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Does Citigroup takeover herald a new era for EMI or the beginning of a breakup?

Since taking over EMI, banking group Citigroup has recapitalized the major and sharply reduced its debt. But are Citigroup's interests the same as EMI's, and will the inevitable selloff come sooner or later?

After several months of speculation, EMI Group, which contains recorded-music company EMI Music and EMI Music Publishing, has been bought by Citigroup. EMI Group announced the deal last week. It said that Citigroup had acquired 100% of its share capital and has recapitalized the company, reducing its debt 65%, from £3.4 billion (US\$5.5 billion) to £1.2 billion. EMI said the deal left it with £300 million in cash available.

In a statement and in subsequent interviews, EMI's chief executive, Roger Faxon, said that ending speculation about EMI's immediate future was a good thing and that the takeover had put the company on solid footing. He said that the debt reduction meant EMI now had "one of the most robust balance sheets in the industry." He added that the closer alliance of the recorded-music and publishing divisions had already delivered "impressive results." After a strategic review last year, EMI repositioned itself as a comprehensive rights-management company and changed the management structure of the two divisions. Although the two divisions have continued to operate as separate entities, they have been overseen by Faxon, operating as a single chief executive.

Terra Firma era comes to an end

When Terra Firma bought the EMI Group for £2.4 billion in 2007 most observers expected that the recorded-music division would be quickly sold off, with the most likely purchaser being WMG. Although Terra Firma was initially satisfied with EMI MP's performance and began developing plans to improve the position of EMI Music, the subsequent collapse of the financial markets and the continued fall in recorded-music sales greatly reduced EMI's value, leaving Terra Firma with a company that would never make a return on its investment.

Fast forward to last week, and the takeover of EMI by Citigroup has put an end to all of the speculation regarding Terra Firma's inability to meet its banking covenants that formed part of the original EMI-buyout lending agreement. EMI was under the control of Terra Firma-owned Maltby Capital, which operated the divisions Maltby Investments Limited (MIL) and Maltby Acquisitions Limited (MAL), EMI's holding company. The sale of EMI was triggered by MIL's breaching of its loan facility with Citigroup. PricewaterhouseCoopers was appointed administrator of MIL, resulting in the sale of EMI and MAL to Citigroup.

The initial reactions to Terra Firma's exit from the music industry have largely painted a picture of failure on the part of the private-equity firm to achieve its aim of transforming the industry. At the time of Terra Firma's EMI acquisition, it was widely reported that the private-equity firm was looking to cut back on extravagant spending at the music company, which included expensive houses for executives, excessive travel expenses and the laundering of spending on drugs and prostitutes, an expense known in the music industry as "fruit and flowers." Many said that the cutbacks showed that Terra Firma did not understand how the music industry worked. Radiohead famously left EMI after 16 years with the major just after Terra Firma took over, citing differences with the new owners. Other big-name artists to leave EMI included the Rolling Stones and Paul McCartney.

EMI certainly became a smaller company during the Terra Firma era. Its global market share in 2008 for recorded-music sales, publishing and group revenues all declined. However, in 2009 its market share in each of the three categories increased, and for the countries in which market-share data for 2010 has been published, EMI has again made gains (see US profile, page 19).

Few recent financial details are available for EMI. The annual operating-performance report published last August showed growth in revenue and EBITDA for the recorded-music and publishing divisions in the 12 months to end-March 2010. Soon after Terra Firma took charge, it said that EMI sales in the first 18 weeks of its financial year (to Aug. 6, 2007) had fallen 5.1% at

constant currency-exchange rates. The decline was due to a 13.4% drop in recorded-music sales at EMI Music as EMI MP increased its revenues 11.9% compared with the same period of 2006. Although all of these figures must be seen in the context of the general global decline in recorded-music sales, the company's recorded-music-revenue drop in 2007 was higher than that of the overall market. In contrast, recorded-music revenues for EMI in the 12 months to end-March 2010 rose faster than its publishing income.

A new home for EMI

Despite the good financial performance, EMI has been saddled with massive debt and uncertainty. In the 12 months to end-March 2010, its losses totaled £512 million and it incurred an impairment charge of £602 million. Although both of these figures were down compared with the previous year, the company was facing the repayment of about £3 billion in debt. This burden has now been lifted. However, speculation on what Citigroup plans to do with EMI has already begun. Citigroup has no interest in holding onto EMI for any length of time and is reported to have been talking to all of the other majors regarding the sale of parts of EMI. In an interview with trade magazine *Billboard*, Faxon acknowledged that EMI is going to be sold but said the process could now be "orderly and profitable."

Inevitably, the usual names have been suggested as possible suitors, including WMG. The company certainly appears to be in need of a shake-up: Last month it was widely reported that WMG had appointed Goldman Sachs (GS) to look into a sale of the company. Buying EMI instead could keep WMG together. In a note issued last week by GS before the publication of WMG's 4Q10 financial results (see page 8), GS said that WMG could see "strategic appeal in EMI's Recorded Music division" through potentially large savings. GS estimated that annual savings of a combination of the two companies would be between US\$75 million and US\$300 million. GS added that the possible combination of Warner Chappell and EMI MP would be unlikely because of antitrust issues.

BMG Rights Management (BMG RM) has also been discussed as a potential buyer. In a recent interview with UK trade publication *Music Week*, BMG RM's CEO, Hartwig Masuch, said the company would perhaps be interested in buying EMI Music only, because integrating EMI MP would be "tough." Assuming that the rumors that Google or Apple might make a bid are untrue, EMI could find itself being bought by another private-equity firm. Either way, an improvement in the prospects for recorded-music sales would seem essential for any bidder, especially from those outside the music industry. This would suggest that EMI has some breathing room.



Analysis •

UK telecoms regulator Ofcom to review sections of the Digital Economy Act

The UK's culture secretary has asked the country's telecoms regulator to review the workability of the portion of the Digital Economy Act that enables courts to block websites dedicated to copyright infringement.

For the past 18 months or so, the UK has been edging toward a system that would force ISPs to send a series of warnings to subscribers that have been identified as file sharers. The plan is that if subscribers do not stop their illicit activities, their Internet access will be cut for a limited time. However, achieving this aim has been fraught with difficulties and continues to face numerous challenges.

The measures and process of introducing a three-strikes system to deal with online intellectual-property violations are contained in the Digital Economy Act (DEA), which was passed into law at the beginning of April 2010, just before Parliament was dissolved in preparation for the general election. The approval process, called "wash-up," involved bartering between the government and the opposition parties over the DEA's most contentious parts.

Two of the most vocal ISP critics of the DEA, BT and TalkTalk, won a judicial review after they successfully argued in the High Court that the DEA was not notified under the Technical Standards Directive and failed to comply with other European legislation relating to e-commerce, data

protection and privacy. The court will review sections 3 to 18 of the DEA next month. In January the High Court gave a coalition of rights holders permission to defend the DEA at the judicial review. A variety of trade associations and organizations, including the BPI, the Producers' Alliance for Cinema and Television (PACT), the Premier League and trade unions Equity, Bectu and the Musicians' Union, will make written submissions and oral arguments in support of the DEA.

But aside from the judicial review, the government is investigating whether the sections contained in the DEA that enable courts to block websites dedicated to copyright infringement could actually work. Announcing the review, the UK's culture secretary, Jeremy Hunt, said that the Ofcom review followed suggestions on Your Freedom, a website created by the government that allowed members of the public to voice their unease about any UK legislation. The site is now closed, but *Music & Copyright* understands that numerous concerns about the process of blocking Internet access and account suspension were raised on it. In a statement, the government said that "thousands of ideas, comments and votes were submitted and the feedback has been used to inform government policy."

Terms of reference

The review by Ofcom is expected to center on the process of blocking access to a website by an ISP and whether it is technically possible to do so. Ofcom has been asked to assess how robust any block would be and how easy it would be for a blocked website to circumvent the block. Ofcom will also examine what measures ISPs might adopt to prevent such circumvention and how precise a block can be. In other words, it aims to determine whether specific parts of a website can be blocked. Ofcom has also been asked to establish how effective are sections 17 and 18 of the DEA, which provide for the identification of sites to be blocked.

Hunt said when announcing the review that the government had no problem with the principle of blocking access to websites used exclusively for facilitating the illegal downloading of content but that it needed some clarity on whether the site-blocking provisions in the DEA could work in practice. Once the review is finished, the government will decide what to do next. Although no time frame has been published for the review, *Music & Copyright* understands that it is expected to be completed by Easter.

In a statement, the government confirmed that Ofcom was preparing to implement the DEA's mass notification system. However, no date has been set for sending the first warning letters, and much of the legal process to establish a notification system is not yet in place. Ofcom must first complete an initial obligation code that must pass European Union scrutiny. Ofcom must also create an appeals process for those accused of file sharing to defend themselves against the accusations. Secondary legislation must then be passed, which means the first warning letter is unlikely to be sent before the beginning of next year.

The cost of the three-strikes process has been a contentious issue for both ISPs and rights holders. The Ofcom review will look to identify either a potential range of costs for ISP-blocking technology or the main drivers of those costs, but the division of the costs will not be reviewed. Last year the government published its plans regarding who pays what for the cost of implementing a three-strikes process, and although rights holders presented a case for a "fair" distribution of costs, they are required to pay 75%, with the rest to be paid by ISPs.

In January, the government presented to Parliament the Online Infringement of Copyright (Initial Obligations) (Sharing of Costs) Order 2011. The order lays out precisely what costs are to be paid by rights holders and ISPs as part of implementing and operating the three-strikes process, as well as those that are not to be included. The order is due to be debated in both houses of Parliament.



Spanish recorded-music sales plummet in 2010; subscriptions and streaming the only positives

New figures published by Spain's music-trade association show that the trade value of recorded-music sales in Spain fell 21% last year. Despite a rise in streaming and subscription revenues, there were no signs of an end to the collapse in Spain's recorded-music industry.

In January the IFPI said that Spain was a "legitimate music industry struggling for survival because of digital piracy." In its *Digital Music Report 2011* it used Spain as a case study of what can happen when a country's music industry is left without any protection from high levels of file sharing and intellectual-property abuse. The IFPI's assessment has been illustrated in detailed form by figures published by local trade association Promusicae. The new details show that the trade value of recorded-music sales fell 21.1% in 2010, to €166.5 million (US\$221.1 million), from €211 million in 2009 (see fig. 1). The fall was greater than the 17% year-on-year decline in 2009, and it means that the trade value of recorded-music sales in Spain has more than halved in just five years.

Fig. 1: Spain, recorded-music sales by format, 2009 and 2010

| | 2009 | 2010 | Change (%) |
|--|---------|---------|------------|
| Physical (units 000s) | | | |
| Audio | | | |
| Singles | 54 | 115 | 113.0 |
| Vinyl LPs | 106 | 97 | -8.5 |
| CDs | 21,606 | 14,928 | -30.9 |
| Other | 96 | 58 | -39.6 |
| Total audio | 21,862 | 15,198 | -30.5 |
| Video (units 000s) | 3,751 | 1,275 | -66.0 |
| Total physical (units 000s) | 25,613 | 16,473 | -35.7 |
| Total physical (€ 000s) | 178,721 | 127,782 | -28.5 |
| Total physical (US\$ 000s) | 249,250 | 169,680 | -31.9 |
| Physical share of trade value (%) | 84.7 | 76.8 | - |
| Digital (€ 000s) | | | |
| Internet downloads | 15,488 | 11,679 | -24.6 |
| Mobile downloads | 12,162 | 6,529 | -46.3 |
| Subscriptions | 4,019 | 11,022 | 174.3 |
| Streaming | 519 | 9,404 | 1,711.9 |
| Other | 139 | 65 | -53.5 |
| Total digital (€ 000s) | 32,327 | 38,699 | 19.7 |
| Total digital (US\$ 000s) | 45,084 | 51,388 | 14.0 |
| Digital's share of trade value (%) | 15.3 | 23.2 | - |
| Total physical and digital (€ 000s) | 211,048 | 166,481 | -21.1 |
| Total physical and digital (US\$ 000s) | 294,334 | 221,068 | -24.9 |

Source: Promusicae

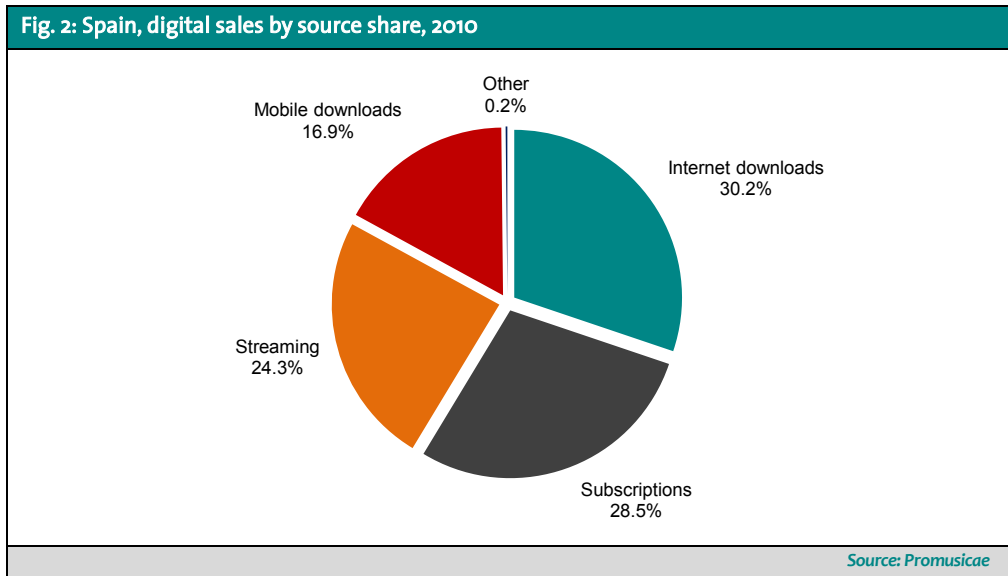
Promusicae reports physical and digital sales details of the four majors and independents Avispa, Blanco y Negro, Boa and Divucsa. Only physical-sale details are included from independents Dial, Discmedi, Harmonia Mundi Iberica, Naive and Open.

