$ONG ROYALTIES
MANIFESTO

MATCH → **STREAMING SERVICE**

CLAIM

SONGWRITER

ROYALTY CHAIN

£ € $ %

Section one: the story so far

In May 2019, at the last in-person Great Escape Conference before the pandemic, the UK's Music Managers Forum published the '$ong Royalties Guide'.

It was part of MMF's 'Dissecting The Digital Dollar' project, which has been working since 2015 to help music managers – and the artists and songwriters they advise – to navigate and understand the streaming music business; the deals done between the industry and the streaming services; and how artists and songwriters are paid when their music is streamed.

THE CHALLENGE

The '$ong Royalties Guide' explained the extra complexities involved in the licensing of song rights to streaming services compared to the licensing of recording rights – and how that makes the payment of song royalties from streaming services so much more complicated than the payment of recording royalties.

This creates many challenges for songwriters and their managers...

– It's much harder to track and monitor what monies are due to the writer when their music is streamed.

– The payment of song royalties is slower than the payment of recording royalties – so artists are generally paid much quicker than songwriters.

– More work is involved on the industry side in processing and administrating payments, the cost of which is incurred by music publishers and songwriters.

– Some of the money is never accurately allocated to the specific songs that have actually been streamed – creating a digital black box.

The music publishing sector – including music publishers, collecting societies and copyright hubs like ICE – have been seeking to overcome these complexities and tackle these issues for many years now with various innovations and initiatives designed to simplify the licensing of song rights and the payment of song royalties.

However, a general lack of transparency about the processing of song royalties – and the royalty chains money passes down – makes it really hard to understand the impacts on songwriters of both these underlying complexities and any

innovations and initiatives designed to address them. Plus, even with those innovations and initiatives, plenty of issues remain with how songwriters get paid – and the publishing sector needs to maintain momentum with the ultimate aim of ensuring that songwriters receive their digital royalties as quickly and accurately as artists do.

THE SUBSEQUENT DEBATE

In 2020, the UK Parliament's Digital, Culture, Media & Sport Select Committee instigated an inquiry into the economics of music streaming – prompted by initiatives like the #BrokenRecord and #FixStreaming campaigns, and informed by the input and work of numerous music industry organisations, not least the MMF's 'Digital Dollar' project.

The select committee considered many of the issues previously raised by artists, songwriters and their managers regarding the way the streaming business works, ultimately calling for a "complete reset" of the digital music sector.

Although the committee made a number of proposed changes to copyright law to achieve this "reset", in its response the UK Government said that it would prefer the music industry to agree and adopt voluntary solutions to the various issues.

To help with that process, the UK Intellectual Property Office has convened a number of committees and commissioned a number of research reports. That includes two working groups – one focused on transparency and one on data.

THE SOLUTION

These two working groups together provide a great opportunity to address the specific complexities and issues identified in the '$ong Royalties Guide' in 2019.

Stakeholders from across the wider music community have made a number of proposals through these working groups which are now being more widely considered and debated.

That includes two proposals informed by MMF's 'Digital Dollar' work. The proposals being made through the working groups will need input and support from across the whole music community. With that in mind, MMF is setting out in this guide the proposals it has made specifically in relation to song royalties, so to encourage a wider debate.

The first of those proposals is focused on transparency around the royalty chains. The second is focused on rights data, and how a different approach to data can allow us to achieve that ultimate aim: getting songwriters paid as quickly and accurately as artists.

This build's on the excellent Credit's Due initiative by the Ivors Academy and the Music Rights Awareness Foundation to make sure all songs are tagged with the metadata that services need to make payments, and then goes further to address the speed and structure of those payments and to consider what a long-term solution could look like.

Section two: royalty chain transparency

In the '$ong Royalties Guide', the MMF called for full transparency regarding the royalty chains down which song royalty payments flow, from streaming service to songwriter.

