



On the rights track: (L-R) PPL client Anderson Paak, Media IP Rights client Jessie Ware, Downtown client Young T & Bugsey and Peermusic client Megan Thee Stallion



ALL RIGHTS NOW

Neighbouring rights collections are a vital part of the record industry's economic landscape. In this special report, *Music Week* catches up with the sector's main players to explore the latest market trends and look at the opportunities that lie ahead as the business emerges from the Covid-19 storm...

— WORDS: JAMES HANLEY —

If the neighbouring rights business was underappreciated prior to 2020, the events of the last two years have ensured it would never be taken for granted again. As Covid-19 sent previously reliable revenue streams hurtling off a cliff, the NR market helped mitigate the damage.

"The Covid-19 pandemic has reaffirmed the importance of consistent, foreseeable income to rights-holders, which neighbouring rights provides," stresses Erik Veerman, MD of Peermusic Neighbouring Rights. "As the means by which rights-holders would normally receive income, such as live performance, were negatively impacted by worldwide lockdowns, we were there to step in and provide a steady stream of income to our clients. The feedback we received from appreciative clients during this period was deeply rewarding."

Spearheaded by CEO Mary Megan Peer, the independent publishing powerhouse acquired All Right Music, Global Master Rights and Premier Muzik to signal its entrance into neighbouring rights in October 2020. Spanning 38 offices in 31 countries, its NR branches now encompass more than 300 record labels and over 2,500 performers, including Rihanna, Billie Eilish, Imagine Dragons, Metallica, Bruno Mars, Megan Thee Stallion and Panic! At The Disco.

"Neighbouring rights are incredibly important to the performers and master owners who are able to collect them," Veerman tells *Music Week*. "Countless session performers are often unaware that they're entitled to neighbouring rights on recordings on which they performed a non-featuring/session role. In these instances where

they're due a substantial sum of money, it has the potential to be life-changing."

Generating income for performers and labels for the public performance or broadcast of their recordings, the sector's value exploded in the 2010s, swelling from \$1.4 billion (£1.1bn) at the start to \$2.6bn (£2bn) by the decade's end.

Reflecting that boom, the Independent Alliance For Artist Rights (IAFAR) has announced the first ever conference dedicated to neighbouring rights from June 21-22 this year, culminating in the organisation's AGM. Taking place in London and Los Angeles, both in-person and with a hybrid [online] element, panel titles include What Managers Need To Know, Neighbouring Rights 101, Metadata Explored, and Legal Hurdles.

"We have representatives from CMOs [collective management organisations] coming to answer questions from our membership," says IAFAR president Naomi Asher. "We're partnering with the MMF US, MMF UK, the Music Producers Guild and other organisations to focus on a broad range of issues. This complex income stream has existed since the 1960s and is still evolving. IAFAR has been instrumental in the dialogue driving that evolution for the past three years since we were founded, and we want to share the changes in legislation and continue our educational drive to enable even more performers and rights-holders to engage and, ultimately, to increase their incomes."

Asher, who is also VP of neighbouring rights at Sony Music Publishing, adds: "There has never been a dedicated NR conference and we felt it was important to make new inroads in the awareness



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CC Young & Co



"There's a need to make neighbouring rights more transparent"

Naomi Asher
IAFAR

of this income stream. Neighbouring Rights has become the buzzword. More and more companies are expanding in this area and there's a definite need to make it more transparent and more accessible."

UK music licensing company PPL collected a record £94 million last year, up 9.4% on its 2020 total. PPL attributed the total to factors such as improving recording metadata and the identification of recording usage, which helped it to claim and collect more revenue.

"Fundamentally, music is more popular than ever in terms of business use," elaborates PPL CEO Peter Leatham. "You've got broadcasters using music to enhance their programming and businesses using music in their premises to increase dwell time. There is a demand there, and we've got better in the UK at licensing that."

