as well as talent and expertise, particularly for new and emerging talent. This feature of music is akin to other creative industries, where (financial) success is determined by popularity – whether releasing a film, publishing a book or selling works of art. However brilliant the creative individual or the work itself, many recording artists and records will not achieve commercial success. Launching an artist is also a complex and costly enterprise. It is estimated that it costs on average between £400k and £1.5million to break an artist globally[5]; and it is often commented in the industry that approximately only one in ten investments made by record labels breaks even on the upfront label investment. This inherent 'cross-funding' model is a key feature of record labels, whereby the successes fund investment in other output that may not achieve commercial success but has considerable cultural merit. However, labels make success much more likely and achievable. This ensures that British artists and voices continue to be heard on a global scale.

One further area of work that is funded by record label members, and conducted by BPI, is the leading work it undertakes to protect artists, labels, songwriters and publishers from infringement of their intellectual property (IP) and by combatting piracy. The costly and complex work entails constant monitoring and issuing of notices to platforms and intermediaries, and where applicable taking legal action against infringers. By preventing and taking action against behaviour which drains value from the sector, this benefits all parts of the music ecosystem, including artists, musicians, songwriters and publishers. This is discussed in more detail in response to Question 4.

Impact of Covid-19

This inquiry takes place at a time of severe disruption caused by the Covid-19 pandemic, which has had a devastating impact on many colleagues who rely heavily on income from live performance. The BPI has responded to the crisis by lobbying Government to ensure financial support is available for artists in need and for the live sector, and by coordinating its own funding efforts for grassroots musicians and other related good causes (see further below). The effect of Covid-19 on parts of the music industry is real and pressing, and requires short term intervention to support livelihoods and a return to live as soon as is possible. The broader, structural issues that this inquiry raises are distinct and reflect the complexity of the whole market as it continues to adapt and innovate, embracing technological innovation. The relative buoyancy of the recorded sector should be seen as a strength, and its success seen as something to build on as the UK looks to economic growth after the pandemic and as it becomes an independent global trading nation.

Covid-19 has had an acute and devastating impact on parts of the music industry, particularly relating to the closure of the live sector, much of which remains unable to reopen on a financially viable basis while social distancing requirements remain in place without test and trace or vaccination solutions. This has had a knock-on impact on those who rely on live music, from freelance musicians, to crew to grassroots venues, promoters and festival organisers and nightclubs (which remain forcibly closed).

In response to this, the BPI has co-ordinated funds on behalf of its members and others partners in the recorded music sector, totalling £1,670,000 to date, in addition to funds raised directly by

[5] Source: International Federation of Phonographic Industries (IFPI)

individual companies.[6] These funds have been distributed to a range of charities and good causes that can help those most affected by the pandemic, including:

- musicians in financial hardship, via *Help Musicians;*
- music venues, via the *Music Venue Trust;*
- mental health support for musicians via *Music Support;*
- music therapists, via *Nordoff Robbins;*
- music managers, via the *MMF Rebuild Fund;*
- stage crew, via charity *Stagehand.*

The BPI shares the deep concerns of those most acutely affected, including the many freelance musicians with reduced income and venues unable to open or operate on a financially viable basis. The live music industry had been growing rapidly in recent years and was worth £1.1bn in GVA in 2019, and was set pre-Covid to continue on a growth trajectory, thriving from the grassroots to large stadium and festival events. The live music sector is expected to bounce back once able to reopen at financially viable levels again[7]. The support provided to businesses, including business loans and employment support has been extremely valuable, as has the Cultural Recovery Fund for those who made successful bids.

Concerns still remain though, particularly for freelance workers and those businesses closed by another period of lockdown. The immediate priority should be on ensuring sufficient employment and business support is in place for the interim period; and that live music is prioritised to be able to reopen safely when possible, including access to testing at scale prior to any vaccine being available and a clear roadmap for reopening.

It is worth noting that Covid-19 has also had a negative impact on record labels. Physical sales were sharply impacted by the closure of retail stores during the first lockdown. They had recovered quite well since reopening was permitted and now unfortunately will suffer again as they close in the vital run-up to Christmas. This means that total physical sales will be significantly lower than expected for 2020. In addition, all nightclubs have been closed as well as other businesses such as pubs and restaurants which generate public performance revenue. Merchandise sales will also be hit as a result of shop closures, and the cessation of touring. Advertising revenue is also likely to be down as a result of advertisers pulling marketing spend. In total, UK label revenues are expected to have been reduced directly by tens of millions of pounds for the year because of the pandemic.

Furthermore, travel restrictions and social distancing requirements affected labels' studio recording, video production and promotional campaigns, delaying releases and causing a disrupted release schedule in 2020. Reductions in household incomes and the overall economic outlook risk increasing churn from subscription services, which would further reduce the rate of growth.

The first few weeks of lockdown in March saw a reduction in the volume of streaming and a significant uptick in levels of piracy. It is too early to say yet what the effect of a second national lockdown in

[6] https://www.bpi.co.uk/news-analysis/recorded-music-community-comes-together-to-provide-additional-support-to-artists/
https://www.bpi.co.uk/news-analysis/second-round-of-donations-by-recorded-music-sector-and-streaming-music-platforms-to-help-support-artists-and-musicians-in-need/
https://www.bpi.co.uk/news-analysis/bpibrit-awards-donate-54-000-to-stagehand-s-covid-19-crew-relief-fund/
[7] https://accessaa.co.uk/uk-live-music-industry-to-take-three-years-to-recover-from-covid-crisis/

November may be, but it is likely that some of the effects previously felt may be repeated and that it will have a significant impact on Christmas gifting and consumption levels.

From a policy perspective, the focus should be on providing short term immediate support to enable business to restart and return to the growth enjoyed before the pandemic. This should build on the very welcome interventions to support business and parts of the music sector, including its high number of self-employed workers, rather than intervening in the economics of streaming, just when that part of the business is recovering and producing growth to the benefit of all stakeholders. This includes labels being able to maintain investment, providing employment for all those associated with recorded music and providing a sustainable pipeline of new artists and content, which will also aid the recovery of live. As a high growth potential sector, the policy priorities for the music industry should be to help the sector as a whole to grow and in turn support the UK's recovery.

Q1: WHAT ARE THE DOMINANT BUSINESS MODELS OF PLATFORMS THAT OFFER MUSIC STREAMING AS A SERVICE?

How streaming works – range of platforms and pricing

The streaming market in the UK is characterised by a high degree of consumer choice, with a number of major, global platforms all competing to win and retain users. Consumers can choose between types of service, both subscription and free at the point of use, as well as from an unprecedented range of content, with access on-demand to 60 million tracks or more at the click of a button. As a result, engagement with streaming services has been growing rapidly in recent years. While this has brought about benefits, there remain areas of concern about the value attributed to music content, piracy and transparency.

Penetration and range of music streaming services

According to entertainment research company Midia, in the UK in 2019 there were 21.6m music subscribers[8] to a premium music service, growth of more than 150% since 2016 (8.3m); subscriptions are expected to grow to 30 million by 2025. Ad funded consumption has also grown – in 2019 ad funded audio had 11.3m users (more than 60% growth); and ad-funded video (mainly You Tube) up to 32.2m users (35% growth).

Different platforms have different business models, ranging from premium subscription to ad-supported free content, and feature a variety of listening features. These can be summarised as follows:

- ***Premium-only* subscription services**:
    - Includes services like Apple Music, Tidal, Qobuz,
    - 'Active' platforms with licensing deals with record labels
    - Provides for streaming and offline listening capability.
    - No user uploads
    - A monthly subscription typically costs £9.99 per month, with HD services and family plans available at higher price points, and also free trials, bundles and pricing offers which can lower the actual Average Revenue Per User (ARPU)
    - 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

- ***Hybrid Premium & Ad-Funded* services**:
    - Includes Spotify, Deezer, Amazon / Prime Music / Music Unlimited
    - Services which offer both a premium and free, ad funded tier (paid for by audio and banner ads); licensing deals in place
    - Premium tier enables streaming and offline listening; ad funded tier only allows streaming
    - Does not allow user uploads
    - Premium tier is generally £9.99 to the consumer (subject to different pricing for HD, family plans, free trials/ discounts and bundles as above); ad-funded tier is free to the consumer to use but offers no download or offline listening facility

[8] Based on total number of individuals – ie includes household members in family plans etc

  - As well as music, Spotify also features podcasts – some of these contain unauthorised music.

- ***Hybrid User Upload, Premium and Ad-funded*** **services**:
  - YouTube and Soundcloud provide both a premium and ad funded tier and also operate as a user upload platform, allowing users to upload their own content. YouTube is the biggest platform overall for music consumption.
  - Only premium tiers allow streaming, download and offline listening
  - YouTube and Soundcloud are licensed but do not encrypt their streams, which makes them highly vulnerable to Stream Ripping, which is the most prevalent form of piracy in the UK.
  - Users can upload content onto these platforms, which is known as UUC (User Uploaded Content). This can be entirely original, or incorporate a commercially published sound recording or video, or very often simply be a copy of a commercially published sound recording or video.

- ***Other social media and messaging*** **platforms**:
  - Beyond music streaming services, a number of social media platforms feature music within user uploaded content
  - Tik Tok is a rapidly growing music-based platform, particularly with younger audiences; it is partially licensed and ad funded
  - A number of other social media platforms, are not music-specific but feature large quantities of copyright infringing material; these platforms claim to be 'passive' –and include Twitter, Twitch and Telegram. This category of platform is particularly problematic in that they are generally not licensed (certainly not initially), and they resist any proactive responsibility to prevent the appearance of unauthorised content on their services, relying on the so-called 'DMCA safe harbours'.

Digital Streaming platform business model concerns

Discrepancies in value between premium and ad-funded

Premium streaming generated £568 million in trade revenues for labels in 2019, over 90% of the total revenue generated from streaming services. Generally, premium subscription services feature only "official content" provided by record labels and artists, they do not allow users to upload their own content. (This can be achieved by engaging the service of 'aggregators' who negotiate with platforms to upload content on the artist's behalf). In some cases there can remain issues of unauthorised content being present on these platforms.

Ad-funded services (including for UUC) sell audio and banner advertising around music content, but on a commoditised basis, and at very low Cost per Thousand (CPM) rates. Ad-funded audio streams account for 14% of total audio streams, but generated only £25 million for UK labels in 2019, 4% of audio streaming revenues. YouTube, the most popular streaming platform in the UK, accounted for over 30 billion streams of music videos in the UK in 2019, over 20% of total streaming consumption for audio and video. Despite this, it generated only £35 million for UK labels, only 5.5% of label revenues. This is around half what UK labels earned in total in 2019 from vinyl LP sales.

In large part, this results from the fact that, because many UUC platforms claim the benefit of the so-called 'DMCA safe harbour' for user-uploaded content, it is impossible to negotiate better licensing terms with them.

Lack of transparency

Across both premium and ad funded, there are also issues with the transparency of how platforms operate.

Generally speaking, the relationship between record labels and streaming services is characterised by arms' length commercial negotiations and this is the most appropriate mechanism through which most issues can and should be resolved. However, we would draw attention to the following concerns that labels have experienced, pertaining to the transparency with which platforms operate and which have not been possible to address satisfactorily through commercial negotiations.

- ***Audience engagement data****:* Streaming platforms hold considerable volumes of user data, some of which is not shared with record labels or artists, despite such data being generated from the listening/viewing of content that they have invested in and may own. This gives platforms considerable insights into consumer tastes and behaviour about the content funded and created by labels and artists and is a valuable asset which they may be able to monetise in other ways without sharing with labels or artists (for example, Google is able to share user data across its different services).
- ***Algorithms****:* As we discuss in more detail in Question 2, algorithms are used to provide recommendations and compile playlists. Record labels have very little, or no insight into how these algorithms operate. Greater transparency here would better inform record label creative and marketing decisions to the benefit of artists. There is a concern that algorithms can be used to steer users to consume content which has little or no cost and therefore reduces the pay out to labels.
- ***Artist / label identity****:* Related to algorithms is an apparent increase in the amount of 'production music' that may be added to playlists, especially background 'mood' music (ambient, nature sounds, chill etc). Sometimes this is added to the service under pseudonyms or fake names for artists. This is misleading to consumers and can have the effect of reducing the royalty pool. At present neither labels nor artists have any visibility as to how much music falls into this category and its impact on the royalty pool. There is concern that this practice could become more prevalent as computer-generated AI music is developed at scale without human creative involvement, lessening the rewards to human creators from their endeavours.

Copyright infringement and piracy

In addition, copyright infringement remains prevalent; this costs the industry because it diverts consumption away from licensed services, constrains pricing of those services, and imposes substantial costs on record labels to combat it.

Record labels invest significant resources into monitoring the use of music on new tech platforms and, where relevant, seeking to secure appropriate licensing deals that secure value for their artists. In addition, labels and their trade bodies (including BPI, AIM and IFPI) continually scan digital platforms for infringing content and send large numbers of notices requiring the removal of illegal copies of their recordings and take other action to protect them and their artists from illegal use of their music.

We consider these issues and the need for a Duty of Care obligation on platforms in response to Questions 4 and 5.

Q2: HAVE NEW FEATURES ASSOCIATED WITH STREAMING PLATFORMS, SUCH AS ALGORITHMIC CURATION OF MUSIC OR COMPANY PLAYLISTS, INFLUENCED CONSUMER HABITS, TASTES, ETC?

The extraordinary quantity of music available on streaming services (more than 60 million tracks, enough to keep you streaming new songs consecutively for over 300 years), means that navigation around the service assumes greater importance.

