



Rights of way: PRS For Music and PPL represent a huge range of artists and songwriters, including (L-R) Harry Styles, Celeste, Rita Ora and Emeli Sandé

SPECIAL REPORT

CLICK AND COLLECT

With efficiency and transparency at the top of every artist, label, publisher and manager's agenda, competition in the **royalty collection** business is fiercer than ever. In this special report, *Music Week* profiles the major players, looks at key recent developments, and analyses the future of this increasingly vital sector...

— BY JAMES HANLEY —

July 15 was a bombshell day for the music business, as the release of the DCMS Committee's explosive report into the economics of streaming raised more questions around royalties than ever before. Several weeks on, the industry is still seeking answers from the government, but the fallout threatens to run and run.

"In the coming years the DCMS Committee inquiry will undoubtedly be seen as an important moment in time, when all our attention was singularly focused on how streaming has changed our industry," says PRS For Music CEO Andrea Czapary Martin, who was among those to be grilled by MPs on the subject.

Calling for a "complete reset" on streaming, the committee concluded that performers, songwriters and composers receive only "pitiful returns" as a result of "poor royalty rates and the lower valuation of songwriting and composition, compared to the value of a song's recording". The verdict came as no great surprise to Martin.

"The voices of many PRS members were loud and clear – the royalties they receive from streaming don't reflect the value of their works, or their creativity," she says. "This is not a revelation, it is something which songwriters, composers and publishers have long understood, but the DCMS inquiry has provided a forum for a wide and public debate.

"There is much that can, and indeed must, be done if we are to guarantee that our future, which will for the foreseeable be dominated by streaming, works for all parts of the industry. The music ecosystem has always been one of dependency, which works best when all parts of the value chain are properly respected and rewarded. PRS For Music will play its part in ensuring that the value of songwriters,



"The music ecosystem works best when all parts of the value chain are properly respected and rewarded"

Andrea Czapary Martin

PRS FOR MUSIC

composers and publishers is properly recognised and that their rights are fully protected."

Over at neighbouring rights organisation PPL, which operates a public performance licensing JV with PRS in the UK, one fact in particular stood out to CEO Peter Leatham.

"The overall value of the industry [\$20.2bn in 2019] is still less than it was back at the peak in 2001 [\$23.4bn], so that is a bit of an issue in terms of who can sustain a living," he says. "It's just a challenging backdrop, with so much more competition because of streaming, which is where we really do need help from the government in terms of the value gap and licensing of YouTube and things like that. Other than that, it is clearly a very broad-ranging report and it will be very interesting to see what government does with it."

Leatham was quizzed by MPs during the inquiry on whether PPL could oversee a new system proposed for "equitable remuneration" (ER) – a direct payment owed to performers whenever a sound recording of a performance is played in, or broadcast to, the public (see panel, p72).

"If there's a decision that ER is to be payable on streaming for performers in any particular way, then we'd be very happy to step forward and provide services to help do that," Leatham tells *Music Week*.

PPL collected £225.7 million for performers and recording rightsholders in 2020 – the third highest amount in its history. Even so, the figure represented a decrease of 17% on 2019 as the impact of Covid began to bite.

"Clearly, the pandemic has had a massive impact because we license public premises like nightclubs, bars and shops, and all of these places have been closed. We've had a massive hit to our collections in the UK," acknowledges Leatham. "Generally speaking, the whole public performance area has been very much affected in the UK, and will be

for some time. A lot of those will come back, particularly in hospitality, but there are going to be challenges for retail in terms of the High Street and what's going to happen there."

PPL administers international neighbouring rights for artists such as Rita Ora, George Ezra, Björn Ulvaeus, Sigala and Blossoms. The company currently has over 100 agreements with international collective management organisations (CMOs) around the globe. International collections remained strong with £85.9m, just 0.9% down on 2019, although that is subject to lags that will likely result in a further downturn in 2021. Leatham plays down the forecast as an "understandable blip" given the unique circumstances.

"The direction of travel for neighbouring rights is still very positive," he insists. "Only around a third of the countries in the world have got rights, so there is an opportunity for more to be getting them over time. And for the third of the countries that do have them, there are lots of opportunities in terms of market penetration and tariff values that have driven the growth we've seen over recent years. So I think the position of the sector is strong, subject to the fact that, understandably, the pandemic is causing a bit of an issue for a year or two on overall collections."

PRS, meanwhile, distributed a record £699.4m to its members in 2020, a year-on-year increase of 2% (£13.4m). However, many of the royalties paid out last year were collected before the first lockdown and distributions are expected to fall by at least 10% this year. Following years of record growth, revenues collected in 2020 fell 19.7% year-on-year to £650.5m.

"The revenues we collected from live fell by 80% in 2020, and overall income from public performance declined by 61.2%," notes Martin. "There is, however, a real sense of optimism in the air that the restrictions which have so limited customers' businesses are now behind us. We will be working closely with PPL in the coming weeks and months to support those customers as they reopen and rebuild."

