



In March 2020, the world became a silent place: tours were cancelled and venues shut down, shows and festivals were rescheduled for 2021. Across Europe, the livelihoods of artists, songwriters, producers, musicians and DJs - as well as their managers and wider teams - were thrown into turmoil.

As a result of the Covid-19 pandemic, music streaming assumed new importance. While other revenues paused overnight, services such as Spotify, Apple Music, YouTube and Deezer ensured the recorded music business continued to function, and thrive. According to recent reports, the world's three major record labels currently generate over \$1m per hour from streaming.

This should be a cause for celebration.

Streaming has not only returned the recorded business to health, but European consumers have led the way in adopting new forms of consumption.

Europe generates over one third of global recorded music revenues.

Streaming has also fundamentally changed the recorded business. Artists entering the market in 2020 have far greater choice than those from previous generations in terms of how their rights are assigned and controlled. Subsequently, the role of the music manager has also assumed greater importance, helping empower music makers to build their own businesses. The "music industry" is increasingly populated by self-employed micro-enterprises.

However, the pandemic has highlighted a stark disconnect at the heart of this digital economy, with "old world" business practices working to the detriment of artists and audiences.

The fact that streaming services are still licensed on the basis of the world as it was ten years ago - not the world as it is now - means too little of that \$1m per hour is reaching those who create and perform the music we love.

In practice, three multinational global record corporations are still defined as the majority “rights owners” of music.

Inequitable and outdated licensing practices based upon “market share” result in substantial upfront advance payments to labels, alongside equity stakes in digital services, secretive breakage clauses, non-disclosure agreements and a general lack of transparency.

Streaming fraud appears rife, while other inefficiencies in the distribution chain - notably the “black box” revenues held by Performance Rights Organizations or PROs - mean substantial “unallocated” royalties never reach the songwriters and performers to whom they should be paid.

Even before COVID-19, this system was unfit for purpose, and especially so for artists and songwriters tied to outdated pre-streaming contracts.

In the midst of the pandemic, the need for change has become critical.

It must happen now.

Music managers remain at the core of the music industry, investing in and building artist-led businesses that create enormous cultural and commercial value, and that should be supported by our EU institutions.

Today, as the European Music Managers Alliance (EMMA), as representatives of thousands of artists, songwriters, musicians, producers and DJs throughout the continent, we are joining the growing chorus for reform, in the belief that a wider diversity of creators and business should benefit from growth of the streaming market.

We believe this change should initially focus on four areas, with further reforms to follow.

1. **A new contract between artists and major music corporations.** Artist contracts need updating. Analogue royalty rates should not apply to digital income, outdated deductions should be removed, and un-recouped balances reviewed after a reasonable period of time. Artist debt should not be carried forwards for decades.

On a wider scale, the licensing of digital music services should better reflect the diversity of Europe's recorded music sector. This complex ecosystem is populated by hundreds of thousands of SMEs, and it is time to end practices whereby three major labels receive substantial, upfront and unattributable payments as part of their licensing agreements.

2. **Eliminating "black box" distributions.** While unidentified and non-matched writers revenues (ending up as so called "black box money") will frequently belong to the lowest earning songwriters, they are typically reallocated by market share to the highest-earning, or to those with inside knowledge of Performance Rights Organization (PRO) mechanisms. This is unjustifiable, is not in the interests of PRO's wider membership and needs reform with immediate effect. New incentives are required to compel PROs to declare the size of unidentified royalty collections, and to ensure the amount of unidentified and non-matching royalties is lowered by a globally unified account system used by all PROs.
3. **The trialling of new payment models for streaming.**
To counter stream manipulation and fraud, and to boost consumer confidence in streaming models, EMMA would like to see a full and transparent trial of what are known as user-centric payment systems. This method of distribution would reconnect the music played by streaming subscribers with the revenue received by artists and songwriters.
4. **A coordinated reopening of music markets.** The ongoing global pandemic requires a unified response. The music and cultural industries of Europe need EU-wide strategies to restart and reopen, financially supporting artist-businesses to return post-pandemic.