



26 April 2016

“Creative Industries Economic Estimates: Consultation on Proposed Developments” – Response by UK Music to Department of Culture, Media and Sport (DCMS)

About UK Music

1. UK Music is the umbrella body representing the collective interests of the UK’s commercial music industry, from songwriters and composers to artists and musicians, studio producers, music managers, music publishers, major and independent record labels, music licensing companies and the live music sector.
2. The UK music industry contributed £4.1 billion in GVA in 2014, growing by 5%. The sector is responsible for total export revenues of £2.1 billion and employs over 117,000 people.¹
3. UK Music exists to represent the UK’s commercial music sector, to drive economic growth and promote the benefits of music to British society. The members of UK Music are listed in a annex 2.

General

4. UK Music welcomes the opportunity to contribute to this consultation on proposed developments to the Creative Industries Economic Estimates.
5. UK Music is committed to improving evidence on the economic, social and cultural impact of the music industry.
6. UK Music takes forward this commitment to evidence by:
 - Gathering industry data and undertaking research,
 - Supporting related research undertaken by others – in particular, through the Music Academic Partnership (MAP)², a collaboration between educational institutions and the UK Music membership,

¹ http://www.ukmusic.org/assets/general/Measuring_Music_2015.pdf

² <http://www.ukmusic.org/skills-academy/music-academic-partnership/>

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- Assisting and advising on research into the music industry, including to Governmental and public bodies.
7. UK Music is leading the way on sectoral data collection. This is welcomed by the Government given their acknowledgement of the limitations in their own data when reporting on creative industries economic estimates and their impact on the music industry.³
 8. Absolutely central to these limitations is the inconsistency between the Standard Industrial Classification (SIC) system and how the music industry organises itself.
 9. UK Music has developed a proposal for how the SICs might be reformed to better capture the music industry, which we revisit in this consultation response. This can be found in annex 1.
 10. While we recognise that DCMS/ONS are constrained by international classification systems, which only offer periodic opportunities for revision, we underline that until the UK Music proposal, or something similar to it, is enacted then much of the adaptations that DCMS consult upon here will be of limited utility, insofar as accurate measurement of the economic contributions of the music industry is concerned.
 11. The commitment of DCMS, as demonstrated by the Creative Industries Economic Estimates, to data measurement of the creative industries is welcome but any data analysis that depends upon the SIC system to assess music will have significant limitations. Much of what DCMS seek views on within this consultation are forms of analysis that draw in whole or in part upon the SIC code system.

Specific comments on questions asked in the consultation

12.

Creative Economy Estimates

Do you have any views on the Creative Economy GVA estimates and the methodology used to calculate them?

Do you have any evidence to support or contradict the view that productivity in Creative and non-Creative jobs outside the Creative Industries is the same, and therefore GVA should be allocated on a per head basis?

Do you support the future publication of Official Statistics on the

³ See annex E

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494927/Creative_Industries_Economic_Estimates_-_January_2016.pdf

Creative Economy?

There are many musicians and related professions working outside the SIC codes that are currently allocated to the music industry. As a key part of the purpose of the creative economy methodology is to take into account the economic impact of creatives working outside SIC codes of the industries to which relevant professions are usually associated, UK Music welcomes any research into the creative economy.

13.

Accounting for under coverage of microbusinesses

Do you have any views on the methodology used to account for under coverage in the ABS?

Are you aware of any sources of information which would enable us to apply this approach at the 4-digit SIC level?

Do you support use of this additional adjustment in future publication of Official Statistics on the Creative Industries and Creative Economy?

Many music industry businesses are microbusinesses. UK Music, therefore, welcomes this research strand and encourages DCMS and ONS to prioritise it.

Given that Annual Business Survey (ABS) is thought to cover 98% of activity in the UK economy, the application of a 10% uplift, as described in the consultation and associated methodological note, seems potentially high. That said, given the significant numbers of microbusinesses that UK Music notes in the music industry, it may be that a relatively high uplift is necessary to fully take account of current underrepresentation of economic activity within the creative industries.

UK Music encourages DCMS and ONS to both continue to refine this research to test the appropriateness of a 10% uplift and more generally, better understand the economic function and impact of microbusinesses within the creative industries, particularly the music industry.

14.

Productivity

Do you have a view on the best approach and data sources to measure productivity for the Creative Industries?

UK Music's Measuring Music research allows GVA per worker metrics to be calculated for different segments of the music industry. However, output per hour worked, rather than output per worker, tends to be a stronger productivity metric.

UK Music welcomes efforts by DCMS and ONS to develop output per hour worked metrics for the creative industries.

15.

Exports of goods

Do you agree with the proposed source for export of goods (Trade in goods by CPA)?

Do you have any views on the proposed categories of Creative Goods?

