



## **Next Steps Beyond the Crisis – Support for the Music Industry**

May 2020

### **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. 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 members are participating in the Government-led working groups which are producing advice and guidance for the sector on reopening following COVID-19.

### **Summary**

2. COVID-19, and the necessary social distancing and other 'lockdown' measures introduced by government have had a catastrophic impact on the music sector, which operates very much as an ecosystem and, as such, this sector will face particular challenges and will need specific government support if it is to reopen and recover. Even with significant lifting of the current social and physical distancing measures within weeks or months, we expect at least 24 months of critical impact on the sector and the damage caused to date lasting into the foreseeable future. This applies to the whole creative side of the music industry: songwriters, composers, performers, musicians, DJs and producers - the majority of whom are self-employed (72%) - but equally to those who invest in creativity: record companies, managers, distributors, music publishers, and in particular the live music events sector (which includes tour managers, promoters, booking agents, venue operators, technicians, engineers and road crew and venue staff).
3. The sector provides significant input into the UK economy, culture, and export and trade strength. The UK music sector produced £5.2 billion GVA to the UK economy in 2018 with around £1.1 billion of that from live performance. Looking at the live music sector alone, if it were to remain closed for the rest of the year, at least £900 million in GVA would be lost from the sector and the broader economy via "music tourism" alone, which contributed £4.5 billion to the wider UK economy in 2018. The live sector believes there will be no income of significant scale until well into 2021, with at least a three to four year

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recovery period before the sector returns to 2019 levels due to the specific challenges for it to reopen safely and viably.

4. The impact of the cancellation of live performance and touring is felt across the panorama of musical styles, through contemporary and classical music. Live performances often represent the most significant source of income for performing musicians and orchestras, and often also for composers and music publishers, as well as across the live sector itself. International concerts afford the opportunity to obtain remuneration for creativity and, often long term, personal and financial investment, particularly where broadcast (e.g. the BBC Proms, Glastonbury Festival, etc.) as this generates secondary and ongoing income streams. Large scale tours and concerts, as well as festivals, follow months and often years of work. Our globally respected orchestras, bands and musicians face significant and increasing global competition and are already expected to lose opportunities to perform as things stand following the end of the transition period, given the likely reduced access to the valuable European concert market, so that even with sponsorship and continued internal investment this is a particularly vulnerable sector. Music is a fundamental aspect of our society and culture but without support, it is expected that the UK's orchestras and musical talent pool will disappear.
5. Similarly, the lack of commissioning and production of new music for release, concerts, film, advertisement and TV has drastically reduced the income for the entire recorded and commissioning landscape, including for composers, performers, producers and recording studios, as well as artist managers and an entire landscape of expert businesses and individuals which invest in creativity, and release, distribute and publish music.
6. If the UK Government does not provide timely and well-targeted support to the music sector through the reopening of the country and economy, we will lose core physical infrastructure, as well as musical talent and technical skills which will be impossible to replace, even if the industry is able to return to economic viability.
7. UK Music asks:
  - **Sustained financial support.** The impact of the crisis measures will be long-term; we do not expect any significant changes to the position of live music events certainly in 2020 and also throughout 2021. The support measures (such as the Coronavirus Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme) need to be extended to ensure that businesses and people can rely on these measures as long as they are needed in practice.
  - **Clarity of advice.** The music industry like any other industry requires clear and specific parameters in which it can operate. This includes clear guidelines on physical distancing at live music events, orchestra rehearsals and in recording studios.
  - **Availability of protective equipment.** The music industry, like any other industry, requires access to protective equipment to protect its creators and workers as well as the wider public.