THE DIFFERENT LINKS IN THE CHAINS

For reasons explained in the guide, song royalties due on a single stream of a single song might actually flow down three different royalty chains – one for the writer's share of performing rights, one for the publisher's share of performing rights, and one for the mechanical rights.
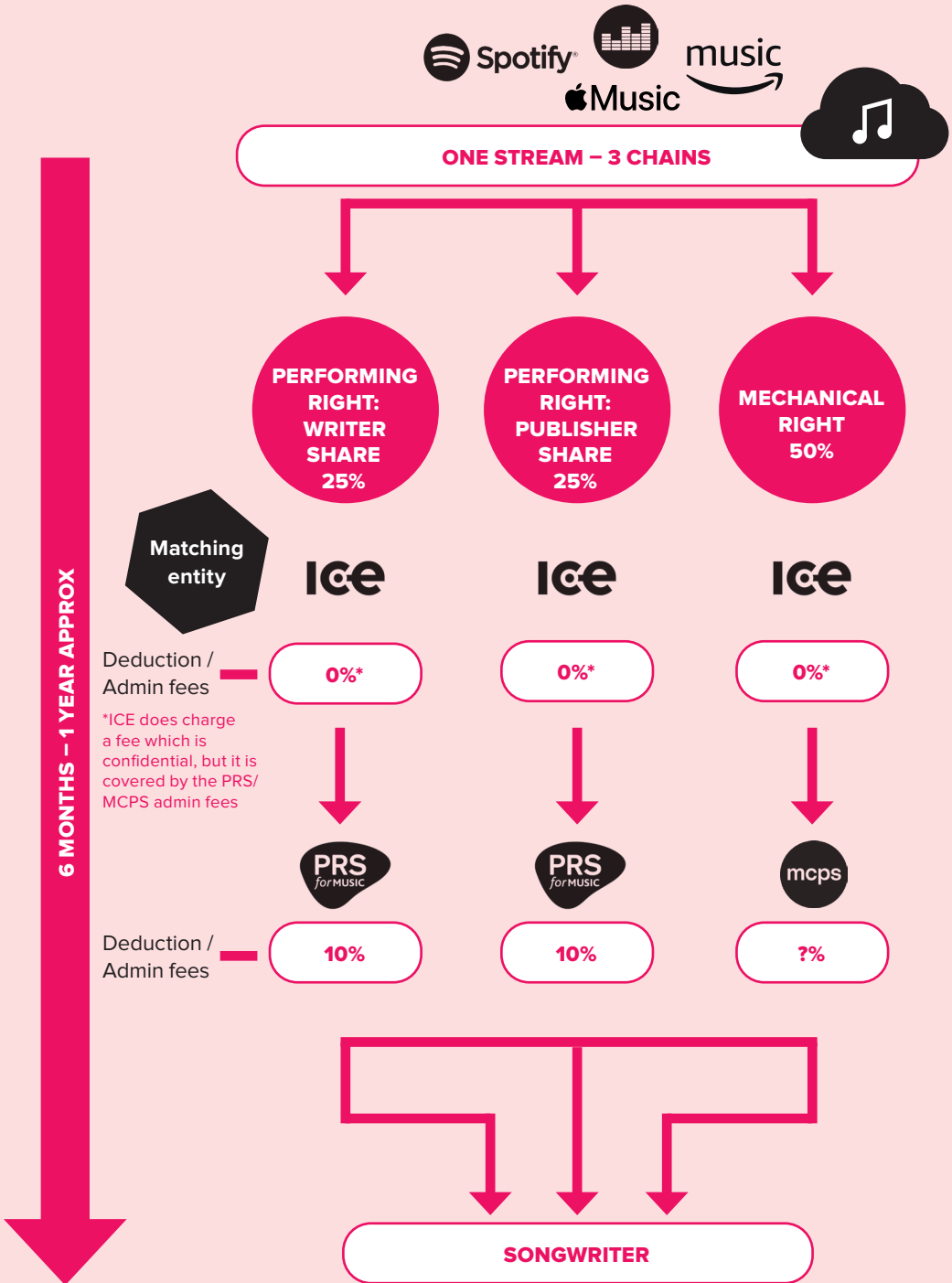
Which royalty chains are used depends on the songwriter's collecting society and publisher, and the market in which the stream occurred.

While, for any one writer, there will usually be one set of royalty chains employed in various specific markets, in other countries – including some of the biggest and fastest growing streaming markets – a different bespoke set of chains might be employed. This lack of standardisation is increasingly problematic.
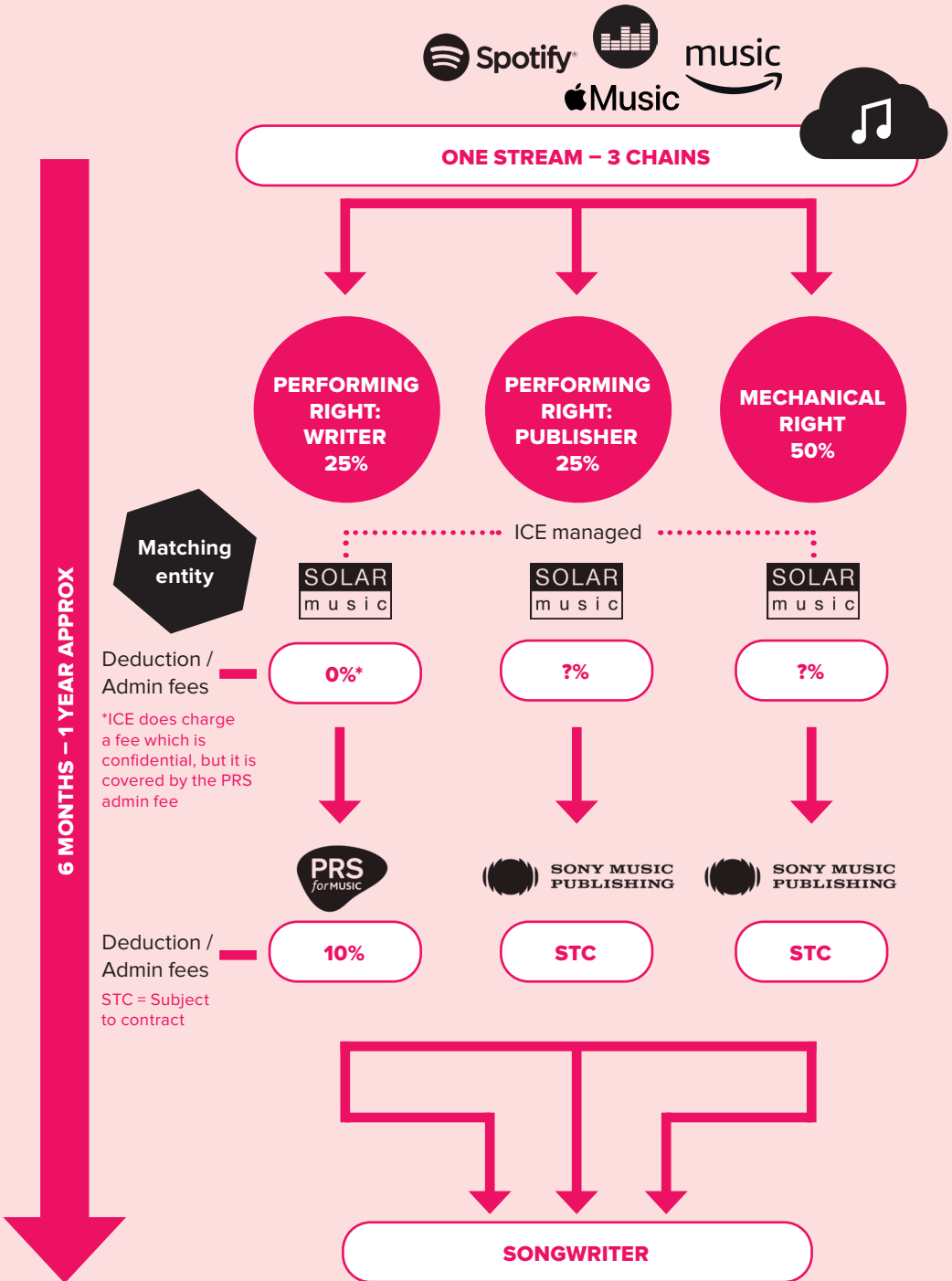
This matters because different royalty chains involve more 'links'. And at each link in the chain, money may be deducted, payments may be delayed, thresholds may need to be met for payments to be made at all, and data conflicts could halt payment entirely. On the next few pages you can see examples of the royalty chains employed by different collecting societies and publishers in different markets – and the impact the choice of chain can have.