Physical formats bore the brunt of the decline, with unit sales falling a massive 35.7%, from 25.6 million in 2009 to 16.5 million in 2010. All physical audio formats (with the exception of singles) were down last year. However, it was physical videos that suffered the most, with sales down 66%, to 1.3 million units. The trade value of physical sales dropped 28.5%, to €127.8 million.

In contrast to 2009, when the trade value of Internet downloads increased sharply, last year saw a decline of 24.6%, to €11.7 million. It should be noted that subscriptions and streaming revenues were included in the Internet-download figure for 2009 and were broken out separately for last

year, a difference that will have exaggerated the decline. Even so, the fall in the value of Internet downloads is troubling for the Spanish music industry. The decrease in the trade value of mobile downloads accelerated in 2010, falling 46.3%, to €6.5 million.

Internet downloads remain the largest source of digital trade revenues, despite the fall last year (see fig. 2). However, the share taken by mobile dropped from 37.6% in 2009 to 16.9% in 2010. The only positive news was the sharp rise in trade revenues from streaming and subscription services. Streaming revenues rose from just €519,000 in 2009 to €9.4 million last year. Subscription service revenues stood at €11 million and were the second-largest source of digital sales.



In a statement, Promusicae said that the piracy situation had deteriorated to such an extent that only one album, *Via Dalma* by Sergio Dalma, sold more than 100,000 units last year. The trade association also said that nine of the 20 best-selling albums of 2010 were released in 2009. Numerous examples of just how bad the situation has become for the music industry in Spain have been published in the past couple of years. But possibly the most staggering is the fact that only a few years ago it was not uncommon for a Spanish artist to sell more than 1 million albums across Europe. The last one to achieve this was Alex Ubago in 2007. However, the investment in local artists has dwindled to such an extent that for last year and 2009 no Spanish artists featured among the 50 best-selling albums. In 2003, 10 Spanish artists were included in the top 50.

Promusicae remains hopeful that some form of legislation can rectify the situation. It said that the Sustainable Economy Bill (LES) represented “a start.” Although the ruling Spanish Socialist Workers’ Party (PSOE) failed to receive cross-party support for the LES in December, with a Spanish parliamentary panel narrowly rejecting the legislation, late last month the PSOE reached agreements with the opposition People’s Party and Convergence and Union party on an amendment to the LES.

The LES contains provisions to redraft article 158 of Spain’s Intellectual Property Act 1/1996, which would give a newly formed Intellectual Property Commission the power to remove Web pages that contain copyright-infringing material for the purpose of commercial gain, after receiving judicial authorization. However, the legislation has been heavily criticized for having no provisions to deal with file sharing. The IFPI cited figures from Nielsen in its *Digital Music Report 2011* when it said that up to 21% of active Internet users in Spain used peer-to-peer services every month.

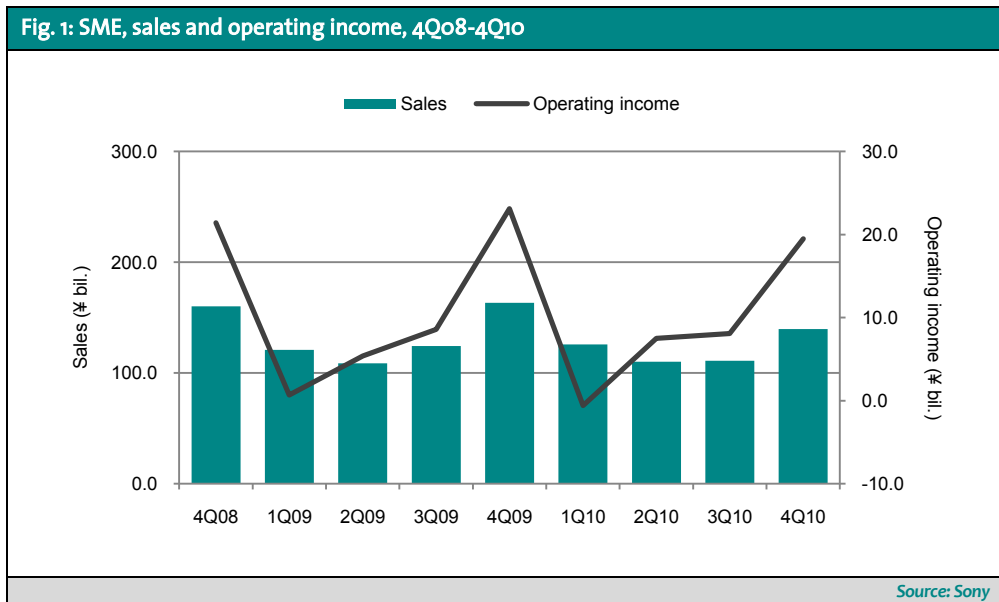


SME and WMG experience big falls in sales in 4Q10

SME and WMG have both reported troubling financial details for the final three months of 2010. The rate of decline in revenues for the two companies in the quarter was almost identical. Most worrying for SME and WMG, digital sales are still falling a long way short of countering the demise of physical sales.

SME and WMG each experienced a poor fourth quarter, with digital's rise still not compensating for physical's fall.

For SME, total sales decreased 14.5% in the three months to end-December 2010, to ¥139.8 billion (US\$1.73 billion), from ¥163.5 billion in 4Q09 (see fig. 1). In constant-currency terms, the decrease was 10%. Operating income in the latest three-month period was down 15.7%, to ¥19.5 million.



The results for the busiest quarter of the year for recorded-music sales are a disappointment for SME and follow a poor third quarter, when, year-on-year, total sales fell 10.8% and operating income fell 6.1%. SME said the poor results for the latest three months were due to the continued contraction of the physical music market, which is only partially being offset by rising digital sales. SME also cited the negative impact of the appreciation of the yen against the US dollar as a reason for the decline. Lower sales of Michael Jackson catalog product in 4Q10 compared with 4Q09 will also have affected the latest financials. SME said that the decline in operating income was partially offset by a year-on-year decrease in marketing costs.

For the latest quarter, Sony said that its best-selling albums were Ikimono-Gakari's *Ikimono Bakari: Members' Best Selection*, Susan Boyle's *The Gift*, Michael Jackson's *Michael*, Kings of Leon's *Come Around Sundown*, Bruce Springsteen's *The Promise* and two albums from the cast of the US TV series *Glee*.

SME's poor results come at a time when the company is rumored to be considering installing the current UMG chairman, Doug Morris, as CEO. Morris was replaced as CEO of UMG by Lucian Grainge last year and was set to retire in 2012. However, SME's CEO, Rolf Schmidt-Holtz, is widely expected to leave the company at the end of March when his contract is up for renewal. The speculation over Schmidt-Holtz was heightened recently when he said in a statement that he would become a partner in the German pay-TV service Teveo at the beginning of April.

Sales at WMG also down

The decline in sales at SME was almost echoed by WMG, which reported a drop in sales of 14.1%, to US\$789 million, in 4Q10, from US\$918 million in 4Q09. On a constant-currency basis, the fall was 11.9%. The company said that industry pressures and a highly competitive release schedule had limited its results in the quarter.

Total US revenues fell 10.3%, to US\$297 million, while international revenues dropped 16.4%, or 13.1% on a constant-currency basis (see fig. 2). WMG said that revenue growth in some Asia Pacific countries was offset by weakness in the rest of the world.

Fig. 2: WMG, revenues by geographic location, 4Q09 and 4Q10 (US\$ mil.)

| | 4Q09 | 4Q10 | Change (%) |
|---------------------------|------------|------------|--------------|
| US | | | |
| Recorded music | 284 | 257 | -9.5 |
| Publishing | 47 | 40 | -14.9 |
| Total | 331 | 297 | -10.3 |
| International | | | |
| Recorded music | 499 | 416 | -16.6 |
| Publishing | 94 | 80 | -14.9 |
| Total | 593 | 496 | -16.4 |
| Intersegment eliminations | 6 | 4 | -33.3 |
| Total revenue | 918 | 789 | -14.1 |

Source: WMG company accounts

Digital revenues for WMG increased 1.6% year-on-year, to US\$187 million, at both current and constant currency rates. However, concerning for the company is the fact that total digital revenue was down 5.1% compared with 3Q10, or 7% on a constant-currency basis. Digital represented 23.7% of total revenues in 4Q10. Net losses rose slightly year-on-year, from US\$17 million to US\$18 million.

Recorded-music revenues fell 14% year-on-year, to US\$673 million, or 12% on a constant-currency basis (see fig. 3). WMG said that the fall reflected a global weakness in the recorded-music market, which was only partially offset by strength in some Asia Pacific countries. US recorded-music revenue was down 9.5% year-on-year, to US\$257 million, while international recorded-music revenue was down 16.6%, or 13.5% on a constant-currency basis, to US\$416 million. Recorded-music digital revenues increased 3.5% year-on-year, to US\$178 million, on both current and constant rates. Digital's share of recorded-music revenues stood at 26.4%. US digital recorded-music revenues fell 3%, to US\$96 million, while international digital recorded-music revenue grew 12.3% on both current and constant rates.

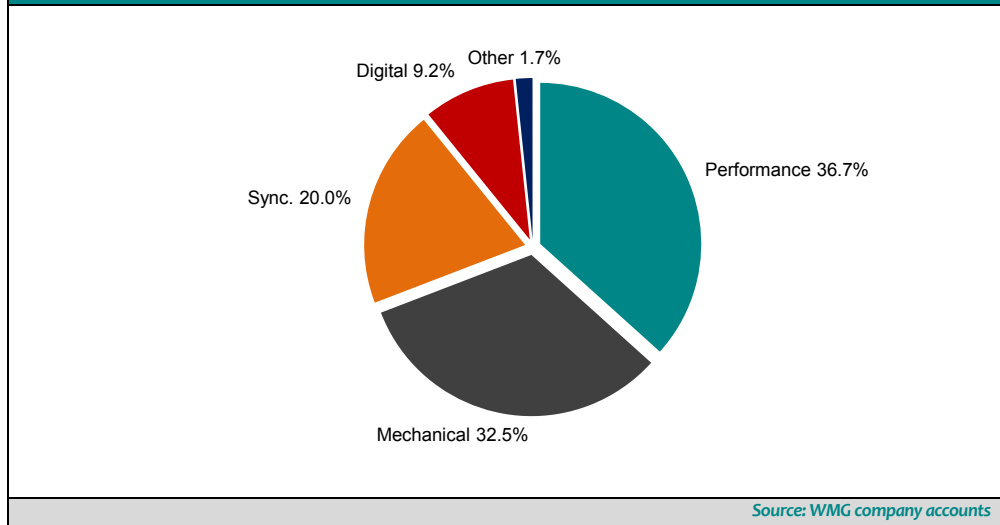
Fig. 3: WMG, revenues by source, 4Q09 and 4Q10 (US\$ mil.)

| | 4Q09 | 4Q10 | Change (%) |
|--------------------------|------------|------------|--------------|
| Recorded music | 783 | 673 | -14.0 |
| Music publishing | | | |
| Mechanical | 47 | 39 | -17.0 |
| Performance | 50 | 44 | -12.0 |
| Synchronization | 25 | 24 | -4.0 |
| Digital | 15 | 11 | -26.7 |
| Other | 4 | 2 | -50.0 |
| Total publishing | 141 | 120 | -14.9 |
| Intersegment elimination | 6 | 4 | -33.3 |
| Total revenue | 918 | 789 | -14.1 |

Source: WMG company accounts

Sales at Warner Chappell suffered a fall of 14.9% year-on-year, or 12.4% on a constant-currency basis, to US\$120 million. US publishing revenues declined 14.9% year-on-year, to US\$40 million, while international publishing revenues also decreased 14.9%, or 11.1% on a constant-currency basis. Mechanical revenue for Warner Chappell fell 17%, or 15.2% on a constant-currency basis, while performance revenue declined 12% (8.3% at constant rates). Performance accounted for the largest share of publishing revenues in the quarter (see fig. 4).