While curation by the DSP is much written about, the dominant way in which users listen to music on streaming platforms is almost indistinguishable from maintaining a (very large) record collection – they search for their favourite artists, and then they listen. This may be by using the service's search function, or going to their own library or playlists. Music distribution service, *Believe*, highlights that 68%[9] of streams are based on users' own libraries, playlists or searches.

The marketing, promotion and investment undertaken by record labels is a very important part of this process (as described in our introduction). Record labels establish artist brands in the minds of consumers, and secure advertising, radio, TV and media promotion that shine a spotlight on artists and stimulate demand.

Increasingly platforms themselves complement users' discovery with their own platform curation and recommendation features. This may fall into the following categories:

- **User Driven Curation**: DSPs help fans to curate for themselves, for example through the use of 'following' or 'subscribing' to artists or their channels. Here fans choose artists they know and may be presented with recommendations to suit their tastes.
- **Editorial Curation:** This form of curation presents selections and recommendations to a user based on human editorial decisions. This may be by teams at the streaming service or by a high profile curator such as Zane Lowe or Julie Adenuga at Apple Music; or Barack Obama's yearly playlist.
- **Algorithmic Curation:** Algorithms create automatically generated playlists based on a user's profile and the music that they have listened to previously, or by making suggestions based on listening patterns of other listeners (e.g. other people who listened to X, also listened to Y). Many playlists on streaming platforms (such as Spotify's Discover Weekly) are examples of algorithmic curation, as is Autoplay which selects a track after a listening selection or playlist has ended. According to *Believe's* research, algorithmic recommendations account for only 14% of streams.

The nascent nature of streaming behaviours and the continual evolution of editorial practices mean that it would be premature to draw firm conclusions about their impact. However, there are a number of features of playlisting and curation that deserve further consideration:

- **Encouraging eclecticism:** Some evidence to date suggests that algorithms and curation by streaming platforms may lead users listening to a more diverse mix of artists and music[10] [11].

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[9] Music Tomorrow (6 October 2020). Understanding music discovery algorithms – How to amplify an artist's visibility across streaming platforms. https://music-tomorrow.com/2020/10/understanding-music-discovery-algorithms-how-to-amplify-an-artists-visibility-across-streaming-platforms/

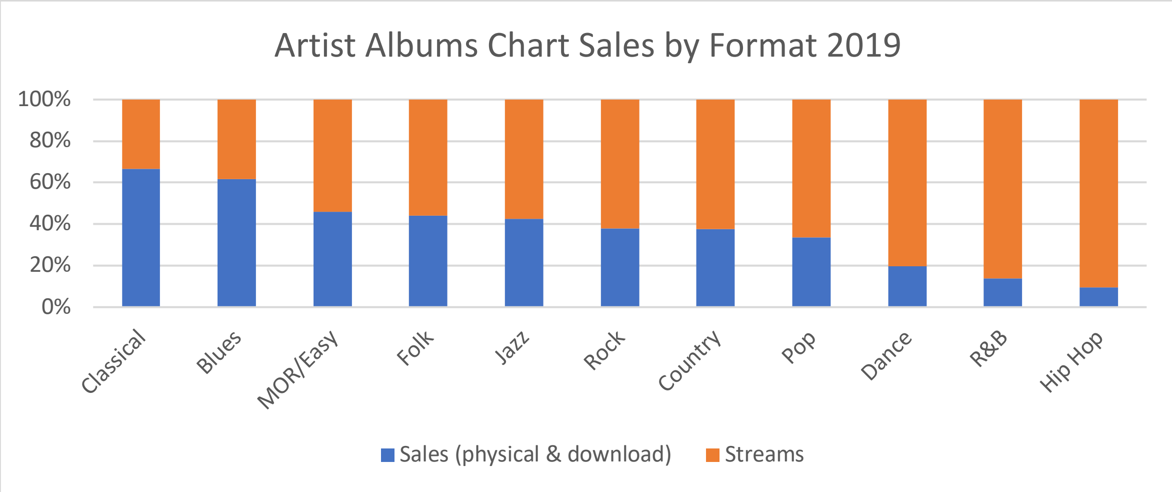
[10] Beuscart , J., Coavoux , S. & Maillard , S. (2019). Music recommendation algorithms and listener autonomy: Analysis of listening by a panel of streaming users. *Networks* , 213 (1), 17-47. https://doi.org/10.3917/res.213.0017

[11] Orange (17 June 2019), Music recommendation algorithms: What influence do they have on what users listen to?, https://hellofuture.orange.com/en/music-recommendation-algorithms-what-influence-do-they-have-on-what-users-listen-to/

The same study argues that there are two types of listeners on digital streaming platforms, those who are happier to be guided and those who are more autonomous in their listening habits. Those who are happy to be guided allow themselves to be opened up to lesser-known music. Those who are more autonomous are more likely to explore music individually and may explore via traditional methods such as reading music websites and magazines.

- **Narrowing choice**: On the other hand, editorially or algorithmically curated playlists may narrow choice and skew towards recommendations based on similar genres or other people's similar tastes. If curation is lazy it can lead to overly narrow music recommendations being made and trap users in the "echo chamber" of their pre-existing tastes.
- **Genre impact**: certain genres, such as hip-hop, R&B and pop perform very strongly in relative terms on streaming platforms, whereas other genres, such as classical and blues, underperform compared to other formats (such as CD and download). It is not yet clear whether this results from the younger demographic using streaming services compared to the music listener base as a whole, or features of the streaming services themselves (see Fig5 below).
- **Transparency:** There is a lack of transparency regarding the workings of streaming services' algorithms (and editorial playlists) which causes concerns, in particular from some independent labels or self-releasing artists, about equality of access. Whether algorithmic or human curation are involved, greater transparency over how the processes work would assist labels and artists in making effective creative and marketing decisions.
- **Breaking new artists:** in the streaming era it takes much longer to break new artists into mainstream public consciousness. This will now typically require 1-2 years, or even longer, of continual investment and effort, releasing new content regularly and engaging with fans across all major social media platforms as well as through live performances and media appearances. Combined with the slower pace at which streaming revenues accrue compared to the CD and download model, this means that it takes longer for a record label to generate a return on investment. Examples of this can be seen in some of the recent breakout stars from the UK. Lewis Capaldi's debut single 'Bruises' was released in May 2017, and it wasn't until May 2019 that his debut album was certified Gold; Dua Lipa was first signed by Warner Music in 2015, and her debut album wasn't certified Gold until October 2017.
- **"Fake artists" and production music:** concerns have been expressed that certain services may commission or acquire production music at very low cost and then add it to playlists (in particular instrumental mood and genre playlists such as "Chill", "Ambient" or "Peaceful Piano") under the name of fake artists, so as to lower artificially the royalties that they pay to record labels and publishers. This would be misleading to consumers and damaging to investment in genuine new talent. The concern would be further amplified if tracks were generated for this purpose by artificial intelligence without human involvement.
- **Changes in track durations, album length:** A further influence of the change to streaming appears to be that track lengths have got shorter (since royalties are paid out equally on any play over 30 seconds), while the number of tracks on albums and EP's has increased (since once selected an album or playlist may be left playing), as a way of maximising royalties from any given release. One further factor to note here is that arguably classical music can be disadvantaged by the royalty distribution rules applied by most streaming services, since it can often feature fewer, longer tracks or movements than popular music, but each track is paid out at the same rate, regardless of length. It is noteworthy that moving to payments based on track length could disadvantage other genres and would require fundamental and costly changes in administrative and accounting systems.

Fig 5: Impact of Streaming by Genre



Algorithms can disadvantage UK artists. While all of the above points merit further consideration, the most important impact of streaming service algorithms is their global nature, and the inherent advantage they give to artists and labels from countries with *large populations*. Because the majority of popular playlists are based on algorithms that take into account global play-counts, artists from countries with large populations will be advantaged: if 1% of music fans in the US have listened to a new domestic artist, that artist will secure higher placement on global playlists than a UK artist who has attracted the same level of interest in their home market. Despite the English language giving the UK some advantages, the population factor disadvantages UK artists compared to competition from US artists, or other countries and/or musical cultures with large populations, such as Latin music. In major markets where the BPI is able to analyse both track streaming and album consumption, the share accrued by artists from the UK is noticeably less for streaming:

Fig 6: UK Artists' Share of Streams & Sales in Key Territories 2019

	Streams	Physical	Download
USA	7.9%	15.3%	11.8%
Canada	11.4%	16.8%	15.5%
Germany	9.7%	14.1%	
France	6.9%	11.3%	
Australia	18.9%	22.0%	

This last point should be a priority for policy makers to address. We cannot change the fact that digital streaming services are global in territorial reach and that population sizes vary. We do not believe that it would be practicable, given the on-demand nature of streaming services, for policy makers to impose quotas for national content listening or playlisting.

But instead the UK must compete much more aggressively to promote its talent to audiences at home and abroad, or risk losing its status as a key exporter of music and content originator. In particular, Government should continue and then expand funding for its *Music Export Growth Scheme,* to assist British independent music companies in marketing their music overseas, as part of a new joint exports strategy with industry. The Government should also ensure that it strongly supports with role of the BBC in championing British talent on radio, TV and online to ensure that British talent gains as much support and exposure as possible in its domestic market.

Q3: WHAT HAS BEEN THE ECONOMIC IMPACT AND LONG TERM IMPLICATIONS OF STREAMING ON THE MUSIC INDUSTRY, INCLUDING FOR ARTISTS, RECORD LABELS, RECORD SHOPS, ETC?

As outlined in the introduction, the impact of streaming on the music industry has been wide ranging and profound. Record labels have reinvented their business models and struck licensing partnerships with legitimate streaming services, which have enabled the retail market for recorded music to recover and return to growth. In turn, streaming has provided a rising income stream for artists, publishers and songwriters in place of earnings from physical music.

Streaming has also transformed the way consumers engage with music, providing benefits in the form of increased choice and ease of access, at relatively low cost. In 2019, 114 billion audio streams were made in the UK, compared to just 15 billion five years before. On average people listen to a sizeable 2.5 hours of music a day, with music vying for audience attention with other entertainment such as TV, films, games. Streaming now makes up 70% of music consumption, as it has gradually come to replace physical or digital music purchasing for many fans. For around the cost of a CD per month, every musical taste and genre from anywhere in the world can be accessed at the click of a button.

Despite this, some aspects of how the music industry works have not fundamentally changed. Popular and commercial 'success' for all parts of the music industry has always been susceptible to fast changing consumer tastes. Making and launching new creative content is inherently risky. As such, it has always been the case that there is an uneven distribution of success. This is not a new facet of streaming: it simply remains the case that some artists will be more popular for periods of time than others; and that popularity of artists and records cannot be guaranteed over the long term. It therefore also remains the case that some artists will receive more income (and a more sustainable living) from the proceeds of the recorded aspect of their careers than others.

Only a very small number of albums have ever achieved the very highest sales thresholds: in the CD era fewer than 10 per year would sell more than 1 million copies.

One significant change in streaming is the shift from album purchasing to a more song-led economy. Here, we can see that as the number of album sales passing significant thresholds has declined, streaming has seen the number of individual tracks achieving very significant numbers of streams grow rapidly:

Fig 7: Sales Thresholds

Annual best sellers, artist albums

	1999	2004	2009	2014	2019
1m+	6	7	5	2	0
500k-1m	13	26	15	5	2
100k-500k	105	156	133	63	46

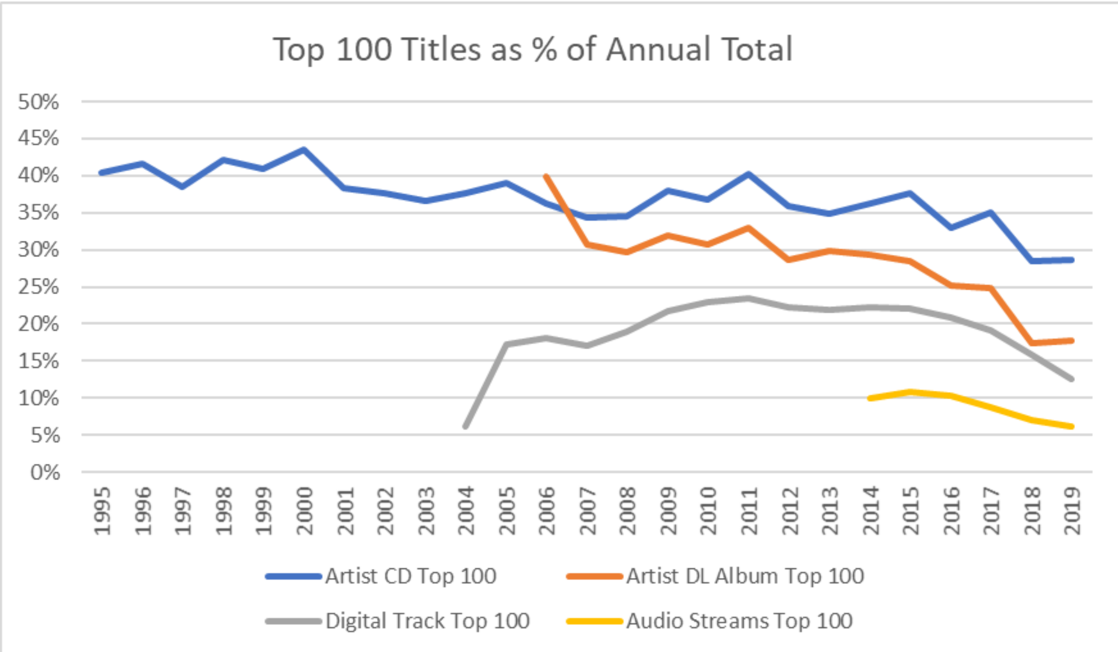
Number of tracks achieving audio stream thresholds

	2014	2015	2016	2017	2018	2019
100m+	0	0	1	5	7	17
10m+	72	173	348	649	985	1314

At the same time, streaming has reduced the dominance of big hits compared to the CD era. The chart below shows the top 100 audio streams and downloads in 2019 account for only 6% of stream listening, whereas the top 100 CD purchases still account for almost 30% of CD album sales. This suggests a relative smoothing of listening in streaming across a wider range of titles and therefore a more even distribution of sales revenue among a wider range of artists. This means streaming also giving a greater diversity of artists and labels the opportunity to forge a successful music career.

