



12th September 2016

Digital Economy Bill

House of Commons Second Reading Briefing

Tuesday 13th September

Today, UK Music, the umbrella body for the commercial music industry, published its Measuring Music report into the economic contribution of the music industry. The sector is worth £4.1 billion to the economy and generated exports of £2.2 billion in 2015. The industry now employs 119,020 people.¹

This is the fourth annual report from UK Music. Over the past four years the sector has grown by 17%, out-performing much of the rest of the economy. Over the same period UK GDP increased by 10%. During this time there has been a massive change in consumer behaviour, from ownership of music to streaming.

The music industry plays a key role in the production of content which is increasingly consumed and enjoyed in the digital world. The music industry strongly supports the growth of a legal functioning digital market and believes that the creative content produced by our members will continue to enable this significant part of the economy to flourish.

Globally, digital music contributes 45% of recorded industry revenues, this year overtaking physical market revenues for the first time.²

The Digital Economy Bill presents a welcome opportunity for Parliament to consider what the British music market looks like and the legislation that provides its framework.

Subscription streaming has taken the music market to renewed overall revenue growth. Whilst sales of digital downloads have slowed (the digital album market was worth £774 million in 2013 and is now worth £687 million³), declines have been offset by the growth

¹ <http://www.ukmusic.org/research/measuring-music-2016/>

² <http://www.ifpi.org/news/IFPI-GLOBAL-MUSIC-REPORT-2016>

³ Revenue figures from music retailers in 2015, Entertainment Retailers Association.

UK Music
4th floor
49 Whitehall
London, SW1A 2BX

T. 020 3713 8444
info@ukmusic.org
www.ukmusic.org

of the music streaming market. Year on year, the streaming market has increased by 49% (£168 million in 2014 to £251 million in 2015)⁴.

Access to music, as opposed to purely ownership of music, is an increasingly important business model for the music industry. The growing opportunities of streaming should be supported as the market consolidates itself and the industry continues to adapt.

Subscription based streaming services such as Apple, Spotify and Tidal offer value-added curation and care. The challenge is to convince all services to properly value the brilliantly gifted music we make. Realising the growth of subscription streaming is dependent upon a market which operates effectively and fairly.

YouTube is by far the most popular method of music consumption in the UK. A recent Audiencenet study found that of a sample of 3,415 people, 30% were weekly users of YouTube to listen to audio content, making it by far the most popular platform.⁵ The YouTube model, despite its reach, is yet to deliver fair financial returns however. In 2015 the service increased its music rights payments by 11% on the previous year despite total streams growing by 132%. Per stream rates fell from \$0.0020 to \$0.0010.⁶ This is an example where revenues from certain ad-funded digital services effectively devalue our music.

YouTube and similar services are vital for the music industry to reach fans but this wide disparity, as a result of out dated legislation, needs to be addressed.

UK Music asks MPs to support a second reading of the Digital Economy Bill. Provided that the House agrees to a second reading, UK Music will produce suggestions for amendments for consideration to be tabled at committee stage of the Bill.

The Digital Economy Bill represents the first piece of UK legislation to be considered by Parliament that directly impacts the music industry since the recent referendum decision to leave the EU. It is likely that it will be on the statute books way in advance of the UK leaving the EU. The Bill should address measures that will allow the industry to continue to prosper and flourish during this new phase and beyond.

- For more information please contact Tom Kiehl, Director of Government and Public Affairs, UK Music on tom.kiehl@ukmusic.org or 020 3713 8454.

⁴ Revenue figures from music retailers in 2015, Entertainment Retailers Association.

⁵ <http://www.ukmusic.org/research/measuring-music-2016/> p. 11 – 12

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