Fig. 4: Warner Chappell revenues by source share, 4Q10



Analysis •

Stalled action on copyright enforcement hurts Swedish recorded-music sales in 2010

Recorded-music sales in Sweden fell 4.2% last year, according to figures published by the local trade association. Some have blamed the decrease, which came after a rise of 10.2% in 2009, on delays to the legal process dealing with file sharing.

One year ago, Grammofonleverantörernas Forening (GLF), Sweden's IFPI affiliate, reported a dramatic turnaround in the fortunes of the country's music industry. The trade value of recorded-music sales had risen sharply year-on-year in 2009, bringing an end to several consecutive years of decline. The main reason for the return to growth was the implementation of copyright legislation based on the European Union's Intellectual Property Rights Enforcement Directive (IPRED), which provided rights holders with more power to deal with illegal file sharing. Most important was the power to petition courts to force ISPs to reveal the identities of P2P-service users.

For much of last year, Sweden was championed as an example of a market that was turned around by a combination of a tougher legal stance against file sharing and greater promotion of legal download services. But this optimism has been tarnished by figures published by GLF that show the trade value of recorded-music sales fell 4.2% in 2010, to SEK825.1 million (US\$119.9 million), from SEK861.4 million in 2009 (see fig. 1). Digital sales maintained an impressive growth rate, but a sharp fall in physical trade revenues caused an overall decline.

Unit sales of physical albums, virtually all in CD form, fell 17.4%, to 13.1 million, and trade value was down 22.1%, at SEK538.7 million. Despite a slight rise in unit shipments and trade revenues from music videos and vinyl sales, the drop in singles sales meant that overall physical sales were down 18% in unit terms and 21.2% in trade value. Swedish repertoire accounted for 49.2% of total physical sales, with international repertoire accounting for the rest.

In contrast to the decline in physical sales, the trade value of digital sales rose 83%, to SEK257.1 million. The growth rate was lower than the 98.6% increase in 2009, but it was still impressive considering the marked slowdown in growth of digital sales reported in all of the world's leading music markets. Revenues from streaming services grew 162.4%, to SEK170.1 million. Streaming's rise in popularity meant that it accounted for 20.6% of recorded-music trade revenues in 2010 (see fig. 2). Overall, digital accounted for 31.2% of recorded-music revenues in 2010, almost double the 16.3% seen in 2009.

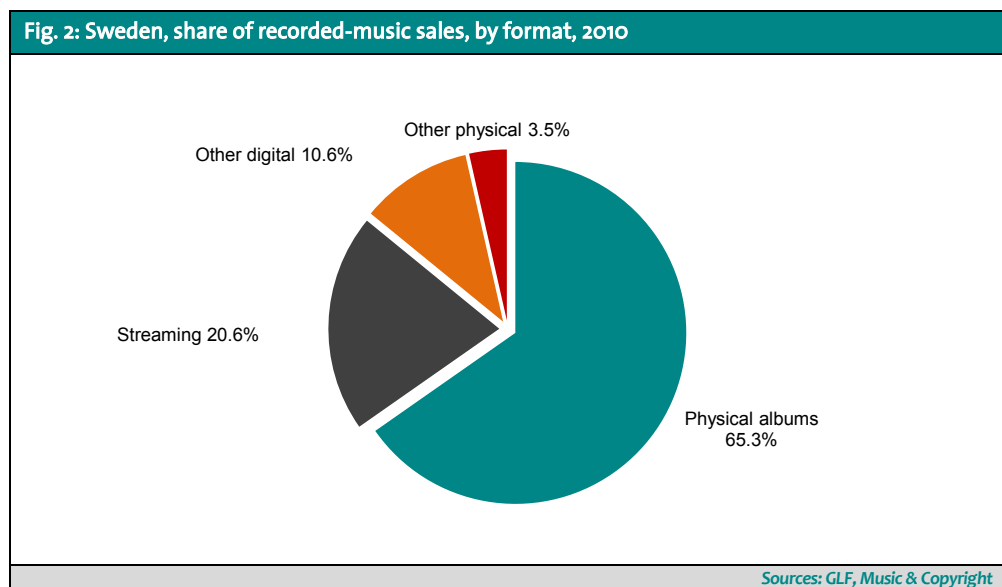
Fig. 1: Sweden, recorded-music sales, 2009 and 2010

| | Units | | Change (%) | Trade value | | | Change (%) |
|-----------------------------|----------|----------|------------|-------------|------------|-------------|------------|
| | (000s) | (000s) | | (SEK mil.) | (SEK mil.) | (US\$ mil.) | |
| | 2009 | 2010 | 2009 | 2010 | | | |
| Physical | | | | | | | |
| Singles | 366.5 | 134.0 | -63.6 | 2.9 | 2.1 | 0.3 | -27.4 |
| Albums | 15,841.3 | 13,082.0 | -17.4 | 691.1 | 538.7 | 75.0 | -22.1 |
| Videos | 382.1 | 384.0 | 0.6 | 26.9 | 27.2 | 3.8 | 1.0 |
| Total physical | 16,590.0 | 13,600.0 | -18.0 | 720.9 | 568.0 | 79.1 | -21.2 |
| Physical share of total (%) | - | - | - | 83.7 | 68.8 | 68.8 | -14.9* |
| Digital | | | | | | | |
| Streaming | - | - | - | 64.8 | 170.1 | 23.7 | 162.4 |
| Other | - | - | - | 75.7 | 87.1 | 12.1 | 15.0 |
| Total digital | | | | 140.5 | 257.1 | 35.8 | 83.0 |
| Digital share of total (%) | | | | 16.3 | 31.2 | 31.2 | 14.9* |
| Grand total | - | - | - | 861.4 | 825.1 | 114.9 | -4.2 |

*Percentage points

Sources: GLF, Music & Copyright

Fig. 2: Sweden, share of recorded-music sales, by format, 2010

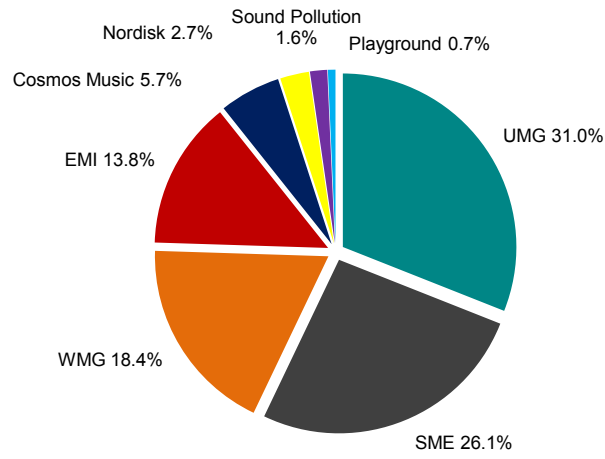


In a statement, GLF said that IPRED has become “dormant” and that the illegal consumption of music, which declined in 2009, has started to rise again. The IFPI’s *Digital Music Report 2011*, published last month, presented Sweden as a case study showing that legislation to tackle illegal file sharing can boost the sales of legal digital services. The IFPI cited research from both Uppsala University in Sweden and market-research company GfK that said file-sharing activity fell after the introduction of the IPRED law. The GfK study also found that the increased popularity of streaming service Spotify helped reduce file-sharing activity.

But despite the newfound confidence expressed over much of last year, the IFPI report cited evidence from research company MediaVision that piracy levels are rising again. This prompted GLF to call for tougher legislation and a “new approach in tackling piracy.” Any new move will have to deal with the stance of local ISP Bahnhof, the host of whistle-blowing website Wikileaks, which offers an anonymous Internet-connection service that directs all data traffic through an encrypted “tunnel” of servers that disguises an Internet user’s IP address so that the user cannot be traced or identified. According to Bahnhof, the service, which costs SEK40 a month, is aimed at protecting “ordinary human life and freedom.”

UMG maintained its position as the largest record company at end-2010, with a market share of 31%, up from 29.2% at end-2009 (see fig. 3). Second-placed SME also increased its share, to 26.1%, from 25.5%. WMG’s and EMI’s shares edged up slightly. Cosmos Music is the largest of Sweden’s independent music companies. Previously known as Bonnier Amigo, the company was renamed Cosmos after a management buyout at the end of 2009.

Fig. 3: Sweden, recorded-music market shares, 2010



Note: Playground's share included in Cosmos' figures from July 1

Source: GLF



Bundled subscriptions explode in Finland; WMG increases market share

The trade value of recorded-music sales fell 6.4% in Finland last year, to €43 million (US\$57.1 million), from €45.9 million in 2009, according to the local IFPI association (see fig. 1). Physical sales, which accounted for almost 82% of the total trade value, were down 15.8%, to €32.2 million. In unit terms, physical sales performed better and actually recorded growth. CD shipments were up 2.1%, to 5 million. Digital sales had a mixed year. Internet downloads of singles and full albums fell for the first time, and the decline in mobile download formats resulted in a 36.5% decrease in mobile trade revenues. However, the real success story came in the form of bundled subscriptions, with trade revenues rising 1,402%, to €2.9 million. Bundled subscriptions accounted for almost 7% of total recorded-music trade revenues last year and 37.5% of digital trade revenues. Advertising-supported income was also up sharply, 181%, to €2.2 million.

Fig. 1: Finland, recorded-music trade value, 2009 and 2010

| | 2009 | 2010 | | Change |
|---|-------------------|-------------------|-------------------|--------------|
| | (€) | (€) | (US\$) | (%) |
| Physical | | | | |
| Audio | 38,205,470 | 32,736,069 | 43,469,899 | -14.3 |
| Video | 3,480,497 | 2,442,116 | 3,242,861 | -29.8 |
| Total physical | 41,766,554 | 35,178,185 | 46,712,760 | -15.8 |
| Digital | | | | |
| Internet | | | | |
| Single track | 1,146,099 | 1,110,039 | 1,474,010 | -3.1 |
| Album | 1,221,361 | 1,207,139 | 1,602,948 | -1.2 |
| Music video | 19,769 | 1,746 | 2,318 | -91.2 |
| Other downloads | 18,791 | 2,426 | 3,221 | -87.1 |
| Streams | 10,903 | 8,261 | 10,970 | -24.2 |
| Total Internet | 2,416,923 | 2,329,611 | 3,093,467 | -3.6 |
| Mobile | | | | |
| Master ring tone | 319,983 | 218,187 | 289,728 | -31.8 |
| Single track | 59,839 | 25,601 | 33,995 | -57.2 |
| Ring-back tone | 424 | 11 | 15 | -97.4 |
| Music video | 785 | 249 | 331 | -68.3 |
| Other downloads | 4,131 | 51 | 68 | -98.8 |
| Streams | 252 | 588 | 781 | 133.3 |
| Total mobile | 385,414 | 244,687 | 324,917 | -36.5 |
| Subscriptions | | | | |
| Nonbundled subscriptions – online | 168,983 | 36,501 | 48,469 | -78.4 |
| Nonbundled subscriptions – mobile | 21,496 | 42,436 | 56,350 | 97.4 |
| Bundled subscriptions | 190,352 | 2,860,270 | 3,798,124 | 1,402.6 |
| Total subscriptions | 380,831 | 2,939,207 | 3,902,944 | 671.8 |
| Ad-supported income | 785,291 | 2,206,786 | 2,930,369 | 181.0 |
| Unearned advances and one-time payments | 199,258 | 98,784 | 131,174 | -50.4 |
| Other digital-music content | 13,807 | 23,304 | 30,945 | 68.8 |
| Total digital | 4,181,524 | 7,842,379 | 10,413,817 | 87.5 |
| Grand total | 45,948,078 | 43,020,564 | 57,126,577 | -6.4 |

Source: IFPI Finland

WMG was the largest music company in Finland last year, with an increased market share of 28.4% (see fig. 2). The rise built on growth in 2009, when the company's share rose to 25.7%, from 20.3% in 2008. Second place was taken by SME, with an almost unchanged share of 21.2%. Although UMG was third, it scored the largest share increase of the four majors. The largest independent company last year was Playground Music. Its share increased sharply because of its merger in April with leading independent companies Edel and Bonnier Amigo.