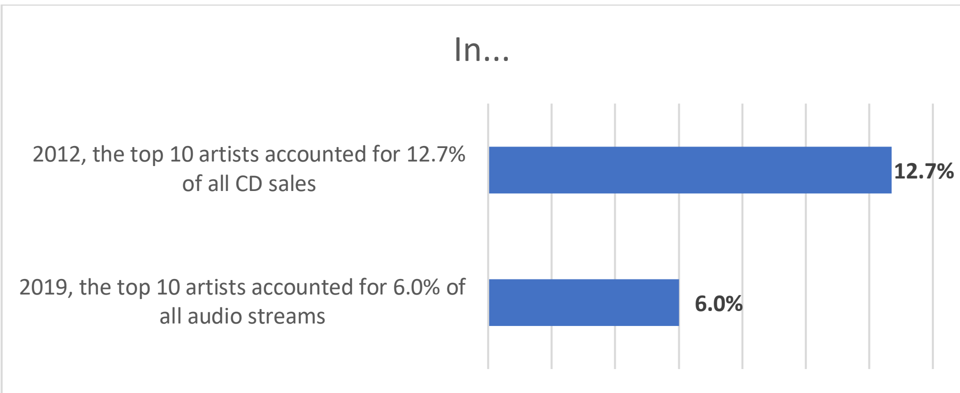
This has democratised earnings, to the extent that more artists are making money out of streaming, but the fact that so many artists are competing for 'listens' means the available money is spread more thinly. As a result, while artists are earning a lot more in total, and more artists earn from streaming, on average those who do earn may receive less than under previous, more 'top-heavy' formats.

Fig 8: Top 100 Titles as % of Annual Total Format Consumption



This trend is also reflected in the fact that in 2005, the peak year for sales of CDs, the top 10 artists accounted for 12.7% of total CD sales, while in 2019 the top 10 most streamed artists account for only 6% of total UK streams.

Fig 9: Top 10 artists as a proportion of CD sales and streams



The economics of streaming

In the streaming model, total revenue is derived largely from subscription and advertising income, rather than transactional sales. It is very important to understand that *total revenues from streaming subscription are driven by the number of users*, rather than the number of streams that are listened to.

Subscription revenue is generated from each user for each month that they are subscribed (subject to free trials etc), regardless of the number of streams they make. The typical £9.99 subscription price advertised does not reflect the monthly Average Revenue Per User (ARPU). This can be reduced significantly by the impact of family plans, free trials and bundles with other products, and users who are not subscribed for a full month.

Ad-funded streaming, which is free to the user, may generate more revenue from the service as the number of streams rise. However it accounts for only a small share (less than 10%) of the overall revenue generated by streaming – and by potentially taking listening away from premium services reduces the overall pool of revenues.

It is misleading to analyse remuneration on a 'per stream' basis. Some services have more engaged users than others, who stream more actively, and as a result they generate a lower rate per stream than other streaming services which attract more casual music fans. The latter services will generate higher 'per stream' royalties, but they do not contribute more to the music industry overall. The subscription model monetises users, not streams - and more engaged users are in fact a good thing, since they are less likely to churn out of a service and therefore will keep paying for longer.

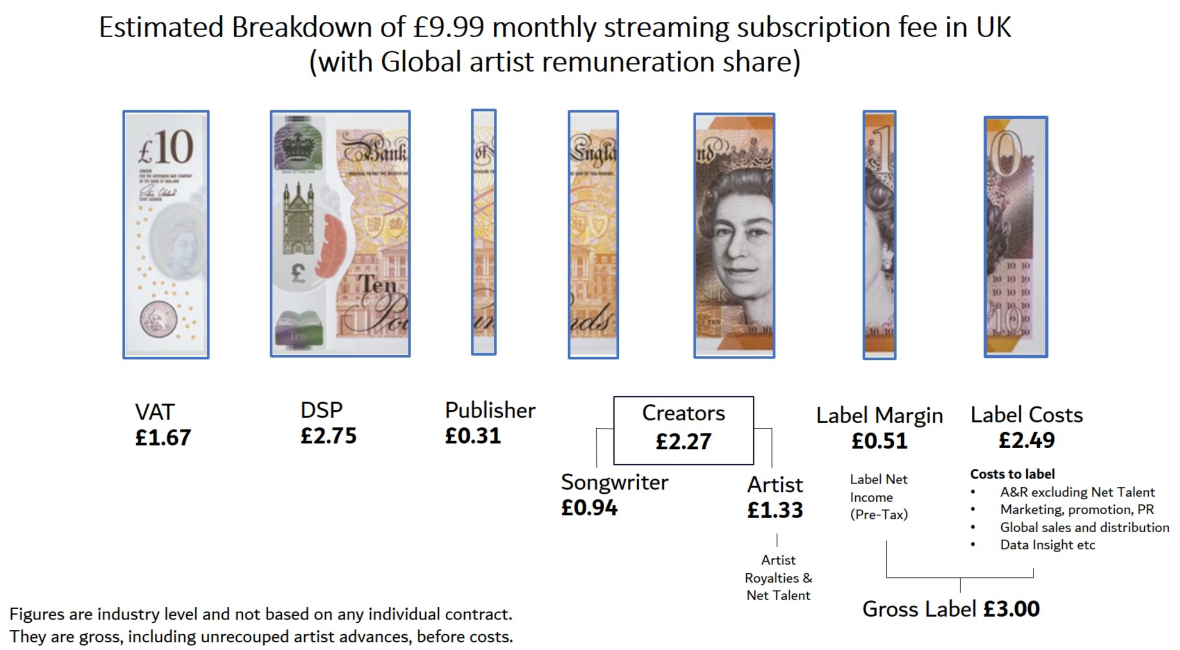
Generally, the more users that are attracted to streaming services, the more revenue there will be to share among the various stakeholders. In summary, the way streaming revenues are apportioned as follows:

- The streaming service calculates its total income from subscribers and (where relevant advertising). It deducts VAT and its own retailer margin, which it uses to fund the operation of its platform, subscriber acquisition / marketing, tech development, overheads etc.
- The remaining income forms the royalty pool, which is divided among rightsholders (record labels and music publishers) according to (i) the numbers of listens to tracks represented by them; and (ii) the commercial deal terms individually negotiated by them with the streaming service concerned.
- The total amount paid to any rightsholder will therefore depend on the size and pricing structure of the platform, the number of listens attributable to each artist / songwriter over the reporting period, and how those listens were divided between different types of stream (e.g. subscription or ad-funded).
- Thus, popularity remains a key driver of how value flows, as it did in the era of CD. However, as noted above, in the streaming economy the value of a piece of music depends on how much it is listened to over a long period of time, rather than an initial decision to purchase. As a result, streaming payments are much more consistent than CD sales were. Instead of significant initial sales followed by sharp drop and little continuing income, streaming income accrues year after year, providing a slower but more predictable long-term revenue stream for labels, publishers and artists who have recouped.

After the Government's share through VAT has been deducted, the subscription revenue is divided among the various participants in the value chain according to their respective commercial negotiations. The actual subscription price paid will also vary and may be lower or higher, depending on marketing price incentives offered by the DSP, bundling, family plans or premium HD etc, so the sums shared will vary. However, on the basis of a £9.99 subscription, revenues are divided as the indicative illustration below shows. Here, it can be seen that the total share going to the music industry is just over 55% after VAT and the DSP share are taken into account.

The remainder is shared between publishers, creators – including songwriters and artists in the form of royalties – and the label, largely to meet the costs of creative reinvestment (in A&R (including further artist advances), marketing, distribution, data insight etc). The share of revenues is therefore reflective of the contractual terms in place, and the level of upfront investment costs and risk of the respective parties.

Fig10: Industry Shares of Streaming Subscription Fees



[12]

It is notable that these splits differ somewhat from the shares typical in the CD era, in that songwriters and their publishers, and artists, claim a greater share of revenue, and record labels secure less. This reflects the outcome of commercial negotiations within the value chain over a number of years.

Impact of streaming on record labels

The fundamental purpose of record labels has not changed. It remains to discover, nurture and partner with artists so that they can make the best recordings and videos possible and bring their music to more fans. This enables artists to focus on what many of them do best – the creative process of writing and performing. Similarly, the core of the record label's business model remains the same: providing upfront investment and shouldering the financial risk that artists would otherwise need to take to grow their careers; and bringing creative and commercial expertise to the partnership so as to

[12] NB some commentators cite the music industry receiving a 70% share of DSP revenue; this is based on the DSP income after VAT is deducted – the graphic above is based on the total consumer price paid.

turbocharge success. *How* labels do this in a digital environment has changed dramatically, and the way labels work has required significant creative and operational innovation.

This innovation involved substantial costs at a time when the industry was financially decimated by digital piracy. So, while the production costs associated with physical production and distribution have decreased, the shift to streaming has required high levels of investment in technology and internal systems including:

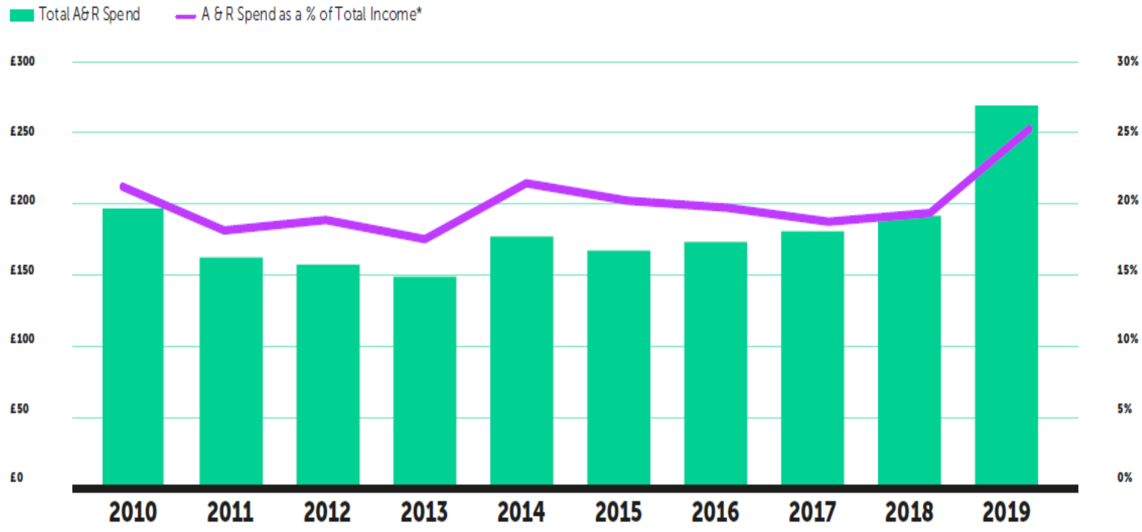
- Adapting internal systems to adapt and re-align the business to a digital world
- Increased overhead costs to provide digital distribution in a safe and secure environment
- Internal resources to secure licensing agreements to underpin value to artists across hundreds of digital platforms and services
- Consumer and research departments to analyse data and trends from music and non-music sites
- Increased resources to deal with digital piracy
- Sophisticated royalty portals to provide online transparency to artists; complex royalty systems to be able to process micro accounting on a track-by-track basis from hundreds of DSPs

The global nature of streaming has also increased the international aspect of how a label supports artists. Once artists are signed, labels look to nurture and build fanbases around the world, requiring insight and promotional support across multiple markets and requiring additional investment in marketing and to support touring for developing artists. While major labels, with global networks and resources, are well positioned to work with artists on international strategies, independent artists and labels often have little or no dedicated resource of this kind. This is in large part why the Music Export Growth Scheme was launched in 2014 with Government support to ensure that smaller, independent labels do not miss out on global export opportunities for their artists. We discuss the policy aspects of the scheme further in Question 5.

Creative investment has been increasing in the streaming era

As streaming revenues have grown, both major and independent labels have reinvested those revenues into talent by increasing their investment in A&R (artist & repertoire), the record industry's R&D. Not only has spending on A&R increased in absolute terms, it has grown to more than 25% of UK labels' revenues (Fig 11). Over the same period marketing and promotional spend has also increased – rising to some £150 million per year in 2019, on top of A&R costs of more than £250 million per year. Marketing strategies have evolved significantly in streaming: where previously promotion was heavily tied to release schedules to drive purchases, marketing in streaming is a more 'always on' activity, to drive listening daily and over the longer term. Marketing and promotional spend is generally non-recoupable and is entirely an investment by the record label.

Fig 11: A&R Spend 2010-2019



- **Total income comprises revenues from streams and sales, public performance income from PPL and Sync**

It is notable that during the 'peak piracy' era (2004-2014) A&R investment fell significantly as revenues declined. The effect of this was not only to reduce investment in artists, but to change the nature of that investment: forcing labels to manage their risk more aggressively, favouring 'safer' and more mainstream investments likely to provide a return on investment. A sample of our independent members suggested that any future revenue reductions would likely result in lower A&R investment and a retreat away from riskier, niche music. An example of this can be seen with Relentless Records, a Sony Music Label. In 2018, they signed a deal to distribute 'Baby Shark', the children's song that spiralled into a global phenomenon, and in November 2020 became the most viewed video ever on YouTube. The money the song generated has allowed the label to sign talent it would otherwise be cautious about signing, such as drill artist Headie One, who subsequently had a UK Number 1 album with his debut record 'Edna' – the first drill artist to achieve the feat.

