

The row that's rocking online music

Jon Rees, Mail on Sunday
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ROBBIE Williams and Ms Dynamite are unlikely to man the barricades, but the battle is getting serious for 40,000 British songwriters who earn less than £10,000 a year from royalties.

They are furious because they say they are missing out on the rewards of the internet music revolution which allows fans to buy and download tracks on to home computers and digital music players.

The composers, songwriters and publishers have a mighty enemy deployed against them, led by the British Phonographic Industry, representing more than 300 UK record labels. Opposition forces also include key digital music suppliers such as Apple iTunes, Napster, Yahoo and Sony Connect.

Phone companies, including T-Mobile, Orange and O2, which profit from royalty payments through sales of songs as ringtones, are also in the enemy camp. Though the artists are taking action against the industry, many record companies have divided loyalties as they make their money from selling music, but also reap rewards from owning and publishing it. Leading companies will not reveal who they want to win.

The amounts involved are relatively small at only £2m over the next two years, compared with about £500m in total annual copyright fees. But both sides know future sums could be gigantic.

They also know that what happens in the UK will have a bearing on how other countries deal with the same issue. Songwriters and publishers get 8% of an online music sale, a rate set in 2002 when online music was in its infancy. The figure was accepted by the songwriters as a temporary discount from their preferred 12% to compensate for losses through piracy and illegal downloading.

This compares with copyright royalties of 6.5% on physical products such as CDs. The BPI wants the online royalty rate reduced to 6.5% or less. Record companies get 38.5% of the sale of a CD, but they take 64% of an online sale.

This week, the battle will intensify when former Education Secretary and Arts Minister Estelle Morris joins the board of the Performing Right Society to put political muscle into its bitter fight.

The organisation, which collects royalties from public performances and broadcasts, has formed the Music Alliance with the Mechanical Copyright Protection Society, which collects royalties from the recording of music. It will take its case to a Copyright Tribunal next month.

For the alliance, the case is simple - selling music online is cheaper for the record companies than producing a CD and distributing it to record stores, so while costs

plummet and margins soar for online music, the people who provide the music see none of this benefit.

'At the risk of sounding like Oliver Twist, all we want is a little bit more,' said Adam Singer, the group chief executive of the Music Alliance, 'not least because everyone else involved in music is getting more out of online.'

For a downloaded track costing 79p, writers and publishers get 6p, 11p goes to the service provider, 7p to the credit card company, 5p goes on tax, and the record company takes 50p - some of which goes to the performers.

The legal market for online music, which barely existed in the UK in 2003, had grown by the end of 2004 to 5.7m permanent downloads sold. Halfway through this year, that figure had topped 10m, and by the end of last month it had reached 13m. Those who are lined up against the alliance say that this market has been created, if belatedly, by the record industry and technology companies, not by the composers.

They argue that the battle against piracy has been fought by the record industry and that it still faces fixed costs for producing CDs while also incurring costs in digitising music for sale online and promoting it.

Geoff Taylor, the BPI's general counsel, said: 'At no stage has the alliance offered any justification for the royalty increase. The unity among record companies, online music services and mobile operators demonstrates the unreasonableness of the alliance's position.'

Singer says that his enemies simply have a vested interest in keeping music cheap. 'Over the past few years the price of music has been in a downward spiral and the record companies and companies such as iTunes have allowed that to happen. But it's not really about percentages, it is about the dosh, the money, and all we want is a fair cut.'