Fig. 2: Finland, recorded-music market shares, 2009 and 2010

| | Share, 2009 (%) | Share, 2010 (%) | Change* |
|--------------------|-----------------|-----------------|---------|
| EMI | 14.2 | 12.8 | -1.4 |
| Playground Music | 3.9 | 8.7 | 4.9 |
| SME | 21.1 | 21.2 | 0.1 |
| UMG | 15.5 | 19.8 | 4.3 |
| WMG | 25.7 | 28.4 | 2.8 |
| Other | 19.8 | 9.1 | -10.7 |
| *Percentage points | | | |

Source: IFPI Finland

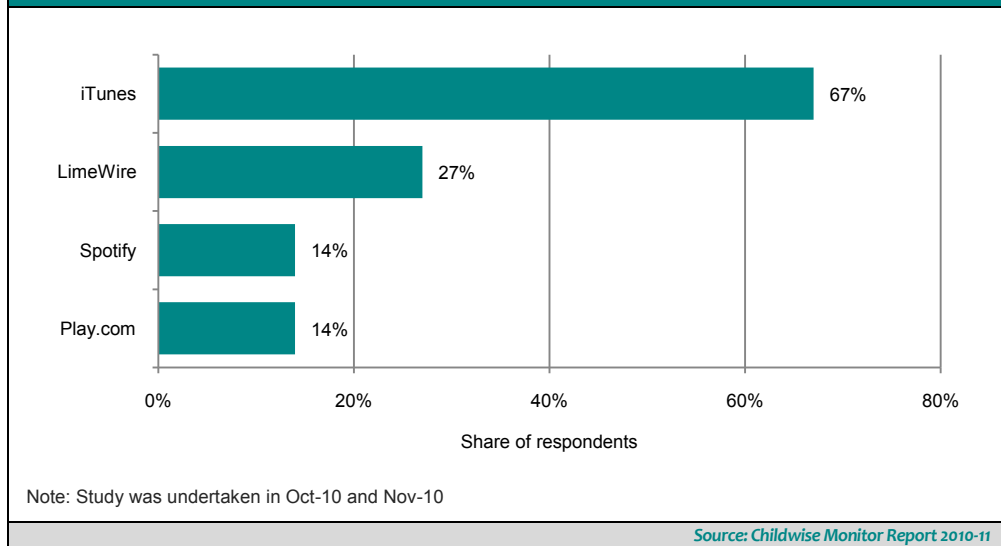


Statistics •

UK children favor iTunes to LimeWire

Research published by child-focused research firm Childwise has found that iTunes is the favored online destination for accessing digital music. According to the report, *Childwise Monitor 2010-11*, 67% of 9- to 16-year-olds who used digital-music services preferred iTunes ahead of file-sharing network LimeWire, which was chosen by 21% (see fig.). The report also found that 63% of 5- to 16-year-olds owned an MP3 player and 88% listened to music on the radio, compared with 20% listening to music on the move. BBC Radio 1 is the most popular radio station, listened to by 37% of 9- to 16-year-olds in the past week, ahead of Heart, at 31%, and Galaxy, at 25%. Sixty-nine percent of 9- to 16-year-olds said they listened to music with their friends via their phone or iPod, and 33% said they listened to music regularly.

UK, favored music-access service for 9- to 16-year-olds



Norwegian recorded-music sales tumble 15.1% in 2010; digital growth rate remains high

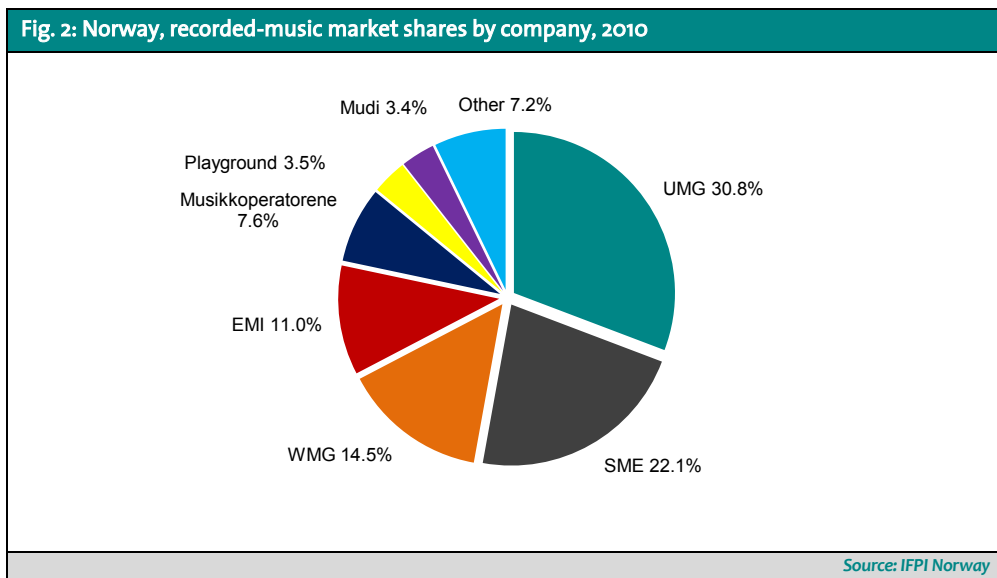
The trade value of recorded-music sales in Norway fell 15.1% last year, to NOK503.3 million (US\$83.5 million), from NOK592.9 million in 2009, according to figures published by the local IFPI office (see fig. 1). The rate of decline marked a sharp increase on the 3% fall in 2009. The poor performance was due to a 28.5% fall in the trade value of physical sales. In contrast, digital sales remained positive, with the trade value rising 60.2%, to NOK143.2 million. Digital sales accounted for 28.5% of total recorded-music trade revenues in 2010, compared with 15.1% in 2009. Although Internet downloads experienced another year of growth and streaming service revenues rose 170.8%, it was the performance of subscription services that was most notable. Subscription revenues increased from NOK3.6 million in 2009 to NOK44.1 million last year, making subscriptions the largest digital revenue source. The rise in interest in subscription and streaming services was confirmed by a survey Norstat conducted in Norway in December for Aspiro Music. It said that 42% of Norwegians said they have access to a music-streaming service, compared with 33% six months earlier. The survey also found that one-quarter of those who accessed a music-streaming service paid to do so.

Fig. 1: Norway, recorded-music trade value by format, 2009 and 2010

| | 2009 | 2010 | | Change |
|-----------------------------|--------------|--------------|-------------|--------------|
| | (NOK mil.) | (NOK mil.) | (US\$ mil.) | (%) |
| Physical | | | | |
| Albums | | | | |
| CD | 472.9 | 335.3 | 55.6 | -29.1 |
| MC/LP | 3.1 | 3.9 | 0.6 | 25.8 |
| SACD | 2.4 | 0.6 | 0.1 | -75.0 |
| DVD-A | 3.0 | 3.6 | 0.6 | 20.0 |
| Other | 2.9 | 0.8 | 0.1 | -72.4 |
| Total physical albums | 484.3 | 344.2 | 57.1 | -28.9 |
| Singles | 0.9 | 1.2 | 0.2 | 33.3 |
| Music DVD | 18.3 | 14.7 | 2.4 | -19.7 |
| Total physical | 503.5 | 360.1 | 59.7 | -28.5 |
| Physical share of total (%) | 84.9 | 71.5 | 85.0 | -13.4* |
| Digital | | | | |
| Internet | | | | |
| Single track | 29.6 | 30.7 | 5.1 | 3.7 |
| Album | 32.1 | 32.6 | 5.4 | 1.4 |
| Streaming | 12.8 | 24.2 | 4.0 | 88.4 |
| Total internet | 74.9 | 88.9 | 14.7 | 18.8 |
| Mobile | | | | |
| Single track | 6.6 | 5.5 | 0.9 | -16.4 |
| Master tone | 2.6 | 1.7 | 0.3 | -34.2 |
| Streaming | 0.2 | 0.7 | 0.1 | 170.8 |
| Other | 1.0 | 1.2 | 0.2 | 18.3 |
| Total mobile | 10.4 | 9.1 | 1.5 | -13.1 |
| Subscriptions | 3.6 | 44.1 | 7.3 | 1,137.0 |
| Other | 0.6 | 1.1 | 0.2 | 100.2 |
| Total digital | 89.4 | 143.2 | 23.7 | 60.2 |
| Digital share of total (%) | 15.1 | 28.5 | 15.0 | 13.4* |
| Grand total | 592.9 | 503.3 | 83.5 | -15.1 |
| *Percentage points | | | | |

Source: IFPI Norway

In terms of market share, UMG remained the largest music company, though its share fell to 30.8% last year, from 32.9% in 2009 (see fig. 2). SME's share edged upward, to 22.1%, but it was WMG that recorded the largest market-share gains, rising 2.2 percentage points, to 14.5%. EMI's share was almost unchanged, at 11%. The largest of the Swedish independent distributors was Musikkoperatorene, which recorded a market-share gain last year of 1.6 percentage points, to 7.6%. Musikkoperatorene distributes for about 180 independent record companies, including Simax Classics, Rune Grammofon and Hot Club Records.



Statistics •

UK online sales of CDs down sharply in 4Q

The busiest quarter for recorded-music sales in the UK saw a sharp drop in sales of physical soundcarriers from online retailers, according to data from Kantar Worldpanel. For the 12 weeks ending Dec. 26, 2010, the retail value of physical sales made online fell 19%, to £133.6 million (US\$206.6 million), from £165.3 million in the 12 weeks ending Dec. 27, 2009 (see fig. 1). Despite the fall, the Internet remained the most popular means of buying physical soundcarriers. Supermarkets also saw a large fall: 20%, to £86.8 million. All store types experienced a drop in the retail value of sales in the period. In unit terms, online stores and supermarkets also experienced the largest decreases of all the store types (see fig. 2). However, general stores and mail-order stores experienced an increase in unit sales in the 12-week run-up to Christmas compared with the same period in 2009.

Fig. 1: UK, retail value of physical music sales, 4Q09 and 4Q10

| | 12 weeks to 27-Dec | 12 weeks to 26-Dec 10 | | Change |
|------------------------|--------------------|-----------------------|-------------|--------|
| | (£ mil.) | (£ mil.) | (US\$ mil.) | (%) |
| Internet | 165.3 | 133.6 | 206.6 | -19 |
| Supermarkets | 109.1 | 86.8 | 134.3 | -20 |
| Music/video specialist | 88.3 | 76.0 | 117.5 | -14 |
| General stores | 7.5 | 7.4 | 11.4 | -2 |
| Mail order | 1.6 | 1.4 | 2.1 | -11 |
| Other | 1.3 | 1.6 | 2.5 | 30 |
| Total | 373.0 | 306.8 | 474.5 | -18 |

Source: Kantar Worldpanel

Fig. 2: UK, unit sales of physical soundcarriers, 4Q09 and 4Q10 (000s)

| | 12 weeks to 27-Dec 09 | 12 weeks to 26-Dec 10 | Change (%) |
|------------------------|-----------------------|-----------------------|------------|
| Internet | 20,680 | 17,632 | -15 |
| Supermarkets | 12,738 | 10,030 | -21 |
| Music/video specialist | 10,328 | 9,143 | -11 |
| General stores | 1,087 | 1,184 | 9 |
| Mail order | 78 | 188 | 141 |
| Other | 407 | 497 | 22 |
| Total | 45,318 | 38,674 | -15 |