During the 'peak piracy' era, roster levels and new signings also declined. Since the return to growth in the streaming era, labels have responded by increasing roster sizes, with 640 artists[13] on the UK major label roster in 2019, up 42% from 2015; the number of new signings has increased 38% since 2010 to 153 in 2019 (Fig 12). New and emerging talent has seen the benefit of more new signings being made by both independent labels and the major companies. In recent years one of the most successful and fast-growing trends has been UK Hip Hop, with majw or names such as Stormzy, Dave and AJ Tracey, as well as lesser known artists like M Huncho, Little Simz, and Dutchavelli, who have grown significant fanbases. This also illustrates the opportunity streaming is providing for new – and diverse – artists to break.

[13] Defined as active on roster

Fig 12: Average new signings 2010-2012 and 2017-2019

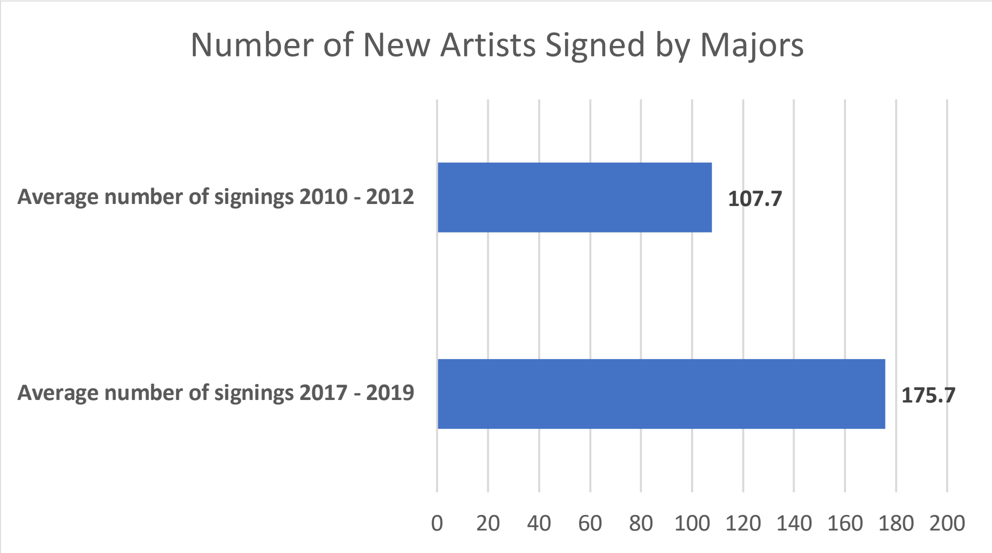
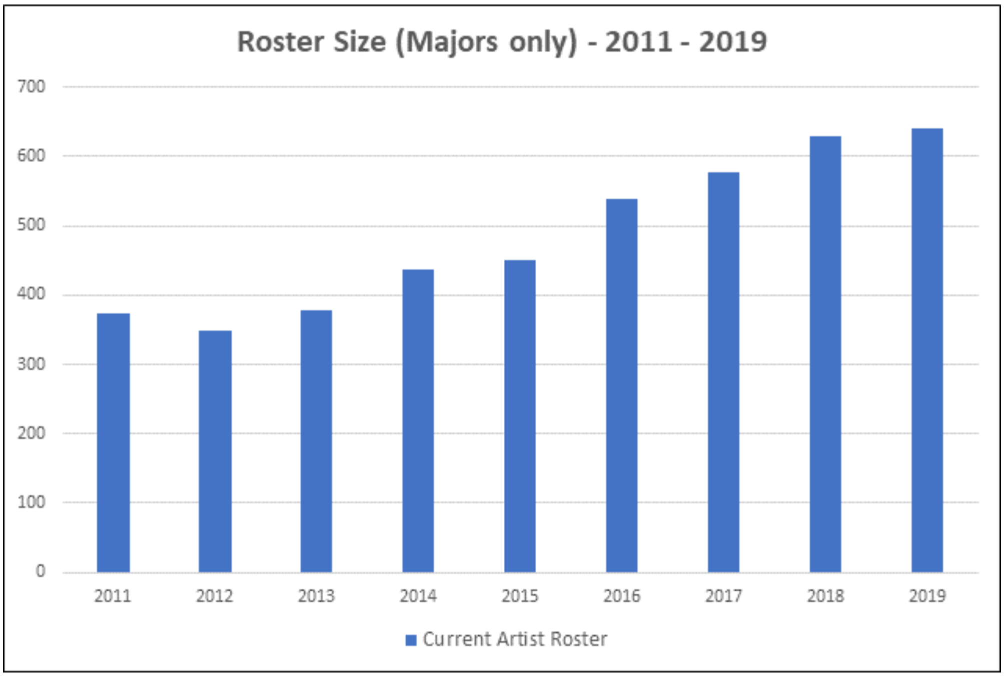


Fig 13: Major label roster sizes – 2011-2019



Impact of streaming on artists and musicians

Featured artists

The primary relationship for labels is with their featured artists, who may be solo artists or bands. Labels work in a creative partnership with featured artists to fund and support the artist's creative vision.

Featured artists have been impacted by streaming in many of the same ways as labels. They work as a team that together must rise to the challenge of attracting fans' time and attention in competition with millions of other artists and other forms of entertainment, releasing regular content and creating innovative digital strategies for multiple social media platforms and engaging with media around the world. But for most artists streaming is just one element of their revenue generation, with live touring, merchandise, brand deals and other income streams also contributing to their overall career. The early investment and brand-building undertaken by the record label plays a critical role in boosting those other income streams as well.

One of the most striking changes that streaming has brought for artists is the enhanced degree of choice and control they now have. Streaming has had a democratising effect, enabling many more artists to release music by lowering the barriers to entry, including by self-releasing their music. As labels have to compete harder to sign the best talent, artists are in a stronger position than ever before in negotiating deals, leading to much greater choice for artists in choosing among labels and deal types. The major labels offer a range of different deal types; independent labels have told us they most often now sign artists on profit share or label services-type deals.

Every artist deal differs, and is individually negotiated, so it is difficult to describe the full range of options available to artists, but broadly speaking they would include at least the following types of arrangement:

1. **Traditional Recording Agreement:**

a. *Advance and Royalties*

Artist agrees to provide their recording services (directly or via a loan out company) exclusively to a label (usually worldwide) in return for up front non-returnable personal advances and royalties from the sales of the recordings. In each period of the agreement the artist agrees to deliver a minimum number of recordings (usually one album). The label has a number of options (usually 3-4) to extend the agreement and request further recordings. The artist assigns their rights in the recordings to the label (usually for the full period of copyright). In addition to the personal payments to the artist the label pays for costs of manufacturing, packaging, distribution, marketing, advertising and promotion (and in many cases funding the artist's touring activities). The label accounts to the artist for a royalty on all forms of sale and exploitation of the recordings. The royalty first goes to recoup any personal advances the artist has received (and any other costs that are agreed as recoupable such as recording costs) and after recoupment the excess is paid to the artist. Under this type of deal, personal advances may range from a few thousand pounds to hundreds of thousands, and the artist's royalty share might typically be in the range of 15-30% of label receipts, or higher in the case of income from licences granted to third parties, e.g. sync compilation licences (typically 50%).

b. *Advance and Profit Share*
As described in a) above except that the artist receives a share of profits instead of a royalty (i.e. the label funds all costs and advances as above and deducts that funding from all revenue, with the resulting profits being split between the label and the artist in an agreed proportion (usually 50/50).

2. **License Agreement:**

The label acquires a number of finished recordings from third party production companies or labels (who have in turn acquired those recordings from artists) by way of an exclusive license for an agreed territory with the same economics as set out above, but the rights period is usually between five and ten years and the royalty/advance may be higher than a traditional recording agreement, as it is the licensor's responsibility to pay the artist from their share). The royalty paid to the licensor may typically be around 25%, or typically 50% in the case of sync compilation licences.

3. **Distribution Deal**:
   The artist signs to label for an agreed territory and commitment as above and label distributes the recordings on behalf of the artist in return for a distribution fee, typically in the range 15-20%. Usually there is no advance to the artist. The remainder of the revenue after deducting the label's distribution fee will go to artist after deducting any costs the artist has requested the label to pay. These deals are usually short term (three to five-years).

4. **Label Services Deal**
   The same as a distribution deal, except in addition to distribution the label also provides sales, marketing and promotional services for a fee that is typically higher than a distribution only fee (e.g. 25-30%).

In addition, artists may choose not to sign a label deal at all and self-release. Here, the artist may employ a distributor or aggregator such as CDBaby, TuneCore, Spinnup (owned by Universal Music) or Distrokid to upload their music onto streaming services in return for a flat fee per track. The artist will receive 100% of any subsequent royalties from a streaming service, but will not have any support in terms of creative services, promotion, marketing, PR, data insight, partnerships, international etc.

Streaming makes music available for longer

Another significant change for artists is that in the physical era, those receiving royalty payments would have seen royalty income accrue over a relatively short period of time, in line with the relatively shorter sales 'window' for physical products sold via retail outlets. A typical CD album would have a period of time being heavily promoted for a period of weeks around release. Stock might be retained in stores for a period thereafter (often at discounted prices) but only a finite number of titles could be kept on sale at each retailer at any one time. Streaming, on the other hand, enables every track from every artist to remain available permanently, with royalties potentially accruing gradually over many, many years. This trend is confirmed by the recent statement from Spotify[14] that 43,000 different artists now figure in its 'top tier' of listening – up rapidly from 16,000 in 2015 and 30,000 in 2018. This shows that the class of artists benefitting materially from streaming continues to grow year on year.

Notwithstanding that some artists will be more popular than others, and new breakthrough artists may enjoy very prominent success for a period of time, streaming should be seen as a much longer-term income model for artists. As noted earlier, streaming consumption is more even and less 'top-heavy' than CD sales. Not only does this mean that new and emerging talent has the opportunity to break through, but also that streaming provides opportunities for legacy artists, who can maintain a relationship with an existing fanbase, and attract new fans who are more easily able to discover their music on digital platforms. Both Queen and Elton John have seen renewed engagement from younger audiences. This has been driven in part by recent films, with streaming providing ease of access to explore their catalogues.

In October 2020, Fleetwood Mac's 'Dreams' reentered the Official Singles Chart top 40 for the first time in over forty years, thanks to a viral video on TikTok, which was viewed over 50 million times.

[14] https://www.musicbusinessworldwide.com/spotify-the-top-40-is-over-and-other-key-takeaways-from-its-q2-results/#:~:text=In%20its%20financial%20results%20for,one%20year%20ago%2C%20says%20Spotify.

TikTok user 420doggface208 uploaded a video of himself him skateboarding and lip-syncing to the song, and it very quickly went viral on the platform, as well as being shared across other social media channels, including Facebook and Twitter. After it went viral, Fleetwood Mac members Mick Fleetwood and Stevie Nicks both uploaded their own versions of the video to TikTok, and this in turn propelled the momentum further

Artist remuneration has been increasing

The growth in the business over recent years has provided many benefits. Artists have benefitted both from increased A&R investment and, from growing royalty payments, which have risen at least in line with the market.

Indeed, as noted above (see Fig 10), the division of revenues today differs somewhat from the typical shares during the CD era in that artists, songwriters and their publishers, receive a greater share of revenue. This reflects the outcome of commercial negotiations within the value chain over a number of years.

This is illustrated by the recent press from the independent distribution company AWAL that it is already paying more than £75,000 per year to hundreds of different artists.[15]

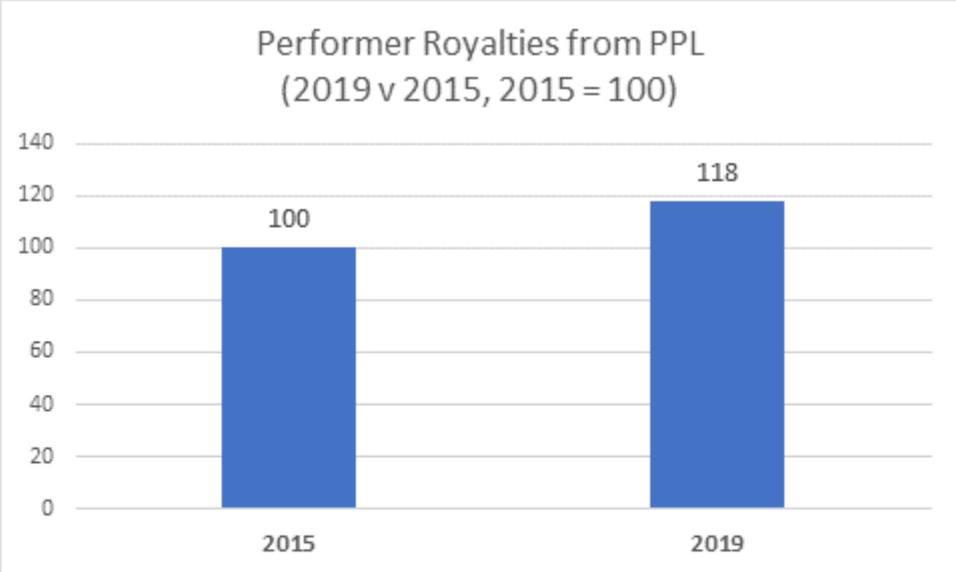
Streaming has also facilitated greater levels of transparency for artists – with (some/all) of the major labels (and some independents) developing online portals that show detailed real-time information about royalty payments due to the artist from each separate digital platform, and how payments have been calculated.

