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OPENS IN CANADA](#)[ANDREW QUESTIONS BUDGET
TAX PROPOSALS](#)[LOVE NEVER DIES...](#)[ANDREW LLOYD WEBBER LEADS
HOUSE OF LORDS DEBATE](#)[MARCH](#)[FEBRUARY](#)[JANUARY](#)[2008](#)[2007](#)[2006](#)[HOME](#) [NEWS](#) [ANDREW LLOYD WEBBER LEADS HOUSE OF LORDS DEBATE](#)

1st April 2009

Andrew Lloyd Webber Leads House of Lords Debate

At 2pm on Thursday 2nd April 2009, Andrew Lloyd Webber led a debate in the House of Lords on the subject of online piracy.

Entitled "To draw attention to the threat posed by online piracy to the future of Britain's creative talent," Andrew highlighted the cultural and commercial importance of our creative industries to the UK economy. These industries account for 1 million direct jobs, and have an economic output of at least £60 billion. This is now under threat.

The text of Andrew's speech is as follows:

"My Lords, I have tabled this debate because I truly believe that this is a crucial moment in the history of Britain's creative heritage: our cultural industries are under threat. It is imperative that we address those threats and bring all the creative industries' future viability to the forefront of political debate. You may well be wondering why I, someone who makes a living from live theatre, would initiate such a debate. While I am incredibly lucky that my life, my passion and my main source of income – musical theatre – is not impacted by the problems afflicting other creative businesses, I see those problems damaging the cultural and economic fabric of the nation, and that troubles me.

I was further moved to initiate this debate after a conversation I had a few weeks ago with one of Britain's leading orchestral players. He was agonising about whether to deter one of his children from following his footsteps. His reason was that the backbone of the livelihood of many professional instrumentalists is film score work. He could foresee a situation in a decade's time when there was virtually no orchestral film work because illegal downloading would so decimate the film industry that orchestral recording sessions would be a thing of the past. In this connection I was reminded that three out of five of London's main orchestral recording studios have closed since 2000.

And therefore, as I stand here I am speaking on behalf of my many colleagues whose livelihoods and their children's future livelihoods are being compromised by inaction. I do not come equipped with the answers. Frankly they are way outside my world of musical theatre. My sole objective is to draw my noble Lords' attention to the cataclysmic consequences for all the creative industries if this area remains unregulated.

The economic sustainability of Britain's creative industries is hugely important to this country – important culturally and important commercially. It is estimated that our creative industries – film, music, literature, games, TV, software, books, printed media – have an economic output of at least £60 billion – equivalent to over 7% of UK GDP.

They are important too in terms of employment and of the hope they give to aspiring, usually young, men and women, that there are businesses that can employ them and invest in them in order that their talents can be developed. Again, it is estimated that creative industries account for 1 million direct jobs – and a further 800,000 in related sectors.

Indeed the Interim Digital Britain Report notes that the “digital economy underpins our whole economy and builds our national competitiveness.”

The question that occurs to me is whether, in ten years time, Britain will be a place that the Beatles could have emerged from. Will Britain be a fertile environment for all creative talent? Will Britain be a place where music, TV, film, games and publishing companies are sufficiently healthy to invest in British creative talent and take it to the rest of the world?

No... Not in a world where there are no longer shops where you can buy the physical products and where the internet is a Somalia of unregulated theft and piracy.

This is as much a battle against mindsets as it is against anything else. There are many people who like taking things for free from the internet even though it is not legal. The fact that something is easy and many people do it has confused commentators and politicians alike. Content on the internet is a problematic issue for regulators because the matters are technologically and legally complex and also, in a period running up to an election, politically, frankly problematic. But, as we have seen throughout history (and recently in the financial markets) there are dire consequences when people drift down the path of unregulated behaviour.

With the exception of live entertainment, all our creative industries are suffering but none more so than the one I am most familiar with – the music business. It is in the frontline of this battle and the first example of what can happen to an industry which is reliant on the protection of its intellectual property rights in order to survive.

The UK recorded music business is a major contributor to Britain's creative economy. I would like to share with you some astonishing figures to illustrate. In 2008 the UK recorded music market was valued at £900m in trade terms. The UK music business punches well above its weight globally – it is a major exporter. 4 out of the top 10 global selling albums in 2008 were British. It is a major employer creating over 100,000 jobs.

However the market is being decimated by the impact of online copyright infringement. Recorded music revenue in the UK has fallen every year since 2003. In Europe as a whole the recorded music business is 60% the size it was in 2001.

It is estimated that 7.3 million people in the UK (28% of the online population) are now engaged in illegal peer to peer file-sharing, a figure which is projected to rise to 8.7 million by 2012 if action is not taken. This activity erodes the commercial value of the UK's world renowned music sector. It is calculated that £180 million of losses were directly attributable to online copyright infringement in 2008; the losses for the six year period from 2007–2012 are predicted to exceed £1.2 billion.

