Level 3 Certificate
MATHEMATICAL STUDIES

Paper 2A/2B/2C

June 2024

Preliminary Material

To be opened and issued to candidates on
Friday 1 March 2024 or as soon as possible after that date.

REMINDER TO CANDIDATES

YOU MUST **NOT** BRING THIS PRELIMINARY MATERIAL
WITH YOU WHEN YOU SIT THE EXAMINATION.
A CLEAN COPY WILL BE MADE AVAILABLE.

INFORMATION

The Preliminary Material is to be seen by teachers and candidates **only**, for use during preparation for the examination on Thursday 23 May 2024. It **cannot** be used by anyone else for any other purpose, other than as stated in the instructions issued, until after the examination date has passed.
It must **not** be provided to third parties.

Economics of music streaming

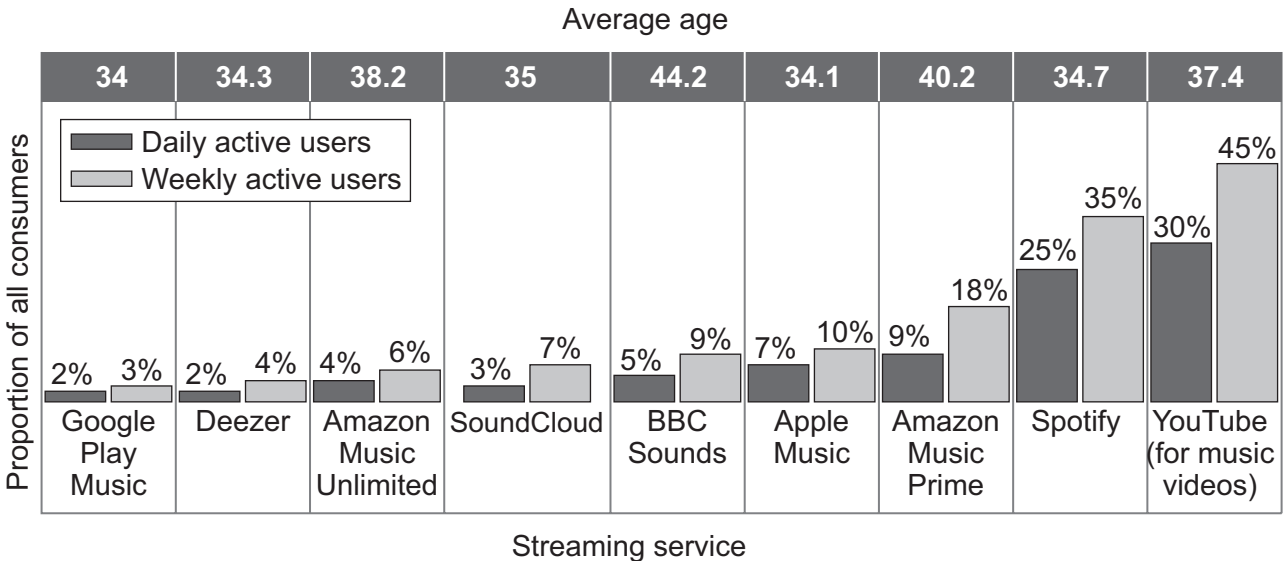
The Digital, Culture, Media and Sport Committee published a report into the economics of music streaming. An extract is given here.

Introduction

Music streaming is the process whereby music multimedia is accessed by consumers over the internet. Some successful, critically acclaimed artists have found that the earnings from streaming "are not significant enough to keep the wolf away from the door". Some hit songwriters have found that they cannot live off streaming revenue and are "forced to live on universal credit" with the Government "picking up the bill". In response, musicians have mobilised, calling for a review of how recorded music revenues are shared.

