



July 2020

**UK Music Submission to the Scottish Parliament Economy Committee**  
**COVID-19 – Impact on Scotland’s Businesses, Workers and the Economy**

**Introduction**

1. UK Music is the umbrella body representing the interests of the commercial music industry across all the nations of the United Kingdom (see annex for full list of members). We campaign and lobby for the collective interests of the commercial music industry on behalf of artists, musicians, songwriters and composers, record labels, music publishers, studio producers, managers, venues, concert and festival promoters, production supply companies and music licensing organisations. We strive to promote the extraordinarily successful commercial music sector across Scotland, England, Wales and Northern Ireland and support policies that drive growth and promote music to society.
2. The music industry in Scotland is facing an unprecedented crisis due to the COVID-19 crisis. Scottish and UK Government support has mitigated some of the impact of this and has been very welcome. However, we need to apply a number of key principles moving forward, to improve the response and allow the commercial sector to firstly survive this crisis, then begin to re-build.
  - **Flexible support** - that can provide help to music businesses throughout the supply chain and music ecology – including preserving jobs and supporting freelancers. It must recognise the dire need of the commercial sector.
  - **Restarting Live Performances** – Live music needs to be restarted in a safe and economically viable manner with financial incentives to help businesses cope with physical distancing or where possible manage the risk of COVID-19. As it is not currently possible to obtain cancellation insurance cover against COVID-19, promoters are taking a huge financial risk confirming or rescheduling concerts before a vaccine is in place. We would appreciate support from the devolved governments for the introduction of a Government-backed insurance scheme to help live music get back up and running.
  - **Clarity of Messaging** – Businesses need to know what the risks are and how to manage them, what they will be expected to do and when. A road map with indicative dates along with more guidance would be greatly welcome.

**Immediate Impact**

3. Our *Music by Numbers 2019* report ([here](#)) showed the music industry was in robust health prior to the COVID-19 crisis contributing £494 million GVA to the Scottish economy in 2018 and employing 190,935 people across the UK. Festivals such as TRNSMT and Belladrum Tartan Heart Festival attracted 1.1 million music tourists to Scotland in 2018. However, the COVID-19 crisis and attendant public health measures had immediate consequences as it shut down the live music venues, recording studios and music retail stores that act as centres for activity across the sector. This is particularly problematic for two reasons. Firstly, many people beyond the venue staff are reliant on performances happening in these venues for work and revenue. Secondly, there is a very high proportion of self-employed workers in the sector (72% against 10.8% across the rest of the Scottish economy). If music is not being played, then they are not being paid.<sup>1</sup>
4. Early modelling suggests the financial effects of this shutdown will be profound on workers and businesses in the music sector. Across the UK only 77,000 out of 190,000 or 40.3% of Full Time Equivalent jobs in the sector may survive.<sup>2</sup> We do not have specific data for Scotland but the Creative Industries Federation calculates that it will be the worst hit area of the UK in terms of GVA lost, therefore the effect on jobs may be even worse than the headline statistics suggest.
5. This cuts right across the sector. The Musicians’ Union (MU) have reported that 90% of their members have seen a drop in income. The Music Producers Guild (MPG) has found that producers and sound engineers have lost an average of 70% of their income and their average earnings loss in March was £3,300, rising to £4,300 in April. The phonographic industry (through the BPI) reports that physical music sales fell by 50% in the period March to May. The Association of Independent Festivals (AIF) estimates 90% of festivals will be cancelled this year, with average sunk costs of £375,000, and a similar proportion are facing collapse (very few were covered under their insurance for pandemics). The Music Venue Trust (MVT) reports 90% of music venues face closure and that there was a 27% downturn in ticket sales in the year to March.
6. In addition to the specific impact on physical music sales wider business closures in the UK as a result of the lockdown is also impacting the use of music by those businesses, and therefore the flow of royalties from the licensing of those uses on behalf of music rightsholders. PPL and PRS for Music have introduced a number of temporary licensing concessions for affected businesses.
7. Retail businesses have taken a hard hit in recent months; the ONS figures show a 41.7% fall in sales across the board in April 2020, and the BPI calculated that the period March to May saw a 50% fall in physical music sales. The smaller uptick in May reported by the ONS indicates this ground has not been recovered. It remains to be seen how many companies will be fatally damaged. The lockdown has boosted a trend across the board to more online sales (47.3% of non-food, non-household goods retail sales in May were online), if this were to “lock in”, many businesses may move away from physical retail premises and cut jobs.<sup>3</sup>