## **Introduction.**

8. Since 16<sup>th</sup> March 2020 the UK has been under an escalating series of restrictions. According to The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and the corresponding legislation from the devolved legislatures, premises and businesses are required to close during the emergency period (a requirement kept under review). At the same time, people are only allowed to leave the place where they are living within the parameters of the current “COVID-19 secure” guidelines according to which persons should continue to stay home except for a limited set of reasons.
9. The Government has set out a phased plan for lifting these restrictions in England (notably different to the other nations in the United Kingdom) subject to further developments and scientific advice. While we can envisage limited reopening of recording studios or even rehearsal spaces, it will not be possible to reopen live music events with a sufficient audience to make opening economically viable until an effective treatment or vaccine is widely available.
10. Realistically, we expect the damage to audiences from the necessary social and physical distancing measures to continue far into 2021 even if the Government adheres to its roadmap. Even after that, we expect a considerable reduction of ticket sales over an extended period resulting from the anticipated global economic downturn and continuing public health concerns from the audience, as well as behavioural changes brought about by prolonged ‘lockdown’ measures.
11. This pandemic has clearly had a catastrophic impact on the UK economy and will continue to do so; the Office for Budget Responsibility published their impact assessment on 14<sup>th</sup> April 2020 describing the effect of the lockdown measures on public expenses and private business. The figures provided by the Office for National Statistics for the music sector should not be the basis for assessment for government support; they are based on a flawed categorisation of the wide-ranging economic activities within the music industry.
12. The Government’s policy in response to the crisis incorporates increased public spending, tax cuts and holidays, and loans and loan guarantees – most of which are designed to support household incomes and to limit business failures and layoffs. The government initiatives have not, however, been sufficient to avoid serious hardship for many in the sector. As such, the music industry itself has provided some short-term hardship funds, supported by individual companies, trade associations and trade unions, collective management organisations and music charities.
13. Given the magnitude of the emergency caused by the lockdown measures, the capabilities of the music industry alone will not be sufficient to address the longer-term impact and the sector will require additional support for the foreseeable future.

## **Summary of impact on the three core areas of the music value chain.**

### **Live music.**

14. The live music industry is one of the first and hardest-hit areas. Musicians rely on the ability to perform live to an audience to earn a living, and record labels and publishers rely on live performance as a key promotional tool in driving music sales, licensing interest and music consumption. This live music income is essential for musicians given the decline in sales of physical music and the much more limited income they receive from music streaming. The impact will post-date the emergency period, as even if the restrictions on the movement of people are relaxed, social distancing measures will continue to apply for a significant additional period, operating as a de facto ban for many indoor music venues and outdoor events. In addition to musicians, the whole live music sector (e.g. managers, promoters, agents, venue operators, sound engineers and other staff working at the venue) has suffered considerable losses of income. As an example, the National Arena Association (NAA), which represents 23 UK based arenas, has projected that they will lose almost £235 million worth of ticket sales and five million visitors over a six-month period. Given that profits, particularly from touring, only generally reach the beneficiaries after a delay beyond the show itself, the impact of the emergency measures will continue to be felt by many for a long time, even after a complete end to the restrictions.
15. Further, the Association of Independent Festivals (AIF) has calculated that many of the UK's independent festivals face closure. Due to the reliance on preferential multi-year licences and contracts, goodwill and loyal audience, it would be incredibly challenging for these festivals to revive. This sub-sector will lose more than half of its workforce between September 2020 and February 2021 without support, which equates to thousands of jobs. Across arenas (the NAA employs 6,000 people), booking agencies (4,000 employees) and AIF members, three quarters of the workforce is currently furloughed. If the government support schemes end or are reduced before the industry can restart, it will trigger a level of job and skill losses that the industry may never recover from.

### **Recorded music.**

16. The restrictions have also closed professional recording studios, effectively precluding the creation of new music and IP. Even with some easing of restrictions, recording studios will only be able to operate with reduced capacities; musicians will have challenges in getting to the recording studios, and then they will be faced with social distancing measures which for some instruments such as brass bands will be difficult. This hits performers, producers, engineers and other specialist workers. Recording studios are facing a precipitous fall in income while retaining fixed overheads, without access to the business rates relief and associated grants available to live music venues. Record companies, music publishers and composers are also suffering from the reduction of commissions for new music during the emergency period. It also creates a production issue for the industry.