"The last couple of years have helped to highlight that most performers need a mixed set of income streams – and neighbouring rights has clearly become a crucial part of the mix."

The advancements are not limited to the British Isles. Since 2006, PPL has collected nearly £700 million of international revenue and has 105 agreements with CMOs across Africa, Asia, Australia, Europe, North and South America.

"Internationally, only about a third of countries, historically, had neighbouring rights, and over those years a few more countries have come on board," notes Leatham. "If you put those things together – demand, better licensing, better market coverage – it's driven the growth we've had. We've pretty much doubled our revenue in the last 10 years."

Nevertheless, it is anticipated the business will still take a hit from the Covid effect further down the line.

"We've not had the impact of international [collections] yet," says Leatham. "We'll see the effect of 2020 and '21 this year in terms of that. Effectively, what the pandemic has done has meant that we've got impacted collections for 2020, '21 and '22, so we're not anticipating getting back to the more 'normal' position until at least 2023."

Media IP Rights co-founder and MD Steve Daniel agrees.

"The fact that retailers, clubs and restaurant licence fees were disrupted for two years will have a serious effect on distribution for the next 24 months, but thereafter it should recover."

He also highlights concerts around the potential removal of the licence fee to the BBC in 2027, which "could have a serious detrimental effect on the size of any agreed broadcasting blanket fee for music used by the corporation. This needs to be monitored very carefully indeed."

London-headquartered Media IP Rights looks after more than 600 clients, from Andrew Lloyd Webber to record label Black Butter. And with representatives in Paris, Los Angeles and Rio de Janeiro, the company is very much a global concern.

"We have a strong client base not only in the UK but also in Europe as well as in North and Latin America," points out co-founder and director Hanna Grzeszczyk. "No doubt there is a much better awareness of neighbouring rights amongst the rights-holders: artists and labels, and their entourage. I am being contacted by a number of our clients who acknowledge how grateful they are for the work we have been doing for them over these times. The receipt of regular payments, as in many instances, allowed them to survive the difficult period."

Grzeszczyk advises that an important topic to remember to monitor is payments from streaming services to artists.



"We are looking into offering our publishing clients neighbouring rights collections"

Mary Megan Peer
Peermusic



"A better understanding of the sector will allow us to be more aligned"

Dean Francis
Downtown



Rights of way:
Downtown client Koffee

Good neighbour:
Peermusic client
Billie Eilish



"A few European countries have already introduced legislation allowing their local CMO to collect and distribute such income, and other CMOs in Europe are actively lobbying their governments for the changes," she says. "Belgium is the most recent place where, pending parliamentary approval, artists will be granted with non-waivable and non-transferable rights to receive remuneration from streaming via the Belgian CMO."

Grzeszczyk also stresses the need for the business to keep pace with technology.

"There needs to be urgent catch-up between technical development and the legislation so all areas of music usage within the entire entertainment industry are addressed, including any possible income on the NR side," she says. "Streaming must be addressed everywhere as a priority. Further, hopefully more and more countries in LATAM, Asia and Africa will adjust to the rules of NR."

Music heavyweight Downtown Music Services joined the fray in summer 2020, establishing Downtown Neighbouring Rights, a standalone business unit dedicated specifically to performance royalties. The company's international team navigates the complexities of performance royalties rights management with over 50 societies around the world on behalf of clients such as Justin Bieber, Lindsey Buckingham and Young T & Bugsey.

Downtown Neighbouring Rights is powered by its Fuga subsidiary, which streamlines and automates aspects of the royalty collection process to allow greater focus on client relationships and data analysis.

"With Fuga's technology, we have been able to create solutions that remove much of the heavy lifting from the administrative business of delivering metadata to societies," says general manager Dean Francis. "This, in turn, allows for us to spend more time analysing society payments, spotting anomalies and client management. We are really excited about what we can do with technology and data in order to present this to our clients in a way that is empowering."

