

MPA AGM Thursday 24 June

- RA required 1400-1500
- Speech to start approximately 1430
- Drinks with publishers in basement from 1715

Words - 1480

Introduction: MCPS strategy

There has been much made in recent times of the parlous and precarious state of MCPS' finances, and the facts indeed speak for themselves, but I have been struggling, in my capacity as incoming CEO, to make sense of how the leading provider of mechanical copyright processing in a large, if declining, business should be obliged to bow its head and seek life support from its sister Society, the PRS.

This puzzle, and the related, wider question of *PRS for Music's* overall strategy, has occupied much of my attention since I joined in January, leading me to present to the Alliance Board on Friday, and to the Joint Boards yesterday, a European Strategy that will see MCPS modernizing its systems in partnership with a "Northern Alliance" of collecting societies and competing for business as, what I believe can be the most efficient and high performing service provider in Europe.

This strategic direction was given the support of both the Alliance and Joint Boards and will form the basis of a new mid-range plan that will see us competing for CLA's – initially in a flexible partnership with NCB, the organization that performs mechanical copyright processing for the Nordic societies, and later extending the partnership to others, which I hope will include GEMA.

Success is not guaranteed in any strategy, and there is a great deal of work to be done to achieve the goals we have set out, but my aim is to restore the profitability of MCPS over a period of time, to retain its status as a voluntary UK monopoly governed by the Copyright Tribunal and to continue the alliance with the PRS in broadly the present form, while adapting the services it offers to meet the flexibility required of the members in a rapidly changing world.

MCPS results

I read with some interest last week PwC's annual Global Entertainment and Media Outlook report. The report contained some potentially good news for everyone in this room, predicting that after a decade of declining CD sales, global physical product revenues would stabilise, and that growth in digital downloads would finally return the music industry to modest growth of 0.5 per cent next year, albeit from a far lower base.

These are bold and exciting claims but are they likely to come true? Do our MCPS and wider *PRS for Music* results bear this out? And can we be confident that online revenue is plugging the gap from declining physical sales?

Physical Products results

Well, with close to £130 million collected for physical products in 2009, CDs and DVDs remain an important source of revenue for our members but as the general public continued to buy less physical format music in 2009, it is no surprise that overall licensing revenue from this area declined again.

However, through focusing on more effective licensing of record labels, our 7.8% decline in audio product royalties compares favourably with a wider industry decline in unit sales of audio products of approximately 9.5%. And comparing our 2008 figures (audio products down 13%) with 2009, the rate of decline does appear to be slowing.

Online results

So if the decline in audio product sales is perhaps slowing, how are online revenues looking? Well *joint* online revenue (mechanical and performing) was up 72% in 2009 as *PRS for Music* continued to lead the way in securing new licensing deals with online music services, including Spotify, YouTube, SkySongs and MySpace.

2009 was also the year that pan-European licensing revenue started to flow through to *PRS for Music*, and we also signed 12 new multi-territory agreements with large European online and mobile providers during the year.

This meant that for the first time *PRS for Music* did see total online revenue growth (£12.8m up) outperform the decline in traditional CDs and DVDs (down £7.5m).

This certainly shows room for optimism and we should be proud that the music industry and music publishing in particular has adapted to the tough demands of the last few years. However, we should not get carried away and need to be aware of tough times ahead. A tough UK market for the media industry meant a decreased share of royalties in 2009 from both television and radio music use – a trend that is likely to continue into 2010. And whilst online is growing, it is from a small base and we are yet to see whether this sector is on the right trajectory to take the place of the reduction in traditional CD and DVD royalties.

New digital framework needed

If we want online to keep on growing we cannot just sit back and let the legal online market fight its own battles, we must continue to help it to develop. To do this we need a new framework that will move 'Digital Britain' forward, providing Next Generation Access to the consumer but without leaving 'Creative Britain' behind.

