



August 2020

UK Music Submission to HL COVID-19 Committee Inquiry

Life Beyond COVID

Introduction

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. UK Music exists to represent the UK's commercial music sector, to drive economic growth and promote the benefits of music to British society (see annex for full list of members). UK Music and our members have directly raised many of our concerns with the Government through the roundtables and working groups set up by the Department for Digital, Culture, Media, and Sport (DCMS).
2. The UK commercial music industry is important both to the UK economy and the global music scene, producing £5.2 billion GVA per annum and employing 191,000 people in Full Time Equivalent (FTE) roles. Around £1.1 billion of that is from live performance which also contributed £4.5 billion to the wider UK economy through knock on effects and music tourism.¹ This is a sector that has seen strong growth in recent years, including export value increasing to £2.7 billion in 2018, as well as 12% in music tourism and 10% growth in the live sector respectively.² Creative industries in the UK have seen stronger growth than the UK economy as a whole and represent a dynamic part of the economy.³
3. Each Government in the UK has set out its own response to the pandemic. In England, music retail was closed from March to June, recording studios were closed until July, with live music venues permitted indoor performances (if socially distanced) from 15th August, it should be noted that socially distanced performances are not economically viable for many organisations and venues.
4. As this paper is intended for the UK Parliament it will not deal at length with the responses of the devolved Governments, whose legislatures we submit to separately. However, it is worth noting that they also closed retail, and recording studios for long periods and unrestricted indoor performances are yet to resume outside England.
5. These closures and the pandemic have caused severe damage to the sector. This has prompted welcome and unprecedented Government action. However, there needs to be sustained support for commercial music if the sector is to emerge from the crisis in

¹ <https://www.ukmusic.org/research/music-by-numbers/>

² <https://www.ukmusic.org/research/music-by-numbers>

³ <https://www.creativeindustriesfederation.com/sites/default/files/inline-images/The%20Projected%20Economic%20Impact%20of%20Covid-19%20on%20the%20Creative%20Industries%20Report%20-%20Creative%20Industries%20Federation%202020.pdf> p.7



robust health, as the innovation triggered by the pandemic is unlikely to compensate for the damage and the extended period of closure. We therefore have three asks:

6. **Tailored Short Term Response:** The unprecedented support provided by Government so far has been welcome (and is necessary) but is not sufficient to support the commercial music industry and its largely freelance workforce through this crisis. The Government should address gaps in support announced and extend both the furlough as well as the Self-Employment Income Support Scheme until Stage 5 and unrestricted performances are permitted (Germany is extending its furlough scheme by 24 months).⁴
7. **Build a Long-Term Framework for Growth:** Government should lean into its unprecedented support for the music sector to support UK commercial music in a highly competitive global environment. This should include levelling up music infrastructure across the country, supporting emerging talent, and addressing market failures through fiscal incentives as it has done for film and television.
8. **Work with Industry:** Commercial music faces a variety of policy challenges moving forward; open dialogue between the sector and Government on upcoming trade deals, strengthening copyright and the future relationship with the EU, could help future proof the sector and provide a policy framework for commercial success. Work with the music industry and existing mechanisms, to ensure that support and recovery flows through to creators and their representatives, for a fully functioning, sustainable and productive sector.

Damage of the Pandemic

9. While this paper is focused on the future, we must first consider the deep and widespread damage both pandemic and response have caused to the music industry. The closure of the physical spaces (live music venues, recording studios and retailers) that act as hubs for commercial activity for many engaged with the sector has created a crisis.
 - The Musicians' Union (MU) reports that 90% of its members saw an immediate fall in income in April and the majority of musicians' work has not yet resumed.
 - The Music Producers Guild (MPG) has found that producers and sound engineers have lost an average of 70% of their income.
 - The recorded music industry through the BPI reports that physical music sales have fallen by 50% in the period March to May.

⁴ <https://www.cityam.com/germany-extends-job-support-scheme-contrasting-with-uks-approach/>



- The Music Venue Trusts reports 90% of venues have been threatened with closure by the pandemic with venues cumulatively sustaining losses of £524,000 per day that they are closed.
- As an indicator of the damage done to the broader ecosystem, the concert promoter Live Nation has seen income crash by 98% in Q2 of the 2020-2021 financial year.⁵
- Analysis of the Self-Employment Income Support Scheme (SEISS) and Job Retention Scheme (JRS) suggests that at least 27% of workers in the sector are not covered by either scheme. A survey by the MU found 38% of respondents did not think they were eligible.⁶
- Further analysis that we worked on which was published by the Creative Industries Federation shows that music is being particularly severely affected by the epidemic. This analysis estimates up to 114,000 Full Time Equivalent roles could be lost to the industry by the end of the year along with up to £3 billion GVA.⁷
- Royalty payments have also suffered as businesses that might normally be publicly playing recorded music, pubs, nightclubs, salons etc. are not, the royalty collection companies PPL and PRS for Music have introduced a number of temporary licensing concessions for affected businesses that will effect royalty income.

