



WELCOME TO

THE NEIGHBOURHOOD

Neighbouring rights may not be the flashiest part of the music industry, but it stakes a bold claim as one of its most important. Here, in a **special report**, we gather a selection of the key players to debate the fall-out from the 2020s NR boom, talk international expansion and look ahead to the future of a sector that just won't stand still...

— BY JAMES HANLEY —

The neighbouring rights boom was one of the music industry's great unsung success stories of the 2010s. Valued at \$1.4 billion at the start of the decade, the business had almost doubled to \$2.6bn by 2019. And while the pandemic threatened to derail that momentum at the start of the 2020s, all signs point towards it being a mere temporary detour.

Music licensing company PPL certainly thinks so. The company, which turns 90 next year, counts Rita Ora, Blossoms, Paul Carrack, Steve Angello and ABBA's Björn Ulvaeus among its clients. It paid out just under £245 million to 165,000 performers and recording rights-holders in 2022 – the second highest total disbursed by PPL in a calendar year – bettered only by 2020's £260.2m.

"Before Covid-19, neighbouring rights had been on a long term growth trajectory and, despite the challenges the pandemic brought, we believe this positive trend remains unabated, spurred by new markets, new licensing opportunities and new legislation," PPL CEO Peter Leatham tells *Music Week*.

Revenues are delivered to members when their recorded music is played in the UK and around the world in public, on TV and radio. Moreover, the Covid crisis brought the work of the sector into sharp focus.

"It was one of the few sources of continuing income for performers and recording rights-holders, with the live market sadly in lockdown and fewer recording opportunities available," notes Leatham. "Between 2020 and 2022, PPL distributed almost three quarters of a billion pounds to performers and recording rights-holders. The market has now recovered to pre-pandemic



"In order to get paid, you must capture, share and manage your data accurately"

CHLOE ROWLETT
PPL

Good neighbours:
(Top, L-R) PPL clients Blossoms, Peermusic's Megan Thee Stallion and Downtown client Justin Bieber

levels and I am pleased to say that we are looking towards positive future growth."

As the figures have increased, so has the level of competition. PPL head of international Chloe Rowlett describes the growth of the market as "explosive".

"We are seeing both an increase in the number of new players in this space, as well as market consolidation from a number of mergers and acquisitions," notes Rowlett.

Independent publishing giant Peermusic is one of several high-profile entrants into the sector in recent years, forming a neighbouring rights powerhouse after the 2020 acquisition of Premier Muzik, All Right Music and Global Master Rights.

It represents approximately 3,000 performers including the likes of Billie Eilish, David Guetta, Megan Thee Stallion, Metallica and Carl Cox, and 300 recording rights owners such as Armada Music, Ninja Tune, CoDiscos and Big Machine. It also provides services to several CMOs which have assigned Peermusic to collect and administer all international remuneration for their recording rights owner members, including IFPI Sweden.

"We have clients we have represented for 20 years, and over this time we've seen the value of their neighbouring rights increase significantly," says Peermusic neighbouring rights MD Christophe Piot. "This growth has been driven by two factors. Firstly, there has been an upward trend in collections over the past two decades – Covid aside – and we anticipate this will continue into the next decade. Secondly, we're seeing new territories effectively collecting and paying neighbouring rights."

These developing markets are where the biggest opportunities

Party next door: (L-R) PPL client Rita Ora, Peermusic's Billie Eilish and Ryan Tedder of Downtown client OneRepublic



lie moving forward, believes Peermusic CEO Mary Megan Peer.

"The vast majority of global neighbouring rights revenues are currently generated from the US, Europe and the UK," says Peer. "And while these well-established CMOs steadily improve efficiency and increase their collections, those countries comprise only around a third of the world economy and less than 20% of its population. In Latin America, Asia and Africa, the value of other income streams such as digital, touring and publishing has been increasing more quickly in recent years, so the neighbouring rights have potential for significant growth as rights are established, enforced, licensed and the royalties accurately distributed."

Also in 2020, another industry heavyweight, Downtown Music Holdings, brought all of its neighbouring rights capabilities under the Downtown brand, combining its Downtown Neighbouring Rights service with the neighbouring rights division of its Fuga subsidiary. Lindsey Buckingham, Ella Fitzgerald, Justin Bieber, Sub Pop Records, Yearooo!, Polyvinyl, Insomniac, OneRepublic and Jon Batiste are among those affiliated with the company.

"Recent changes in qualification rules see US performers receiving revenue from countries where they previously had not," notes general manager Dean Francis. "There are increasing opportunities to set up collection and distribution societies within global markets that have been recognised as potential for huge growth. For example, Nigeria has had huge market growth in recent years and it is important to have systems where artists and labels in those regions are monetising their music locally."

Francis says one of the most interesting changes is the impact of catalogue acquisitions, which include the sale of NR income streams.

"Whilst the artist's rights are non-transferable, the purchaser of the

catalogue could 'own' the majority share of revenue that is payable to the artist," he explains. "This is problematic as most societies will not accommodate multiple payees and all payments are made to the 'performer' themselves as the person to whom the right to equitable remuneration has been granted. How this is managed at CMO level could have a significant impact on the collection of NR income."

Colin Young, director of accountancy firm CC Young, which sits between the artist/rights-holder and CMO, elaborates on the ramifications of that shift.

"With catalogue sales and rights acquisitions now commonplace, neighbouring rights are often seen not only as a valuable income stream, but an asset which can be traded, even at the performer level," he notes.