Source: Kantar Worldpanel

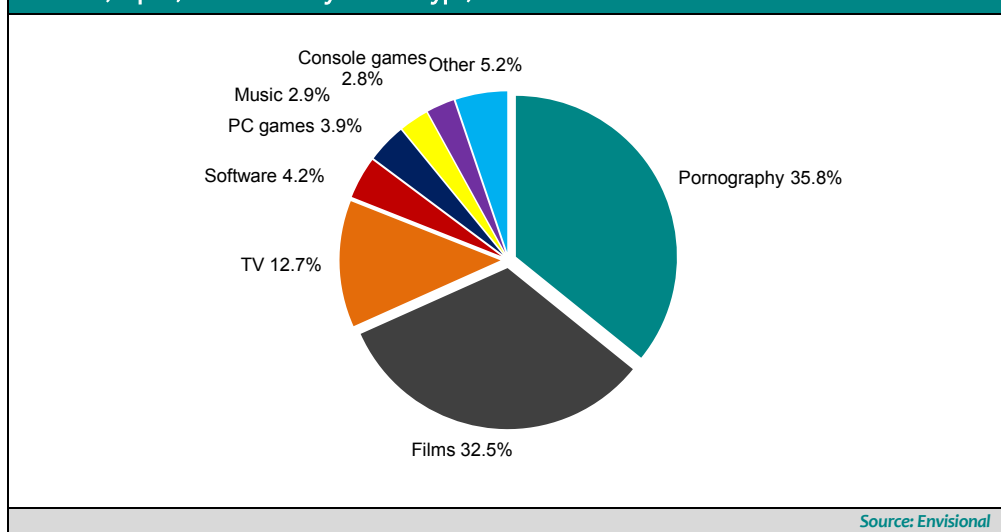


Statistics •

One-quarter of Internet traffic infringes copyright

New figures from an NBC Universal-commissioned survey show that 23.8% of Internet traffic is copyright-infringing. *An Estimate of Infringing Use of the Internet*, a study completed by Envisional, analyzed bandwidth usage across the Internet to determine how much of that usage infringed upon copyright. The level of infringing traffic excluded all pornography, of which the report said it was difficult to establish legality. BitTorrent was found to account for an estimated 17.9% of all Internet traffic. Moreover, nearly two-thirds of BitTorrent traffic was nonpornographic copyrighted content shared illegitimately. To measure the levels of BitTorrent traffic, Envisional analyzed the largest public BitTorrent tracker, PublicBT. Films accounted for the greatest share after pornography, with music taking just a 2.9% share (see fig.). For cyberlocker traffic, which includes downloads from sites such as MegaUpload, Rapidshare and HotFile, music accounted for 10.1% of the total. Films took the highest share, at 35.8%. The report also said that video-streaming traffic was the fastest-growing area of the Internet and is believed to account for more than one-quarter of all Internet traffic. However, the vast majority of video streaming was found to be legitimate, with just 5.3% being of copyrighted content.

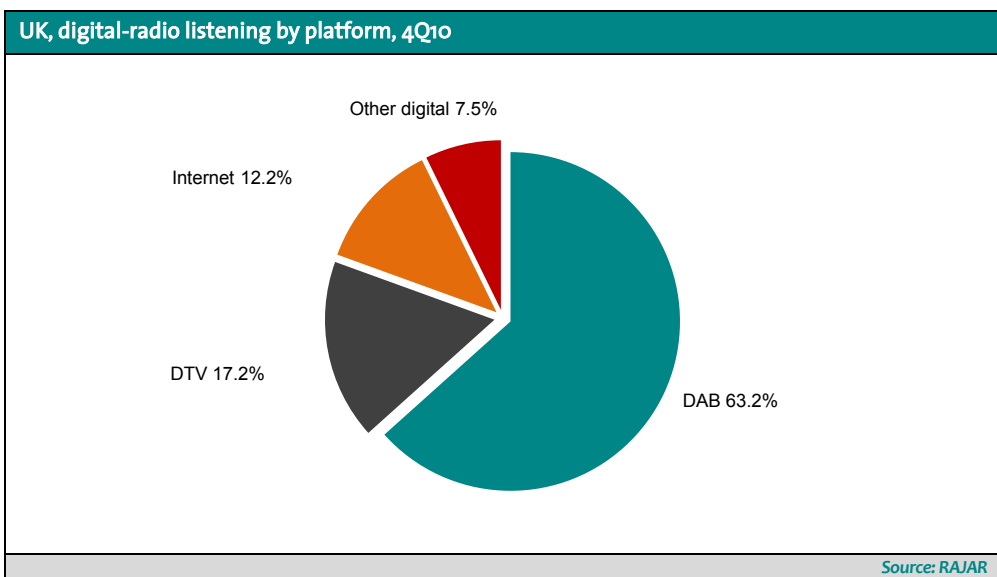
PublicBT, top 10,000 torrents by content type, Dec-10



Digital radio listening continues to grow in the UK

Figures recently published by Radio Joint Audience Research (RAJAR) in the UK show that 46.7 million adults, or 90.5% of the UK population age 15 and over, listened to a radio station for at least five minutes during an average week in the final three months of last year. The figure is up 1.7% year-on-year, from 46 million in 4Q09. RAJAR also said that radio listening via a digital platform increased 22.1% year-on-year, with 20.9 million people tuning in to radio via a digitally enabled receiver each week in 4Q10, up from 17.1 million in 4Q09. Total digital-radio-listening hours in the latest quarter stood at 262 million, up 26.9% year-on-year.

Listening via DAB radio is the most popular method of listening to digital radio, accounting for 63.2% of all digital hours (see fig.). However, listening via the Internet and digital TV both saw year-on-year growth in listening hours, rising 36.6% and 54.9%, respectively. RAJAR said that the rise was reflected in the share of radio listening via a digital platform, which increased from 20.9% in 4Q09 to 25% in 4Q10. Access to a DAB receiver rose 7.9%, and more than one-third of the UK population, or 18.5 million adults age 15 and over, now claim to live in a household that has a DAB set.



No end in sight to the turmoil in the US recorded-music market

Data box: US

| Demographic | Statistic |
|---|-------------|
| Population, end-2010 | 310,495,000 |
| Households, end-2010 | 128,365,000 |
| Broadband subscriptions, end-3Q10 | 91,254,000 |
| Broadband penetration, end-3Q10 (%) | 72.5 |
| Mobile subscriptions, end-3Q10 | 297,764,990 |
| Mobile penetration, end-3Q10 (%) | 94.4 |
| Recorded-music sales, 2010 (units mil.)* | 1,507 |
| Digital's share of album unit sales, 2010 (%) | 26.5 |



*Includes albums, singles, music videos and digital tracks

Sources: Informa Telecoms & Media, Nielsen SoundScan, Music & Copyright

The US experienced another year of falling recorded-music sales in 2010, and early indications suggest that this year will not see an end to the market contraction. Royalty collections remain reasonably buoyant, but the tough trading conditions caused by an economy falling short of its potential suggest that difficult times lay ahead.

No other market in the world can match the US in terms of size, diversity and dominance when it comes to the music industry. Despite experiencing another year of falling recorded-music sales in 2010, it still accounted for about 30% of the global total. The US is often seen as a world leader in terms of technology development and the digital sector, and it is the market that artists from all corners of the world look to succeed in when planning global ambitions.

In recent years, the shine has faded from the US. The widespread optimism that swept the country after the election of Barak Obama as president in 2008 has all but disappeared, with many critics of the president saying his policies are responsible for the country's ongoing economic problems. Late last month the Federal Reserve said that the US economy was not growing fast enough to lower unemployment, despite the Federal Reserve's decision to keep interest rates at a record-low near-zero level in an effort to encourage both business and consumer spending.

The economy has begun 2011 with some positive signs. The US Commerce Department said late last month that economic growth accelerated in the final quarter of last year, resulting in an annualized growth rate of 3.2%. That was up from 2.6% for the 12 months to end-September. According to the Commerce Department, the growth was due to higher consumer spending and fewer imports. In 4Q10, exports exceeded imports, resulting in a trade surplus. Consumer spending rose 3.5% last year compared with 2009 – the highest annual growth since the 5.2% increase in 2007.

According to the US Congressional Budget Office (CBO), the US budget deficit is likely to end 2011 at close to US\$1.5 trillion. That is up from US\$1.4 trillion in 2009 and US\$1.3 trillion in 2010 and is a big rise from the previous CBO estimate of US\$1.07 trillion. The new level is equal to 9.8% of US GDP. The CBO said that although recent actions by the government should help support further gains in real GDP (inflation adjusted) this year, production and employment are likely to stay well below the economy's potential for a number of years. It forecast that US economic growth will remain moderate this year and in 2012. Between 2011 and 2016, the CBO has estimated that the economy will add about 2.5 million jobs a year. It also expects the unemployment rate to fall to 9.2% by end-2011, 8.2% by end-2012 and 7.4% by end-2013.

Music sales

Recorded-music sales continue to fall in the US, with year-end figures published by Nielsen SoundScan indicating that, for the 52-week period ending Jan. 2, 2011, total music sales (including albums, singles, music videos and digital tracks) declined 2.4%, to 1.51 billion units, from the record 1.55 billion units sold in the previous year. Total album sales declined 12.7%, to 326.2 million units, from 373.9 million units in the preceding year (see fig. 1). Combined US sales of albums and track-equivalent albums (where 10 tracks equals one album) fell 9.5% for 2010, to 443.4 million units, from 2009's 489.8 million units.

| Fig. 1: US, sales of recorded music by format, 2007-2010 (units mil.) | | | | | |
|---|---------|---------|---------|--------|------------|
| | 2008 | 2009 | 2010 | Change | Change (%) |
| Physical albums | 362.6 | 297.5 | 239.9 | -57.6 | -19.4 |
| Digital albums | 65.8 | 76.4 | 86.3 | 9.9 | 13.0 |
| Total albums | 428.4 | 373.9 | 326.2 | -47.7 | -12.7 |
| Physical share of total albums (%) | 84.6 | 79.6 | 73.5 | -6.1* | - |
| Digital share of total albums (%) | 15.4 | 20.4 | 26.5 | 6.1* | - |
| Total albums (incl. track-equivalent albums) | 535.4 | 489.8 | 443.4 | -46.4 | -9.5 |
| Digital tracks | 1,070.0 | 1,159.0 | 1,172.0 | 13 | 1.0 |
| *Percentage points | | | | | |

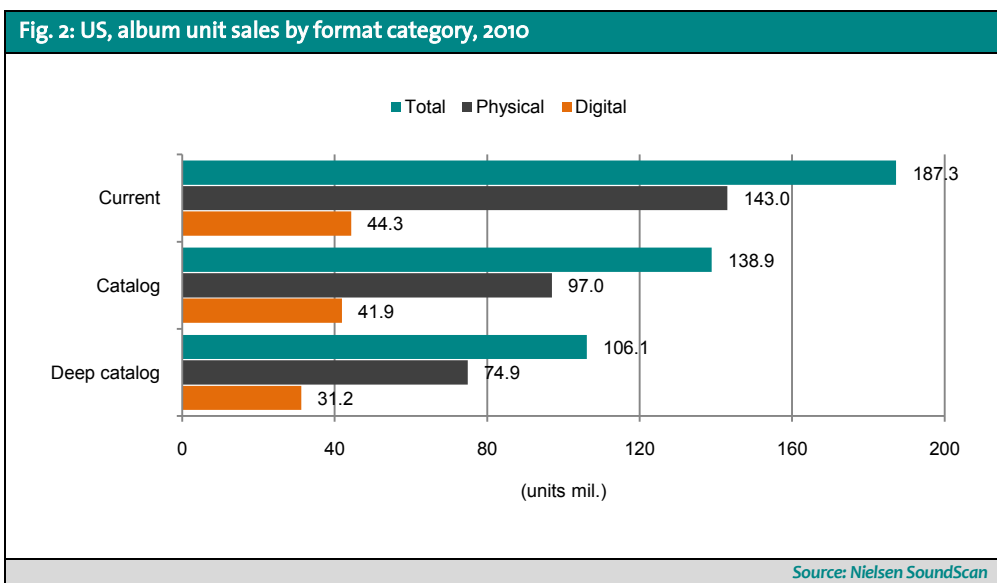
Source: Nielsen SoundScan

On the digital side, growth in individual track sales barely improved, recording a 1% increase, with sales of 1.17 billion units, compared with 1.16 billion units in 2009. Digital-album downloads realized a 13% growth, posting a record 86.3 million units, compared with 76.4 million in 2009, and accounting for about 26.5% of all album sales for the year.

Five tracks topped 4 million units sold in 2010 (compared with four songs in 2009), while seven other songs sold more than 3 million each, compared with three in the previous year. The top-selling digital song was Katy Perry's *California Gurls*, with nearly 4.4 million units sold, followed by Train's *Hey, Soul Sister*, with 4.3 million units, and *Love the Way You Lie* by Eminem and Rihanna, at 4.2 million.