## **Government Response**

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<sup>1</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>

<sup>2</sup> [https://www.creativeindustriesfederation.com/sites/default/files/2020-06/20200619\\_OE\\_Slides.pdf](https://www.creativeindustriesfederation.com/sites/default/files/2020-06/20200619_OE_Slides.pdf)

<sup>3</sup> <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/may2020>

8. The Job Retention Scheme (JRS) and the Self-Employment Income Support Scheme (SEISS) have been key tools in supporting our sector’s workforce. These are the responsibility of the UK Government; however, they serve to frame the Scottish Government’s response. Furthermore, the Scottish Government has been willing to be responsive when gaps in the JRS and SEISS have been raised, such as in setting up the Newly Self-Employed Hardship Fund to support those discounted from SEISS on the basis that they had become self-employed after April 2019.
9. We welcome the £2.3 billion that the Scottish Government has invested in supporting businesses in Scotland and recognise its unprecedented nature. However, given the scale of the crisis unprecedented is not synonymous with sufficient.
10. The JRS and SEISS have been valuable to many Scottish music businesses but it remains the case that many businesses and self-employed workers have fallen through gaps in support. Most workers in the sector are self-employed or sole traders. Many receive payment into a company and then draw dividends from that company in lieu of a full salary. This helps to even out payments over 12 months in a sector defined by peaks and troughs in work volume, and caps insurance liabilities.
11. These small operations have been hard hit as many do not qualify for the SEISS as they are not defined as self-employed so far as HMRC is concerned, but as the dividends do not count as salary this is also not covered by the JRS. Others do not qualify due to the portfolio nature of their careers or due to earning just over £50,000 per annum, some of whom have no prospect of returning to their old careers and earnings in the near future.
12. Data suggests these gaps have translated into a sizable number in the music industry being unsupported. 38% of respondents to a Musicians’ Union survey said they did not think they qualified for either scheme, which mirrors modelling by the Institute for Fiscal Studies which found 38% of the self-employed are ineligible for the SEISS. Extrapolating this to the 72% of people in the commercial music sector who are self-employed would mean 27% of workers in the Scottish commercial music industry are not eligible, though this will have been mitigated in a Scottish context by the Newly Self-Employed Hardship Fund.
13. The industry itself responded with emergency funds such as that run by Help Musicians, as well as many of our member organisations such as PRS for Music, AIM, MU, and MMF. PPL and BPI have contributed to and coordinated these funds while MVT has also set up a fund to save grassroots music venues. However, these funds have seen unprecedented demand and are intended as short-term support, therefore they can only stretch so far, and their existence highlights the extent of existing gaps.
14. Another major branch of support has been Business Rate Relief. But certain music businesses such as those that rent their premises, many festivals and others are excluded from the Business Rate support mechanisms, this means Councils need more discretionary funding that they can deliver urgently to these kinds of businesses.
15. Turning to the sector specific support made available, the £10 million for supporting Scotland’s performing arts venues was welcome, including the following £2.2 million announced on July 10<sup>th</sup> targeted at grassroots music venues which will help support many venues.<sup>4</sup> However, consideration must be given to support for the rest of the supply chain given the high number of freelancers missing out on support. We hope the recent £10 million announcement to the events sector which will provide direct support