It should not be forgotten that in addition to royalties from streaming, CD and download sales, touring (in usual circumstances), brand partnerships etc, artists enjoy a revenue stream from broadcast and public performance: that is income derived when a record is played on the radio or TV, or in public in shops, bars, restaurants, nightclubs and the like. As streaming has replaced CD, it is notable that broadcast and public performance income for artists has also continued to rise (though it has temporarily been disrupted by Covid-19). Performer royalties distributed by PPL from both broadcast and public performance – which are payable both to featured artists and session musicians – increased between 2015 and 2019, by 18% in total[16].

[15] https://www.musicbusinessworldwide.com/hundreds-of-artists-are-now-earning-100k-per-year-via-kobalts-awal/

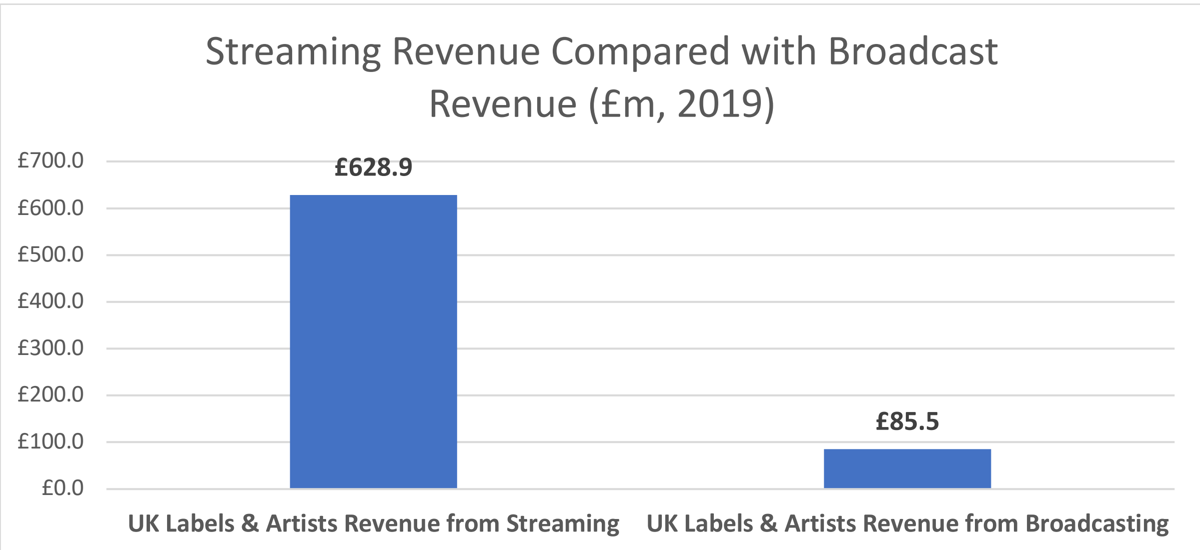
[16] Source: PPL

Fig 14: Performer Royalties 2015-2019



This was in addition to the significant increases in label payments to featured artists described above. This illustrates clearly that on-demand streaming, like downloads and CD sales, is additional and complementary to traditional broadcast and public performance of recorded music. Indeed, while the UK streaming market is expected to grow significantly in the coming years, it already generates more than *seven times as much revenue for UK record labels and artists* than broadcasting, which raised £85.5 million in 2019[17].

Fig 15: Streaming vs. Broadcast Revenue, 2019



[17] Ibid

Session musicians

Session musicians are independent musicians and singers who perform on recordings in return for session fee-based payments. Session musicians are the ‘non-featured performers’ on recordings – for example band or orchestral players and backing vocalists.

Unlike featured artists, session musicians do not enter into exclusive contracts with record companies and are free to work with whoever wishes to work with them. Accordingly, they can earn their living by not just being paid for having their performances recorded, but also for example from playing live and from other engagements.

The rates that they are paid for recordings are set as *minimum* rates under commercially negotiated agreements between the BPI and the two leading performer unions in the UK – the Musicians’ Union (“MU”) and Equity.

These rates and union conditions are specifically negotiated so that they are fair and competitive, but not so high as to force the commissioning record label can’t afford to make recordings in the UK. This is particularly relevant in genres where there is an international talent base, such as international orchestras.

The fee for a standard three-hour session was renegotiated as recently as 2019 and, under this current BPI/MU Agreement, is set at £130, the equivalent of £43.33 per hour. For a shorter or longer session, the hourly rate increases to £48.60 per hour (although session musicians must be contracted for a minimum of at least two hours). These fees were the result of an 8% increase in 2019. In addition, session musicians receive additional payments for overtime, overdubbing and double rates for Bank Holidays. Session musicians are also entitled to a five-minute break every hour of a three-hour session and record companies can only use a maximum of 20 minutes’ recorded performance from a three-hour session.

As *minimum* rates, if a musician is particularly coveted, they are at liberty to negotiate higher session fees, and this is commonplace.

In addition to all of the above fees, since 2012, the BPI/MU Agreement provides for further payments to be made to session musicians called ‘Subsequent Annual Payments’. Since 2012, over £2,708,000 has been paid by way of Subsequent Annual payments.

Furthermore, under the BPI/MU Agreement, session musicians are entitled to seek payments where recordings on which they perform are used as backing tracks in live performances. Session musicians are also entitled to seek payments where recordings on which they perform are ‘synchronised’ in films, TV programmes and advertisements.

In recorded music, the biggest impact on session musicians is the amount of new recording taking place. As the market has returned to growth, and labels have signed more artists and increased the investment in professional recording, so there has been more work for session musicians.

Like their featured performer counterparts, session musicians share in the additional payments via PPL where recordings that they perform on played on the radio or TV, or in public in shops, bars, restaurants, nightclubs etc. As shown above, this income has continued to increase year on year, and in fact has grown more quickly even than for featured performers over that period.

Record labels have limited insight into the full earnings of session musicians, since they have other revenue streams and can also be commissioned directly by featured performers or producers. However, we believe that session musicians are treated and paid fairly. They are paid a negotiated fee up-front regardless of whether or not the recordings on which they perform are successful, or whether or not any income at all is generated for the record company or featured artist. And where the recordings *are* successful, they enjoy certain further payments from broadcast, public performance and the Subsequent Annual Payments. This structure has contributed to the UK having one of the most vibrant and respected markets for session players in the world. The most important element in securing future earnings for session musicians is to increase the overall size of the recorded music sector, so that labels can invest in more recordings and hence, more recording sessions.

Q4: 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?

Streaming has helped to slow the growth of music piracy, but it has far from eliminated it. Even in an era in which music companies have licensed hundreds of digital services, industrial-scale piracy remains a substantial problem which plagues music and its creators. In 2019, for example, digital piracy cost the UK music industry an estimated £193 million in revenue – 20% of the value of all legal consumption.[18]

As discussed in the introductory sections of this submission, piracy presented a massive challenge to music in the first decade-and-a-half of the 21st century. The industry successfully implemented a wholesale reworking of its systems and invested heavily in measures to combat piracy. That work is starting to show benefits in the form of increasing revenues for creators as growing numbers of fans around the global enjoy greater choice and convenience.

But, in part due to ongoing piracy, the recorded sector has still not fully returned to pre-piracy levels of turnover.

Piracy harms artists in a couple of important ways. Most obviously, to the extent that piracy harms legal sales, it has a direct effect on artists' compensation. And in addition, to the extent that piracy inhibits an artist's popularity in the charts, that harm extends even beyond lost sales of that track. More broadly, the charts are a way of breaking an artist and creating the initial prominence on which they can then build an entire career.

Piracy also significantly harms the music ecosystem's virtuous cycle of reinvestment. As detailed earlier in this submission, labels bear the costs (and risk) of new production, reinvesting the proceeds of commercially successful releases into more new music. Therefore, diversion of revenue away from its rightful recipients inhibits the amount and breadth of new music. This has a particular impact on genres that offer creative gems but typically enjoy less commercial success – including classical and jazz, among many other of cultural and artistic importance. To lessen these effects, record labels spend millions of pounds every year protecting artists' music.

Music piracy is a highly sophisticated enterprise that comes in many different guises and that regularly evolves to use new technologies. Streaming piracy has largely shifted from cyberlockers to stream ripping[19]. As a result, music companies must deploy multiple strategies to combat it. There are many partial 'solutions', but there is no single silver bullet.

The reality is that, very often, the most effective anti-piracy measures lie outside of the control of the record companies, but in the hands of the platforms and intermediaries. As these companies represent some of the world's foremost technology experts, they have the capabilities to address these issues. In some cases, the platforms' actions and policies actually worsen the piracy – whether that's making stream ripping technology available in app stores or returning search results that give prominence to obviously pirate sites, or that list ways to gain access to them.

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[18] See below for methodology used to calculate losses to piracy.

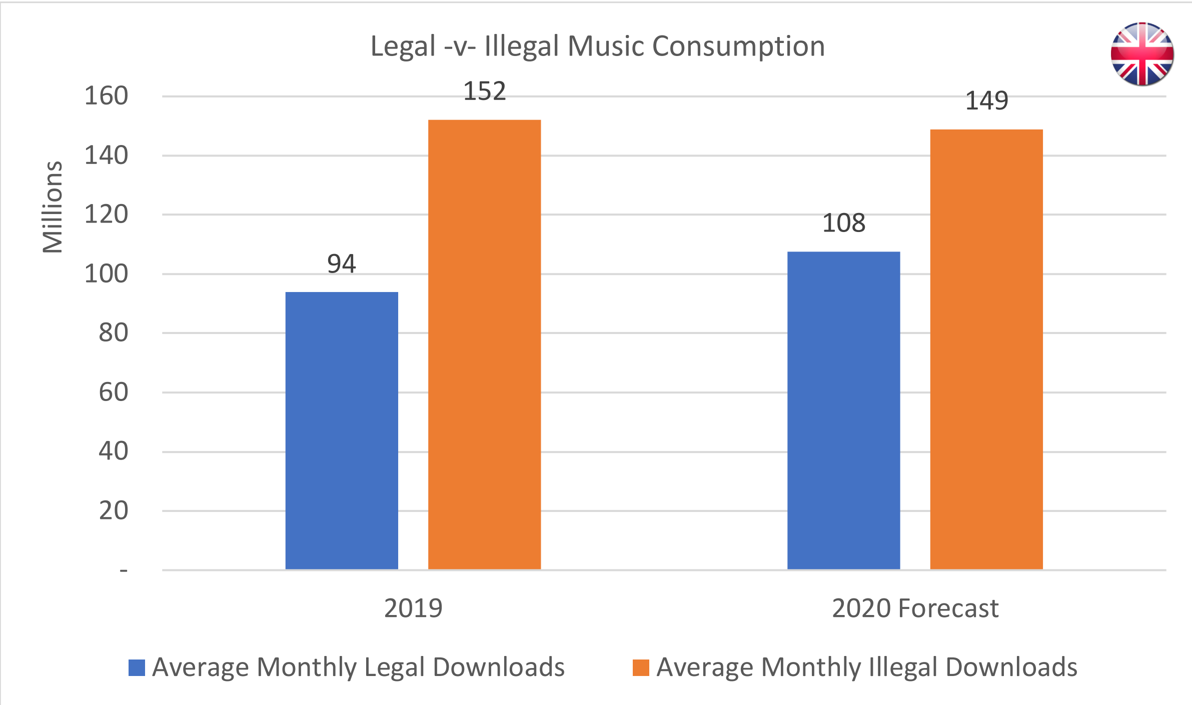
[19] A **Cyberlocker** (e.g. Rapid Gator) is a cloud storage service that allows users to upload and share content; A **Stream Ripper** (e.g. y2mate.com) is a site or application that allows users to obtain permanent downloads of music content from streaming services such as YouTube, Spotify etc.

We know from the creative industries IP roundtables convened by Government in recent years that some platforms have put in place more advanced technology solutions; and in many respects the UK's IP Framework and anti-piracy policies such as website blocking lead the world. However, too many platforms and intermediaries have not voluntarily stepped up, and there are several other policy initiatives which would go much further in addressing the problem. We discuss these further below and in response to Question 5.

Scale of music piracy

According to the Intellectual Property Office's copyright infringement tracker from 2019, 20% of the UK population aged 12+ had accessed music illegally in the previous three months.[20] This represents a huge number of people, but the volume of piracy is even more substantial when the number of millions of individual downloads is analysed. According to IFPI data, the value of music accessed and downloaded via unlicensed sources still surpassed the value of legitimate digital sales in 2019 and similar trends are forecast this year.