The new framework should have the shared objective of capturing the value which net neutrality has thus far left on the table. At the moment a consumer will pay a set monthly rate for their high-speed Internet connection. Much of the entertainment content available to them is free, and a good proportion of that, in turn, unlicensed.

This is the value that net neutrality has left behind and the value that we all need to work towards securing.

Digital economy

Again there is room for optimism here. The PwC Entertainment and Media Outlook report I mentioned earlier has said that there are signs of hope for content owners in the fight against piracy. The music industry saw Asian sales rebound by 9 per cent last year, thanks in part to South Korean's threat to cut off internet access for copyright infringers.

We can only hope that that our new Digital Economy Act has the same effect in the UK.

The Act is, without doubt, a welcome recognition by government that file sharing poses a problem for the creative community, and crucially, the Act allows illegal file sharing to be measured.

With accurate measurement comes the possibility of developing solutions based on compensation rather than control, and *PRS for Music* will play its full part in working with other interested parties to find market-based solutions to what is increasingly a shared problem, absorbing expensive capacity on content delivery networks, undermining legitimate content delivery services and robbing rights holders of the fruits of their labour.

We need to find solutions that work in the interests of consumers, Internet access providers and rights owners across the spectrum of the creative industries, and the measurement provisions in the Digital Economy Act are a good place to start.

ICE

With ever increasing digital usage comes ever increasing demands on our IT infrastructure. As you all know ICE was launched in January of this year with the aim of giving us all a world class music copyright database that will help us to process this ever increasing music usage.

Whilst ICE has been used to successfully make distributions since January, as you all know the transition hasn't been without its problems. I wanted to take the opportunity to thank you all for your patience – your continued feedback and expertise has been essential in bringing ICE up towards full operating speed.

Earlier this month we took a big step towards resolving the problems with processing of online registrations: a fix was applied that has resulted in 76% of all out standing works now being correctly registered. I know it's been difficult and there is still hard work to come but I feel that we're turning the corner and ICE will start delivering benefits to us all soon.

It is vital that we keep communicating with you about ICE clearly and transparently over the next few months. We are committed to doing just this; and not just keeping you informed about ICE but also on all other key issues.

Membership Framework

One recent communication that you should have had from us was about changes to the MCPS membership framework.

The new framework was introduced to ensure that MCPS can offer all its members the best possible service in a fast changing world. It maintains collective licensing where appropriate but gives all MCPS members the flexibility to manage their rights directly and to 'opt-out' of certain smaller licensing areas.

There were also changes to the commission rates of some of these smaller MCPS licences, reflecting the fact that they are more expensive to administer than the larger more automated schemes. Commission rates for the following schemes

- ProDub
- Limited Manufacture
- Specialist music products
- Digital memory devices

- Novelties
- Individual sync licensing
- Karaoke

will therefore be increasing from 12.5% to 20% from 1 January 2011. Rest assured though we will continue to look at ways to make all schemes more cost effective and the commission rates for all these areas will be kept under regular review.

Improved publisher communications

As I said, communicating clearly with you is very important and we're improving how you access the information that you need from us.

Firstly we're introducing a new smart login to our website that will identify whether you are a writer or a publisher and enable us to tailor content accordingly. We will therefore soon be launching a "publisher only" landing page that will give you easy access to the content that you need on a day to day basis: the most used online services, policies and procedures and hot news items.

We'll also be offering the chance for you get a more strategic briefing, at a publisher only event, to be held with the MPA, later in the year. This will give you the chance to hear from me and other senior *PRS for Music* staff about our strategic vision and to give you the chance to question us about the key issues of the day.

Finish

The next few years promise to be an exciting time for the music industry. We have been at the vanguard of the digital revolution - often not by choice. There have been some hard times and difficult decisions required but we are now seeing real progress being made. With the eyes of the rest of the media world on us, as they face the same problems that we have already tackled, it is more important than ever that we work together to capitalise on the progress made and to make sure that the UK's songwriters and music publishers are a great example to everyone of how to adapt to a fast changing world.