

Music Piracy – The Trickle-down Effect

Recently we have received correspondence from the Recording Industries Music Performance Trust Fund (RIMPTF) on declining allocations due to the piracy of CDs. RIMPTF allocations are based on record sales. Every time you buy a record, the record company pays a royalty to the Fund, and that makes these programs possible. This is also true for the Sound Recording Special Payments Fund (SPF), a fund that distributes extra payments to musicians who record under the Sound Recording Labour Agreement. Every time recorded music is pirated or illegally downloaded from the Internet, the payments that might have supported free concerts or royalties to recording musicians are lost. Music piracy is an issue that impacts us all and it is one more example of the erosion of the music market. Not only are musicians finding it difficult to obtain decent wages in clubs to symphony orchestras, now the creative product they produce, many times at their own expense, is being threatened by theft.

According to the most recent international statistics CD recordable piracy tripled in 2001 and significantly contributed to the \$4.3 billion USD global piracy market. PriceWaterhouseCoopers reported that CD shipments dropped almost 9 percent in 2002, while unit shipments of all music formats decreased 11 percent. A major cause of this includes the ongoing problem of online and physical music piracy.

Canada is reporting even higher levels of online piracy, as our country is even more “plugged-in” than the USA. Canadian retail sectors are reporting 15-25% reductions in sales (Vancouver Sun Mar 7, 2003). In a recent business report, Moody’s Investor’s Service of London lowered the EMI Group’s debt to junk status citing “a deeply entrenched consumer penchant for downloading music illegally” (Vancouver Sun Mar 14, 2003). The negative effect of downloading on the industry is profound.

Organizations like the Recording Industry Association of America (RIAA) and the Canadian Recording Industry Association (CRIA) have mandates to investigate the infringement of copyrights of their members’ sound recordings and to seek enforcement of their members’ rights. The AFM has also been involved in recent court battles with Napster and other web casters in an effort to gain payments and royalties for its members and to stop the drain of income from the music industry. Their efforts have made a difference.

This trend not only affects major artists, but it affects independent artists as well. Due to the dramatic reduction in traditional sales, many US and Canadian music retail chains have gone or are going out of business. In Canada, we recently saw the bankruptcy of Sam the Record Man. This has led many surviving retailers to reduce the number of orders to “sure thing” CDs, which means little or no indie CDs are being ordered. Recently, HMV Canada completely stopped taking indie consignments altogether. The majors have indicated that even they are finding it hard to get racking at retail outlets. If you are an indie artist and are having trouble getting your CDs racked, it can be directly linked to the effects of downloading.

As retail sales have dropped, it has led to other key areas of income drying up for indie artists. Film and TV placements are very hard to get now as majors are beginning to monopolize even independent films. The competition for radio play has become so fierce that independent music represents only 5.5% of all Canadian radio (Canadian Music Network magazine Dec 2002). There have also been indications that concert ticket prices are on the rise due to the fact that artists are losing recording income from the theft of their product and are making it up on the concert circuit.

Although the Internet can be a great place to market independent music, there is also a downside that should not be underestimated. The next time you are thinking of downloading your favorite artist for free or one of your friends wants to do the same, consider the trickle-down effect this has on all artists. There are subscription services out there. Maybe it’s time to start using/promoting them and maybe it’s time to tell our friends how important this is to the survival of the industry. Musicians are the frontline when it comes to protecting their own markets, whether it is live performance, recording, TV or film and there have been success stories whenever they organize. Talk it up with your colleagues. The gig you save may be your own.

The following is an excerpt from an article **“Piracy hurts everyone both online and offline”** by Rep. Towns, a Democrat from New York and ranking member of the Energy and Commerce, Commerce, Trade and Consumer Protection Subcommittee:

“There are class issues in play here...if someone in a low-income community who has no Internet or computer access goes to a record store and steals a CD or DVD, he is fined and/or put in jail. If an affluent child with broadband access downloads (i.e., steals) 10 CDs from online sharing services, there are no visible repercussions and parents often praise that child for being tech savvy”.