

CRISIS UNITES MUSIC INDUSTRY



The need to take joint action to tackle dwindling revenues prevails over competitive rivalry in the music business.

The writing is on the wall: The music industry is in crisis, and the problems caused by online music trends so serious that traditional rivals such as composers, musicians and record companies have joined forces to develop new business models.

“The music branch is no longer in the drivers seat; other players such as the telecommunications and hardware vendors are setting the agenda and steering business models,” explains Martin Gormsen, deputy managing director at KODA, the copyright collecting society. He adds that it is in the interest of the entire music industry that music is sold to earn money on the actual music, and not provided as free content on hardware and broadband, as that erodes the entire value of the music. That is why all the industry players in the music branch need to acknowledge the fact that they need each other and start working together in order to keep control over the music.

OLD FOES PUT ASIDE DIFFERENCES

“Differences are minor compared to the threat posed by dwindling revenues. When it comes to slicing the cake, common interests are greater than traditional rivalries, for if we don’t work together now there’ll be no cake to share. This has led to a unique and exemplary cooperation in Denmark between IFPI and all the organisations representing the artists: ncb, Gramex and Copydan,” explains Mr Gormsen.

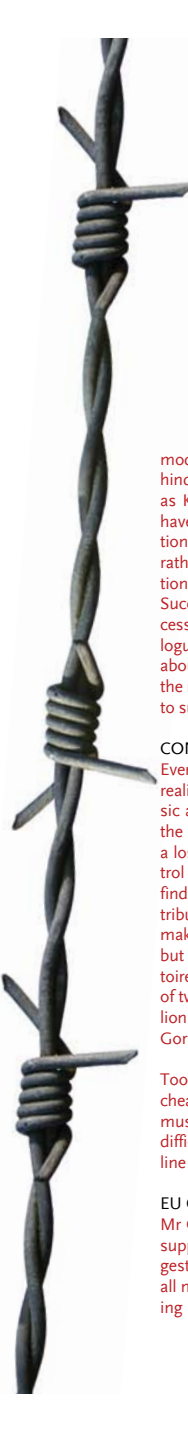
Uniting all parties is the realisation of the need to get closer to the consumers to satisfy their wishes and develop new

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WHAT IS COPYRIGHT?

Copyright protects original literary, dramatic, musical and artistic works. It allows an original work to be considered a property that is owned by somebody. The framework for Copyright Law is the Copyright, Designs and Patents Act 1988 (‘the Act’).





WHEN DOES COPYRIGHT BEGIN?

In music, copyright begins automatically once a piece of music is created, and documented or recorded (eg. on video, tape or CD or simply writing down the notation of a score).

models; this was what inspired the unique partnership behind Basepoint Media. "Copyright collecting societies such as KODA need to become more business-oriented. They have to focus more on the product and less on the legislation. Customer approval is what should drive music sales, rather than the threat of reprisals. This means that international record companies will have to change their tune too. Success can only be achieved by means of easy online access to all music. Access to an individual labels music catalogue is of no interest to consumers. They don't give a toss about who publishes the music. They are only interested in the music, and that means that the record companies have to surrender control.

CONTROL OVER THE ENTIRE VALUE CHAIN

Even in the early days of the internet, record companies realised the danger posed by the illegal distribution of music and decided to control the entire value chain. "During the first decade of the internet, record companies waged a losing battle for control and users simply bypassed control measures. That strategy failed. Instead they have to find models for co-licensing and give up control over distribution. The uncontrollable nature of file-sharing services makes it almost impossible to control online digital music, but at the same time legal companies with limited repertoires exert too much control. Even iTunes with a catalogue of two million tracks can offer only a fraction of the 20 million tunes a radio station has access to," points out Mr Gormsen.

Too much control means that music is being sold too cheap due to competition from file-sharing services. The music branch is charging too much for music, making it difficult to earn on distribution, and thus discouraging online sales.

EU COMMISSIONS FOCUS WRONG

Mr Gormsen points out that the EU Commission strongly supports copyright protection, which is admirable, but suggests that instead it should gather the copyright owners of all music. And instead of focusing on the difficulties in doing pan-European deals with music from over a thousand

different record companies, the Commission is focusing on the 25 copyright collecting societies it hopes to merge into one. "The EU Commission does not understand the complexities of the online music industry and the multiplicity of parties involved," adds Mr Gormsen.

He cites as example the three-minute tune "Barbie Girl". Universal owns the rights to record sales, while on the artistic side there are four composers in addition to producers who may not have made agreements with the same publishing companies. There could easily be ten copyright owners. Copyright collecting societies manage situations such as this through bilateral agreements, so that rights can be managed in a one-stop system.

"The EU Commission proposes to replace the 25 copyright collecting societies with one system. However, this measure would have a negative effect on the supply of digital music, and is strongly opposed by all the traditional rivals such as DR, Danmarks Radio, KODA and Gramex," emphasises Mr Gormsen.

He reports that EMI has already acted on the implications of the EU Commissions recommendation through CELAS. The advantage of the system is that it makes it possible to obtain pan-European licences, but music users have to approach several different companies with the resulting increase in transaction costs, and everyone will lose because this is too troublesome.

The challenge is to get to grips with the complexities; the number of operators in the online world is going to explode, and the Commission has not understood this. Production costs have fallen drastically, and the number of producers has already exploded. Most of these know nothing about rights. They will remain outside the system and chaos will ensue unless the music industry comes up with an uncomplicated way of bringing them on board," concludes Mr Gormsen.

HOW LONG DOES COPYRIGHT LAST?

Copyright generally lasts for a period of 70 years from the end of the calendar year in which the author dies. If the music originates from outside the European Economic Area (EEA), the copyright lasts for as long as the music is protected by copyright in its country of origin, provided that the length of time does not exceed 70 years.