The inability to produce music now will lead to releases in 2021 and potentially 2022 being missed and cancelled, resulting in lost contracts and trade opportunity. Therefore, the industry's short and medium-term revenues and long-term growth will suffer.

17. Similarly, physical outlets for recorded music have lost much of their income (all, for some small retailers) while continuously incurring costs for rent, wages, and often also business rates during closure.

### **Commissioning music.**

18. The volume of new works commissioned, or existing works licensed for use in film or advertising has dropped drastically given that film, TV, video game or advertising companies are not investing in new music content. This directly impacts on the livelihoods of composers, performers and producers, as well as music publishers investing in the creativity. While TV productions in post-production are looking to resume work and stick to original schedules as much as possible, the almost complete halt in filming since the lockdown will have a knock-on effect on score commissions well into 2021.

### **Next steps and support required**

19. Music is not only an important factor contributing to the UK economy as a net exporter of the creativity of our composers and performers; it is also a cultural and societal good for the morale of the UK population. Music will help the UK to cope with the non-economic impact of the lockdown on mental health and other aspects of well-being.
20. The following at-risk business types have been identified by UK Music as unlikely to be able to reopen following failure due to the extended lockdown or will need additional support to reopen safely and viably. These are either premises-specific, have intensive capital requirements, high overheads, require specific licenses to operate, use highly specialist plant and machinery and/or have specific working practices requiring specialist guidance:
  - Festival promoters
  - Music retail (particularly independently owned, not part of a large chain)
  - Music venues (particularly 'grassroots' and small venues)
  - Recording Studios (particularly independently)

Detail as to the requirements of these business types is set out within the guidance for each core area described below.

### **Live music.**

21. The music industry is envisaging a phased easing of the restrictions subject to developments concerning the coronavirus and scientific advice. But given the nature of live music events, social and physical distancing will be difficult to consider in practice.

22. At a practical level we require specific and clear guidelines on how to implement social and physical distancing measures when organising live music events. It also needs to be comprehensive in setting out the requirements for indoor events for venues of different sizes, from the back room of a pub to a 1,000 capacity venue and to 5,000+ plus arenas. Specifically, we need:

- Clear guidance with sufficient advance notice about when professionally run, licensed events can resume to allow operators to properly plan a recovery.
- Subsidised provision of adequate protective equipment as required by the relevant public health authority or by venue risk assessments.
- Clarity around social distancing must take into account the range of different venue sizes, some of whom may not be able to reopen until measures are further relaxed. We note the very specific and detailed provisions for the re-opening of golf courses on 13<sup>th</sup> May 2020; we require the same level of detail for the different forms and sizes of live music events, such as outdoor, indoor, classical or rock.
- Clarity around gathering sizes for outdoor events and any specific safety arrangements required.

In addition to this, the sector has called widely for the following support measures:

- A continuation of all existing employment (furloughing and self-employed schemes) and business support packages until the live music industry has emerged from the crisis.
- An extension of the refund period on tickets or adoption of a voucher or credit scheme that can be used at a future event within 18 months.
- VAT holiday on ticket sales for a minimum of 18 months so that festivals, concerts and live events can see a result of this support. Certain cultural events and exhibits are already exempt from VAT on tickets and music events must be included in this exemption to help revive promoters and venues who have incurred significant losses as well as incentivise operators of events.
- Protection from eviction on commercial premises following the expiry of the existing COVID-19 legislation in early July, and a backdated rent-free period for small venues unable to meet their liabilities since being shut down, on that basis of the government position that no-one should be penalised for doing the right thing.
- Extension of business rate relief to the entire supply chain (to include service companies, sound, lighting suppliers etc) as well as clarity on these businesses' inclusion in the retail, leisure and hospitality grants scheme.

- Clear guidance to insurers that they should offer insurance to events as well as on when to pay out in the event of closure due to compliance with government guidelines.