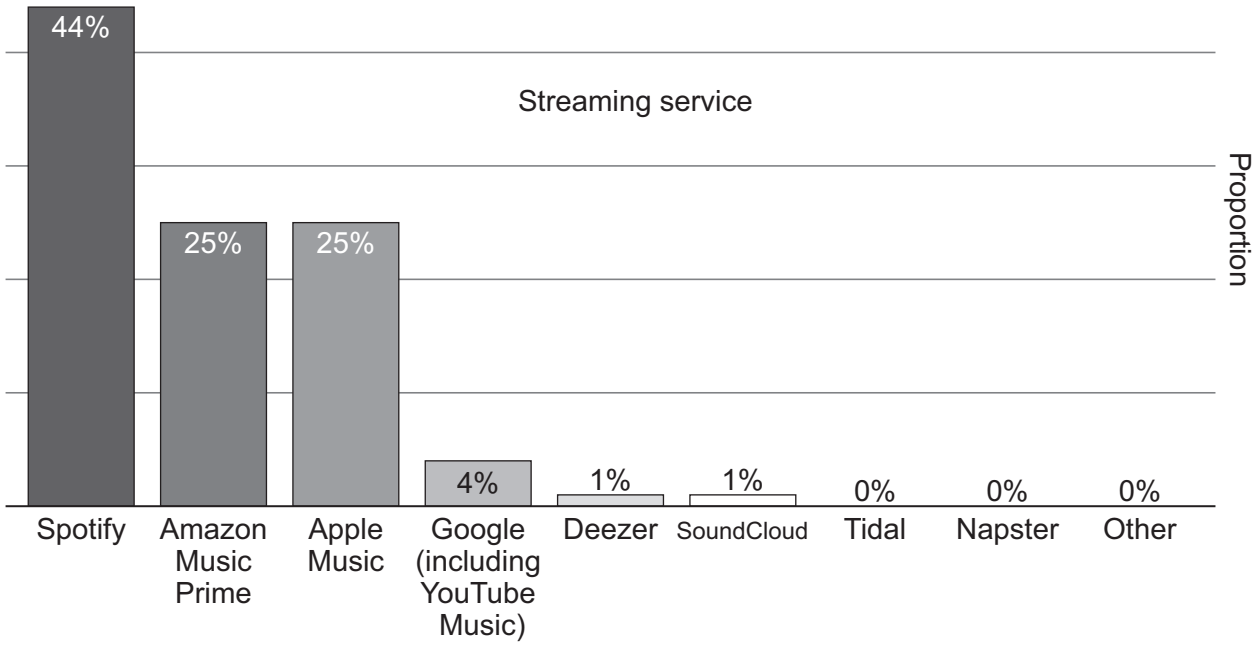
Music streaming service models

Graph 1. Daily and weekly active UK users of leading music streaming services, April 2020



Music streaming services are provided by the platforms of tech companies either as their core function or as a secondary service. There are many ways that music streaming services can be categorised, including by pricing strategy, service offering and payment model. The largest services currently operate on either a premium or free-to-access model, or a combination of the two known as 'freemium'. Premium services are funded through monthly subscriptions (with a current benchmark of £9.99 per month), whilst free services are funded by advertising revenue – or, in the case of Amazon Music Prime, bundled with a video and goods-delivery subscription. These revenues are then divided between the service and music industry according to pre-determined, negotiated agreements with the music industry. Most services then allocate revenue to individual tracks (and therefore rightsholders) according to a 'pro-rata' model, where the total revenue for each income stream is added up and then distributed to rightsholders according to each track's proportion of total streams.

Graph 2. Proportion of the 22.6m UK music premium subscription accounts by streaming service, January 2020



Copyright and remuneration from music streaming

There are two distinct bundles of rights that are exploited when music is streamed: the copyright in the song lyrics and music (sometimes referred to as “song rights”), and the copyright in the performance (sometimes referred to as “recording/master rights”). A song can often benefit from being performed and recorded multiple times by different artists over time.

Before streaming income is divided amongst licensees and rightsholders, the Government receives revenue from music streaming subscriptions in the form of value-added tax (VAT), which is an indirect tax levied on most goods and services in the UK, at the standard rate of 20 per cent. From a standard £9.99 subscription, this amounts to £1.67 per subscription. From the remainder, known as the gross revenue pot, the music streaming services then receive their share of revenues. From a standard subscription and from advertising revenue, this is generally assumed to be 30 per cent. The remaining share, which goes to industry, is known as the royalty pot. From the royalty pot, the majority of revenue goes to the master rightsholders, who receive approximately 55 per cent of the gross revenue pot. Song rightsholders therefore receive the remainder, amounting to approximately 15 per cent of the gross revenue pot.