"The whole music industry has recently experienced one of the most turbulent periods in our history," she continues. "It has challenged companies and individuals in ways that were previously unimaginable. Changes to how we live, work and spend time with friends and family over the last 18 months has accelerated the evolution of how we use and enjoy music. This has, of course, presented challenges, but in the long term it will mean greater opportunities for our industry to grow."

The UK collection society represents 155,000 songwriters, composers and music publishers including the likes of Harry Styles, Lewis Capaldi, MNEK, Celeste, Idles, Mabel, Stormzy, Moses Boyd and Mylek. And Martin believes that the pandemic and the resulting national restrictions have reasserted the importance of royalties for creators.

"Collective management can provide significant efficiencies and economies of scale for members, collecting and distributing royalties from multiple sources with greater efficiency, while using the collective strength of members' rights to maximise the value of their works," she says. "For our customers, we offer the opportunity for them to use tens of millions of musical works from around the world, often through just one licence. We heard time and time again, not least from those applying for the PRS Emergency Relief Fund, that for some members, PRS For Music royalties were their only real source of income in 2020. This is why it was so important that we were able to pay out a record £699.4m to members last year, something we are immensely proud of."

With offices in London, New York, Los Angeles and Nashville, business management firm Gelfand, Rennert & Feldman offers a full royalty service in one place, offering day-to-day administration, audits, valuations and royalty processing/accounting. The company works with a vast array of clients, from new artists to international superstars.



Meeting PPL is easy: PPL client Sigala

Royalty division manager Tracey Myall says collective management organisations have a crucial role to play in an artist's career.

"Not just to the artists themselves, but also all the other performers/producers that are involved in the recording," she stresses. "Due to the lack of touring, the pandemic has made artists and songwriters focus on their bread and butter income of records and publishing. We are able to maximise members' income by working closely with artists and their team, record companies, publishers, PROs and CMOs, to ensure everything is registered correctly and being properly accounted."

Last October, the International Music Publishers Forum (IMPF) issued a report showing the value of music publishing alone in 2019 was estimated at €5 billion (£4.29bn) globally.

"We are delighted that copyrights are finally being recognised for the value of their worth," says Myall, who advises creators to "make sure you get the team around you and keep pushing the boundaries".

Challenging a common misconception, Myall points out that royalty collection is a far more complicated area than it first appears.

"It's a complex business with an ever-changing marketplace that we have to make sure our knowledge keeps pace with," she says.

With an eye on the future, Myall says there is a need for "increasingly sophisticated" technology to be developed in order to keep pace with the modern world.

"The volume of the data now being received has grown at an exponential rate, but software capabilities are not growing at the same rate," she adds.

Continuing on the technology theme, Martin details how PRS has bolstered its data processing to pay out royalties as quickly as possible.

"Last year we processed in excess of 22 trillion lines of music use, an increase of 19% on the year before," says Martin. "This exponential



"The overall market has grown from \$1.3bn in 2009 to \$2.5bn in 2019"

Peter Leatham

PPL



"Copyrights are finally being recognised for the value of their worth"

Tracey Myall

GELFAND, RENNERT & FELDMAN



"If equitable remuneration is applied, the change occurs between label and recording artist, with no change to the songwriter"

Colin Young

CC YOUNG & CO



A royalty affair: PRS songwriter client Mylek



Yes to PRS:
PRS songwriter
client Mabel

Music's place as a world leading rights management organisation, with the target of becoming a billion-pound organisation by 2026," she says. "Not in revenues, but in royalties paid."

Leathem also finds reason for cheer when it comes to PPL and neighbouring rights as a whole.

"The overall market has grown from \$1.3 billion in 2009, to \$2.5bn in 2019," he points out. "That is almost a doubling of the market over a 10-year period. Now, whether we double it or not over the next 10-year period, it will still be a significant amount of growth. There are so many entrants to the market because there is a large growth potential, so I think there's a very positive future for this area of the market. Obviously, the demand for music is as great as ever and it's about trying to make sure we monetise that demand effectively."

He concludes: "I think PPL has got very good at what it does. If you look at the increase of our collections, we went from £129 million in 2009 to £271m in 2019 and we're paying 135,000 performers and record companies in a year now. Many more people are getting paid on many, many hundreds of thousands of recordings, but we'll always keep trying to get better."

growth in data shows no signs of slowing down, and indeed we aspire to receive more data to ensure we can distribute royalties even more accurately. The challenges of big data must be met with innovative technological solutions, including machine learning and cloud-based platforms, and this is driving our ambitious digital strategy."

She continues: "The streaming market and the big data it generates should be the gateway to paying out royalties at the most granular of levels, to further shift away from any analogy-based distributions. This is certainly our aspiration. But there is still more which needs to be done to achieve this, before big data can become good data."