### **Options for safe restarting the live music industry include:**

#### **Live music event with limited audience, alcohol provision, age restrictions.**

##### **Event management**

23. We welcome the news that Government has established taskforces to work with the live music and theatre businesses to agree protocols necessary to return to business. Members of the UK Music's Live Group represented on those taskforces will develop guidance with Government on how professionally run, licensed events can resume. The safety of fans, artists, musicians, crews and venue staff is the live music industry's main priority. Any protocols on managing live venues will be agreed to ensure the safety of all those working, playing, producing, delivering and enjoying live music.

- Along with the UK Music Live Group we ask that Government gives the live sector enough lead-in time to plan a return to business.
- The live sector needs clarity on social distancing measures as restrictions are eased and specification on capacity, the nature of the event (indoor or outdoor) and whether seated or standing.
- Flexible and proactive licensing of outdoor spaces for informal live performance, e.g. busking, by local authorities to include parks, gardens, drive-in venues or carparks, as well as the relaxation of licensing obligations until physical distancing is relaxed. Continuing clarity will be needed from Government on the permitted size of outdoor gatherings.
- The work necessary to resume business in live music sector will have to take account of the different venue sizes and for them the differing timescales of being able to return to market as measures are further relaxed.

##### **Live streaming of performances in a venue**

24. The music industry has been exploring the viability of putting on 'behind closed doors' events (by an individual, a band, or even a small orchestra) and live streaming to an audience at home. This requires "only" the performer(s) and event crew to attend the live music venue. The absence of any significant audience means that there is little or no audience management required. Of course, the event needs to ensure the safety of the musician, their crew, and everyone else required for the recording and streaming of the performance. Whilst it should be recognised that such a recording does not compare with, or act as a replacement for a live music event, where human closeness and atmosphere is part of the experience and performance, we recognise the demand for high-quality on-

demand streaming, for example in opera houses such as the Met in New York. There is also a different audience and audience interaction compared to contemporary music concerts. It should be noted that, even with a successful live streaming offer, the Met relies on private donations for its operation. Further, live streaming of performances is not profitable, regulated or widely licensed and, given the small margins of income should not be seen as anything but a temporary option in its current form.

25. We will require clear guidance in relation to such ‘behind closed doors’ performances about the application of social and physical distancing measures for musicians, and their crews as well as financial support as outlined above; even without the added cost of audience management live streaming events are unlikely to return a profit.

### **Recorded music.**

26. It is expected that recording studios will be able to open the same way as normal workplaces under the COVID-19 guidelines with some additional support as set out below; musicians (bands or orchestras) cannot easily perform from home given the limitations of technologies and in particular the time divergence of online transmissions. It is expected that following COVID-secure guidelines will result in increased costs to both studios and clients. Combined with the reduced commissions and reduced performer income we are likely to see a reduced demand for recording studios in the medium term, so this sector will require continued support to continue trading.

- We require additional guidance on number of persons in permitted to be indoors under social distancing and for how long, and additional guidance for types of work that may incur additional risk, such as recording of brass, wind and vocal performances.
- Existing government schemes including Job Retention Schemes, and any loans and grants to be extended to support otherwise viable studios through periods of reduced income.
- Quarantine exemptions for international music talent (public health permitting).
- Business Rates Holiday for recording studios, similar to venues and retail.
- VAT holiday on physical music for an initial 12-month period would support the at-risk retailers in the physical music sector and incentivise reopening.

## **Commissioning new music.**

27. There has been a near complete stop for commissioning new music or licensing existing music for use with audio-visual images (synchronisation), including by TV, Ad, and video companies, as well as theatres or west end shows.

- We welcome all efforts to support the restarting of the wider creative industries such as film and TV productions which will result in new commissions for scores and income from licensing.
- To ensure the continued success of the UK music industry, we require support for new talent by replenishing the funds of grant-making bodies such as ACE, who have redirected some of their resources to hardship relief.
- To reinvigorate and recapitalise the industry we will need a tax credit scheme, in line with current measures for film/ TV and games, which is currently being developed by UK Music to the benefit of the whole music industry.

## 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, 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 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.
- 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.