State of the Recorded Music Industry India 2020 – National Address by Vikram Mehra, Chairman IMI

(This is a transcription of the speech delivered at All About Music held on a virtual platform on Dt. 18-Aug-2020)

Let me first start by paying my respect to Pandit Jasraj. He was a true legend. He took Indian classical music outside of India and promoted it across the globe. The Indian Music Industry will always be indebted to this maestro, legend and larger than life figure called Pandit Jasraj.

Next, I will like to tip my hat to this man called Tarsame Mittal. His dogged perseverance and never say die attitude makes him stand apart, He shows us by example that if you take the fear of failure out, you can do wonders. Who would have imagined that somebody who didn’t have any experience in the area was going to come up with All About Music and make it the most successful platform of the country for music. Great job done by Tarsame and team and congratulations for the 4th edition of All About Music.

Let me also take this opportunity on behalf of IMI to thank various film actors, producers, directors, various music-related artists, music labels and all the collection societies who have taken various initiatives over the last six months whether it is giving grants or holding online concerts or giving money to the Prime Minister Fund. They have taken various initiatives to raise funds for COVID – 19. Thank you, great job done, we are proud of you.

Also, I want to thank the Government of India and all its constituents for all their proactive action, especially in these challenging times. We may all have issues about various initiatives that are being carried out but remember managing a pandemic in a democratic structure with 1.3 billion people where everybody has an opinion, it is not a joke. Managing a company of 500 to 1000 people is an issue, just imagine managing 1.3 billion people.

I think the government has gone about their job with a calm head and a purposeful approach, big hats off to them.
Now, since we are talking about the government, let me put my first big request to the government, on behalf of the music industry. We would like to request the Government of India to reconsider the existing intermediary liability regime much more closely. This is being misused today. A lot of social media apps and video sharing apps are using music i.e. sound recordings and underlying works as a base to drive traffic. They use music as a way to boost traffic which in turn helps them generate advertising (revenue) and most importantly boost global valuations. There is nothing wrong with this model in a capitalist world, it’s perfectly fair to go back and do it but, fair value should be given to the owners of the sound recording and publishing rights too.

Why should one party build up this global valuation based on the content and the content owner does not get rightfully paid for it? I think there is a big issue there.

Intermediary liability concept was introduced in India at a time when the internet was in a nascent stage. I think a lot of water has flown under the bridge by now. The digital landscape of India has transformed completely and it’s high time that we relooked at the intermediary liability issue and the entire concept of safe harbour so that it does not become a way to short-change copyright owners of their rightful dues.

Let’s talk about another topic, this entire idea of price control in a capitalist structure. I always have an issue with the concept of price control. It was once again introduced in 2010 when radio was at its nascent stage and needed some kind of protection. So, both radio as well as television were put under what we call a statutory licensing regime. The entire idea of controlling the price of output when the input price is not under control is something difficult to comprehend.

To explain it to you-how do we music labels create content or buy content? Let me give the example of film music. Whenever a movie is being produced by a producer, they go back and reach out to all the major music labels and ask them if the labels would like to buy the rights of the audio and the music video connected to the movie. This is done in a completely free market scenario where no music label is under any pressure to bid for that music, and the film producer is under no pressure to sell it to anybody under duress.

It’s like a game of bidding where the producer decides which music label is the best possible marketing partner, then they decide to work with them.

What is the construct of the deal? The music label pays a hefty advance and then agrees that once the music label is able to recoup the entire advance given to the film producer, they will pay the film producer a royalty in perpetuity. And it happens labels like Saregama are still paying royalties for the music that were acquired in the 60’s and 70’s. I think it’s a perfect structure. It’s a structure where the free market is deciding what should be the pricing for
each of the song and lets the guy who is ready to bring the biggest bucks or the best marketing set-up to the table win it. So, if input price is not under control, then why should output price of the music label be under price control. A label tries to mortise the music though deals with various potential users: streaming platforms, radio stations, television channels etc. These should be left to free market dynamics.

In India, luckily, we have a vibrant entertainment industry. There are enough number of movie producers, music labels, streaming platforms, TV channels, radio stations to ensure that there is no monopoly. We really urge the government to relook the statutory licensing regime as the market matures.

I touched somewhere while I was speaking about the statutory licensing regime, the topic of radio. All we are requesting as music labels is for a fair pricing mechanism. I don’t know why every fight becomes one constituent versus the other constituent. A free market mechanism works on the concept that there is a win-win for both the parties. The moment one party takes it all, the free market mechanism breaks. That’s what has happened in the case of Radio stations using copyrighted music. The subsidization of music for Radio industry has come at the cost of the Music industry. An unfair value distribution like this means lower financial incentive for the producer of the content to produce content and bring it to the table.

The two per cent rate that was assigned by the copyright board in 2010 was done at a very different time. I will not get into the merits, but it was done at a time when radio was in infancy and needed a lot of support. What is the situation today? The total turnover of the music industry is around INR 1200crores while the turnover of the radio industry is around INR 3100crores.