Leathem points out that since taking over as PPL chief in 2012, the organisation has gone from paying 20,000 performers a year to more than 100,000.

"You're matching millions of recordings to billions of seconds of airplay, so you need to have some good technology behind the scenes," he says.

PPL was selected to develop and operate the technology systems behind data exchange service RDx, which launched last year. The system lets labels exchange data with music licensing companies via a centralised hub, in the industry's latest attempt to standardise data for the digital age.

"The willingness for people to get together and adopt certain standards has been very important," suggests Leathem. "It's not just the technology itself, it's the level of collaborations that are taking place to allow money to be paid out. It is definitely helping to drive better collections and then better efficiency of getting the money out accurately and quickly."

Later this year, PRS For Music will depart King's Cross to launch its new hub in Hay's Galleria in London Bridge.

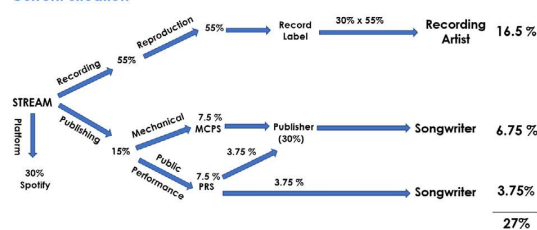
"Although we will miss King's Cross, it was important that we ensure our offices reflect our new ways of working and ultimately, we hope to pass on significant cost savings, up to £1 million, to members," notes Martin.

Martin recently outlined a five-year vision for PRS, and, despite increased competition within the marketplace, is confident enough to reiterate its £1bn goal.

"As we look ahead, we will cement PRS For

(Inter)national treasure:
PPL administers international
neighbouring rights for
George Ezra

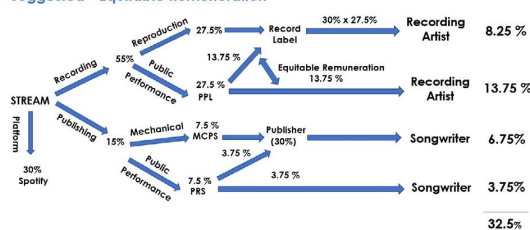
Current Situation



Recipient	Percentage
Platform	30.00%
Record Label	38.50%
Recording Artist	16.50%
Songwriter	10.5%
Publisher	4.5%
	100.00%

27%

Suggested - Equitable Remuneration



Recipient	Percentage
Platform	30.00%
Record Label	33.00%
Recording Artist	22.00%
Songwriter	10.5%
Publisher	4.5%
	100.00%

32.5%

THE NUMBERS GAME

CC Young & Co's Colin Young
guides you through the company's
equitable remuneration projections

Among the DCMS Committee's recommendations for streaming was a call for the government to introduce a right to equitable digital music remuneration (ER).

"Though performers have a right to [ER] where a commercially published sound recording is rented – broadcast via the radio, or played in public – streaming exploits the 'making available' right for recordings under UK copyright law," it said. "The report says the right to equitable remuneration should be applied to the 'making available' right, drawing on the precedent of how the right to equitable remuneration applies to rental. [It would be] a simple yet effective solution to the problems caused by poor remuneration, as it is a right already established within UK law and applied to streaming elsewhere in the world."

Colin Young, director of Music Week

Award-winning accountancy firm CC Young & Co, explains that publishing categorises a stream as part physical record sale (mechanical) and part radio play (public performance), whereas the record industry categorises a stream as a wholly physical record sale, and no public performance.

Young was invited to present a paper on ER to Berklee College Of Music, Valencia, back in January 2020, which was subsequently submitted to the DCMS streaming inquiry.

"The lecture considered the current streaming arrangement and how the money is divided between the participants, recording artist, record label, songwriter and publisher," explains Young. "The paper examined equitable remuneration and whether the EU legislation should have been applied to streaming and the financial consequences had equitable remuneration been applied."

Young's London-based company represents 250 artists and undertakes royalty audits, specialising in streaming audits. The director was cross-examined as an expert witness in the first session of the DCMS hearing last year. His study (see graphs) – comparing the current allocation of revenues from music streaming with what would happen if ER was applied (based on "a generous" 30% artist royalty rate) – formed part of the report's findings.

"If equitable remuneration were applied, the consequential change occurs between record label and recording artist, with no change to the songwriter," concludes Young.

CC YOUNG & CO

CHARTERED ACCOUNTANTS & REGISTERED AUDITORS

LONDON & STOCKHOLM

ROYALTY SPECIALISTS

RECORDING & PUBLISHING AUDITS

CATALOGUE VALUATIONS

For More Information Email: info@ccyoung.co.uk



WWW.CCYOUNG.CO.UK | WWW.CCYOUNG.SE



Instagram [CCYOUNG_AND_CO](https://www.instagram.com/ccyoung_and_co)

MusicWeek
AWARDS2020
WINNER