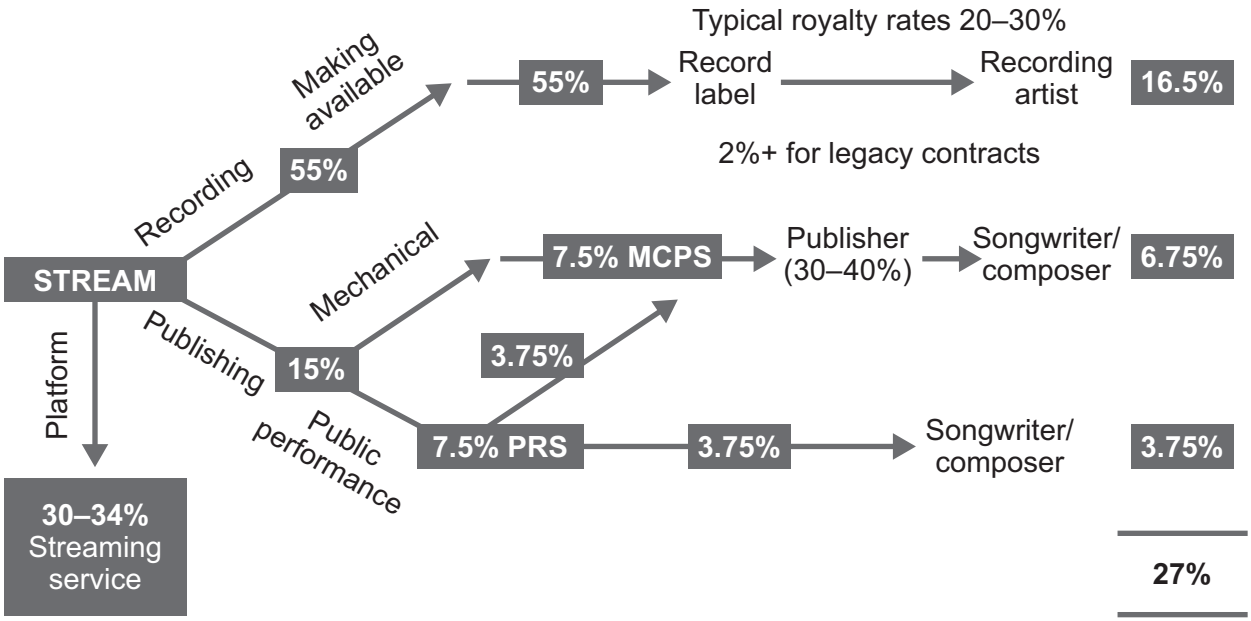
Relatively speaking, performer remuneration is a straightforward process. First, the record label or distributor receives revenues for the recording (ie 55 per cent of the gross revenue pot). Next, the label or distributor pays the performer according to the terms of their contract.

For the song rights, the process is much more complex. First, the song revenues (ie 15 per cent of the gross revenue pot) are split evenly between the mechanical and public performance. For the public performance, both the publisher and songwriters and/or composers split the revenues equally due to the right to equitable remuneration. The revenue is paid to their collecting society, who then pays the rightsholders accordingly.

For the mechanical, the publisher and songwriters and/or composers are paid according to the terms of their deals. Unlike record deals, publishing deals between music publishers and songwriters are often more generous.

Diagram 1. Allocation of revenues from music streaming (after VAT).

All percentages are approximate or illustrative.



Glossary of terms

Term	Definition
Collecting society	A non-governmental body created by copyright law or private agreement which licenses copyright works on behalf of the creators and engages in collective rights management. Also known as a copyright collective, copyright society, copyright collecting agency, licensing agency, copyright collecting society or collective management organisation (CMO).
Mechanical rights	How publishers refer to reproduction rights, particularly when exploited through the recording and distribution of songs.
PRS for Music	A collecting society that is responsible for the collective licensing of rights in the musical works of 150 000 composers, songwriters and publishers, and an international repertoire of 28 million songs. The Mechanical-Copyright Protection Society (MCPS) collects for 'mechanical' reproduction rights and the Performing Right Society (PRS) collects for public performance rights.
Song rights	Copyright in the song lyrics and music.
Recording rights	Copyright in sound recording of a performance. Also known as master rights.

END OF PRELIMINARY MATERIAL

Copyright information

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.aqa.org.uk.

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2024 AQA and its licensors. All rights reserved.