Pandemic Developments

10. With the sheer scale of the damage outlined above, we welcome the interventions made by the UK Government and devolved Governments to support commercial music. This can be seen in the Welsh and Scottish Government's music venue funds and the UK Government's £1.57 billion rescue package, as well as Arts Council Northern Ireland Emergency Artists Programme and the Emergency Organisations Programme.
11. Collectively, these packages are unprecedented (though that should not be confused with them being sufficient) and have or will be a vital lifeline to those that can qualify for them. This investment represents an acknowledgement that commercial music is an ecology that can be encouraged by policy decisions at UK, devolved and municipal level.
12. If the sums spent on attempting to mitigate the effects of COVID represent a step change in policy approach to support for music, then this will have a long-term positive effect on the industry. Traditionally, UK commercial music has not sought or received large amounts of Government support. For instance, a DCMS Select Committee Report on *Live Music* noted in 2019 that Arts Council England had historically not

⁵ <https://www.billboard.com/articles/business/touring/9429902/live-nation-q2-2020-earnings-revenue-concerts-coronavirus>

⁶ <https://www.musiciansunion.org.uk/Home/News/2020/May/Impact-Survey-Identifies-Key-Gaps-in-Current-Gover>

⁷ https://www.creativeindustriesfederation.com/sites/default/files/2020-06/20200619_OE_Slides.pdf



adequately funding grassroots commercial music venues.⁸ Given the scale of the losses the commercial sector is suffering with revenues collapsing for many companies, those who have needed help the least now need it the most.

13. The interconnected nature of the UK music industry means it also represents value for money for Government investment as it looks to restart the economy. Assessments of the Music Export Growth Scheme (MEGS) a partnership funding the promotion of UK music internationally found that music investment yielded a £12 return on every £1 invested by Government.⁹
14. Proactive work by the Government could tackle short term issues and provide a platform for more support going forward. This could include working with brokers and insurers to get pay in from all sides on a scheme to underwrite live events to encourage live performances to be booked again. This is a significant factor in some businesses remaining closed at the present time. It could also include specific support for businesses that cannot fully re-open due to the pandemic, such as a scheme to encourage or subsidise ticket sales for live events, and more support for freelancers in the music sector who cannot return to work, as well as providing funding or loans to make venues and studios COVID-secure.
15. At a Local Authority level, the additional discretionary funding for business support has proven useful but giving Councils more funding and tools to support local music ecosystems, such as giving them the power to roll over unused festival licenses, would be useful moving forward to help level up music across the country.
16. Another simple but fundamental measure to help would be extending the VAT reduction period on ticket for events. This is due to expire in January 2021. We would recommend a 3-year period of 5% VAT on tickets for cultural events to allow the full sector as long as possible to benefit as it recovers. This is in line with the recommendations of the DCMS Committee Report *Impact of COVID-19 on DCMS sectors: First Report*.¹⁰ The Government could also build on the success of its Eat Out to Help Out scheme by offering subsidies to venues that do put on performances, this would both bolster the supply chain and increase the number of venues that could viably open. We would be happy to develop the detail of this with Government.
17. These measures could then build into a long-term strategy to tackle the historic lack of support for the commercial music sector. Many other nations around the world including Canada and South Korea invest much more heavily than the UK in promoting their music industries and supporting emerging talent, this boosts their chances of success vis-à-vis UK artists.
18. For example, the Canadian public-private partnership FACTOR spent £11 million in one year promoting the tours of Canadian artists. In a competitive industry like music,

⁸ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcmumeds/733/733.pdf> p. 41

⁹ <https://www.bpi.co.uk/news-analysis/music-export-growth-scheme/>

¹⁰ <https://committees.parliament.uk/publications/2022/documents/19516/default/> p. 31

this places UK artists at a disadvantage as even the countries that do not have state support for their music sector often have a huge domestic market e.g. the U.S.