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<sup>4</sup> <https://www.gov.scot/news/lifeline-support-for-performing-arts-venues/>

to the organisers of cultural events, as well as the supply chain, can help to address this.<sup>5</sup>

16. Bridging Bursaries and the support they have brought to 2,200 creative freelancers (at a total value £4.3 million) has been welcome. However, this should be set against the £1.7 billion the creative industries have lost in GVA in Scotland. The industry has ongoing concerns about the suitability of the Open Fund as a vendor for future funding as well as Creative Scotland more generally, there is a perception that commercial music operators are struggling to get funding in comparison to other sectors that are more routinely subsidised by Creative Scotland.<sup>6</sup> It should be noted that while historically commercial music has not required subsidy, there is now a prime economic argument for its support.
17. Overall while the 4 R Response (Response, Reset, Restart and Recovery) from the Scottish Government represents a useful method of framing the pathway that music businesses are going through as we return to work, it needs to be considered that these phases will not be uniform across businesses. For example, music retail is now in the restart phase but live music is still effectively in the reset phase. We welcome increasing recognition of this from Scottish Government.
18. We would reiterate that we would not consider the recovery phase to have properly begun for music until live music performance and organised gatherings are permitted without social distancing, which will be longer than for many other businesses. This needs to be recognised in terms of business support. We note the newly formed Scottish Commercial Music Industry Taskforce are also lobbying the Scottish Government and welcome this initiative.

### **Support Going Forward**

19. If the restart and recovery phases are to be truly effective the guidelines for sector specific support need to be flexible. Many specialist businesses in the supply chain for live performance (e.g. lighting and sound engineering companies, general crew, managers, promoters) as well as artists themselves are reliant on the operation of the music venues for revenue generation. They are normally paid per performances. If music is not being played, they are not being paid and they will not benefit from direct funding to venues if performances are not happening or are reduced. Support for music venues is important for their long-term health but is not a solution for these businesses in the short to medium term.
20. We expect further support to be made available by the Scottish Government from the funding consequential of the UK Government’s announcement of culture support package, this has been set at £97 million.<sup>7</sup> We urge the Scottish Government to create Job Retention and Business Support schemes which Scottish music businesses, freelancers and artists can apply for to retain individuals in the industry and cover monthly fixed costs/working capital to fund restart and recovery.
21. Ensuring the effective delivery of this support is vital. It must also provide support to all businesses in the commercial music supply chain to achieve its aims.

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<sup>5</sup> <https://www.gov.scot/news/supporting-events/>

<sup>6</sup> <https://www.creativescotland.com/what-we-do/latest-news/archive/2020/07/bridging-bursary-funds>

<sup>7</sup> <https://www.bbc.co.uk/news/uk-scotland-53306889>

22. We note that Creative Scotland does not have a track record of working with commercial music. No Grassroots Music Venue (GMV) is a Regularly Funded Organisation and given collapsing commercial revenues, it is crucial that support is offered to commercial applicants. Those that historically have needed support the least, now need it the most. Therefore, the lack of previous engagement with Creative Scotland should not be to the detriment of an applicant.
23. Support should also extend beyond the financial measures to boosting public support for permitted activities such as outdoor performances and indoor performances at a reduced capacity when they are allowed, for example public advertising, an established track and trace system. As it stands, behavioural surveys suggest strong caution among the public for many activities. Alleviating undue public concerns while retaining utmost public safety will be vital to the restart and recovery phases.<sup>8</sup> Ensuring supplies of Personal Protective Equipment (PPE) and financing to allow for businesses to adapt as they re-open without taking on more debt will also aid the recovery. PPE will also be important in ensuring crew and staff are protected.
24. It is important that there is not a “one size fits all” straight jacket for support from Scottish Government, the COVID-19 crisis has affected different sectors in distinct ways, including within the arts sector, and this should be reflected in the response of the Scottish Government. Many artists, freelancers, and production companies cannot maintain their livelihoods while venues are closed or putting on socially distanced performances, therefore sector specific support needs to recognise that fact. Classical music and orchestras are particularly hard hit by social distancing regulations, as well as choirs due to the often-massed nature of performers.
25. We would be cautious of any view that we can “innovate” out of this crisis. Online gigs, streaming and other content has proven exceptionally difficult to monetise. Unlike sport, the viewing demand for live music is not particularly large as ostensibly live music is all about being there live in the moment and not viewing at home on a screen. Where innovation support would be welcome would in finding cheaper methods of putting on COVID-secure live music performances.

