



**INDEPENDENT MUSIC PUBLISHERS
INTERNATIONAL FORUM**

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IMPF held something of a star-studded General Assembly on Friday (March 5) with a line-up of very prominent names - Nigel Elderton, Helienne Lindvall, Golnar Khosrowshahi, Larry Mestel and Merck Mercuriadis - bringing a packed crowd of fellow publishers to the virtual meeting.

Speaking from his position as **Chairman of PRS for Music**, **Nigel Elderton** gave a preview of the collection society's AGM in May. He revealed projections for revenue reductions of around 15-20% in 2020, year-on-year, as a result of the Covid-19 pandemic, national lockdowns and the loss of the live industry.

However, according to Elderton, PRS distributions to members actually increased last year by approximately 2% above 2019 figures by accelerating royalties through the system as much as possible in order to help flatten out the impact of the loss of live/general live income (80% down year-on-year).

"There's always a lag between money coming in and what goes out in royalties, but what we did last year was accelerate that in order to level out some of the bumps," he explained. "In fact, last April's distribution was the biggest in PRS' history. We cleared the shelves of everything we had to keep the royalty levels up.

"Distributions for 2020 are going to be just over 2% up. That is slightly misleading. The real impact is obviously coming this year. We think there'll be another downturn of about 10%. It's a moveable feast because of the continued problems of lockdown. The quicker we can get out, the quicker we can start seeing live venues come back, the quicker we can start to generate new revenue. It's challenging, but I think all that PRS can do is keep its costs down and try to get money out to members as efficiently as possible."

The conversation turned to the digital music ecosystem. **Helienne Lindvall** gave some insight into the economic worth of music streaming for songwriters saying that, for the vast majority of her peers, the real financial opportunities lay elsewhere.

"Streaming is so hit driven for individual songwriters," she said. "The only way it makes a difference is if you get tens if not hundreds of millions of streams. What affects my income more is getting big syncs. I think that goes for the vast majority of songwriters I work with."

It's this central issue that has formed the UK's DCMS inquiry into music streaming over recent months, in which MPs are examining the economic impact of the format on various stakeholders in the music industry including artists and songwriters.

Lindvall said she was pleasantly surprised by how receptive the DCMS was to hearing songwriters concerns around the subject. She also suggested that the inquiry may only be the beginning when it comes to redrawing the balance of the modern music biz.

"We also want the Government to look at competition in terms of having three major labels that are so dominant and own publishers. How does that affect our income?"

"We've put submissions in and I think the Government has actually taken that on board. We hope that the inquiry will lead to some of that being passed to the [UK's] Competition Commission to look at whether the market really functions in the way it's set up at the moment."

Elderton said of course publishers and songwriters should be getting a bigger slice of streaming revenue but added that the ultimate goal should be increasing the overall amount of revenue coming from digital, and tackling platforms that are essentially giving music away for free.

"I think there are lots of issues that have been uncovered and we're not going to be able to fix it all," he said. "Should songwriters and publishers have a larger share of the pie? Absolutely, in my opinion. What should that share be? You can speak to a dozen songwriters and a dozen publishers and they'll all have a different view. If you look at the sync world, invariably the publishing rights and the master rights are 50/50 – so why don't we start there and work backwards?"

"But, actually, I'm more interested in growing the size of the pie," he continued. "If you've got companies like YouTube, who are able to hide behind safe harbour laws, regardless of which streaming service you are, how do you compete with free?"

Elderton pointed out that the UK industry managed to obtain safe harbour laws in Article 17 of the EU Copyright Directive, only to have the opportunity snatched away again post Brexit: "Now we've got the UK Government saying they're not going to implement it because it's European. They want to rewrite it. That may well be good, but it's going to take a few years to get through. Meanwhile, we've got the YouTubes of this world making absolute fortunes and creating a very unlevel playing field. If we could correct that, it would increase the size of the pie."

The second half of the General Assembly focused on three big names from three particularly acquisitive publishing outfits – **Golnar Khosrowshahi**, **Larry Mestel** and **Merck Mercuriadis** the founders and CEOs of **Reservoir Media**, **Primary Wave** and **Hipgnosis Songs Fund** respectively – who joined the GA to talk about the current financial boom around music publishing catalogues.

Mestel isolated the reason why there has been so much interest in music from outside investors: "We were always going to be in the icon and legend business and we've kept that

vision through 15 years of operating,” he said. “That was a very important aspect of how we’ve been able to raise close to \$1.5 billion in capital.

“People like Bob Marley, Whitney Houston, The Four Seasons, [the Prince estate]... These are all phenomenal artists and songwriters. But, to a bank or financial institution, they’ve been generating consistent historical income streams for 30 years, 40 years, 50 years in the case of Smokey Robinson, and longer. It gives a financial institution quite a bit of comfort. Our modus operandi is to create new revenue streams and increase earnings, which is why we’ve been able to raise so much money from investors.”