Fig 16: Legal vs Illegal Music Consumption



[21]

Streaming: Downloads=100:1

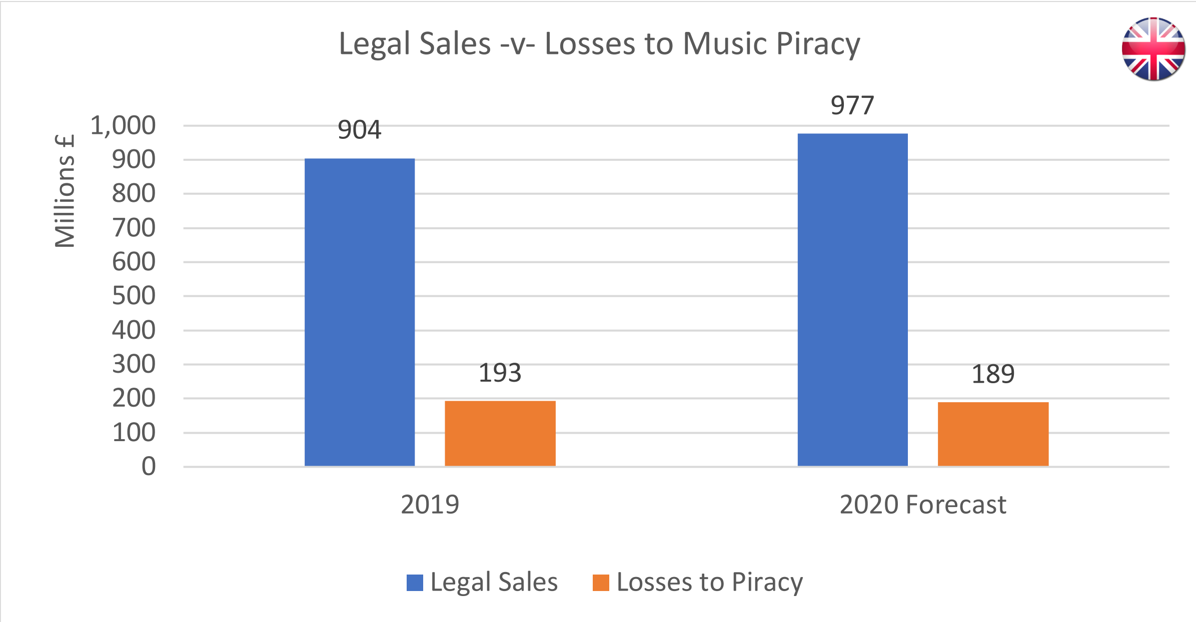
In terms of lost revenue, we anticipate a similar impact in 2020 to the nearly £200m cost in 2019. This estimate may rise as a result of the new lockdown measures. The first lockdown period saw an

[20] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867708/oci-tracker-2020.pdf

[21] Source: Source: IFPI Music Consumer Study 2019 & BPI data.

increase in visits to pirate sites, and it remains to be seen whether the second lockdown and increased pressure on household budgets will contribute to a further rise.

Fig 17: Losses to Music Piracy



[22]

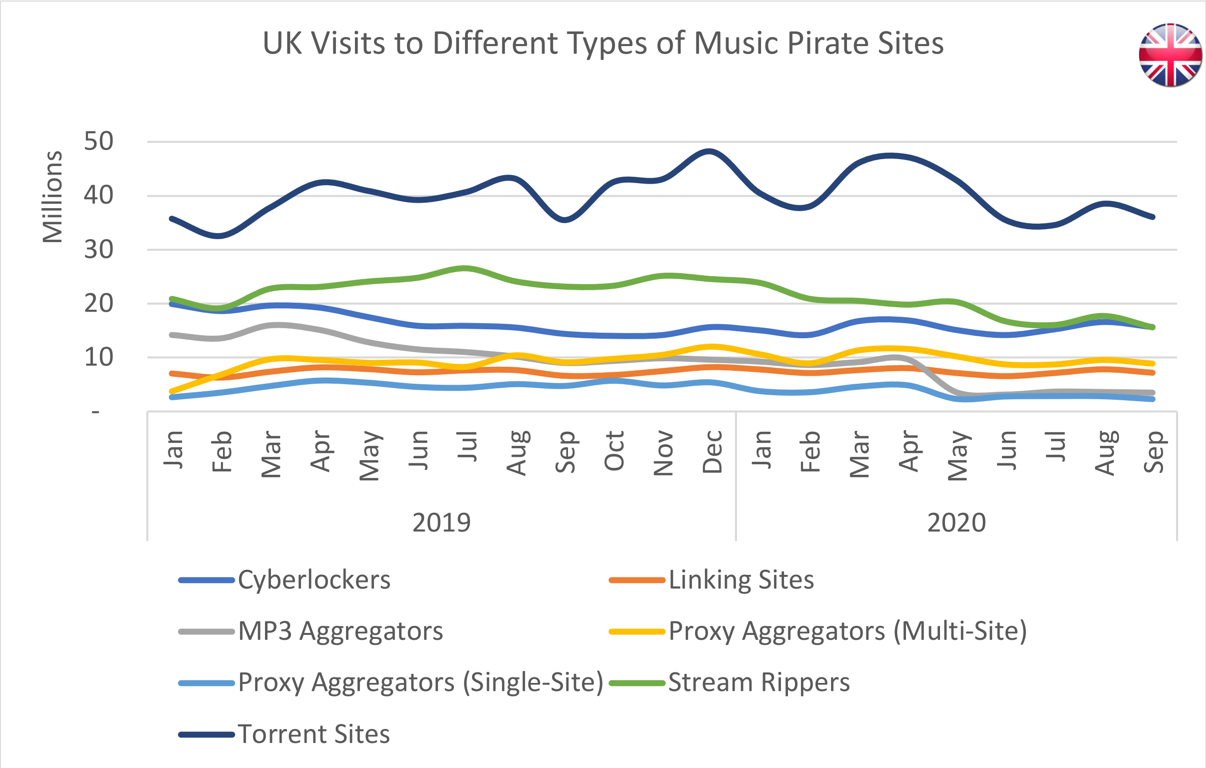
The BPI monitors some 14,000 pirate sites across different categories which are regularly accessed by UK users. These can easily aggregate over 100 million views per month, which result in no revenue for artists, songwriters or the labels and publishers who invest in them. In addition to financial losses, the leaking of pre-release music causes enormous disruption to carefully planned new music campaigns and can inhibit the ability of a release to gain popularity in the charts.

Inhibiting an artist's popularity in the charts has an effect which extends beyond lost sales of that track, i.e. that the charts are a way of breaking an artist and creating the initial prominence / attention on which they can then build an entire career.

As can be seen from the breakdown below, there are a wide variety of unlicensed sites engaged in music piracy: Torrent trackers such as The Pirate Bay; sites providing lists of proxies to a specific pirate brand (Single-Site Proxy Aggregators, such as proxybay.kim) or multiple sites that are blocked under s.97A (Multi-Site Proxy Aggregators, such as unblockit.app); sites aggregating MP3 files (Mp3 Aggregators, such as mp3quack.live) or pointing users to unlicensed music stored on Cyberlockers (Linking Sites such as Intmusic.net pointing to Rapidgator.net); and, last but not least, stream ripping web applications such as flvto.biz and many others that can easily be found via a Google search for 'YouTube to mp3'.

[22] Source: BPI Trade Income Survey, BPI Loss Estimation Model.

Fig 18: Types of Music Piracy



UK music and artists also suffer from piracy at global level

As we showed earlier the UK is a highly successful exporter of music, with British artists loved all over the world. Piracy is by no means a UK-specific problem, and as more British artists are available globally, so they are susceptible to piracy on a global level. IFPI's *Music Consumer Report for 2019* demonstrated that music piracy remains a key problem facing the recorded music industry. Across the 21 countries surveyed, 34.2% of internet users aged 16-64 downloaded pirated music in 2019. The primary piracy issue was stream ripping, with 26.5% of all internet users. Piracy rates were highest for 16-24 and 25-34 year-olds.

Analysis of activity on different types of music piracy ecosystems reinforce these findings. There were 7.5 billion music-focused visits to stream ripping sites globally in the twelve months to September 2020, well over 600 million each month. The vast majority of this unlicensed activity (over 90%) was focused on downloading of copyrighted music from YouTube, with other video, audio, and social media platforms responsible for the remaining share.

Cyberlockers remain a key focus for the music industry for both their continued level of use as well as their focus as a location of most pre-release leaks of music. In the twelve months to September 2020, Cyberlockers received 1.3 billion visits that were focused on downloading pirated music. These were mostly driven by Mp3 aggregators linking to content hosted on the Cyberlockers.

Torrenting has been a preferred way to obtain music albums for many years. There were 375 million music-focused visits to Torrent sites in the twelve months to September 2020, with the majority of these visits seeking to download full albums or entire discographies for artists.

The role of platforms and intermediaries

Piracy is made possible by the services offered by a number of platforms and business intermediaries.

Online platforms, such as social media, online marketplaces and apps stores may host infringing content themselves or host links to it.

- **Social media:** includes hosted content and links (including embedded links) to infringing content hosted on external sites. These platforms can be used to share and distribute infringing material rapidly and on a mass scale. Many other infringing services use social media for marketing. These platforms have become central channels for the distribution of infringing music content and do little to address the problem (typically relying on overly broad safe harbours and lack of obligations on them to do so).
- **Online marketplaces:** This includes infringing content on platforms such as eBay, Amazon and AliExpress (Alibaba Group's platform). The level of IP protection offered by each marketplace platform is currently dependent on the proactive measures the platform *voluntarily* takes. There are significant discrepancies between the actions that platforms have voluntarily taken (with eBay doing much less than Amazon and the Alibaba Group's platforms). Over 40,000 infringing listings have been removed from eBay (primarily) and other online marketplaces this year to date, and £1.9 million worth of unlicensed music goods seized in the UK in the first quarter of 2020.
- **App Stores:** Google Play and other app stores host both stream ripping apps and music-loaded apps which allow for offline listening of unlicensed music. Most of these apps are free of change and funded via in-app ads. The record industry tries to have these apps removed, but with limited success and inconsistent response across different platforms. Given the shift of music consumption towards mobile devices, infringing apps are a growing problem.

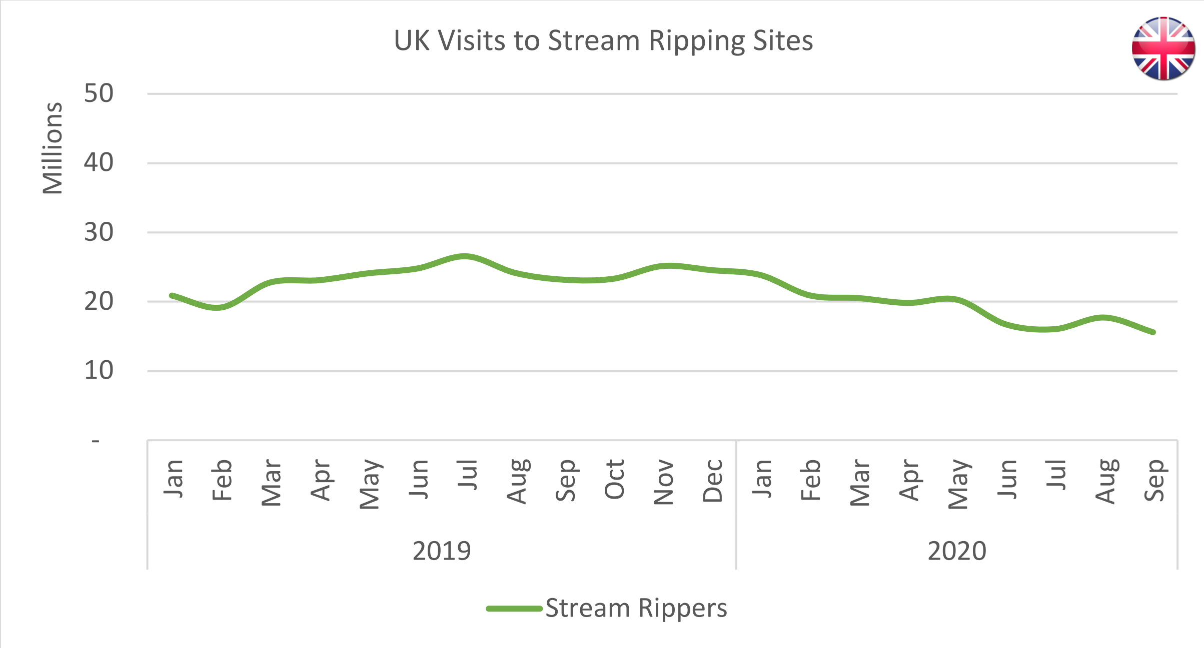
Online intermediaries provide a variety of internet services to infringing websites and applications. Search engines are a key intermediary as they frequently list and point users to various sources of unlicensed music, ways to rips copyrighted music or gain accessed to sites sited blocked under s97A. Other intermediaries involved in the music piracy ecosystem are Content Delivery Networks (CDNs) such as CloudFlare; hosting service providers; domain registrars and registries; advertisers and online advertising networks; payment providers. Intermediaries can play a crucial role in the fight against unauthorised use of content because they are often best placed to stop or prevent online copyright infringements. However, the majority turn a blind eye to dealing with companies involved in piracy as they do not have clear responsibilities to avoid doing so.

Stream ripping

In recent years, alongside the more traditional forms of music piracy, such as Peer-To-Peer (P2P) networks or MP3 aggregators, a newer form of piracy has become highly prevalent in the UK, which involves leeching off legal streaming platforms. This is known as 'stream ripping'.

In the UK, stream ripping sites garner around 20 million visits per month. Users visit these sites to make free, permanent copies of tracks that would otherwise be monetised via subscriptions to legitimate streaming platforms or watching advertisements.

Fig 19: Stream Ripping Site Visits



Source: SimilarWeb

YouTube is the most popular licensed streaming service in the UK, and it is also by far the most popular source of content for illegal stream ripping. Ripping takes advantage of the lack of adequate content encryption by YouTube.

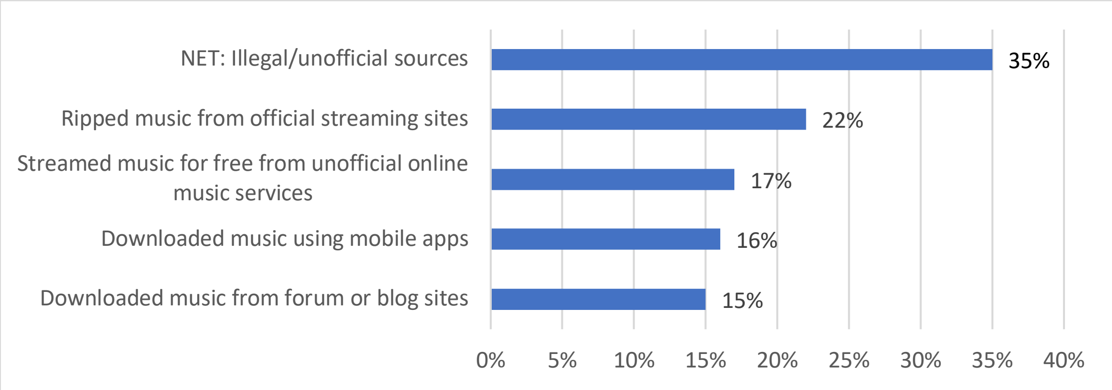
Stream ripping sites tracked by BPI attracted 244m UK visits in the past 12 months (SimilarWeb, Sep 2019 - Sep 2020), costing the UK music industry an estimated £16.5m. Further losses are caused by the many stream ripping mobile apps that can be found on Google Play and other app stores, some of which have been downloaded tens of millions of time, as well as browser extensions that can similarly be used to create permanent downloads of music streams.