I think the situation has changed. Now the music industry needs some kind of support from the radio industry. And what are we asking? Just that there is a fair mechanism of voluntary licensing. That’s it. We are not running away from the fact that radio industry is under a lot of duress because of COVID-19. It’s a phase and we are ready to stand up and support the radio industry at this stage as long as we understand in the long-run there will be a fair way in which the radio industry reimburses the music industry, both for sound recording as well as for publishing rights, so that both parties believe that they have got their right dues.

I am again repeating we are not out here just to go back and extract the maximum out of any of our partners. We also understand the growth of the music industry is dependent on our partners growing because the music is taken to the end users by our partners. We want our partners to grow and then reimburse us in a fair fashion that’s all we are asking for.

The other big area is streaming. There is an ambiguity in the interpretation of law on whether statutory licensing applies to streaming or not. Thankfully, the High Court verdict in Tips vs Wynk case has given us clarity. But I think more clarity from Government will go a long way to spur investments in the recorded music industry.
Our other peeve is digital piracy, it may sound like a stuck record but we have to acknowledge that digital piracy still erodes value in a big fashion through the inappropriate or invalid use of copyrighted music content.

IMI studies are indicating that 67% of customers surveyed in India are still using non-licensed platforms for consuming music content. Now this is bizarre! If China can go back and put that kind of curbs on controlling music piracy, I am sure we can do it too. We owe a lot to the streaming platforms who have helped us in turning a completely pirated industry to a legit industry. They are making it easier and convenient for customers to go back and listen to legal music.

We also need along with the carrots some sticks to be built in to dissuade and take action against people who indulge in the practices of promoting pirated music.

We are at INR1200 crores with 67% content being pirated, and music labels not getting dues right now from some of our partners. Just imagine the growth potential if piracy goes away and rightful dues start coming in.

The unique nature of our music industry is that majority of the music comes from films and the film industry is massive. Typically, 10 to 15 per cent cost of a film gets recouped by the producer by licensing the music to a music label.

The moment we start removing the remaining impediments in the path of the music industry, the industry will be able to grow rapidly and generate higher revenue. The moment higher revenue is generated the royalty’s overflows are going to flow back to the film producer. That means the film industry will be able to invest that much more in developing and creating films.

It’s a waterfall effect. It’s not about the music industry alone, if I look at the vertical integration from the film side on one side and the user on another it can have a potential to grow on both sides in a very big fashion.

Despite all of the obstacles that have come in the way of the industry, the Indian Music Industry grew over 18 % last year and we believe with the right support from the government, a fair mechanism for the music industry being reimbursed by their partners, with all these legal fights going on and partners working together the industry can grow in a big fashion.

There was a time when the Indian Music Industry was the envy of most parts of the world, I think we can go back and regain that position if we just get some of these impediments away.

One of the big highlights of last year was the global recognition of IPRS by CISAC. What does it show? I think there is no secret about the fact that for the longest time there was lot of
tussle between the publishers on one side and the authors on the other. Under the leadership of Javed Sahab, we all came together and created the new IPRS and the results are for everyone to see. The society is growing by leaps and bounds and both authors as well as publishers are reaping the benefit of it. It tells you that if we stop fighting and start working with each other, there is a lot of growth potential in front of us. And I urge not just IPRS, but all copyrighted societies and all stakeholders of those copyrighted societies to work together, so that we can achieve greater heights for the music industry.

Let’s all first engage with each other and engage with the government of India to ensure that piracy goes away. Let's ensure that the fair valuation is given for the music content. Let’s ensure that free market dynamics prevail in the music industry, both on the input and output sides. And then we believe that our industry will be a force to reckon with and you will see lot more investments flowing in, both from the domestic as well as the international side.

That will also add substantially to the employment benefits in the country. Music industry is a big employer, both directly through recording technicians and indirectly through bandwallas, concerts, pubs etc. It will be wrong on my part not to talk about Carvaan for a minute. A product like Carvaan which is based on music, is generating employment for hundreds of people. We are retailing from 28,000 retailers, with most of them having dedicated product demonstrators. The more music industry grows, the more emolument it creates.

In line with the Prime Minister Narendra Modi’s vision, the Indian Music Industry can truly contribute to the Aatmanirbhar Bharat both in terms of economic contribution and its soft power.

Thank you, I am very hopeful about the future, I am very hopeful that all of the issues will get resolved and the music industry will reach new heights.
I will end my session by wishing Shri S. P. Balasubramaniam speedy recovery, sir we want you back with you singing and rejoicing with the world as soon as possible.

* Shri S.P Balasubramaniam, passed away on 25th September 2020. IMI extends their heartfelt condolences to the family and the fraternity. IMI acknowledges the rich and vast contributions of the late Shri S P Balasubramaniam made to the industry.

Thank you.
Vikram Mehra,
Chairman IMI
Mr. Vikram Mehra is the Managing Director of Saregama India Limited at RP – SANJIV GOENKA GROUP PRIVATE LIMITED since October 2014. Before joining Saregama, Mr. Mehra served as Chief Marketing Officer and Chief Commercial Officer at Tata Sky Limited. Mr. Mehra was a part of Tata Administrative Services (TAS) and has worked in many Tata companies including Tata motors and TCS. Prior to joining Tata Sky, he was with News Corp owned by Star TV and was at the helm of its foray into DTH and cable services in India.