The lack of transparency regarding royalty chains means it is impossible for songwriters and their managers to assess which collecting societies and publishers are employing the most efficient chains, and what impact inefficiencies in the chains are having on their income.

DIAGRAM 1: HOW WRITERS GET PAID FROM STREAMING
SELF PUBLISHED UK WRITER / STREAMS IN UK

Spotify

Music

music

ONE STREAM – 3 CHAINS

6 MONTHS – 1 YEAR APPROX

PERFORMING RIGHT: WRITER SHARE 25%

PERFORMING RIGHT: PUBLISHER SHARE 25%

MECHANICAL RIGHT 50%

Matching entity

ICE   ICE   ICE

Deduction / Admin fees

0%*   **0%***   **0%***

*ICE does charge a fee which is confidential, but it is covered by the PRS/MCPS admin fees

PRS for MUSIC   PRS for MUSIC   mcps

Deduction / Admin fees

10%   **10%**   **?%**

SONGWRITER

DIAGRAM 2: HOW WRITERS GET PAID FROM STREAMING
UK WRITER SIGNED TO SONY / STREAMS IN UK

Spotify Music music

ONE STREAM – 3 CHAINS

6 MONTHS – 1 YEAR APPROX

PERFORMING RIGHT: WRITER 25%

PERFORMING RIGHT: PUBLISHER 25%

MECHANICAL RIGHT 50%

ICE managed

Matching entity

SOLAR music

SOLAR music

SOLAR music

Deduction / Admin fees

0%*

?%

?%

*ICE does charge a fee which is confidential, but it is covered by the PRS admin fee

PRS for MUSIC

SONY MUSIC PUBLISHING

SONY MUSIC PUBLISHING

Deduction / Admin fees

10%

STC

STC

STC = Subject to contract

SONGWRITER

DIAGRAM 3: HOW WRITERS GET PAID FROM STREAMING
UK WRITER SIGNED TO SONY / STREAMS IN FRANCE

UK + France = same chains, different % split for PR and MR
these PR/MR splits are for premium on-demand streams

Spotify

music

Music

ONE STREAM – 3 CHAINS

PERFORMING RIGHT: WRITER 12.5%

PERFORMING RIGHT: PUBLISHER 12.5%

MECHANICAL RIGHT 75%

6 MONTHS – 1 YEAR APPROX

Matching entity

ICE managed

SOLAR music

SOLAR music

SOLAR music

Deduction / Admin fees

0%*

?%

?%

*ICE does charge a fee which is confidential, but it is covered by the PRS admin fee

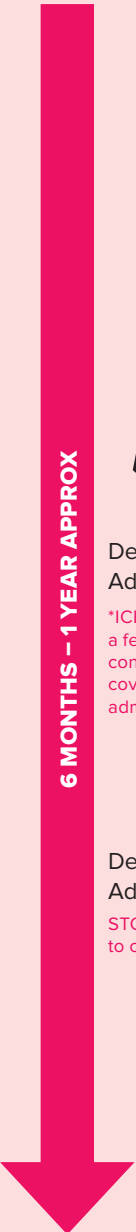PRS *for* MUSIC

SONY MUSIC PUBLISHING

SONY MUSIC PUBLISHING
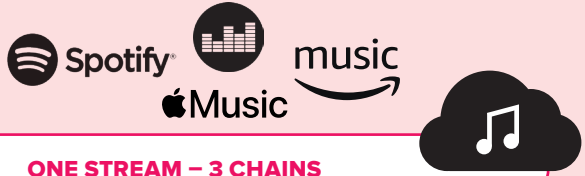
Deduction / Admin fees