19. Government investment and policy engagement in the long term could also be focused on levelling up regional music infrastructure, correcting market failure through fiscal incentives or supporting the nurturing of young talent as suggested in our *Securing our Talent Pipeline* report.¹¹ The Government could also focus on bolstering copyright law ensure a high level of protection for copyright and performers' rights online, to ensure fair remuneration other suggestions can be found in the Creative Industry Council's paper on this topic.¹²
20. Another development is that COVID has encouraged innovations in the delivery of music. These can be divided between those that seek to provide mitigated live music such as drive in or COVID secure live performances and the increased delivery of performances online. The first will last for as long as social distancing measures against COVID-19 are in place and therefore is not likely to be a long-term trend within the industry. The second could be a longer-term trend as it is an intensification of a pre-existing trend towards online content delivery.
21. There have been a series of ticketed live streamed shows which have positioned the UK as one of the leading innovators in the creative industries during the COVID-19 crisis. Pay-per-view live stream performances such as Dermot Kennedy at the Natural History Museum (which sold 30,000 tickets) and Biffy Clyro at the infamous Glasgow Barrowlands (which aired across four different time zones) have highlighted the industry's commitment to adapting during these restrictive times. These live stream models, still in their infancy in terms of profitability, are an opportunity to explore new forms of revenue that already have a strong and robust infrastructure in other entertainment sectors, e.g. pay per view in boxing. This sit alongside other branches of online content including exclusive interviews, lessons fan Q&As or "day in the life" style short videos. This content can also be made available only to those that subscribe either directly or through a service such as Patreon, or alternatively using "virtual tip jars" to ask for donations.
22. With a view to touring returning, this expansion should not be seen as an 'instead' but rather as a way for artists to reach new audiences, new demographics including territories they might not have otherwise had access to, as well as providing new revenue streams for artists, fan engagement, and making music content more accessible for disabled people, as well as those who would not otherwise attend live music events. In short, it should be seen as a vibrant addition to a live sector that is still crucial to the overall health of the commercial music ecology.
23. In general, the earnings of artists, performers and creators from these methods do not come close to traditional earnings from live performance. A significant offering of content has been made available for free during the pandemic and it is crucial that this is not an ongoing trend. Nor is the commercial music industry as a rule generating

¹¹ <https://www.ukmusic.org/news/securing-our-talent-pipeline>

¹² <https://www.thecreativeindustries.co.uk/media/556524/cic-recovery-plan-final-sub.pdf>

enough income from these methods to adequately sustain careers or provide for a more broad-based business model (e.g. paying venue hire for a venue to host this kind of performance) that can support the varied venues and career paths that are vital for a vibrant music industry.¹³ This kind of performance is also biased towards certain genres, it is much more difficult to assemble an orchestra or a choir in a space that is not designed for performance.

24. Furthermore, a virtual gig does not support the wider economy in the same way as a live music event. Fewer to no technicians, sound engineers, lighting crew and producers are needed. No security or venues staff are required and the audience are not leaving their homes, therefore they are not eating out before or after the performance or buying drinks. These issues are replicated when home studios are used for recording. Most workers in the sector are engaged on a job by job basis and therefore need the end of SEISS and the full re-opening of the sector to be synchronised.
25. Unlike normal online performances, virtual showcases where talent presents itself to the music industry in other territories in lieu of the usual physical showcases (e.g. SXSW in the U.S.) are quite expensive to produce. Therefore, the Government could support both innovation and the industry by extending and increasing funding to the International Showcase Fund and MEGS to allow cutting edge content to be created. This shift to digital may in some ways make international markets more accessible, but only if UK events such as Sound City, IFF, Wide Days, Showcase Scotland, English Folk Expo, FOCUS Wales and Afropunk UK are also extended more funding to ensure artists are export ready to exploit international opportunities.
26. Innovation will provide additional ancillary income in the longer term but it should not be treated as a panacea for the current crisis. The response from the Government is critical to how the UK music industry emerges from this situation, and this engagement (if sustained and refined) can provide a platform for a step change in support for commercial music industry going forward.

Concerns

27. The core commercial music industry has been shuttered by this crisis. We have set out our concerns extensively in our submission to the House of Commons DCMS Select Committee which references the structural features of the music industry that have rendered it particularly vulnerable to this crisis.¹⁴ The concerns we highlighted included the loss of infrastructure and loss of skills, keeping businesses solvent and how to restart the sector. The figures set out in section two show the scale of the crisis facing the commercial music industry.
28. It should also be considered that this crisis began earlier for the music sector with the MVT reporting a 27% fall in ticket sales relative to 2019 in January – March 2020. This

¹³ <https://www.nme.com/news/music/new-figures-show-how-many-streams-artists-need-to-earn-minimum-wage-2649715>

¹⁴ https://www.ukmusic.org/assets/general/UK_Music_Submission_to_DCMS_Select_Committee_ImpactCOVID_7_May2020.pdf

almost year-long crisis threatens a large number of businesses and may cause an exodus of talent from the sector if further action is not taken. The effect of COVID extends throughout the music supply chain, including businesses that supply venues, promoters, managers, stage crew, sound engineers, lighting, session musicians and other technical professions that are vital to the long-term health of the sector.