Album sales continued to be hurt by illegal downloading and the generally dire picture at physical retail stores, with just 13 albums selling more than 1 million units.

Catalog album sales, which received big boosts in 2009 from the release of the Beatles' remastered catalog and the posthumous sales frenzy that resulted from Michael Jackson's death, experienced no such gains in 2010, with the result that the sector declined 15.3% in 2010, to 138.9 million units, from 163.9 million units in 2009 (see fig. 2).



In terms of genre, only rap managed to increase album unit sales last year, with the total rising 3.4%, to 26.4 million. The increase was largely due to strong sales of Eminem's *Recovery*, which

sold more than 3.4 million units. All other genres saw sales decline, with the largest decrease being for new-age albums, sales of which were down 29% last year compared with 2009.

The recorded-music sales pattern established in 2010 has continued this year. Total album sales were down 13% in January, to 20.8 million, from 24 million in January 2010, according to Nielsen SoundScan. CD-album sales decreased about 20%, and digital-track sales were up just 4.2%, to 108.3 million.

Music companies

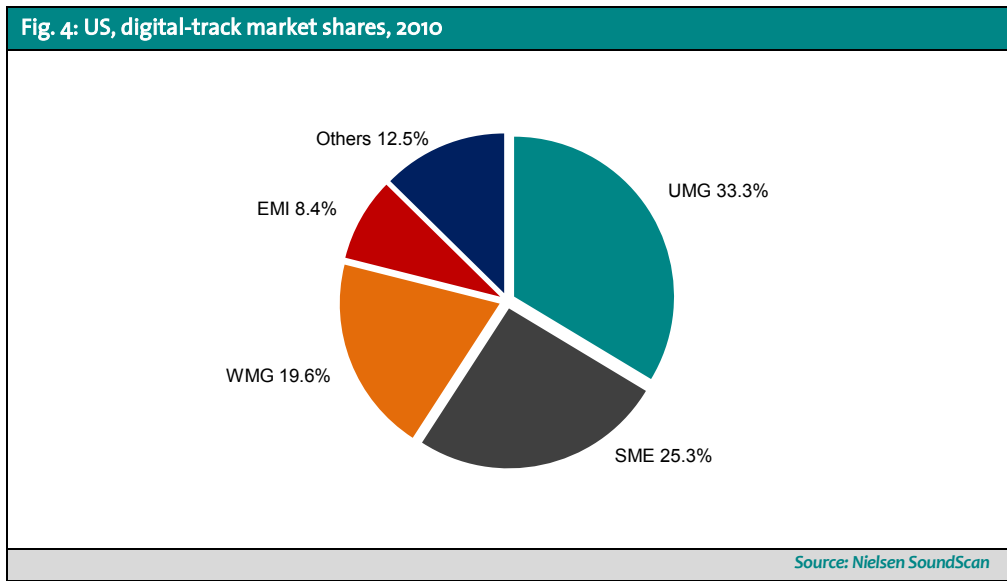
UMG was the largest of the four major record companies in virtually all categories of format sales published by Nielsen SoundScan. In terms of overall album sales, UMG’s market share reversed the decline to 30.2% in 2009 and ended 2010 at 30.8% (see fig. 3). UMG’s share of physical sales for 2010 was significantly higher, at 32.1%, than its digital share (27.5%). For current-album sales (albums that were released in the previous 18 months or have remained in the *Billboard* top 100), UMG’s share rose from 34% in 2009 to 34.6% last year. However, although its share of sales of catalog albums (albums over 18 months old) increased slightly, to 25.8%, it was second in this category to SME. For digital tracks, UMG had a slightly improved share of 33.3% in 2010, compared with 33% in 2009 (see fig. 4).

Fig. 3: US, album market shares, 2008-2010 (%)

| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
|--------|------|------|------|------|------|------|------|------|------|
| EMI | 9.0 | 9.2 | 10.2 | 8.6 | 9.0 | 10.0 | 10.9 | 9.9 | 10.7 |
| SME | 25.3 | 28.6 | 28.0 | 26.0 | 29.7 | 29.3 | 21.3 | 24.2 | 24.2 |
| UMG | 31.5 | 30.2 | 30.8 | 32.2 | 31.1 | 32.1 | 27.8 | 26.9 | 27.5 |
| WMG | 21.4 | 20.6 | 20.0 | 21.0 | 20.0 | 19.1 | 23.5 | 22.8 | 22.6 |
| Others | 12.8 | 11.5 | 11.0 | 12.2 | 10.3 | 9.6 | 16.5 | 16.1 | 15.0 |

Note: Columns might not add up to 100%, because of rounding

Source: Nielsen SoundScan, Music & Copyright



UMG had the best-selling album and artist in the US in 2010. Eminem’s album *Recovery* sold 3.4 million units, and Taylor Swift sold 4.5 million albums in total, with her album *Speak Now* selling 3 million copies alone. Swift has been particularly successful for UMG in the past couple of years. Her album *Fearless* was the best-seller in the US in 2009. Justin Bieber is another UMG success story. His album *My World 2.0* sold 2.3 million copies last year, and the artist’s total album sales in 2010 exceeded 3.7 million. Lady Gaga continued to sell well for UMG, with 1.6 million sales of her album *Fame*, following on from 2.2 million sales in 2009.

Despite maintaining second place in all music categories (with the exception of catalog albums) last year, SME’s total album market share fell from 28.6% in 2009 to 28% in 2010. SME experienced a sharp increase in market share in 2009, largely because of strong sales of albums by Michael Jackson. Although Jackson was still one of the best-selling artists in the US last year, his total album sales stood at 2.1 million, compared with 8.3 million in 2009.

SME did benefit from the massive popularity of the musical comedy/drama TV series *Glee*. Total album sales by the cast of the series reached 3.6 million in 2010. The best-selling artist album for SME last year was Susan Boyle's *The Gift*, which sold 1.9 million copies. Sade's *Soldier of Love* was the next-best-seller for the company, selling 1.3 million units, ahead of *Raymond V. Raymond* by Usher, which sold 1.2 million units.

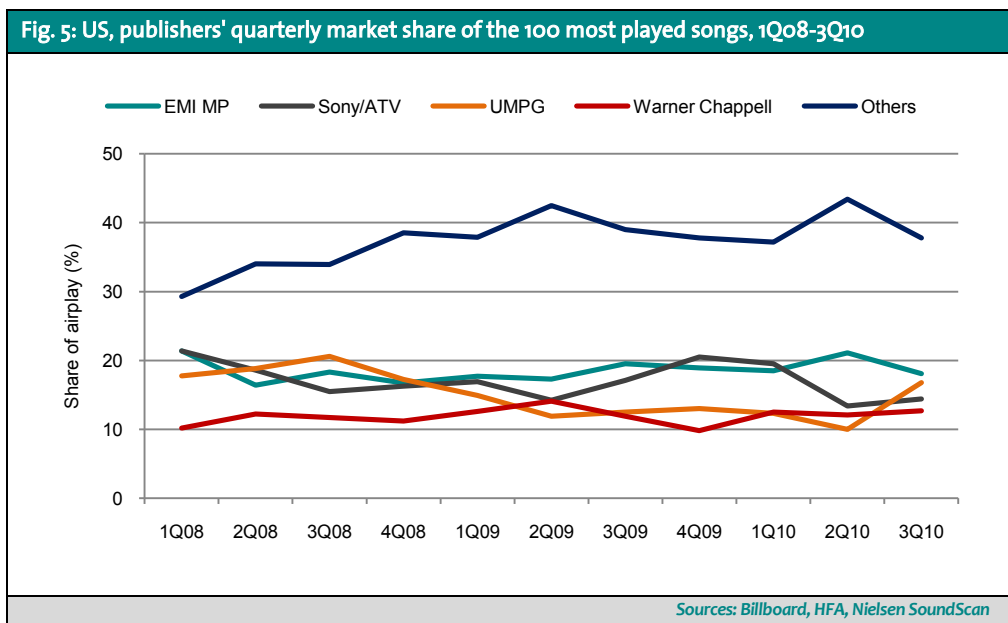
WMG's album market share for last year was down slightly, to 20%, from 20.6% in 2009. The drop was due to a fall to 18.4% in its share of current-album sales, which contrasted with a rise to 22.1% in its share of catalog-album sales. WMG's share of physical and digital albums as well as digital tracks was down last year compared with 2009.

WMG was the only one of the four majors not to have an album in the top 10 last year. However, the Zac Brown Band was the country's ninth-best-selling artist in 2010, with album sales of 1.8 million. The Zac Brown Band album *Foundation* was WMG's best-seller, followed by Michael Buble's *Crazy Love*. Bruno Mars has proved most successful for WMG this year, with strong sales of his album *Doo Wops & Hooligans*.

EMI was the smallest of the four majors in the US in 2010. However, its market share increased in most categories. The company's overall album share rose to 10.2% last year, from 9.2% in 2009, with gains in both its physical- and digital-album market shares. For current albums, EMI's share increased to 9.6%, though its catalog-album share was unchanged, at 10.9%. The best-selling album for EMI last year was Lady Antebellum's *Need You Now*, which was the second-best-seller in the US, with sales of 3.1 million copies. Lady Antebellum was the third-best-selling artist in the US last year, recording more than 3.8 million album sales. Other notable album successes included *Teenage Dream* by Katy Perry and Keith Urban's *Get Closer*.

Independent record companies experienced a fall in market share in all categories, with the exception of catalog albums. The indie sector's overall album share decreased to 11% in 2010, from 11.5% in the previous year. Digital albums provided independents with the largest share, accounting for 15%. However, this was down from 16.1% in 2009.

In contrast to recorded-music sales, the independent sector commands a much larger share of the music-publishing market. According to figures collated by Nielsen SoundScan, mechanical-rights agency Harry Fox and US trade publication *Billboard*, the combined share for independent music publishers of the 100 most played tracks on US radio in each of the first three quarters of last year stood at about 40% (see fig. 5). Kobalt Music Group was the largest of the independents in 3Q10 (the latest quarterly figures published), with a market share of 12.1%. The rapid emergence of BMG, the joint venture of Bertelsmann and asset-management company Kohlberg Kravis Roberts, through its acquisition policy has resulted in a partial consolidation of the sector. BMG has been linked with EMI MP for much of the past few months. However, the company was widely reported at the end of last year as describing the possible integration of EMI's publishing catalog as "tough."



The largest of the major music publishers for much of last year was EMI MP. It had the greatest share of the 100 most popular tracks on US radio in the second and third quarters. UMPG made the greatest gain in 3Q10, with its share rising almost seven percentage point, to 16.8%.

Music retail

The US music-retail industry is composed of about 4,000 stores, with combined annual revenues of about US\$3 billion. Reflecting the impact of declining music sales, CDs and other audio formats make up about 40% of revenues, with sales of DVDs and Blu-ray discs taking a 35% share. Nontraditional stores accounted for the largest share of album sales last year, overtaking mass merchants, according to Nielsen SoundScan (see fig. 6).

Fig. 6: US, album unit sales by store type (%)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------|------|------|------|------|------|
| Mass merchants | 41 | 40 | 37 | 36 | 33 |
| Chain stores | 41 | 36 | 33 | 29 | 23 |
| Nontraditional | 12 | 18 | 25 | 29 | 36 |
| Independent | 7 | 6 | 7 | 6 | 8 |

Sources: Nielsen SoundScan, Music & Copyright

After the closure of the Tower, HMV and Virgin retail stores in the US in the past few years, Trans World Entertainment (TWE) remains the nation's largest brick-and-mortar music-specialist chain, operating mostly under the FYE name. However, the TWE picture is hardly a positive one: In November the chain announced its third-quarter financial results (ending Oct. 30), which showed that its average number of stores for the period declined 23% year-on-year, from 694 to 533. Comparable store sales for the three-month period declined 5%, with total third-quarter sales down 20%, to US\$128.8 million, from US\$161.4 million. The company closed its Carson, CA, distribution center over the summer as part of its ongoing streamlining efforts, and it is now serving its stores from its Albany, NY, distribution center.

The second-largest operator, Hastings Entertainment, operates 153 "superstores" averaging about 20,000 square feet, usually in medium-sized markets. Hastings sells new and used CDs alongside books, videos and video games (the latter two of which are also available for rental). For its fiscal 3Q10, which ended Oct. 31, total revenues remained consistent with revenues for its fiscal 3Q09, at US\$112.3 million, despite the closing of four stores in the interim. Total sales and rental incomes were also relatively steady.