10%

STC

STC

STC = Subject to contract

SONGWRITER

DIAGRAM 4: HOW WRITERS GET PAID FROM STREAMING
UK WRITER SIGNED TO UNIVERSAL / STREAMS IN FRANCE

Spotify   music   Apple Music

ONE STREAM – 3 CHAINS

6 MONTHS – 1 YEAR APPROX

PERFORMING RIGHT: WRITER 12.5%

PERFORMING RIGHT: PUBLISHER 12.5%

MECHANICAL RIGHT 75%

Matching entity

sacem   sacem   sacem

Deduction / Admin fees

0%*   **?%**   **?%**

*SACEM does charge a fee which is confidential, but it is covered by the PRS admin fee
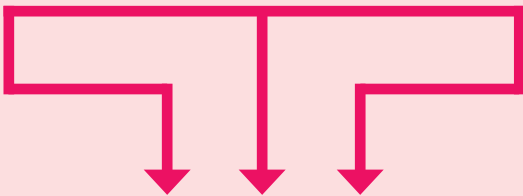
PRS for music   UNIVERSAL   UNIVERSAL
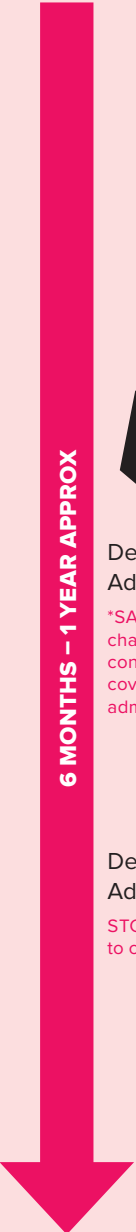
Deduction / Admin fees
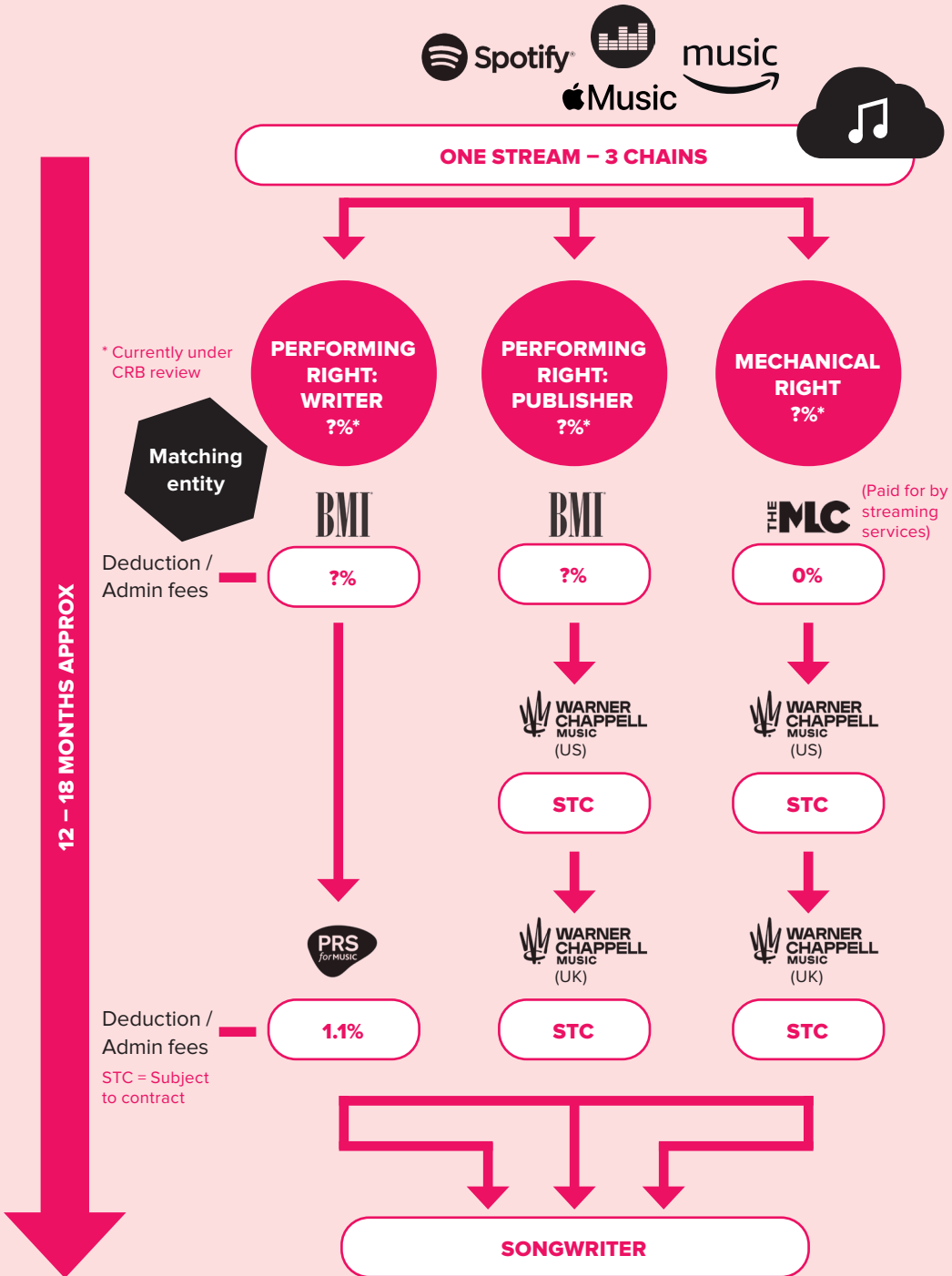
10%   **STC**   **STC**

STC = Subject to contract

SONGWRITER

DIAGRAM 5: HOW WRITERS GET PAID FROM STREAMING
UK WRITER SIGNED TO WARNER CHAPPELL / STREAMS IN USA

Spotify

music

Music

ONE STREAM – 3 CHAINS

12 – 18 MONTHS APPROX

* Currently under CRB review

Matching entity

PERFORMING RIGHT: WRITER ?%*

PERFORMING RIGHT: PUBLISHER ?%*

MECHANICAL RIGHT ?%*

(Paid for by streaming services)

BMI

BMI

THE MLC

Deduction / Admin fees

?%

?%

0%

WARNER CHAPPELL MUSIC (US)

WARNER CHAPPELL MUSIC (US)

STC

STC

PRS for MUSIC

WARNER CHAPPELL MUSIC (UK)

WARNER CHAPPELL MUSIC (UK)

Deduction / Admin fees

1.1%

STC

STC

STC = Subject to contract

SONGWRITER

DIAGRAM 6: HOW WRITERS GET PAID FROM STREAMING
UK WRITER SIGNED TO UNIVERSAL / STREAMS IN BRAZIL

Spotify
Music
music
Music

ONE STREAM – 3 CHAINS

12 MONTHS – 2 YEARS APPROX

Matching entity

PERFORMING RIGHT: WRITER ?%	PERFORMING RIGHT: PUBLISHER ?%	MECHANICAL RIGHT ?%
ECAD	ECAD	Ubem

Deduction / Admin fees

?%	?%	?%
UBC	UBC	UNIVERSAL (Brazil)