A recent survey conducted by IPSOS on behalf of Creative Content UK revealed that younger groups are increasingly engaged in music piracy, particularly stream ripping. 35% of 16 to 24 year olds admitted to pirating music, in most of the cases ripping it from official streaming services. According to CCUK data, the percentage of 16-24 year-olds ripping music has increased by 11% in a year.

Fig 20: Percentage of young people pirating music

CCUK	Period	Music Piracy (16-24 y.o.)
Wave 6	Jul 2019	24%
Wave 7	Nov 2019	28%
Wave 8	Jul 2020	35%

Fig 21: Methods of piracy used by young people



Source: Ipsos, CCUK Wave 8, 16-24s, July 2020.

Hackers too have seen an opportunity in the rise of music streaming. In particular, they have been monetising the offer of cracked streaming apps – often named after the legitimate services, such as "XSpotify", "Deezloader", "Apple Music ++" etc. – that allow users to obtain premium privileges such as ad-free streams and permanent downloads, without payment.

Stream ripping and cracked apps are inhibitors to growth within the recorded music market, as they diminish the demand for premium access to legitimate streaming services.

Unauthorised uploads

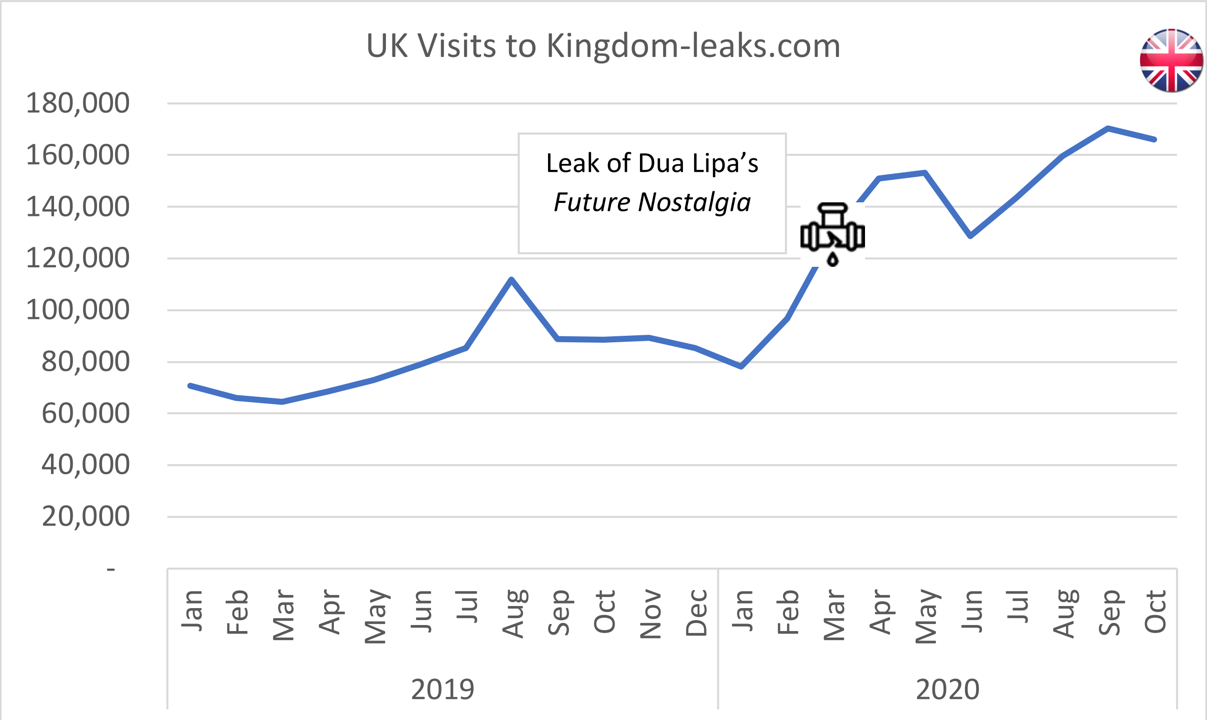
Alongside music distributed via illegal platforms and applications, there has been a rise in piracy occurring on legitimate streaming platforms. Unauthorised content on Spotify and others represent a new frontier in music piracy. BPI continues to receive complaints from a variety of artists and records labels concerned with the delivery and monetisation of their content by unauthorised parties. The monetary effects are twofold. Firstly, artists and record labels are deprived of the rightful income that they should receive for the plays that their songs should have received. Secondly, the legitimate right holders must devote extra resources to monitoring the platforms and issuing takedowns for infringing content. While the major labels at least have teams who work constantly to try to address issues such as these, smaller indie labels and independent artists, who are unable to monitor platforms for unauthorized content, will feel an even greater effect.

Music leaks

Leaks often occur close to the official release date and take full advantage of the promotional efforts surrounding the event. A leak can go viral within hours aided by the power of social media.

Music leak sites can attract a huge number of views within hours of the news about the leak spreading over the internet. For instance, the Dua Lipa's album *Future Nostalgia* was leaked on Kingdom-Leaks.com, between Sunday 22nd and Monday 23rd March. The graph shows how the number of visits to Kingdom Leaks spiked up in correspondence with the date of the leak, resulting in inevitable losses of legitimate streams and downloads.

Fig 22: Leak of *Future Nostalgia*



Not only do leaks have an obvious financial impact on the new release, but they can also be devastating for the artists. Artists who have had their music leaked have reported psychological trauma, especially when unfinished material was published without their consent. This can negatively affect the artist's reputation and be highly damaging to smaller artists who haven't risen to fame yet.

Access to pre-release material is often gained via some form of hacking. The stolen track or album will then typically be sold in exchange for some remuneration and appears on the major leaks sites such as Kingdom-Leaks.com or Leakth.is. From there, the leak will usually make its way to a variety of pirate sites including entering P2P networks from which it is virtually impossible to remove it.

According to the IFPI's leak alert system, around 1,000 international titles (either tracks, singles or albums) are leaked on average every month, with over 12,000 leaks in 2019 and over 9,000 this year to date despite the reduced number of new releases due to the pandemic.

The online distribution of leaked music is facilitated by the intermediaries providing services to pirate sites – search engines listing them, domain registration services, web hosting companies, content delivery networks, advertising intermediaries, etc. – and by the lack of content filtering by social media platforms. These could all play an important role in safeguarding the artists and ensuring fair remuneration for their creative efforts.

The BPI's role in combatting piracy

The BPI is engaged in several content protection activities aimed at protecting the whole music ecosystem from the issues described above, from removing illegal content to education and litigation. This complex and costly work is funded by record labels (via BPI and others).

BPI Content Protection Unit

Run by the BPI on behalf of the music industry, and label-funded, the CPU investigates and disrupts the illegal use and distribution of music online. As part of this activity, it continually crawls the internet and reports to search engines infringing websites that provide links to illegal copies of music. Since 2012, the CPU has submitted over 900m URLs to search engines Google and Bing for delisting, with an average 98% success rate, and nearly 1,000 domains resolving to popular pirate brands at ISP level have been blocked through BPI legal actions in the High Court. The BPI also liaises closely with the Intellectual Property Crime Unit (PIPCU) of the City of London Police on Operation Creative, a specialist anti-piracy unit funded by the UK IPO and aimed at disrupting pirate sites that harm the UK creative industries (over 570 sites have been referred by BPI to date). Given that pirate sites continue to seek to find loopholes to evade detection, the CPU continues to innovate to remain ahead of new piracy techniques.

Litigation

The BPI invests very significant resources each year on civil law litigation in the High Court: bringing direct actions against illegal websites and litigation to block broadband access to illegal sites hosted overseas. In addition, BPI uses the criminal law to bring private criminal prosecutions and assists the UK authorities in bringing public criminal prosecutions against individuals and Organised Crime Groups (OCG) involved in music piracy.

It should be noted that, despite these efforts, it is not always possible to recover damages. For example, in one ongoing piece of litigation, the illegal website has millions of users worldwide and is more popular than multinational global brand websites such as Nike and PlayStation. The infringing site makes its money via advertising, which we estimate is between US $890,000 – $4,448,000 (£674,000 - £3.4m) per year. However, the money made by illegal websites is often hidden outside of the jurisdiction and/or may have already been dissipated by the time that a judgment is obtained. The current procedural rules can also make it difficult for right holders to undertake direct-action litigation against all the operators that they would like to target. It follows that many pirate site operators go unpunished and continue to take away a significant portion of the music industry's revenue.

Education

Together with the Motion Picture Association (MPA), the BPI coordinates and helps to fund the Creative Content UK (CCUK) 'Get It Right from a Genuine Site' campaign with the Government. The initiative delivers consumer education campaigns to discourage piracy and encourage people to use genuine sites, primarily aimed at younger people.

IP Roundtables

The BPI has played a leading role in the work of the IP roundtables established in the Creative Industries Sector Deal. The roundtables were set up two and a half years ago, with the ambition of developing voluntary commitments to combat online infringement, across social media, marketplaces and the digital advertising sector. While some progress has been made with some participants, as yet the IP roundtables have not delivered the significant reduction in levels of piracy overall that was the ambition of the Sector Deal.

Government action is needed

Despite all the technological and human resources invested by the music industry and other creative sectors to tackle piracy, too often platforms and intermediaries either hide behind safe harbour provisions or take insufficient responsibility for their role as hosts or intermediaries facilitating piracy.

Recognising the limitations of the voluntary roundtable process, together with other creative industry rightsholders the BPI has been calling on Government to take more proactive statutory and regulatory action. This has included seeking the inclusion of 'economic harms' such as piracy in the forthcoming Online Harms legislation. Government has resisted this, on the understandable basis that this Bill is focusing on other forms of Online Harm – however, we believe this could be addressed through the inclusion of a reserved power to include IP at a later date. This could, for example, enshrine the concept of a Duty of Care on digital platforms, to be implemented via Codes of Conduct enforced and overseen by a regulator, such as Ofcom. At the suggestion of Government the BPI has also explored possible solutions via the Digital Markets Task Force of the Competition and Markets Authority, but this has made clear that the Taskforce is likely only to look at the very largest players in the market, rather than the broader range of internet entities outlined above.

With little sign of a more robust regulatory approach being forthcoming, we would welcome the Committee's support that both tech platforms and Government need to take more action to increase the responsibility of platforms and digital intermediaries. This would represent a means of restoring value to whole music value chain, including artists, and benefit the wider UK creative industries.

Q5: DO ALTERNATIVE BUSINESS MODELS EXIST? HOW CAN POLICY FAVOUR MORE EQUITABLE BUSINESS MODELS?

The streaming economy in the UK is reasonably well developed but is not yet mature, and record labels and DSPs continue to compete and innovate to provide consumers with an ever better online music experience. As this response has demonstrated, the development of streaming has brought many benefits, but it has also brought certain challenges in terms of the value that flows to the music industry, and in respect of copyright infringement. Looked at overall, however, streaming has enabled the industry to return to growth in the last five years and recapture some of the ground lost as endemic piracy devalued recorded music. All stakeholders, including music creators, have benefitted from this return to growth. It has also provided consumers with convenient, legal access to the entire history of recorded music.

The opportunity now for the music business is not just to restore the value lost to the ravages of digital piracy, but potentially to grow still further, underpinning further creative investment, employment and export potential.

The industry was well on course to achieve this growth prior to the Covid-19 pandemic. Its devastation of parts of the sector are a temporary interruption to the business, rather than a fundamental shift in the underlying economics of the streaming model. As such, policy interventions related to Covid-19 should be (urgently) aimed at supporting the live industry and performer incomes lost as a result of the pandemic, together with a viable path to reopening as soon as safe to do so.

The degree of creative competition and choice present at all levels of the market is a strong signal that the streaming business model is, in most respects, equitable. The value derived from the consumer, in the form of subscriptions or attention to advertisements, reflects the value that the consumer is willing to pay and is set in a competitive market. The way that value is then apportioned to the participants in the value chain is determined by arm's length negotiations in a free market and, crucially, reflects the relative investment, risk and contribution made by each of the parties. As the scale of the streaming business has grown, the process of competition has led to significant increases in artists' negotiating power and remuneration, and in levels of investment into new talent.

It is therefore questionable whether such a competitive and successful industry is appropriate for policy intervention, given that prior to Covid-19 aside the market was operating effectively and growing strongly. As a fast-developing market, premature or misplaced intervention may impede its onward growth.

One business model question raised by some parties relates to a different way of distributing royalties between artists. The issue of fair compensation for all music creators is essential to our mutual success, so we take the discussion around streaming's payment model very seriously. Of course, we welcome any proposal that maximises fairness and transparency and promotes the health of the ecosystem. Known as a 'User Centric Payment System' (UCPS), this scheme would take into account the streaming behaviour of each individual listener, rather than the current system of apportioning royalties based on a share of total listening. This would not, of course, add value *per se* but redistribute the same amount of value among artists. This suggests that there may be winners and losers in this type of model, and there would be significant investment and operational costs in setting it up and administering it. Further exploration of UCPS may therefore be worthwhile to better understand its implications. There are also matters relating to reporting and audit, and concerns about consumer data and a reduction in transparency to consider.