Most of the nation's remaining brick-and-mortar stores dedicated primarily to music are purely independents, usually consisting of just a small handful of outlets. "Record Store Day," held on April 17 of each year and designed to reintroduce consumers to independent music stores, has been a success in creating buzz, though any long-lasting effects have been more difficult to measure; last year's event saw vinyl-only releases of new music by numerous artists, including the Beastie Boys, Blur and Devo. A Rolling Stones single to commemorate the then-forthcoming rerelease of its *Exile on Main St.* album was also released.

Big-box stores such as Walmart and Best Buy, along with stores that serve primarily as booksellers, such as Borders and Barnes & Noble, continue to sell more music than music-only stores – though floor space dedicated to music product continues to shrink at these outlets.

Best Buy's revenue in the US fell 3.2% from December 2010 to December 2009, because of soft sales of TVs and entertainment software. Same-store sales declined 5% during the holiday month. That news followed surprisingly poor third-quarter results, during which Best Buy said profit fell 4.4% and comparable-store sales were down 3.3%.

Borders faces a gloomier outlook. Rumored just a couple of years ago to be interested in acquiring rival Barnes & Noble, Borders has since been on the cusp of bankruptcy, resulting in naming of a new CEO in 2009 and, later that year, the replacement of five of its eight directors. Another new CEO came on board in 2010. In the past two years, the company's stock price has fallen below US\$1 per share on several occasions. On Jan. 15 it was reported that Borders was continuing talks to secure a US\$500 million credit line and had hired bankruptcy and restructuring lawyers.

On the digital side, Apple's iTunes remains the clear leader. Market-research outfit NPD Group estimates that iTunes holds a 66% share of the digital-music-download market, followed by 13% for Amazon. The only store-chain site in the top five is Best Buy's Napster, with a 1% share. NPD's music estimates do not include streaming services offered by the likes of Napster, which Best Buy acquired in 2008 for US\$121 million. Although other retailers, such as Walmart, offer music-

downloading or -streaming services, it is believed that they will not pose serious threats to iTunes for the foreseeable future.

But Apple's digital dominance isn't stopping others from trying – including the major record labels. Music Unlimited, a streaming service from Sony that launched in the UK and Ireland in December and in France, Germany, Italy and Spain in January, is expected to debut in the US in March. The service offers users the ability to stream music and add it to a personal music library via gadgets including Sony's PlayStation 3 and Blu-ray players and a number of TVs, personal computers and smartphones. In addition to tracks by Sony artists, Music Unlimited offers music by acts on UMG, WMG and EMI.

Piracy and copyright protection

In contrast to much of Europe, which has seen several countries either adopt or take steps toward the use of a three-strikes process to deal with file sharing, there have been no attempts in the US to introduce such legislation. The RIAA, which for several years had used litigation to try to combat the problem of file sharing, rejected the approach as being ineffective and a public-relations disaster at the end of 2008. But the RIAA has remained active in pushing for stronger intellectual-property protection.

In November the Combating Online Infringement and Counterfeits Bill received unanimous approval from the US Senate Judiciary Committee, and it is set to receive a full vote in the Senate. The bill was introduced in September with the aim of reducing online intellectual-property violations, and an amended version was approved by the committee in a 19-0 vote. Should the bill become law, the Justice Department will be given the power to file for a court order declaring that a domain name is being used to access a website that is dedicated to infringing intellectual-property rights. The attorney general could then serve the domain name's US-based registry or registrar with an order to suspend the infringing domain name. The bill also allows the attorney general to serve a suspension order on companies, such as payment and advertising services that assist with the viability of an infringing website's business, even if the website is hosted overseas.

Late last month, the US vice president, Joe Biden, and the country's intellectual-property-enforcement coordinator, Victoria Espinel, met with a variety of companies, including ISPs, content providers, payment processors and pharmaceutical manufacturers, to provide an update on the government's efforts to combat intellectual-property violations. The meeting, which included senior representatives from Fox Filmed Entertainment, Concord Records and Verizon, is also thought to have included discussions on creating voluntary agreements to reduce piracy.

In addition to the new legislation, the Immigration and Customs Enforcement (ICE) division of the US Department of Homeland Security began the "In Our Sites v. 2.0" operation against websites that are alleged to be involved in file sharing. The addresses of several websites that were engaged in facilitating file sharing now just display a notice from the ICE stating that the domain name has been seized.

In spite of the recent actions, the US government is thought to like the idea of a three-strikes policy. During the negotiations on the proposed Anti-Counterfeiting Trade Agreement (ACTA), which is aimed at establishing international standards on the enforcement of intellectual-property rights, the US negotiators were reportedly eager to include a three-strikes element. However, because of opposition from a number of countries, no such element was included.

Consumer groups in the US have been critical of ACTA. The Electronic Frontier Foundation (EFF) said that ACTA raised "significant potential concerns for consumers' privacy and civil liberties, for innovation and the free flow of information on the Internet." The EFF was also wary of the Federal Communications Commission's Net-neutrality moves and the level of Internet regulation that would result. Last year the EFF warned that the FCC could cause "more harm than good for the Internet." It also warned that allowing the FCC to regulate the Internet could open the doors for rights holders and big business to "exert even more influence on the Net than they do now."

Despite the EFF concerns, the FCC passed new Net-neutrality rules that prevent ISPs from arbitrarily prioritizing bandwidth access to potentially competing services. At the same time the new rules also allow ISPs to introduce a system of tiered pricing for those services that use differing levels of bandwidth. Mobile Internet networks are also required to be transparent with their network-management policies, but these carriers are not restricted from blocking Web traffic and other applications in order to deal with network congestion.

In January, Verizon, the biggest mobile carrier in terms of subscriptions (see fig. 7), filed a lawsuit in a federal court of appeals against the FCC, saying it overstepped its authority with its Net-neutrality regulations. Verizon wants the regulations blocked, saying they modify Verizon's past spectrum-license purchases because of the new limitations they place on operators. Soon after, tier 2 US operator Metro PCS also filed a lawsuit against the FCC over its recent Net-

neutrality regulations. Metro PCS said it wanted to make sure that the concerns of smaller wireless carriers are addressed. Metro PCS has been criticized by consumer groups in the US for its tiered data plans, which provide unlimited access to some bandwidth-heavy services, such as YouTube, Hulu and Netflix.

Fig. 7: US, leading mobile and broadband operators, 2007-3Q10

| | 2007 | 2008 | 2009 | 3Q10 | Share of total (%) |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Mobile (subscriptions) | | | | | |
| Verizon Wireless | 65,707,000 | 72,056,000 | 91,249,000 | 93,170,000 | 31.3 |
| AT&T | 70,052,000 | 77,009,000 | 85,120,000 | 92,761,000 | 31.2 |
| Sprint Nextel | 53,003,000 | 48,373,000 | 47,918,800 | 48,553,700 | 16.3 |
| T-Mobile | 28,684,550 | 32,362,980 | 33,320,000 | 33,307,300 | 11.2 |
| Other | 37,948,600 | 40,534,110 | 28,003,930 | 29,972,990 | 10.1 |
| Total | 255,395,150 | 270,335,090 | 285,611,730 | 297,764,990 | 100.0 |
| Population penetration (%) | 83.1 | 87.1 | 91.2 | 94.4 | - |
| Broadband (households) | | | | | |
| AT&T | 14,394,000 | 16,138,000 | 17,884,000 | 18,955,000 | 20.8 |
| Comcast | 13,220,000 | 14,929,000 | 15,930,000 | 16,696,000 | 18.3 |
| Verizon | 9,776,000 | 11,174,000 | 12,653,000 | 12,225,000 | 13.4 |
| Time Warner Cable | 7,866,000 | 8,727,000 | 9,289,000 | 9,710,000 | 10.6 |
| Other | 25,619,140 | 27,744,000 | 33,097,000 | 33,668,000 | 36.9 |
| Total | 70,875,140 | 78,712,000 | 88,853,000 | 91,254,000 | 100.0 |
| Household penetration (%) | 58.0 | 63.3 | 70.3 | 72.5 | - |

Source: Informa Telecoms & Media

The FCC responded to the lawsuits by filing several motions with the US Court of Appeals in the DC Circuit requesting that the lawsuits be dismissed on the grounds that they were filed too early and that legal challenges should only be made after the order establishing the new rules had been published in the Federal Register. Verizon has since made a submission to the court that its lawsuit should not be dismissed and that its challenge was filed correctly.

Royalty collections

Authors' rights are administered in the US by two of the world's largest collections societies, ASCAP and BMI, and by smaller society SESAC. ASCAP reported last year that total collections increased 6.6% in 2009, to US\$995 million (see fig. 8). This followed rises of 8.1% in 2008 and 9.9% in 2007. ASCAP's distributions rose 5.5%, to a record US\$863 million. BMI also reported an increase in both revenues and distributions for the 12 months ending June 30, 2010. Total income rose 1.3%, to US\$917 million, and distributions increased to US\$789 million.

Fig. 8: US performance royalty collections in 2009

| | (US\$ mil.) | Change (%) |
|---------------------|-------------|------------|
| ASCAP collections | 995.0 | 6.6 |
| ASCAP distributions | 863.0 | 5.5 |
| BMI collections | 917.0 | 1.3 |
| BMI distributions | 789.0 | 0.1 |
| Total collections | 1,912.0 | 4.0 |
| Total distributions | 1,652.0 | 2.9 |

Note: BMI figures are for 12 months ending 30-Jun 10

Sources: ASCAP, BMI

Mechanical-rights organization the Harry Fox Agency (HFA) has not released collection figures for 2009. *Music & Copyright* estimates that its total collections decreased to about US\$270 million, from US\$307.1 million in 2008. HFA did say that its 2009 numbers were lower than it had originally budgeted. HFA added that the number of new license requests increased about 60% in 2009.

The licensing of digital-music services in the US has attracted a number of companies. Unlike in Europe, where the licensing of digital mechanical rights is controlled by either Pan-European or national collection societies, in the US several privately owned companies, such as Music Reports and RightsFlow, have made significant gains in digital-music licensing.

Performance royalties paid by digital broadcasters are collected by SoundExchange. In 2009, total collections stood at US\$205.3 million, up 18.4% from the US\$173.5 million collected in 2008. After a 3Q10 distribution of US\$65 million, SoundExchange said that its total royalty distributions in the year had already exceeded those made in 2009. It estimated that total distributions would exceed US\$200 million for the full year.

With terrestrial radio broadcasters not paying royalty payments to performers and music producers, this form of rights collection and the income generated is significantly lower per capita than in most other countries, which do collect rights payments for performers and producers. The Performance Rights Act (PRA), which is aimed at making AM and FM radio stations pay performers and producers for the use of their music, has made slow progress. Although the PRA was previously passed by the Senate and Congress Judiciary Committees, it was not debated in either house of Congress during the most recent sessions. At the end of each two-year session, all proposed bills and resolutions that haven't passed are cleared from the books. The bill is awaiting reintroduction to Congress.

Live

The sluggish economy finally made its presence felt in the live-concert industry in 2010. According to trade magazine *Pollstar*, gross revenue for the top 100 tours dropped 13% in 2010, to US\$2.2 billion, from US\$2.5 billion in 2009, with ticket sales declining 12%, from US\$40.5 million to US\$35.7 million. Slow sales, postponements and outright cancellations of dates and in some instances entire tours by such names as Tom Petty, Rod Stewart, Lilith Fair, Rihanna and Christina Aguilera all contributed to the slump.

Compared with 2009, attendance at North American shows dropped 24.4%, gross sales dropped 26% and the number of concerts staged dropped nearly 16%, according to trade magazine *Billboard*. Many blamed the strong showing of 2009, when high-profile tours by the likes of U2, which grossed US\$123 million, Bruce Springsteen (US\$94.5 million), Elton John/Billy Joel (US\$88 million) and Britney Spears (US\$82.5 million) all performed well despite the economic downturn. For 2010, Bon Jovi led all acts with US\$108 million in takings, followed by Roger Waters (US\$89.5 million), the Dave Matthews Band (US\$72.9 million) and Paul McCartney (US\$61.8 million) (see fig. 9). *Pollstar* noted that business was down in all categories except for average ticket price, which was up US\$2.86, or about 4%.