UK Music does not agree with the proposed source for the export of goods (Trade in goods by CPA). This view has also been communicated to UKTI and the Creative Industries Sector Advisory Group (SAG).

We note that there are two entries that might seem relevant to the music industry:

1. Audio Recordings & Printed Music,
2. Musical Instruments

It should be noted that the manufacture of musical instruments does not feature in the proposed SIC code reform set out earlier in this document. This reflects the UK Music view that music instrument manufacture is not a core activity of the music industry. This is because – as we discuss further below – UK Music sees the creation of Intellectual Property (IP) as being at the core of the music industry.

In addition, UK Music is concerned that the export figures ascribed to audio recordings and printed music in the consultation underestimate the export significance of the music industry.

While UK Music welcomes the efforts of DCMS and ONS to extend its measurement of exports from creative services to creative goods, and recognise the constraints that the DCMS and ONS are operating under in respect of access to relevant data, we are concerned that the proposed source for export of goods (Trade in goods by CPA) falls short of what is really required from this data source.

While *Measuring Music* does not break exports down by whether they are goods or services, it does report on the exports of the music industry as UK Music defines this industry.

16.

Creative Industries Intensities

Do you have a view on the proposal to review the Creative Intensities?

Do you support the inclusion and exclusion of industries as their Creative Intensity changes over time?

Do you have a view on the level of change that would warrant revisions to the data?

Do you have a view on whether historic data should be revised to reflect a new definition or should retain the definition of the Creative Industries associated with the period when it was published?

Do you agree with the frequency of the review (every three years, or five years)?

The definition of the music industry that UK Music uses is centered around the creation and management of IP. It is this IP that is at the core of the music industry, as UK Music understands it.

Equally, IP is at the core of other creative industries. We might see this relationship to IP as the fundamental characteristic of the creative industries.

Creative intensity is another way to conceive of the fundamental characteristics of the creative industries. UK Music recognises the merits of this approach. However, as with many issues under consultation, its applicability to the music industry is limited by the problems with the SIC codes that we have described.

Notwithstanding these limitations, UK Music welcomes research upon creative intensities – but it is important to also recognise that this is not the only way to think about the core characteristics of the creative industries. Creation and management of IP is another way.

This way may also be analytically cleaner – it is clear which industries generate IP and which do not, while creativity, albeit in varying intensities and forms, runs across all industries. This way may also be more useful in

policy terms – it clearly posits IP policy at the heart of public policy relevant to the creative industries.

17.

Sub-national GVA estimates

Would you find sub-national estimates for Creative Industries GVA useful?

Would Region or city level estimates be more valuable?

UK Music is undertaking a series of activities that seek to deepen the economic footprint of the music industry outside of London:

- Dedicated UK Music staff will coordinate UK Music activity with Government, agencies, hubs, music experts, rehearsal spaces, schools and colleges to develop and deliver optimum strategies for furthering our £4.1 billion industry's commercial and cultural success.⁴ Publication of groundbreaking research in partnership with Bucks New University, as part of the Music Academic Partnership (MAP), on live music in Bristol,
- The intension to publish a series of city case studies on live music in different regional cities as part of an updated Wish You Were Here report into music tourism.
- Expanding our network of rehearsal spaces across the nations and regions.⁵

It should be noted that these efforts involve practical activity informed by research. We would welcome the publication of additional data that would help further inform these activities.

We have no strong preference between publication at the city or regional level. Both are strongly relevant in different contexts. UK Music encourages, therefore, DCMS and ONS to seek to publish at both levels.

18.

Now-casting

Would modelled "now-cast" estimates be helpful?

⁴ <http://www.ukmusic.org/news/uk-music-announces-new-nations-and-regions-responsibilities>

⁵ <http://www.ukmusic.org/skills-academy/rehearsal-rooms/>

Do you have any views on the best approach to take this forward?

It is imperative to the business activities of many music industry businesses to have real-time data. It is less clear that real-time data is necessary to generate optimal public policy. Some time lag between activity and reporting is inevitable in relation to public data.

UK Music thinks it is more important – particularly through improvements to the SIC codes – to improve public data than to get it published more quickly than it presently is.

Nonetheless, in relation to data on music streaming, which seems relevant here, UK Music notes that this is now feeds into the Official UK Charts. Therefore, the music industry already has in place mechanisms for collecting data that is likely to be relevant to any attempts to “now-cast”.

