

10 Million Reasons to be cheerful?

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On 1 December 2004 the British Phonographic Society (BPI), the umbrella organisation for the record companies in the UK, issued a press statement heralding their latest success in the battle against piracy. This stated that investigators from the BPI working with others from the Federation Against Copyright Theft (FACT) and Central Scotland police had launched a five day operation which raided 4 markets and 28 houses and led to the arrest of 28 suspects of whom 15 were reported to the Procurator Fiscal on charges under copyright and trademark legislation.

The BPI stated that the raids “seized in excess of £10 million worth of counterfeits”. BPI Director of Anti Piracy, David Martin, was quoted as saying that the success of the raid was “nothing short of remarkable”. The operation was named Vendura and was the result of several months work. All very impressive.

Then the BPI went on to give the figures for the CDs which were seized: 3992 music CDs including copies, unauthorised compilations and live

recordings, 2979 films and DVDs and 1452 pornography and computer discs. In addition a range of software and hardware for CD production was seized. Note however, that the BPI figures according to their own press release were focussing on “£10 million of counterfeits”, rather than any hardware. Now some quick sums. The total amount of CDs seized (including films and porn, in which the BPI has no remit) comes to 8323 CDs. 10 million divided by 8323 gives an average price of £1,201.49. This looks to me to be a little expensive. Certainly a lot more than the fiver punters are used to paying for fake CDs or the fifteen or twenty quid they might pay for porn or live CDs. So I asked the BPI how they got the figures. At first I was told that it was “based upon the black market value of the material seized”. Note here that this is not the same as the press release which speaks of the counterfeit CDs *alone* being worth £10

Million, rather than including all the material seized. When I asked how 8323 CDs could be worth so much, I was asked what my interest was. I explained that I was an academic who researched music industries. They said they’d get back to me and they did. This was the explanation proffered by the BPI Press Officer:

“I don’t have an exact breakdown, but having spoken to our investigators—I understand that the high value was down to the fact that these people were major dealers and had an unusually high number of MP3 master discs. As you can store up to ten albums on the discs, they sell for far higher prices—often fetching up to £15. But the real difference came with the business software and applications which can fetch high prices again on the black market”.

Several points are worth commenting on here:

- When challenged the BPI can offer no breakdown of its figures. It thus seems that we have no way of telling whether the headline figure is accurate or not.
- Even if all the CDs seized are worth, very generously, £15, this comes to £127,845—a little short of £10 million. Unless the hardware and other software is worth £9,872, 155. But that brings us back to the original BPI claim (also in a Central Scotland Police press release) that the counterfeit CDs alone were worth £10 million.
- It’s unclear how the BPI calculates value—the fiver it costs to buy on the black market or a £15 retail price. I would guess the latter. In fact, as the BPI itself acknowledge, most chart CDs sell for under a tenner—so again their sums look suspect
- The BPI is there to represent the record companies whereas CD and DVD retail prices include the distributors’ and retailers’ cuts. The actual amount that BPI members might “lose” on each fake CD is probably around £5-£6. The rest of the retail price is the distributors’ and retailers’ cuts. Still it’s nice to see the BPI standing up for other people’s profits (including those of pornographers).
- The BPI’s estimation of value seems to be based on the idea that all of the CDs seized would have been sold. Is there any evidence for this?
- It also assumes that every fake CD sold represent a lost sale of the real thing. However, I suspect that people buy fake CDs because they are cheap, not because they would otherwise buy the real thing. (Indeed in the legitimate world the retailer Fopp has made a fortune by selling CDs cheap and encouraging their customers to spend a fiver on things which they would never buy at full price).

Now, let’s do some more sums. Let’s be generous and say that the value of the CDs is £130,000. And let’s say that the hardware etc seized is worth twice that—£260,000. And, as it’s Christmas, let’s chuck in an extra £10k for luck. Very generously we might get to £400,000. Still not quite £10 million.

In order to estimate the worth of the raid, we’d need to deduct the cost of the operation. So, how much was spent on operation Vendura? We don’t know. But, according to the BPI press release,

some people spent “several months” working on it. I bet it wasn’t cheap. Of course, we could ask the BPI and Central Scotland Police how much the operation cost, but could we believe what they told us? If we didn’t, how could we check? In any case some cynics are suggesting that if the real market value of seized goods, as well as the cost of the operation, was known then the BPI might justly be accused of wasting police time.

Now the serious point. No one doubts that piracy is a major issue for record companies and other producers of CDs, DVDs etc. And, yes, the BPI is right to claim that bootlegging is linked to organised crime. How could it not be—it’s a crime and it’s organised. (By the way, what does *disorganised* crime look like? Pretty unsuccessful I would imagine). However, if those involved in fighting piracy want to be taken seriously then they must make sure their claims hold water. Moreover, they must be answerable to those whose taxes fund the raids. The £10 million figure looks so disingenuous that it’s hard to take seriously. If the BPI and Central Scotland Police can provide a breakdown, let them do so.

Meanwhile if anyone wants a Snow Patrol CD I’ll let them have it for £999. It’s less than the BPI seems to think it’s worth on the black market.

With heartfelt thanks to John Williamson for comments and insights.