Mestel also addressed the range of newcomers to this particular section of the market, saying that “it seems that everyone who’s ever had a relationship in the music business has now gone out to try to raise money for music assets.”

He did, however, welcome the arrival of Merck Mercuriadis in particular as a competitor, crediting him with creating a certain amount of “sizzle” in this area of the marketplace and creating new opportunities for others as a result.

In outlining his perspective on today’s publishing market, Mercuriadis compared great songs to gold and oil in that they are a predictable, reliable asset.

“But, crucially, the revenues from great songs are uncorrelated to what’s happening in the marketplace,” he added. “If Donald Trump were back in power and he woke up and did something stupid, the price of gold and oil would be affected, whereas songs are constantly being consumed. If people are living their best lives, they’re doing it to a soundtrack of great songs. If they’re experiencing challenges, they’re taking comfort from great songs... That predictability and uncorrelated aspect of these revenues proved true at a point in time when other companies and other asset classes had their revenues affected by the pandemic.”

The three executives were asked why a songwriter with a particularly attractive song or recording catalogue ends up selling to any one of their companies in particular – apart from the number of zeros on the cheque.

Khosrowshahi pointed to the amount of resource and staff Reservoir has allocated to its creative services, digital licensing and advocacy globally.

“If you understand what a catalogue means to a songwriter, then you can understand why the legacy of that music is important to them,” she said. “So, for us, a lot of our conversations are woven around the people and what they bring to the music.”

Mestel argued that one of the ways Primary Wave is unique is in terms of its focus on branding.

“We’re very focused on the brand of the artist,” he said. “We’re not only doing publishing deals, we’re also doing recording deals and we’re helping the artist market their name and likeness. We have seven brand marketing people and 15 digital strategy people in the company. I run the company like a record company and we’re looking to create and drive new revenue streams for our artists, and that’s a very different approach.”

Mercuriadis also focused on protecting the legacy of the songwriters that come to Hipgnosis and took the opportunity to outline how he believed the model of large publishing operations was fundamentally broken.

“Big publishing companies have these incredible catalogues, but they don’t have the bandwidth to focus on them,” he argued. “Their main focus is on creating new IP. They go out and they sign 10 songwriters, spend a lot of time and effort putting those songwriters into the right rooms with other writers and producers, turning that into placements on records, and that then into hits. They hope that one of them becomes successful enough to pay for the nine that didn’t succeed. Then they use the passive income of their great catalogues to underwrite that business.

“To me, that makes no sense. Why wouldn’t you have all your focus on these incredible songs that are already proven and put more into them in order to get more out of them instead of allowing them to languish amongst 4 million copyrights.

“So, we talk about song management as opposed to publishing. I refuse to be called a publishing company, we’re a song management company. I think that’s very different to the traditional publishing business.”

Offering the songwriter’s perspective on this approach, Lindvall said that, in an ideal world, a publishing partner would have the will and the means to both manage established assets and invest in development.

She also suggested, however, that if the levels of investment being seen in songs at the moment puts the songwriting community as a whole in a stronger position when negotiating with streaming companies, it can only be a good thing.

Indeed, as he has said in other conversations, Mercuriadis returned to the idea of Hipgnosis having an ulterior motive of changing where the songwriter sits in the music ecosystem. And he suggested even music publishers weren’t best placed to do that.

“If there’s a discussion that’s taking place that affects how songwriters are being paid, songwriters must be represented at the table for themselves. Thus far, they’ve been represented by publishers and other industry groups. While it’s true that songwriters and publishers are in alignment with each other 70% of the time, crucially, about 30% of the time, what’s in the best interest of the publisher is not in the best interest of the songwriter. The songwriter therefore has to have a seat at the table. This hasn’t been done before, it hasn’t been done properly and it must be done going forward.”

Nigel Elderton took some issue with that assertion, pointing out that there are an equal number of writers and publishers on the PRS Members Council, with songwriters therefore having a place at that licensing table. He also flagged the work done on behalf of songwriters by the Ivors Academy.

But it was clear that Elderton saw the likes of Mercuriadis, Mestel and Khosrowshahi as important allies in certain key battles faced by the publishing and songwriting community.

“One of the areas we don’t necessarily touch upon is the rate courts [in the US] and the copyright tribunal in the UK,” he suggested.

“These are areas where I think we could really move the needle if we didn’t have such overbearing legislation and interference in what is a commercial business. I’m sure we’ll have these conversations in due course and it would be great to have everyone [contributing] to how we can change that landscape. Every time we try to [increase] the rates for our rights, we face the threat of a copyright tribunal, which can take two years, cost us £2 million and, usually, at the end, we don’t get anywhere near what we were hoping for.

“These are all elements we need to think about when we talk about the value of rights and the asset classes that we’ve established. Anything we can do as a collective to bring muscle and some intellectual heft, and raise the value of rights, I’d be very happy [to assist]. All boats are lifted on a rising tide.”



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