Fig. 9: North America, 10 highest-grossing tours, 2010

| Rank | Artist | Gross (US\$ mil.) |
|------|--------------------------|-------------------|
| 1 | Bon Jovi | 108.0 |
| 2 | Roger Waters | 89.5 |
| 3 | Dave Matthews Band | 72.9 |
| 4 | Paul McCartney | 61.8 |
| 5 | Michael Buble | 65.7 |
| 6 | Eagles | 64.5 |
| 7 | Lady Gaga | 51.0 |
| 8 | James Taylor/Carole King | 50.7 |
| 9 | The Black Eyed Peas | 50.5 |
| 10 | John Mayer | 49.9 |

Source: *Pollstar*

Although the list of the 10 top-grossing acts was predictably weighted heavily in favor of veteran acts, the placing of relatively new concert draws, such as Lady Gaga and the Black Eyed Peas (and the US\$48 million taken in by Justin Bieber), could bode well for the future, if those acts succeed in creating long careers. In the meantime, Bon Jovi and the Eagles will continue their world tours well into this year, while former Pink Floyd leader Waters is expected to continue his *The Wall* tour into 2012, according to promoter Live Nation. Country music also does well live as a genre, with eight acts featuring in *Pollstar*'s top 30, led by the George Strait/Reba McEntire/Lee Ann Womack tour, which grossed US\$41.6 million.

Live Nation, which ended up heavily discounting tickets for some tours and for a time suspended reporting box-office data, has indicated that it will review ticket prices and the appropriateness of some acts playing large venues this coming summer. Live Nation CEO Michael Rapino told analysts in November that in 2011 the company will continue to cut prices, reduce show costs and organize fewer concerts with low margins. To make up revenue, it will endeavor to sell more T-shirts, beer and other such ancillaries to concertgoers.

Live Nation expects good results from a number of acts hitting the road this year, including U2, Lady Gaga, Kid Rock, Eric Clapton, Sade and Tim McGraw. Its chief competitor, AEG Live, also anticipates a strong year, thanks to stadium shows by Kenny Chesney and Taylor Swift, along with Bon Jovi, the Black Eyed Peas and Cher.



COLLECTION-SOCIETY NEWS

BMI launches mobile app

US authors' society BMI has launched an app that provides users with music-licensing information for BMI's catalog of more than 6.5 million works. The app allows users to search the BMI database of music from 475,000 of its members. Other features include the reviewing of royalty reports, as well as career advice and account management.

SIAE signs agreement with Ravenna

Italian authors' society SIAE has signed a deal with Italy's Inland Revenue department for the province of Ravenna to crack down on tax evasion in the region. The agreement provides for improved controls to prevent event organizers from avoiding paying the correct tax levels when they stage performances.

GEMA reaches agreement with live associations

German authors' society GEMA has said that it has reached an agreement with live-entertainment trade associations Bundesverband der Veranstaltungswirtschaft (BDV) and Verband der Deutschen Konzertdirektionen (VDKD) over new live rates. At the end of 2009, the Arbitration Court at the German Office for Brands and Patents issued a proposal on new rates for live concerts. Negotiations followed regarding GEMA's insistence that its members receive a share of sponsorship and advertising revenues generated at live events. According to a statement issued by GEMA, new live rates that incorporate these "non-cash benefits" will be introduced at the beginning of April. Precise details of the new live rates are due to be published shortly.

Beatport signs Pan-European license with Armonia

Pan-European licensing body Armonia has concluded its first regionwide licensing agreement. The deal was signed at the end of last month with Beatport, which provides a service enabling users to download electronic music. Armonia, which represents the repertoire of UMPG and the Latin works of Sony/ATV, EMIMP and Peer Music, is jointly administered by SACEM, SIAE and SGAE. Beatport first received a Pan-European license from BUMA/STEMRA in 2008, but the inclusion of UK repertoire in that license was successfully challenged in a Dutch court by the Music Alliance (now known as PRS for Music). In a German court, German society GEMA won a similar injunction against BUMA/STEMRA for Beatport works it administers.

SAMI reaches exchange agreement with GVL

Swedish performing-rights society SAMI has signed an updated agreement with German performing-rights society GVL. The agreement means that SAMI can collect remuneration for all Swedish artists and musicians whose music has been played in Germany. Similarly, GVL will receive remuneration from SAMI for GVL-artist plays in Sweden. The first exchange based on this updated agreement is expected to take place in 2011 for music use in 2010. Last year GVL agreed to change its payment system to one based on the use of sound recordings.

LEGAL

European academics express joint ACTA opinion

A group of prominent European academics has published an opinion document on the Anti-Counterfeiting Trade Agreement (ACTA). The document identifies a number of aspects of ACTA that the group has called for European and national institutions to "carefully consider" before ratifying the agreement or withholding consent. After the document was closed to supporting signatures earlier this week, it was submitted to the European Parliament and other relevant European and national institutions for consideration.

Napster loses costs appeal

Music-download and -subscription service Napster has lost its case against music company Rounder Records to recover US\$1.3 million in legal fees. Napster signed a licensing agreement with Rounder in 2001, which omitted mechanical and publishing rights. Napster was sued in 2006

by copyright-administration company MSC Music America for copyright infringement for offering 344 tracks on its subscription service, which included 172 Rounder tracks. Napster subsequently settled with MSC and then sued Rounder to recover its legal costs. A New York district court dismissed Napster's claim.

Finnish hub operators receive record fines

A court in Finland has ordered two operators of an illegal DirectConnect hub to pay more than €820,000 (US\$1.1 million) in compensation to rights holders for facilitating the illegal distribution of films, games and music. The compensation payout is the highest ever awarded in any case investigated by Finland's Copyright Information and Anti-Piracy Centre (CIAPC). The owner of the hub also received a four-month suspended jail sentence from the Lohja district court, while the man who worked with her was given a three-month suspended jail sentence. Prosecutors had told the court that the hub had about 1,600 users and offered vast amounts of copyright-infringing material, including the equivalent of almost 750,000 albums. The case was the third of its kind held in Finland in the past four months.

DIGITAL AND TECHNOLOGY

Massive growth forecast for mobile apps

New forecasts from research firm Gartner show that, worldwide, the number of app downloads this year will hit 17.7 billion, up 117% from an estimated 8.2 billion in 2010. Gartner forecasts that by end-2014 more than 185 billion apps will have been downloaded from mobile app stores since the launch of the first one in July 2008. Worldwide, mobile-app-store revenue is projected to surpass US\$15.1 billion in 2011, both from end-users buying apps and from apps themselves generating advertising revenue for their developers. That would be a 190% increase from 2010 revenue of US\$5.2 billion. Free downloads are forecast to account for 81% of mobile-app-store downloads in 2011. According to Gartner, the free percentage has been decreasing since the first launches in 2008, and Gartner estimates that the number of free downloads will continue to decrease in 2011.

Last.fm radio becomes premium feature on mobile

Later this month music-discovery and -recommendation service Last.fm is shifting the radio service built into Last.fm mobile apps and on home entertainment devices to an advertising-free subscriber-only service. However, Last.fm radio will remain free on the Last.fm website in the US, the UK and Germany and for US and UK users of Xbox Live and Windows Mobile 7 phones. Last.fm said it was not practical for it to deliver an advertising-supported radio service on emerging mobile and home entertainment devices. The company added that the change only affects the radio component of Last.fm's services on mobile and home entertainment devices. Other features of its service, such as scrobbling, music and event recommendations, social networking and community forums and Last.fm's wiki-based artist-information pages will remain free to users worldwide.

Africa's Indian Ocean islands detail mobile data usage

According to a survey French administrative authorities for the Indian Ocean island of Reunion conducted in 3Q10, 59% of Reunion mobile subscribers sent SMSes in the quarter, compared with 60% in 3Q09. The survey also revealed that, on Reunion, 9% sent MMSes (11% in 3Q09), 12% played games (12% in 3Q09), 26% listened to music on their mobile phones (22% in 3Q09), 2% downloaded music and games (2% in 3Q09), 7% browsed the Internet or WAP pages (4% in 3Q09) and 4% sent e-mails (2% in 3Q09). In Madagascar, in 3Q10 96% of mobile users sent SMSes (95% in 3Q09), 14% sent or received MMSes (8% in 3Q09), 6% sent or received e-mails (3% in 3Q09), 19% downloaded music and games (23% in 2009), 28% listened to music (21% in 2009) and 6% browsed the Internet (2% in 3Q09).

Karoo teams up with We7

Northern England broadband-service provider Karoo has launched a music-streaming service in partnership with music-service provider We7. The service offers three tiers: free and advertising-supported; Premium, costing £4.99 (US\$8) a month for PC access; and Premium+, which costs £9.99 and includes PC and mobile access as well as offline access. The service also offers a la carte downloads. Karoo is part of the KCOM communications group.

COMPANY NEWS

Decca relaunched as Decca Classics

Classical-music company Decca has been relaunched in the UK as Decca Classics. The move means the company is officially part of Universal Music UK. The changes are part of UMG's worldwide expansion program for its classical-music business. According to UMG, the move "strengthens Decca's commitment to the very best in recorded classical music and for the first time in a generation reunites Decca's operations across all music genres in one London-based home, the Decca Records Group."

Live Nation takes remaining stake in Front Line

Music-promotion-and-ticketing service Live Nation Entertainment has acquired the equity stake in Front Line Management Group that it did not previously own for US\$116.2 million in cash and stock. The stake was bought from Irving Azoff and Madison Square Garden, and as part of the deal, Azoff was appointed chairman of the Live Nation board of directors. In separate news, Liberty Media has acquired 1.8 million shares of Live Nation common stock for US\$18.8 million in cash. Liberty has also agreed to purchase an additional 5.5 million shares of common stock for US\$57.7 million in cash, subject to the approval of Live Nation's stockholders.

BROADCASTING

India's Viacom 18 launches MTV in Singapore

Viacom 18, the joint venture of US media company Viacom and Indian broadcaster Network 18, is launching its general-entertainment channel, Colors, and music network MTV India in Singapore. It is the first time the channels will be available in the country and highlights the company's strategy to expand in Asia Pacific. Colors will be available on both cable platform StarHub and SingTel's IPTV platform, Mio TV, while MTV India will air only on Mio TV.

Freesat adding new music channel

Freesat, a UK free-to-air digital satellite service, is adding the music network Bliss to its lineup of 150 channels. The teen music channel, which is a spinoff of the successful magazine brand, will launch immediately, after it struck a deal with channel operator CSC Media.

Orange to add new music channel

Orange France plans to offer a new music channel to its pay TV service later this month. Mezzo, a classical and jazz channel, will be added to Orange's Musique and Extra packages, along with Mezzo HD, which will be available to subscribers who can receive HD signals via either IPTV or satellite.

Israel to launch new music and entertainment channels

Israel's government has announced plans to launch a number of new free-to-air channels, including several high-definition channels, increasing the number of free-to-air stations from five to 12 in the next two years. Currently, Israeli households have five free-to-air networks: 1, 2, 10, 33 and Knesset. However, the government plans to allow the launch of a free-to-air music channel, a general-entertainment HD channel and other HD channels in the coming months.

PIRACY

New ICC piracy forecasts out

A new study published by the International Chamber of Commerce (ICC) has estimated that the global economic impact of counterfeiting and piracy will reach US\$1.7 trillion in 2015. The ICC has also estimated that 2.5 million legitimate jobs are at risk each year because of piracy. According to the ICC, the study updates a 2008 report by the Organization for Economic Cooperation and Development (OECD) that showed that more than US\$250 billion in counterfeit and pirated goods move through international trade alone. In a separate report, the ICC has analyzed the importance of intellectual-property protection in strengthening economic growth, driving innovation and technology, fostering new ideas and enhancing society and culture. Both reports are available for download from the ICC website. The report shows that international trade in fakes accounts for

more than half of counterfeiting and piracy and could grow to as much as US\$960 billion by 2015. It says that domestic production and consumption will account for between US\$370 billion and US\$570 billion of piracy in 2015, and digitally pirated music, movies and software will account for as much as US\$240 billion.

Rio cracks down on piracy

Police in Rio have begun operation Illegal Nunca Mais (“Illegal No More”) to combat piracy in the city. The move is centered on an open-air market known as a “Camelodromo,” and any sellers found to be dealing in illegal products will have their sales licenses revoked. The pilot project forms part of a commitment to tackle the sale of pirate goods at major events. Brazil is set to host the 2014 FIFA World Cup soccer tournament and the Olympic Games in 2016, and dealing with the piracy problem in the major cities was a commitment the country made as part of the bid to stage the events.

OTHER NEWS

UK Record Store Day set for April 16

IndieRecordShop.org, the lobbying organization aimed at highlighting independent record stores’ contribution to music, has announced that Record Store Day will take place April 16 and will consist of about 150 UK independent stores taking part in a day of exclusive releases and in-store events. A public vote will also be held to find the UK’s best independent record store. Last year’s winner was Badlands in Cheltenham.



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