



**UNIVERSAL MUSIC GROUP  
INTERNATIONAL**

Rt Hon Lord Mandelson  
Secretary of State for Business, Innovation and Skills  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET

**LUCIAN GRAINGE**  
CHAIRMAN AND CEO

9th July 2009

*Dear Peter,*

Thank you for your time last week. I just wanted to reiterate a number of the points we discussed, and to repeat my offer of assisting with this autumn's creative c&binet:

- The UK is riding a wave of creative success and British artists still punch well above their weight, picking up a hatful of Grammys this year.
- This success is driven by investment in new talent: Universal Music Group (UMG) alone spends £250m on new talent every year and is the biggest music company in the world employing more people in the UK than, for example, EMI.
- Despite this success 85% of mp3 downloads in the UK are stolen. Music piracy has become a socially acceptable norm, across all generations and social classes.
- Piracy is economically destructive. Only 10% of artists ever make a profit for any of the music companies that invest in them. So without revenue the music industry will stop investing in new talent.
- UMG acknowledges the work that has been done on Digital Britain and that Government has recognised the threat of tackling digital piracy. But piracy is out of control and music has been the first industry to be affected. With movies about to take just 3 minutes to download at 50Mb, British film, sport and books will be the next to be devastated unless we tackle the problem now.
- Digital Britain's two proposals: Ofcom's letters to file-sharers and the ability for music companies to prosecute persistent offenders are not enough on their own.
- Government must start planning for step 3 now - a statutory obligation on ISPs to crack down on persistent file-sharers by cutting bandwidth and suspending and blacklisting their accounts. This is outlined in Digital Britain but not due to be implemented for years. It is essential that this power is included in the Digital Economy Bill.
- As I mentioned when we met, we have recently concluded a deal with Virgin Media, where we announced a global first in Britain; the world's first unlimited subscription download service. Step three would help create a level playing field between all of the internet service providers, and therefore allow the market place to stop piracy rather than just the courts.

With the above in mind could I please suggest the following;

That 1) Richard Constant from my office and Will Tanner from Finsbury, meet with your suggested advisors to structure some key points for discussion and suggested solutions as quickly as possible and 2) we meet with advisors possibly sometime in August to review this and agree the way forward.



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Finally, I am looking forward to the Government's 'creative cabinet' conference at the Grove in October. As you know, I suggested to the Prime Minister that this could be turned into a 'Creative Industries Expo' rather than running the risk that it may become a talking shop. As I said I am happy to do all I can to contribute in any way.

*Warm regards,  
Lucian.*

Lucian Grainge

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