### **Restarting Live Performances**

26. Another aspect of a successful recovery will be ensuring clarity on public health measures. While the science is still developing (we understand the UK Government has commissioned a study from LSE), it is vital that it is clear what the rules are for distancing for singers and wind instrument players, including how those risks can be mitigated if the distancing cannot be adhered to.
27. While public safety must always be paramount, we would welcome the Scottish Government publishing indicative dates for the return of live performances without social distancing which would be vital to help businesses right down the supply chain to plan ahead.<sup>9,10</sup>
28. Public health policy means that performances and particularly indoor performances are returning later than other activities and will not be able to immediately return at full

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<sup>8</sup> <https://www.politicshome.com/news/article/majority-of-brits-would-avoid-big-events-and-public-transport-postlockdown-poll-reveals>

<sup>9</sup> <https://www.gov.scot/publications/coronavirus-covid-19-framework-decision-making-scotlands-route-map-through-out-crisis-phase-3-update/pages/6/>

<sup>10</sup> <https://www.gov.scot/publications/coronavirus-covid-19-returning-to-work/pages/employers/>

capacity even then due to social distancing. The general view in the industry is distancing will make it impossible to run profitable events in arenas and music venues (or even come anywhere close to covering costs) e.g. the SSE Hydro in Glasgow the second busiest event centre in the UK has made it clear they do not think events would be financially viable under social distancing and will not be re-opening until 2021.<sup>11</sup> One of the busiest club venues in the world, King Tut’s Wah Wah Hut in Glasgow would have a capacity of 6 people with 2m physical distancing, and approximately 40 people at 1m. While not a Scottish example the financials of this are laid bare by the Southbank Centre’s statement that it had projected losses of £11 million if it attempted to run under social distancing whereas it would “only” cost £5 million to write off 2020.<sup>12</sup> While outdoor performances may provide some relief for crew and artists if audience numbers are heavily capped then professional performances will not be economically viable.

29. However, music venues and recording studios often provide trade to other local businesses, not least the freelancers and small companies that support the actual performance e.g. riggers, light and sound technicians, session musicians as well as the broader economy such as restaurants, bars and pubs ergo enabling them to return on a profitable basis would be of benefit to the wider economy. Given this, consideration should be given as to what incentives might be offered to businesses to allow them to return on that basis profitably, either through tax breaks or subsidy.
30. The return of indoor performances in England from 1<sup>st</sup> August and the return of limited outdoor performances in Scotland after the end of July means it is likely there will be an increasing divide between the performances permitted in England and Scotland. We recognise this is a health decision for the respective Governments and defer to their judgements. But it is important that there is dialogue between Holyrood and Westminster to ensure there is not a gap between what the Scottish commercial music industry is allowed to do and what it is supported to do. It is imperative that freelancers and creators as well as the wider music supply chain are given the appropriate support.
31. Given the likelihood that many music venues will need large changes to be COVID-secure, consideration should be given to Government support and loans to allow them to make them, if the Scottish Government wants them to open under social distancing. In Germany a key aspect of the “Culture Restart” funding is aimed at exactly this and funding should be available from Scottish Government in the same manner. This is particularly acute given the difficulties the potentially larger distancing radius for singing and wind instruments is likely to cause for the music sector.
32. As outlined in this paper, the damage done to the Scottish commercial music industry has been considerable. If non-socially distanced performances have not returned by 2021 the situation will become even more serious. Where it can, the Scottish Government should work with the inherent risk management skills venue organisers have to return as much as the sector as possible in a way that preserves public health as well as economic viability. Without this or a subsidy to allow socially distanced performances to be profitable the music sector will not truly return until a vaccine or effective treatment is found, or social distancing rules are removed.
33. It should also be noted that many in the industry are having difficulties accessing insurance for performances, given the risk of a second wave and another lockdown period. We would appreciate support from the devolved governments for the