Deduction / Admin fees

STC = Subject to contract

?%	?%	STC
	UNIVERSAL (Brazil)	
	STC	
PRS for MUSIC	UNIVERSAL (UK)	UNIVERSAL (UK)
8%	STC	STC

SONGWRITER
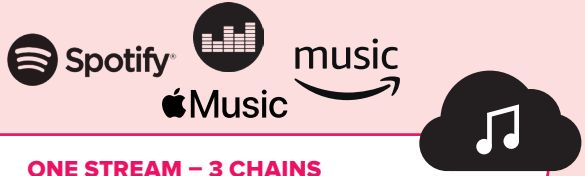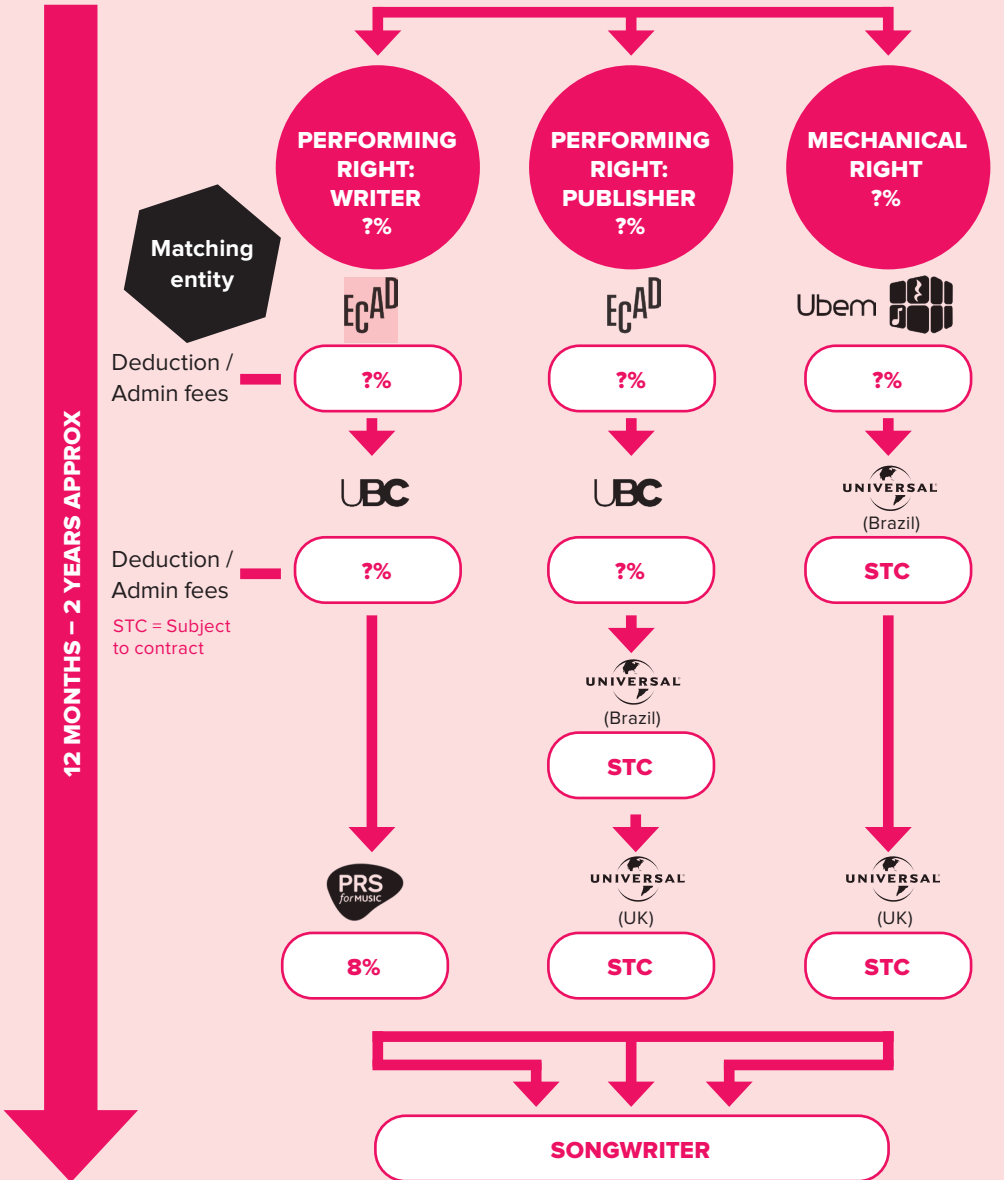
How songs get matched to recordings for streaming