Other issues and conclusions

19. As testament to the positive regard in which UK Music’s research is held and UK Music’s willingness to work collaboratively with others, UK Music was recently invited to present on our research programme to a roundtable organised at the European Commission (DG Education and Culture). This roundtable looked at public data available across Europe on music.
20. The problems that UK Music has experienced with public data having a limited correspondence with how our industry sees itself are replicated across Europe. If we had more robust public data, we would be more likely to have better targeted public policy, which, in turn, would lead to stronger economic performance. Across Europe, we are falling short in this regard, while across Europe, all our public data sits within the same international classification systems.
21. In addition to working with UK Music and stakeholders in the UK, we would encourage ONS to work with international partners to improve statistics on the music industry. UK Music’s recent engagement with the European Commission encourages us to feel that there is an appetite across Europe to take forward this shared working to address a common challenge.
22. UK Music stands ready to engage with ONS and other relevant public bodies and stakeholders to:
 1. Improve the SIC codes that apply to the music industry,

2. Secure what improvements to public data can be made in advance of a SIC code revision.

23. Given the importance of music to the UK's economy, social wellbeing and cultural life, we would suggest that finding some way to make these improvements is in the public interest and would assist policy making greatly.

Annex 1

UK Music: SIC Code Proposal:-

The UK Music industry has a clear view of the economic activities which underpin its industry and would wish to see (i) SIC codes which reflect these activities and (ii) that these SIC codes can be aggregated to allow a separate identification of the economic contribution of the Music industry.

To allow this, UK Music is proposing:

- a new 'Music industry activities' SIC code, at the Group (3 digit) level; and
- 3 SIC codes at the class level, to reflect the main music-related economic activities of:
 - creation of musical compositions and sound recordings;
 - activities relating to live music performance; and
 - commodisation of musical compositions and sound recordings.

We would propose that these new SIC codes are embedded within Section R (Arts, entertainment and recreation), and within the Division 90 (Creative, arts and entertainment activities). On this basis the revised SIC structure would be as shown in the table below:

| | | | |
|---|------------------------------------|----------------------------------|-------------------------------------------------------------------------------------------|
| R | Arts, entertainment and recreation | | |
| | 90 | Creative, arts and entertainment | |
| | | 90.1 | Creative, arts and entertainment |
| | | | 90.11 Performing arts |
| | | | 90.12 Support activities to performing arts |
| | | | 90.13 Artistic creation |
| | | | 90.14 Operation of arts facilities |
| | | 90.2 | Music and music-related activities |
| | | | 90.21 Creation of musical compositions and sound recordings; and the performance of music |
| | | | 90.22 Activities related to live music performance |
| | | | 90.23 Other activities supporting music and music related activities |

| | | |
|--|----|-----------------------------------------------------------------|
| | 91 | Libraries, archives, museums and other cultural activities |
| | 92 | Gambling and betting |
| | 93 | Sports activities and amusement and other recreation activities |

In more detail, the activities to be covered by each of the classes are:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 90.11 | Creation of musical compositions |
| This class involves the activities of those involved in the origination and creation of a musical asset – ie the creators and first owners of a copyright-protected musical asset. It includes the activities of Musicians, Composers, Lyricists, Songwriters, Arrangers and Producers (as co-authors). | |
| 90.12 | Activities to facilitate the a live music performance |
| This class involves the activities surrounding the staging of live music performances. It includes the activities of Live Music venues, Ticket Agents and Box Offices, Live Music Promoters, Live Music Agents, Live Music Production Services, Festival Organisers and Tour Managers | |
| 90.13 | Commoditisation of recorded and printed music; and the commercial interests of their originators |
| This class involves the business activities needed to commoditise a musical composition or recording; or to further the commercial interests of their originators. It includes the activities of Record labels, Music publishers, Music Managers, Music studios and staff, Design & Production of physical product and packaging, Online Music Distributors and Aggregators, Collecting Societies and Music Copyright Enforcement Activities. | |

Annex 2

UK Music's membership comprises of:-

- AIM – Association of Independent Music - representing over 850 small and medium sized independent music companies.
- BASCA - British Academy of Songwriters, Composers and Authors – BASCA is the membership association for music writers and exists to support and protect the professional interests of songwriters, lyricists and composers of all genres of music and to celebrate and encourage excellence in British music writing
- BPI - the trade body of the recorded music industry representing 3 major record labels and over 300 independent record labels.
- FAC – The Featured Artists Coalition – the voice of the featured artists.
- MMF - Music Managers Forum - representing 425 managers throughout the music industry.

- MPG - Music Producers Guild - representing and promoting the interests of all those involved in the production of recorded music – including producers, engineers, mixers, re-mixers, programmers and mastering engineers.
- MPA - Music Publishers Association - with 260 major and independent music publishers in membership, representing close to 4,000 catalogues across all genres of music.
- Musicians' Union representing 30,000 musicians.
- PPL is the music licensing company which works on behalf of over 90,000 record companies and performers to license recorded music played in public (at pubs, nightclubs, restaurants, shops, offices and many other business types) and broadcast (TV and radio) in the UK.
- PRS for Music is responsible for the collective licensing of rights in the musical works of 114,000 composers, songwriters and publishers and an international repertoire of 10 million songs.
- UK Live Music Group, representing the main trade associations and representative bodies of the live music sector

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