Young says his company is interested in the "reliability and durability" of neighbouring rights royalties for its clients, "especially when they are not touring", as well as developments in legislation that could see increased collections from overseas. Session musicians, he adds, who may have previously accepted a buyout for playing on a record, can now seek additional payment for a 20% share after 50 years due to recent changes in legislation.

"There are now far more opportunities to collect neighbouring rights income," Young asserts. "The American Music Fairness Act has just been reintroduced in the US and it is backed by US CMO SoundExchange. If implemented, this would compel US terrestrial radio stations to begin paying out royalties for the use of recordings. There are also plans to unlock future royalties from South America and Asia."

Young gave evidence to MPs during the DCMS Committee streaming inquiry, based on his expertise with royalties models and experience of auditing accounts for clients. He was drawn into the hearings, which concluded that streaming needs a "complete reset", after he made a study of equitable remuneration – a proposal to bring the streaming royalties system for artists more in line with broadcast royalties.

"The discussion of equitable remuneration on streaming income is likely to be one which will continue, and should there be a major change or 'complete reset' in



"The trend for catalogue acquisition could have a big impact on neighbouring rights"

DEAN FRANCIS
DOWNTOWN



"There is potential for significant growth in Latin America, Asia and Africa"

MARY MEGAN
PEER
PEERMUSIC



"Artists should have the freedom to do more with their own rights"

COLIN YOUNG
CC YOUNG

legislation of this nature, it could be one of the biggest changes to copyright law for this generation," he says.

PPL is also keeping a close eye on the situation.

"Discussions are ongoing over the development of new rights for performers from the music streaming economy and, whilst PPL does not play a part in the lobbying for such rights, we are available to administer them should there be a change in UK legislation," chips in Peter Leatham. "Indeed, we are already collecting such income on behalf of our members from countries, such as Spain, that have introduced a streaming remuneration right."

As far as Downtown's Francis is concerned, however, there remains a need to increase knowledge of neighbouring rights.

"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 opines. "An increase in awareness will also be more beneficial to independent labels and artists who have less access to industry professionals able to advise them of the neighbouring rights process. Additionally, a more streamlined and efficient process for rights-holder dispute resolution is needed. It is time-consuming and often repetitive with the same disputes occurring in many different countries."

Francis stresses the importance of artists and rights-holders keeping track of how they collect their neighbouring rights. "Reviewing your collection set up and managing your title claims on a quarterly or bi-annual basis is optimal," he says.

Elsewhere, Peermusic Neighbouring Rights MD Paul Smelt highlights the technological advances that are pushing the industry forward. Smelt points out that many CMOs have been improving their

technology for collecting and distributing income to clients, either by building software themselves or partnering with third-party data or software providers.

"These type of improvements in technology result in greater transparency and accuracy for artists and rights owners worldwide as they aim to manage rights and matching usage at track-level, to enable accurate and fair distributions," Smelt adds.

At PPL, Chloe Rowlett believes that the industry's approach to metadata management is also starting to change for the better.

"There is greater understanding among the music industry at large that, in order to get paid, you must capture, share and manage the data in your recordings accurately," she offers. "At a global level, there is much better coordination and collaboration amongst collective management organisations (CMOs) on everything, from how to improve global collections to increase revenue, through to how to be more accurate in the distribution of monies."

Nevertheless, PPL's Leatham indicates that, operationally, the industry still has a way to go when it comes to standardising its processes and systems to ensure a more joined-up approach.

"Data is key to ensuring that monies flow seamlessly through to performers and recording rights-holders, regardless of where and when their music is played," he says.

Colin Young, meanwhile, would like to see the registration and administrative process simplified "to give performers the freedom to do more with their own rights and not be over-reliant on a third party". The CC Young boss also predicts the wave of performer rights acquisition deals will test the rules of non-assignability for performers' rights.

"A performer's repertoire can split on the rights-holder side amongst different labels to collect," he says. "Will we see CMOs soften on the payment direction and assignment of acquired performer rights? New music services could create a land-grab for rights and we expect more tussles over how consumption is viewed according to how interactive it is."

With an eye on what comes next, Peermusic's Erik Veerman waxes lyrical about the company's investment in its own technology and data to ensure clients are provided with "the highest levels of transparency and insight into their neighbouring rights".

"We see that the utilisation of technology to make sure that neighbouring rights are optimally managed, registered and collected will be increasingly important," says Veerman. "Awareness of neighbouring rights has grown a lot in recent years, and as artist and rights owners become more knowledgeable about this income stream we also expect to see a lot more focus on the performance and efficiency of the CMOs and companies involved in collecting and distributing it."

Veerman, too, is forecasting a smoother process in the future.

"In some markets there are multiple CMOs and complex arrangements for passing revenue and data between them which leads to higher cost rates," he says. "Difficult questions will be asked about whether that needs to continue to be the case and we expect to see more collaboration, if not consolidation."

With consumption trends moving more heavily towards digital platforms, Downtown's Francis suggests there could be an adverse affect on licensing fees across traditional broadcast 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 says. "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. As technology improves, there is the potential for CMOs to distribute more frequently."

Ending on a positive note, Peermusic's Veerman sees much reason for the neighbouring rights market to feel cheerful.

"We've been pleased to see that the negative dip in CMO collections and distributions following the pandemic has turned back into growth," he concludes. "We're very optimistic..."

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