STREAMING SERVICE

Tracks played identified by ISRCs

Matching entity

ECAD   ICE   BMI   sacem   THE MLC

£
$
€

MATCH TO SONGS / ISWC

CLAIM

PAYMENT

ROYALTY CHAIN
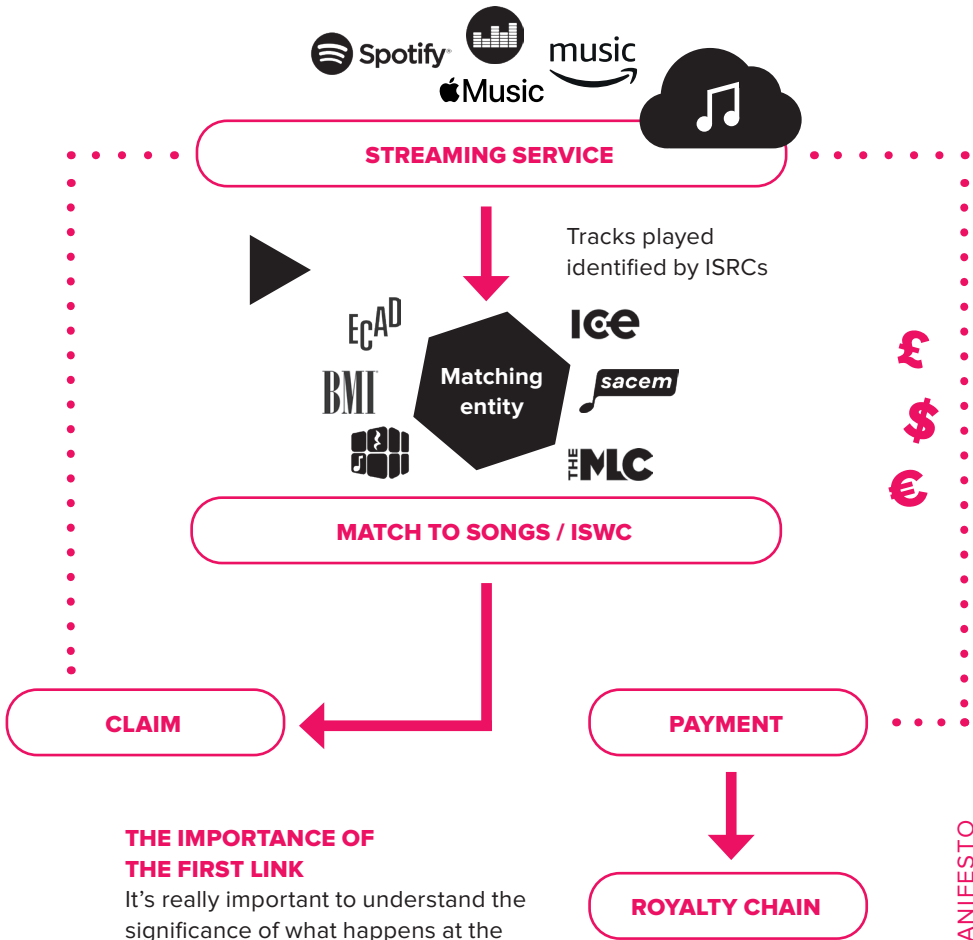
THE IMPORTANCE OF THE FIRST LINK

It's really important to understand the significance of what happens at the first link in the chain. As explained in the guide, unlike with recording royalties (where the service pays any royalties due to whichever label or distributor uploaded a track), with song royalties the service's licensing partners need to identify if their songs have been streamed and then claim any monies they are due under their licensing agreements.

Whichever entity is the first link in the chain receives a monthly report from each streaming service identifying what recordings have been streamed, with each recording identified by its unique identifier, the ISRC.

That entity then needs to identify what song is contained in that recording, so they need to match the ISRC to the unique identifier for songs, the ISWC. It then needs to work out if it has an interest in that song – and if so, what that interest is (ie what percentage of the copyright it controls, and whether it is licensing performing rights, mechanical rights or both).

The songwriter is relying on this first link in the chain to accurately match the ISRC to the ISWC, and to accurately identify its interest in the song. Yet the songwriter doesn't usually know what entity sits at the first link in the chain – nor how they go about fulfilling these tasks.

MAPPING THE ROYALTY CHAINS

MMF has been seeking to map the royalty chains employed by each collecting society and music publisher since 2019. Much of the information required to do so is not currently available in the public domain – and where it is, it is scattered across a plethora of documents.

For example, PRS's admin fees for online income can be found in its transparency report – last updated in 2020 – but, where other societies are involved in the process in other countries, the admin fees they charge before passing monies onto PRS are not published in that report.

Through much detective work, we have tried to identify what chains are employed by PRS and a number of music publishers in the biggest streaming markets in the world. However, even with the mapped chains, there remains a lack of information regarding what deductions, delays, thresholds and data issues may occur at each link in the chain.

For collecting societies and music publishers, collating and publishing this information is not actually a big ask – especially as both PRS and the publishers have worked so hard to expand their multi-territory direct licensing, which means a single set of chains is likely employed in many markets around the world, reducing the total number of chains to publish.

MMF hopes that, by kick-starting the process with the mapped royalty chains now available via its website, societies and publishers will take the lead in this domain and provide a guide to the royalty chains they employ around the world.

These are the questions that need to be answered for each market…

01. Which licensing partner(s) receives the track report from the digital service?

02. What ISRC/ISWC matching database is used – is there an admin cost here?

03. What ownership database is used – is there an admin cost here?

04. What percentage of a track's allocation is paid through to the performing rights and the mechanical rights under deals in this country?

05. Are any data issues delaying or halting payment?

06. For each link in the chain:

– What entity controls this link?
– Are any deductions made?
– How quickly is payment made to the next link in the chain?
– Are there any thresholds for payment – what happens to held back monies?
– Is full reporting data (usage and payment) passed on?

07. What percentage of at source income does the writer receive?

08. What is the total timeline for full payment?

Section three: a new approach to song rights data

The Data Working Group was posed this question: what would a well functioning song data system look like? Which is to say, what song data system could achieve our big objective: ensuring songwriters are paid as quickly and accurately as artists?

In answer to that question, MMF has proposed a bold new system for managing song rights data and processing song royalties – and a **three step plan** for moving to that system.

Moving to the new system would require some significant changes to the current system. And it would require the active involvement and investment of labels, distributors, publishers, collecting societies, streaming services and music managers.

It is clearly not going to happen overnight. These changes would need to happen in phases over a number of years, initially focused on new releases, and subsequently on catalogue.

And the specific tasks of moving to this new system still need to be identified. The reason for sharing this plan in this guide is to encourage stakeholders across the music community to identify those tasks, and to debate how they would best be undertaken.

Some aspects of this plan have also been proposed by other stakeholders within the Data Working Group, including the music publisher community. So that debate is already underway.

With an ambitious road map in place – and an ultimate destination agreed – the wider music community can come together over a number of years to truly revolutionise the way songwriters are paid streaming royalties, overcoming most of the current issues, and enabling writers to properly benefit from the streaming revolution.

OBJECTIVES OF A WELL-FUNCTIONING SYSTEM

– As noted, the ultimate aim is that the payment of song royalties is as quick, efficient and accurate as the payment of recording royalties, so that writers have parity with artists.