29. Gaps in support for the self-employed particularly affect the commercial music sector as 72% of its workers are self-employed. We have highlighted a number of gaps in the support system for individuals in more detail previously.¹⁵ It includes those with portfolio incomes, zero-hour PAYE workers and those who draw the bulk of their salary in dividends. Even with socially distanced gigs now allowed in England in law, very few are taking place for reasons of space, resources and economics, so work will not near pre-crisis levels until Stage 5 of the Government's Roadmap is reached.
30. This is having an effect on talent retention in the sector. A survey by the MU found that 20% of artists were considering giving up on music entirely. Over 20,000 applications have been received to industry hardship funds from musicians, songwriters and composers since the crisis began. It is likely that many out of work freelancers in the industry will have sought jobs outside the industry. The sector cannot bounce back quickly without the skills of those being driven out, therefore even if in the long term many re-enter the sector the recovery and subsequent growth and opportunities will be stunted. It should be noted that paying venues to mothball will not allow provide much support to the rest of the supply chain as many are self-employed and therefore need engagements to get paid.
31. Venues as well as the businesses that facilitate performances are at increasing risk as the support for them is being wound down before they are able to return to full performances, despite the Government investing in fully supporting from March to July. This is an ongoing process with ramifications that are still unclear with the Treasury asking for an additional 20% contribution per JRS employee from August then a further 10% in September and again in October. Many businesses have struggled to access support at all, particularly those that are involved in the supply chain rather than directly engaging the public, and those that do not have physical premises (e.g. festivals). Furthermore rent is a key overhead for a lot of commercial music businesses and many are facing eviction when the ban on commercial evictions comes to an end on 30th September.¹⁶
32. These difficulties are exacerbated by a lack of certainty as to when the economy and the live music industry in particular will be able to resume normal trading. The inherent difficulties and economics of staging COVID Secure outdoor events have limited these so far. While Stage 4 (allowing socially distanced performances) began on 15th August, the MVT have stated that this is insufficient to safeguard the grassroots industry, "it remains the case that the vast majority of grassroots music venues are not

¹⁵[https://www.ukmusic.org/assets/general/UK Music Submission to DCMS Select Committee ImpactCOVID 7 May2020.pdf](https://www.ukmusic.org/assets/general/UK_Music_Submission_to_DCMS_Select_Committee_ImpactCOVID_7_May2020.pdf) p. 6

¹⁶ <https://www.gov.uk/government/news/government-provides-further-halt-to-business-evictions-and-more-support-for-high-street-firms>

financially able, or even have the physical premises layout, to deliver these newly permitted events”.¹⁷ The core “product” of a live music event relies on a collective experience that is very different under social distancing.

33. Furthermore, many venues rely on reaching a certain capacity to turn a profit, which they cannot do under social distancing rules, making social distancing rules a de facto ban on performances for many. We are also monitoring how retailers and studios are faring under COVID-secure regulations.
34. We are yet to have dates for unrestricted opening in Stage 5, we have recommended that the Government be transparent with indicative dates to allow businesses to plan and sell tickets for future events. Many are reluctant to make radical changes to their business models when they have no sense of how long they would be required to keep them in place.
35. Music businesses are therefore being asked to contribute more towards the JRS, even when their immediate position appears no better than when the scheme began, with their business activity restricted potentially indefinitely in the interest of public health. We have repeatedly informed both DCMS and Treasury that if support is withdrawn before venues, festivals and events can economically re-open many otherwise viable businesses will go bankrupt. A differentiated approach is needed to support viable businesses in sectors that are remaining closed or heavily restricted.
36. Social distancing rules and the need for mitigation also pose specific problems for massed art forms such as orchestras and choirs, we need clarity on what mitigations need to be in place if being within 2m is unavoidable. The lack of this is hampering these art forms returning to recording or playing COVID compliant events.
37. While there will always be a demand for music, if recording studios and live music venues do close en masse this will cripple the industry, reduce opportunities for acts at all levels, and particularly throttle the development of younger and less established artists. Fewer venues would mean fewer opportunities to perform, and a reduction in recording studio spaces makes it harder to get the opportunity to record, thereby increasing entry costs and exacerbating the difficulties facing young artists. There were already issues pre-crisis around the availability for artists of full service studios capable of hosting top range film work – this crisis could intensify this problem.
38. In the longer term a smaller UK music scene will struggle on the world stage, particularly when it comes to attracting talent. This will be compounded by the UK ending Free Movement with the EU at the end of this year and introducing new Immigration Rules for all migrants looking to come to the UK.
39. At a global level while we recognise there is a specific creator pathway the new immigration rules stipulate musicians should meet a threshold of £27,500 per annum income. Music is a low earning sector and many talented musicians will struggle to meet this threshold (the average musician’s income in 2018 was £23,059).¹⁸