“That being said,” Francis continues, “our focus will always be on how we can best assist our clients through furnishing them with all of the information they need for them to be confident in the services they have entrusted us with providing to them, as well as educating them about this area of royalty collection. We have a lot of experience within the team that has allowed us to have a really thorough understanding of client specific requirements.”

Francis suggests there is still a need to increase awareness of neighbouring rights within the wider industry.

“A better understanding of the sector will allow us to be more aligned and move forwards with confronting issues that allow artists and labels to collect income that they are rightfully entitled to,” he adds. “From knocking down doors at societies that were reluctant to distribute these monies 10 to 15 years ago, we can now apply pressure on them to improve efficiencies and look into the potential of collection from what is perceived as a grey area – the use of recorded music on digital platforms that are similar to broadcast.”

Music Week Award-winning accountancy firm CC Young sits between the artist/rights-holder and CMO.

“There isn’t one best approach that works for all performers; we help them collect in a way that is suited to their needs,” says CC Young director Colin Young. “We work with artists and independent rights-holders to check that registrations and claims are accurate, we handle duplicate claims, and we collect more directly from overseas. These rights are durable, and the importance of an income stream separated from the commercial recording deal without recoupment absolutely cannot be overstated.”

Young notes that reciprocal deals continue to be struck with smaller and emerging international markets.

“As well as better overseas collection through reciprocal deals, the progression made by CMOs worldwide in terms of processing and online work registration tracking makes direct overseas collection more accessible,” he says. “Performers have more flexibility over how to collect their income, and they can receive royalties faster. The rise of the label services deal has also helped in this area: more and more performers are self-releasing, which puts the rights-holders’ share of neighbouring rights back in their hands.”

Young also points out: “The ongoing challenge, which is also a large opportunity, is to secure neighbouring rights collections in more territories where there is currently no obligation to licence broadcasting.”

Peermusic’s Mary Megan Peer sees an opportunity in increasing the number of societies her company collects from.

“We already collect from over 40 societies around the world, and with Peermusic’s presence in 31 countries, we are able to expand this to include territories where a local company is required for collections,” she says. “Another opportunity we are looking into is being able to offer our publishing clients neighbouring rights collections.”

Peer also sees real room for development when it comes to societies standardising their registration and claiming formats.

“This would make registrations quicker and



“The receipt of regular payments allowed our clients to survive this difficult period”

Hanna Grzeszczy
Media IP Rights



“We believe UK and international licensing is going to continue to grow”

Peter Leathem
PPL



cleaner for everyone, and allow the societies to spend more time matching and distributing income,” she says. “Legislation is developing rapidly on a global basis. For example, China, which is a huge music market, recently passed laws recognising neighbouring rights for the first time. We are now waiting for them to designate an entity which is fully authorised for collections.”

Downtown’s Francis is interested to see how licensing fees from traditional broadcast platforms are affected by consumption trends towards digital platforms.

“With fewer listeners, there will be reduced advertising income from commercial TV and radio, and therefore less distributable revenue for artists and labels,” he suggests. “At the same time there are still many opportunities for growth in both the public performance licensing sector and in emerging markets where there is either no collection set up or room for improvement in their existing operating structure.”

PPL’s Leathem paints a healthy picture for the future, bar a short-term spanner in the works.

“We believe our UK licensing is going to continue to grow and our international licensing is going to continue to grow,” he says. “In the next couple of years, there will be a bit of a dip on international because of the impact of the pandemic. But longer term, we see both areas as being excellent opportunities for growth.”

IAFAR’s Asher finishes with a call to arms: “It is so important for artists and rights-holders to earn every penny possible. The money is being earned and so many people don’t know how to access it,” she says. “This is an income stream that is not affected by decline in the live industry, so it’s vital for artists and rights-holders to collect the income and make sure they continue to earn even more in the future.”



PPL pleaser:
PPL client Emeli Sandé