– So, songwriters should be paid streaming royalties no later than two months after a stream occurs – so if their song was streamed on 1 Jan they would be paid no later than 1 Mar.

– Song royalties should be paid with 100% accuracy – so there would be no unallocated monies, no monies lost to thresholds, and therefore no need to deal with a digital black box.

– Services would only stream a label or distributor's tracks where 100% of the song rights are known and licensed, meaning they would rely much less on mop-up licences from the collecting societies.

– Services could then calculate what song royalties are due to each song and each licensor each month automatically, in the same way they do with recording royalties, making payments within the same month and greatly reducing the cost of administrating payments.

THE THREE-STEP PLAN

These are the three steps the industry would need to go through to achieve our objectives.

Step One: Immediate logging of splits and issuing of ISWC

– ISWCs should be issued and splits logged (both copyright ownership and royalty rights – with interested parties identified by their IPIs) as soon as a new song (work) is completed and before any recording of it is released.

– Songwriters, managers and publishers should make this a standard part of their working practices. Basically a copyright can't be monetised until it is logged.

– Everyone in the value chain – including labels and distributors – should be educated about this process and how it is achieved.

– DIY artists should be able to get IPIs and ISWCs via the DIY distribution system.

– All societies should make ISWC their primary work identifier to make it truly standard across the industry – preferably abandoning all other work identifiers.

– Each new ISWC along with title and writer information (including IPIs) – and any information on the performers on previous releases (including IPNs) – should be immediately available in a publicly accessible database managed by an organisation appointed by the music industry – not dissimilar to the database mandated in the US by the Music Modernization Act and now run by the MLC.

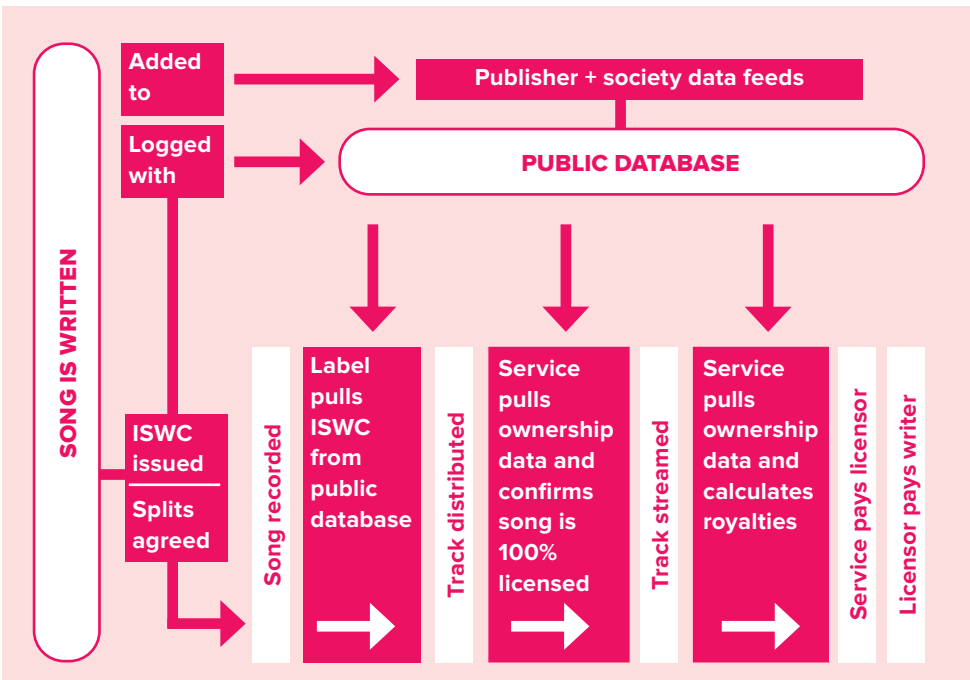### Step Two: Provision of ISWC with recording as standard

– ISWCs should be provided by the label or distributor as part of the metadata that accompanies each new track.

– For cover versions, distributors should be able to integrate the publicly accessible database into their platforms, so that artists or labels can search for and identify the work contained within the track they are releasing, using title, original performer and/or writer information to search and verify.

– Services should only accept recordings with an ISWC included in the meta-data.

– Provision of an incorrect ISWC with a recording should have a negative impact on a distributor's ranking with the services, as is currently the case with other inadequate metadata.

Step Three: Provision of work ownership data to the services as standard

– Every publisher and society that has a licensing deal with a service should provide a real time data feed identifying every work in which it has an interest (by ISWC) and what that interest is. Smaller publishers and self-published writers could utilise the services of a collecting society or data agent to facilitate this process — plus whichever entity was operating the publicly accessible database should provide this as a free service.

– This information should be provided according to data standards agreed via organisations like CISAC and DDEX. It should include what percentage the licensor controls of each of the mechanical and performing rights, and in which countries the licensor controls the rights.

– All of these data feeds would then be aggregated by the music industry and made available through the publicly accessible database.

– Services could then rely on the data feeds and publicly accessible database to ...

– Identify if 100% of any one work (by ISWC) is licensed.

– Identify who needs to be paid any royalties due to any one work.

– Services should only make available recordings where 100% of the work is licensed.

– Labels, distributors, artists and their managers would be able to see via the publicly accessible database if songs contained in recordings they were releasing were 100% licensed. If not, they could address any issues around data, splits or licensing prior to release. DIY artists should have access to this information via their distributors, which would have integrated the publicly accessible database within their platforms.

– Publishers, writers and their managers would be able to see via the publicly accessible database where there was a dispute over splits or ownership – which would prevent recordings of a work from being streamed. Ideally publishers, writers and managers would receive alerts about any disputes that occur over songs in which they have an interest. This allows for disputes to be settled quickly and avoids delays in releasing.