Others have raised the suggestion that streaming should be licensed collectively and subject to equitable remuneration, in a similar way to broadcasting in the UK. However, the on-demand nature of streaming is fundamentally different to that of broadcasting, in that users can at any point individually select the specific track to which they want to listen. This is why international treaties accord exclusive rights to labels and performers, which grant them the ability to negotiate value for their rights in a free, commercial market. As a result, and as indicated in our reply to Question 3 above, the UK streaming market already delivers more than seven times as much revenue as broadcasting to UK record labels and performers and continues to grow at a much faster rate. This idea would therefore represent a major step backwards for the UK recorded music sector overall, as well as being incompatible with UK Treaty obligations. It would also risk reduce investment in other label activities that benefit artists, such as A&R, Marketing and Promotion and tackling piracy.

We believe that the overriding goal of policy should be to meet the objective of **growing the streaming economy as a whole**. There are two key categories of public policy action that could achieve this objective:

- Addressing distortions to the music industry's growth potential; and
- Supporting global growth

Addressing Distortions

There are two significant distortions caused to the market which undermine growth and negatively impact creators, labels and publishers alike:

Safe harbours: The distortions caused by copyright 'safe harbours' have rendered User Upload Content (UUC) extraordinarily undervalued, as detailed in Question 1. The ability of a service such as YouTube to invoke 'DMCA safe harbours' for its UUC business has the unintended consequence of significantly devaluing music.

Piracy: The distortion caused by illegal competition from pirate download and stream ripping sites (outlined in Question 4) both reduces demand for pay subscriptions and constrains the price that consumers are willing to pay (see above). This needs to be tackled both at the level of the illegal sites themselves, and the intermediaries (e.g. advertisers, payment providers, search engines, social media companies, online marketplaces, domain name registries/registrars, CDNs etc) who facilitate their illegal businesses.

It is increasingly clear that the voluntary Roundtables that industry and Government have prioritised to reduce online infringement are unlikely to deliver clear commitments from sufficient numbers of platforms and intermediaries to significantly reduce the scale of online piracy.

Government should therefore look at a UK approach to addressing these two issues, by placing greater proactive responsibility on platforms for the content that they publish and exploit commercially. This should make clear firstly that platforms hosting and monetising copyright content cannot hide behind safe harbours in licence negotiations; and secondly impose clear proactive responsibilities on platforms (based on a duty of care) to prevent illegal content appearing on their services, and ending the failed policy of allowing platforms simply to react passively to millions of notices from rightsholders).[23]

[23] https://www.copyright.gov/policy/section512/

It is only if legitimate companies hosting content or providing services are under a 'duty of care' to take reasonable measures to reduce infringement online that the enormous scale of online piracy can be effectively reduced and legitimate competition in content markets promoted. These duty of care obligations should require greater use of technological methods by the platforms to act to remove and prevent repeat infringement occurring. For platforms which host infringing content, and intermediaries which assist sites that commit infringement, there are two priority measures that should be required:

1) Notice & Staydown (N&SD)

Repeat infringement remains a significant problem. The measures currently employed by the platforms (so-called 'Notice and Takedown') are ineffective in tackling the sheer volume and nature of copyright infringing content online. This is partly because insufficient steps have been taken by many platforms to introduce content recognition technology - such as fingerprinting and auto-recognition – which could identify and filter out infringing content prior to it appearing on the platform. It is generally the case that upon notification, service providers only remove the individual URL named in a notice, rather than removing all infringing copies of the same sound recording. Furthermore, nothing is done to guard against the same piece of infringing material being re-uploaded. 88 per cent of IFPI notices refer to content that has already been notified to the same website, platform or intermediary. In the UK, in 2019, 67,364 UK music titles (tracks, singles and albums) were repeatedly made available under differ URLs following BPI's delisting action. Over 1,000 sites listed the same content multiple times, in some cases tens of times (up to 33 times).

Key requirements for platforms hosting content:

- Content recognition technology such as finger-printing and auto recognition should be required;
- A notice and stay down policy should be introduced, whereby all copies of the same work/sound recording should be removed to ensure the same work or recording is not re-posted or uploaded in the future

2) Transparency and Know Your Business Customer

Online intermediaries and websites should be required to operate with more transparency. They should provide accurate details as to their ownership and administration to right holders with a legitimate interest of protecting their intellectual property rights and who wish to pursue legal action in appropriate circumstances (right of information).

The existing Know Your Customer obligations contained in the E-Commerce Directive have been shown to be inadequate and unenforceable.

As long as intermediaries do not keep accurate customer details, right holders, law enforcement agencies and other relevant stakeholders will not be able to take direct action against the operators of copyright infringing websites (or other types of cybercrime).

One solution is to properly enforce "**Know your business customer**" (KYBC) obligations, which require commercial entities to reveal their true identity. They offer a tangible, complementary solution to existing laws regulating illegal and harmful content that will reduce a wide range of online harms, whilst creating a minimal burden on legitimate businesses.

The principle of the obligation already exists[24], but has never been adequately enforced. Introducing a new KYBC obligation on service providers under UK jurisdiction would require their commercial business customers, irrespective of their location, to reveal their identity information, including:

- the true and verified name of the service provider
- the physical geographic address at which the service provider is established and
- contact details of the service provider, including email address and telephone number
- Regular checks should be applied to these records
- Where there is failure to comply – either by withholding or providing incorrect information – digital services should terminate services to websites or online services.

This would result in a tangible and meaningful solution to this problem and create a safer online environment with minimal burdens on legitimate businesses.

Supporting global growth

There is substantial headroom for further growth in the UK and enormous potential for export revenues as subscription streaming takes off in new markets around the world, and a number of policy initiatives that would support the realisation of these ambitions:

Music Export Growth Scheme

With a fast growing global streaming market and the UK's global reputation for music, exports present a very significant growth opportunity – on a steady-state basis, export value from recorded music stands to double to £1 billion in the next decade with the right policy framework in place. With limited but carefully targeted intervention to support the promotion of UK artists overseas, Government could help the UK secure the greatest possible share of a global market expected to grow from £15 billion to £30 billion by 2030. Each individual share gained by the UK is worth an additional £110 million: co-funding export support for the independent sector can make a very real difference in realising this export ambition.

Since 2014 the BPI has run the Music Export Growth Scheme (MEGS) in partnership with the Department for International Trade to grow the industry's international success. Through a combination of Government and industry funding, SME and independent labels are able to apply for grants of between £5,000 and £50,000 to help 'break' artists internationally. The scheme is highly valued by small and medium sized business and emerging artists as those who have achieved domestic success are taking the next step to seeking to build a global following.

Since launch, the scheme has awarded a little over £4 million to support export promotion for 262 diverse British music projects from every regions of the UK and across a wide range of genres, including pop, rock, grime, jazz, folk, electronic, and classical. It has proven to deliver a strong return on investment, generating £12 for every £1 of Government investment.

Acts who have received MEGS funding include artists such as Wolf Alice, Young Fathers, Kate Tempest and Anna Calvi, all of whom who have gone on to win or be nominated for the Hyundai Mercury Prize; and BRIT Award winners and Welsh indie rock band Catfish and the Bottlemen and Dave, as well as new wave jazz sensations Ezra Collective, grime artist Ghetts, and the London Symphony Orchestra. The funding is awarded by a panel of expert music business executives with proven international

[24] Article 5 E-Commerce Directive (ECD) as transposed into UK law by the Electronic Commerce (EC Directive) Regulations 2002 (E-Commerce Regulations)

marketing expertise, and they have established a strong record in making awards to independent labels for artists that have gone on to achieve significant overseas success, based on MEGS funding. This funding has helped artists from across the UK to build fanbases to countries in Europe, America, Asia and Australia.

The MEGS scheme has a strong track record in investing in diverse music acts and performers. 40% of the funding awarded by MEGS has gone to female music acts or acts featuring female artists in their line-up, while nearly a quarter (24%) went to artists with a Black, Asian, or Ethnic Minority background. 48% has supported artists who were born outside of the South East. And over half of the grants are made in the UK's Nations and Regions – notable given that many acts register London as a base with the majority of record labels, management companies and other associated music companies are based in the capital.

As the music industry looks to maximise the opportunities from growth from digital streaming globally, it is important that the Government remains committed to MEGS. The BPI is in dialogue with Government about its continuation in the forthcoming one year Spending Review; beyond this, it should be extended and expanded – with funding doubled to enable the UK to gain maximum advantage during the rapid rise of global streaming in the next few years. This will provide benefit to SMEs all over the UK and is particularly as artists look to build fanbases globally and digitally when Covid has an impact on their ability to record, promote and tour. Furthermore, MEGS investment stands to benefit the economy as a whole, especially as the UK looks to post-Covid growth opportunities and to establish itself as an independent trading nation.

A renewed and expanded MEGS should also be accompanied by further export initiatives, including:

Programme of Talent Showcases

A series of high profile showcases for established and emerging British artists, potentially coinciding with free trade negotiations, would help to promote the UK, its culture and its music industry, enhancing the UK's competitiveness as British music faces a stronger challenge from US, Latin American and domestic repertoire, and support the UK Government in its diplomatic efforts in key markets. Despite the limitations on overseas travel, virtual showcases are possible and – with sufficient resource – can be effective in talent reaching global markets.

Exports Advice

Small and independent music labels do not only suffer from a lack of funding and offices in potential export markets – often they lack sufficient knowledge and understanding of local markets. To accompany the MEGS scheme, more dedicated resource would assist SMEs in navigating the complexity of promoting their artists in these territories.

Free Trade Agreements

The UK has one of the strongest IP frameworks in the world, which sets higher standards that many other parts of the world in ensuring IP is protected, and addresses some of the threats posed by digital tech platforms and intermediaries. As the UK establishes itself as an independent global trading nation, it is vitally important that its existing IP regime is not diluted through forthcoming trade negotiations, and that we seek to strengthen it and the regimes of other countries with which we form trading partnerships. This includes:

- Ensuring that the UK does not adopt broader 'safe harbour' provisions that are being misused by the large tech platforms in places like the UK to the detriment of music ;
- Seeking greater commitments to tackle copyright infringement, including useable website blocking provisions;
- Securing copyright term extensions in countries which are shorter than Treaty norms (ie less than 70 years from publication of sound recordings);
- Ensuring that the UK does not create imbalances by conceding on 'one-way' asks: for example, in relation to artist and performer remuneration, it is understood the US may seek broadcast and public performance royalties when US music is played in the UK - whereas no such payments are made to UK artists and labels in the US; any ask of this nature should only be entertained in the context of UK artists receiving similar treatment when played in the US.

The main 'live' trade negotiations where it is understood full negotiations are taking place (rather than continuity deals based on EU Agreements) are with the US, Australia and New Zealand. The BPI has detailed briefings on each of these which can be shared with the Committee, if of interest.

Music Production Fiscal Incentive

The UK currently provides fiscal incentives for film, animation, high-end and children's TV, video games, theatre, and orchestras, and these have been successful, attracting inward investment and supporting UK production. However, commercial music remains a notable exception, with no tax credits / relief available to encourage additional investment, even for SMEs.

In this context, the UK music industry believes **a focused fiscal incentive** could pump-prime the capital market for music investment, thereby invigorating the digital opportunity for UK music creators and putting them on a more even footing with their international competitors. Such an incentive would also enable labels and publishers to take on some additional risk in backing additional investment in a broader range of innovative talent, expanding the base of original content that we have to export, and establishing the UK as the world's highest quality and most favourable music production ecosystem. It would help the UK maintain and further develop its professional content production sector, including high quality producers, recording studios and sessions musicians. As with other fiscal incentives that operate in the creative industries, this would be expected to attract further inward investment into the UK, not least given the world-class recording studio facilities based here, such as the iconic Abbey Road Studios.

The overall effect of a music production tax relief would be to expand the roster of UK artists and increase the quality of UK music content production, increasing investment in the creative process and ensure the UK continues to capture a strong share of the growing global music market.

CONCLUSION

The UK's music ecosystem tells a story of innovation, reinvention and outstanding creative and commercial success. Record labels have embraced the opportunities of a digital world, successfully transforming their business models to return to growth. This has resulted directly in a greater level of creative investment, supporting and helping the whole music ecosystem to grow. Record labels are central to partnering with artists in bringing their music to life, to be discovered and enjoyed by countless millions – not just in the UK but around the globe.

Labels have been able to do this because overall the structure of the streaming-based market works well. As it has adapted to streaming, music has become characterised by more choice – choice for consumers in accessing music; and for artists in how they wish to manage their rights and connect with fans. As we have shown here, labels play a vital role in creating a virtuous cycle reinvestment and growth, where increased investment has resulted in more successful artists and content.

In the last five years the ecosystem has started to regain some of its commercial success. The immediate effects of Covid-19 are serious and need short term redress, but destabilising the foundations of the sector will only serve to weaken it as a whole. Like any ecosystem it is fragile– you change one or a few elements and, just like the 'butterfly effect' can unbalance the infrastructure on which it thrives.

Policy intervention is only appropriate where there are failures in the market that need redress. In the case of streaming, subject to the distortions of piracy and UUC content, the whole ecosystem is sharing in growth, benefiting consumers, artists and everyone in the value chain for recorded music. Any such intervention could imperil high levels of investment and risk-taking that record companies provide and undermine the UK recorded music industry's global success.

We have identified a series of areas where policy could play a positive role to address imbalances in the market – addressing *these* will enable music to play an even more important role in the cultural and economic health and wellbeing on the nation. Music stands as a beacon of creativity, soft power and economic success – supporting it will enable the UK's whole music ecosystem achieve even greater success at home and on the global stage.

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