¹⁷ <https://twitter.com/musicvenuetrust/status/1294213563096223744>

¹⁸ https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf

40. We have dealt with other issues that need resolving vis-à-vis post Brexit UK-EU relations that impact the commercial sector in our paper *Safeguarding Touring for EU and UK Musicians Post-Transition*.¹⁹ But those involved in European tours need clarity on a number of points, this is especially urgent given the COVID crisis has short-circuited the touring sector this year. It needs to be simple to organise EU acts touring the UK, and for acts to include the UK on the European leg of a tour. This could be addressed in the UK – EU trade agreement.

Conclusion

41. In conclusion this is a profound crisis for our previously successful UK commercial music industry. While it has encouraged some innovation the long term consequences of COVID-19 are likely to be overwhelmingly negative for our sector, unless governments at UK, devolved and municipal level build on the unprecedented support this crisis has prompted them to deliver to create a long term policy framework for supporting commercial music.
42. While we congratulate the Government on what they have done so far to protect the arts and the commercial sector, we would emphasise that this work was necessary but not sufficient for a robust UK commercial music sector to emerge from this crisis. We strongly urge the Government to seize this chance to level up the UK music sector, giving us a fighting chance to retain our position as a global leader in music. Our key asks are;
43. **Tailored Short Term Response:** The unprecedented support provided by Government so far has been welcome (and is necessary) but is not sufficient to support the commercial music industry through this crisis. The Government should address gaps in support announced and extend both the furlough as well as the Self-Employment Income Support Scheme until Stage 5 and unrestricted performances are permitted (Germany is extending its furlough scheme by 24 months).²⁰
44. **Build a Long Term Framework for Growth:** Government should lean into its unprecedented support for the music sector to support UK commercial music in a highly competitive global environment. This should include levelling up music infrastructure across the country, supporting emerging talent, and addressing market failures through fiscal incentives as it has done for film and television.
45. **Work with Industry:** Commercial music faces a variety of policy challenges moving forward, open dialogue between the sector and Government on upcoming trade deals, strengthening copyright and the future relationship with the EU, could help future proof the sector and provide a policy framework for commercial success. Work with the music industry and existing mechanisms, to ensure that support and recovery flows through to creators and their representatives, for a fully functioning, sustainable and productive sector.

¹⁹ https://www.ukmusic.org/assets/general/UKM_Safeguarding_Touring_for_EU_and_UK_Musicians_Post-Transition_update_1_August_2020.pdf

²⁰ <https://www.cityam.com/germany-extends-job-support-scheme-contrasting-with-uks-approach/>



Annex

UK Music's membership comprises: -

- AIM – The Association of Independent Music – the trade body for the independent music community, representing over 850 small and medium sized independent record labels and associated music businesses.
- 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 represents and promotes the interests of featured recording artists in the music industry.
- The Ivors Academy - The Ivors Academy is an independent association representing professional songwriters and composers. As champions of music creators for over 70 years, the organisation works to support, protect and celebrate music creators including its internationally respected Ivors Awards.
- MMF – Music Managers Forum - representing over 800 UK managers of artists, songwriters and producers across the music industry with global businesses.
- MPG - Music Producers Guild - representing and promoting the interests of all those involved in the production of recorded music – including producers, engineers, mixers, remixers, 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 over 32,000 musicians from all genres, both featured and non-featured.
- PPL is the music licensing company which works on behalf of over 100,000 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. PPL also collects royalties for members when their recorded music is played around the world through a network of international agreements with other collective management organisations (CMOs).
- 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 of the live music sector with a membership consisting of: Agents' Association (AA), Association for Electronic Music (AFEM), Association of Festival Organisers (AFO), Association of Independent Festivals (AIF), Concert Promoters Association (CPA), International Live Music Conference (ILMC), National Arenas Association (NAA), Production Services Association (PSA), Music Venue Trust (MVT), with contributions from PRS Foundation, MU, MMF, FAC and BPI