– Where the artist owns the rights in a work 100% and has no publisher or society involved in their rights, they should be able to provide a song rights licence via their distributor, and receive song royalties from that distributor with their recording royalties.

– Services could then automatically calculate what monies are due for each work each month, and report to and promptly pay their licensors, as they currently do with recordings.
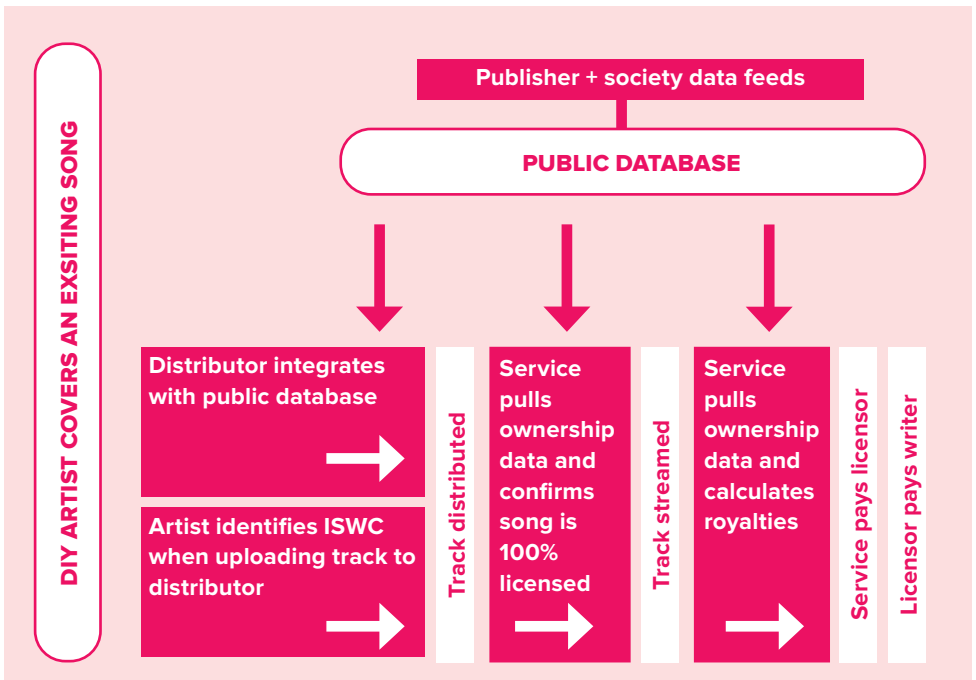
SONG IS WRITTEN

Added to → **Publisher + society data feeds**

Logged with → **PUBLIC DATABASE**

ISWC issued / **Splits agreed**

Song recorded →

Label pulls ISWC from public database →

Track distributed

Service pulls ownership data and confirms song is 100% licensed →

Track streamed

Service pulls ownership data and calculates royalties →

Service pays licensor

Licensor pays writer

THE NEW SYSTEM

Once the new system is fully operational, this is how things will work.

01. The song is written – and immediately splits are agreed and an ISWC is issued, with the writer's manager and publisher taking responsibility to ensure this happens.

02. Each publisher, collecting society and licensing agent involved in licensing the song adds the ISWC and its interests to their data feeds and therefore the public database.

03. A version of the song is then recorded. The label or distributor releasing the track pulls the ISWC from the public database and inserts it in the meta-data that accompanies the track.

04. Having received the track from the label or distributor complete with ISWC, the service then pulls the song ownership data from the public database and checks its current licensing deals cover the song 100%.

05. The song is then streamed. At the end of the month, the service pulls the latest ownership data from the public database and calculates what royalties are due.

06. The service then pays its licensors which in turn pay the writer.

If a label releases a cover version, it can also pull the ISWC down from the public database. DIY artists releasing covers would be able to do the same because their DIY distributor would integrate with the public database.

DIY ARTIST COVERS AN EXSITING SONG

Publisher + society data feeds

PUBLIC DATABASE

Distributor integrates with public database →

Artist identifies ISWC when uploading track to distributor →

Track distributed

Service pulls ownership data and confirms song is 100% licensed →

Track streamed

Service pulls ownership data and calculates royalties →

Service pays licensor

Licensor pays writer

CONCLUSION

The Transparency Working Group and Data Working Group together provide an ideal opportunity to address a number of the issues with the music streaming economy, especially to the benefit of songwriters. Royalty chain transparency can be achieved in the short term. Then work can begin on moving to the new system for managing songs data.

We know that the digital market is diversifying with new kinds of digital services likely to account for ever increasing amounts of digital income. These new kinds of services often add new and additional complexities into an already complex digital music ecosystem. However, those new complexities will be easier to navigate with better transparency and data.

So by addressing these transparency and data issues now, we will ensure songwriters and their business partners can truly benefit from not only the current generation of streaming services, but from what platforms and business models will emerge in the future.

The $ong Royalties Manifesto sets out proposals to improve the way song royalties are processed and paid. It has been produced by music consultancy CMU Insights for the Music Managers Forum.

ABOUT THE MMF

MMF is the world's largest professional community of music managers in the world. Since our inception in 1992 we have worked hard to educate, inform and represent our managers as well as offering a network through which managers can share experiences, opportunities and information.

We are a community of over 1200 managers based in the UK with global businesses and a wider network of over 3000 managers globally. We engage, advise and lobby industry associates and provide a professional voice for wider industry issues relevant to managers.

The MMF runs training programmes, courses and events designed to educate and inform artist managers as well as regular seminars, open meetings, roundtables, discounts, workshops and the Artist & Manager Awards.

themmf.net

ABOUT CMU INSIGHTS

CMU helps people navigate and understand the music business through media, training, consultancy and education. We keep people up to speed on all the key developments with the CMU Daily bulletin, Setlist podcast and CMU Library.

CMU Insights provides training and consultancy to music companies and companies working with music. We offer training and research services; seminars and masterclasses; and insight sessions at music conferences around the world.

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