

Creators Call for Fairer Digital Revenues Distribution Model, Inspired by the Fair Trade Movement

CIAM Study Points to Market Imbalances in the Use and Remuneration of Music by Digital Platforms

Nashville, USA – October 24, 2014. An international coalition of creators has joined forces to call for fairer rules and greater transparency in the distribution of royalties by digital music services. The proposals were presented in a new report on “Fair Compensation for Music Creators in the Digital Age”, released by the International Council of Creators of Music (CIAM), with the support of the International Confederation of Societies of Authors and Composers (CISAC), Music Creators North America (MCNA) and the Society of Composers, Authors and Music Publishers of Canada (SOCAN).

The new report unveiled last night at CIAM’s 2014 Congress in Nashville, Tennessee, marks the first time creators have banded together to voice their concern about the business practices in the digital music market and the distribution of royalties by online streaming and download services. The report presents comprehensive, empirical evidence suggesting that an alternative to current business practices is urgently needed.

Key Findings

The study reveals key findings about the structure of the digital streaming market:

Music is undervalued by digital music platforms

The current level of revenues paid by music-streaming services to rights holders is between 60% and 70%. According to the author of the report, Professor Pierre-E. Lalonde, this amount undervalues music. With these services poised to become the predominant model for music consumption in the future, the remuneration paid out needs to be re-balanced in favour of rights holders, concluded Professor Lalonde. He indicated that the current level of remuneration is inadequate given the dependency of these services on music content.

Recommendation: The study recommends that no less than 80% of gross revenues from all sources paid to all rights holders would offer fairer compensation for the overall use of music by streaming services.

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The split in revenues between the different sets of rights holders is imbalanced

A combination of regulatory constraints, market imbalances and situations where major record labels negotiate with digital services for all categories of rights holders, has led to a significant disparity between the revenues paid to record labels and to creators. In the business of streaming, the split of monies from streaming platforms is geared more favourably towards record labels and performers vs. songwriters and music publishers.

Recommendation: The study recommends a more equitable division of revenues between the various rights holders, with a 50/50 split between recording and composition.

Licensing deals with streaming services lack transparency

The lack of transparency in the negotiating process between record companies and streaming platforms, and the opaqueness of many other aspects of the current value chain, leaves artists and songwriters in the dark about much of their current situation.

Recommendation: The study recommends that all parties should have total access to any and all pertinent information that could impact remuneration.

The study concludes that a more balanced business model is needed in order to ensure the sustainability of digital distribution services for music and guarantee a fairer remuneration to all rights holders. Professor Pierre-E. Lalonde said, *“Without sufficiently supporting the very group of people who provide them with the creative content that drives their business, these streaming services may be undermining their future sustainability.”*

The Way Forward: Introducing Fair Trade Music

The study proposes a departure from a reliance on government agencies and policymakers to ensure equitable compensation and suggests that a negotiation process between all stakeholders is the way forward.

Inspired by the Fair Trade movement for goods and services, the study states that a similar model could be applied to the digital music distribution sector. Through its success in the coffee industry, the Fair Trade movement has clearly shown that, when provided with the possibility to participate in an equitable compensation model that remunerates people who produce consumer goods at a fair market rate, end-consumers will opt for ethically produced goods, even at a slightly higher cost.

To provide more equitable remuneration for creators, the Fair Trade Music movement should be based on three main principles:

1. Inclusiveness:

All parties subjected to the outcome of the negotiations with digital music platforms – creators included – must be fully involved in the process.

2. Fair compensation:

If streaming is to be sustainable for the platforms themselves, those who provide the content, songwriters, composers, performing artists, music publishers and labels should be properly and fairly compensated.

3. Transparency:

Openness and transparency between all parties trading with digital music platforms is necessary to ensure a fair system that does not discriminate against creators.

“A more equitable future lies in the application and acceptance of simple ethical practices by all who inhabit the music landscape — from creators to consumers and all those in between. The success of the “Fair Trade” movement has demonstrated consumers’ willingness to make ethical choices when given a simple, understandable option to do so,” writes Professor Lalonde.

Lorenzo Ferrero, Chair of CIAM, stated: *“Since the 2013 CIAM Congress in Costa Rica, we creators believe that a non-governmental approach, such as the Fair Trade Music Project, could stimulate studies and awareness of the issues related to fair compensation in the digital field,”* adding, *“The conclusions of this study are extremely important for us. They are not pipe dreams, but represent the findings of a comprehensive economic study. I hope that in the medium-term we will be able to raise awareness among users - our audience - on these issues, that they may make educated choices that reflect the commercial and cultural value of music creation.”*

[End]

About CIAM

Created in 1966 to protect the rights and assert the cultural aspirations of music creators, the International Council of Music Authors (CIAM) focuses on the key issues directly concerning the moral rights of composers and creators of music. It promotes their professional, economic and legal interests and serves as a forum for cooperation and networking. It facilitates the exchange of information, ideas and best practice, and provides practical advice to help musical creators defend their professional environment.

About MCNA

The purpose of Music Creators North America (MCNA) is to provide a voice for music creators in the ongoing discussions that will reshape national and international copyright law and policy. In addition, we wish to draw attention to the issues that matter, not only to us, but also to all those who love music and hope for a fair and vibrant marketplace for this essential cultural and economic endeavour.

About SOCAN

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is a not-for-profit organization that represents the Canadian performing rights of millions of Canadian and international music creators and publishers. SOCAN is proud to play a leading role in supporting the long-term success of its more than 120,000 Canadian members, as well as the Canadian

music industry. Through licences, SOCAN gives businesses that use music the freedom to use any music they want, legally and ethically.

About CISAC

Presided over by internationally renowned electronic music composer Jean-Michel Jarre, CISAC - the International Confederation of Societies of Authors and Composers – protects the rights and promotes the interests of creators and rights holders worldwide.

With 230 member societies in 120 countries, CISAC indirectly represents over three million creators from all geographies and artistic fields including music, audiovisual, drama, literature, and visual arts.

CISAC's role is to enable authors' societies to seamlessly represent creators across the globe and to ensure that royalties flow to authors for the use of their works anywhere in the world. In 2012, royalties collected by CISAC's member societies in their respective national territories topped €7.8 billion.

Founded in 1926, CISAC is a non-governmental, not-for-profit organisation headquartered in France, with regional offices in Burkina Faso, Chile, China and Hungary.

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