As I am sure you all appreciate, such levels of loss are unsustainable. It is estimated that online film and music piracy could cost 30,000 UK jobs (and that doesn't take into account the performers and composers who will lose their livelihood – and stop creating as a result). The biggest single cause of the music business' demise, and indeed that of all creative industries, is the carriage of file sharing services by Internet Service Providers.

Globally only 1 in 20 tracks which are downloaded from the internet are paid for, i.e. a 95% online piracy rate. Innovative business models (of which there are numerous examples which enable consumers to access legally any music they want) have to compete with free providers – an unfair battle and an unwinnable one.

The music business, because of the universal popularity of music, its ease of access and its relatively low bandwidth requirements will be the first to fall, but other cultural industries will surely follow.

No-one questions that improving the capability and quality of the UK's digital networks is an essential task. The improvement of fixed, cable, mobile and broadcast transmission mechanisms is crucial if the provision of digital services is to keep pace with what users, be they individual consumers or businesses, expect and demand. Our broadband industry is hugely important to Britain and will be the backbone to society as well as to commerce, but what will it deliver?

Given that consumer demand for faster digital networks is driven to a large degree by demand for quality content, in particular creative content – music, films, games, television, journalism, books – I believe that it would be a serious mistake to invest billions of pounds in faster networks without ensuring that there is a sustainable commercial arrangement for those creative works on those new networks in the UK. At the moment, no such sustainable commercial arrangements exist. As their businesses increasingly move to digital consumption, the ability of UK creative businesses to continue to invest billions of pounds every year in creating and marketing new high quality content is under existential threat.

The railway and roads opened up the first Industrial Revolution. Broadband and the internet are opening up the next one. Our internet service providers deliver excellent facilities that help so many people in so many ways. But we need to remember that one of the principal reasons for their popularity is that they search out information and creative content that people want. If internet service providers continually attract people to illegal sites – as they do now – and not to legitimate sources of content, then they are part of the problem, not part of the solution. These companies make billions in profits (in 2007 just one ISP made profits of £5.78 billion – this compares with the recorded music business' turnover in the UK I mentioned earlier of £900 million) and yet they contribute nothing to the creative economies that they feed off and undermine – 40% of their sales come from Broadband and IT services and P2P traffic is believed to account for an astonishing 60% of all traffic on online networks.

Internet Service Providers can help themselves – they are able to control bandwidth traffic when it suits them. They are not going to change without regulation otherwise the good players could lose customers to the bad players. I wonder how long this can be tolerated.

People have got into the habit of talking glibly about “content providers” as if they are some sort of optional part of the process. The great wines of France are not content providers to the glass manufacturing business and Britain's creative industries are not content providers for broadband. They are the experiences that bring consumers to the internet in the first place, and they can only survive in a safe internet world. Lawlessness is not a model for any society and it cannot be a model for our digital future.

The cultural ‘free lunch’ is not free because film, music, printed media and so on cannot be produced, marketed and distributed for free. Investment must be rewarded and performers, composers and authors must be paid. Otherwise how can they survive?

It is important to remember as well that pirates are bandwidth hogs who reduce the quality of service and raise costs to legal users. Illegal file-sharing spreads viruses and inappropriate (and unexpected) content for minors. There are even dire predictions that the internet will grind to a halt over the next few years. Dealing with piracy removes that threat.

Through various reviews, notably the Gowers Review in December 2006, Creative Britain in February 2008 and the July 2008 Consultation on Filesharing, I have been encouraged by the Government's stated determination to act. The Interim Digital Britain Report gives life to that commitment and to the prospect of legislative action.

However, I do wish to raise the question of whether we are giving this crucial issue enough prominence and whether we are creating an outcome that is in the interests of a section of the economy where Britain leads the world and has the precious chance to create new jobs and new world-beating content for the future.

As I said I do not have the answers but I do have serious concerns as to whether the actions proposed to date will achieve the Government's aim (stated in July 2008) of reducing unlawful file-sharing by 70%–80% over 2 to 3 years. Government would appear to be willing the ends but not the means. [Proposing to legislate to require ISPs merely to write to infringers and leave rightsholders with the near impossible, and deeply expensive and unpopular, task of suing those who persist is simply not going to produce the required deterrent effect.] Internet Service Providers need to be made to do more to play their part in tackling infringement taking place on their networks.

It should also concern Government because fairly monetising the demand for creative works in digital form represents a key opportunity to generate revenue that can help to repay substantial investments in new digital infrastructure. If the regulatory response is right then massive value can be derived by internet service providers from legal services and there will be an incentive to invest. Notwithstanding Government's repeated calls to industry to adopt new business models, Government should accept that taking valuable content for free is not a

business model. It creates no value. Only if illegal downloading is properly addressed can new business models have the room to breathe and succeed.

As I said I do not of course, in any way, oppose the laudable aim of improving networks; but next generation networks need not just to be faster, they must also be smarter, safer and they must work better as an ecosystem that allows information and creative businesses to prosper. I thought it is crucially important that we raise this issue in this House because we are at a point in history when our trajectory will be set. And the world will look at the UK carefully in seeing the direction that we take.

My Lords, I look forward to hearing the contribution of those noble Lords who follow me in this debate. I beg to move for papers."

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