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<sup>11</sup> <https://www.bbc.co.uk/news/uk-scotland-glasgow-west-53163013>

<sup>12</sup> <https://www.theguardian.com/culture/2020/may/25/southbank-centre-warns-it-may-have-to-stay-closed-until-spring-2021>

introduction of a Government-backed insurance scheme to help live music get back up and running.

## **Brexit**

34. The COVID-19 crisis has stalled the export and import of live music, as festivals and live performances are not going ahead either in Scotland or elsewhere at this time. This threatens a sizeable chunk of what was a growing industry. Scotland saw a 30% jump in music tourists in 2018, the largest in the UK.<sup>13</sup> If the industry is to rebuild in 2021 the Scottish Government should be prepared to encourage music tourists to Scottish performances, venues, and festivals. The Scottish Government also needs to ensure that support reaches festivals as well as freelancers and small companies in their supply chain to ensure that they survive until next year’s festival season.
35. Brexit will complicate the resumption of touring, both for EU acts looking to play in Scotland and Scottish acts looking to play in the EU. It will also affect most organisations looking to hire up and coming musical talent from the EU, adding costs and bureaucracy where it was not present before and drawing companies that previously will not have previously engaged with the Home Office into the Sponsorship system.
36. The new Immigration Rules (that will apply to all musicians looking for work in the UK after the end of the transition period) stipulate these musicians should meet a “going rate” of £27,500. If this is intended to reflect what an average UK musician receives in a year it is not a figure that we recognise. Our own *Music By Numbers 2019* report estimated the average yearly income of musicians to be £23,059.
37. We are also concerned about the emphasis on the need for a job offer, this may prevent the skills we need entering the Scottish music sector as work is normally contracted on a self-employed basis. We would welcome support from the Scottish Government in engaging with the Home Office to ensure that the immigration rules reflect the realities and needs of the commercial music sector in Scotland.
38. Parts of Europe are opening up faster and can provide an income source for artists and agents that could potentially enable quicker recovery from COVID-19. However, the reserves that are usually utilised to advance these tours are now depleted. The likelihood of visa costs, carnets, VAT and tax filing across Europe will see increased costs at the very time when artists and agents need reduced costs. Therefore an export support fund to allow artists and agents to recover from COVID-19 costs, without the burdensome additional costs of Brexit would assist faster recovery.

## **Conclusion**

39. In conclusion this crisis threatens 60% of jobs in the sector and will not be resolved until live music is fully restored which may not be until a vaccine or treatment is found.
40. We welcome the support the Scottish and UK Governments have provided so far, but while there has been better recognition of sector specific needs, we feel there does need to be more, as well as further efforts made to support freelancers.
41. There needs to be a recognition that music will not truly enter the Scottish Government’s “recovery” phase until the return of non-socially distanced live music. The Scottish

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<sup>13</sup> <https://www.ukmusic.org/research/music-by-numbers/>

Government needs to carefully consider how to support the music ecology between the start of re-opening and the end of social distancing.

42. The COVID-19 induced collapse in commercial revenue has lost the Scottish creative industries £1.7 billion in GVA. This hurts commercial organisations the worst. Those who have historically needed support the least, now need it the most. There needs to be a concerted effort to ensure that the commercial music sector can bid for funding on an even playing field against organisations used to applying for funding.
43. Moving forward, the focus should be as follows:
  - **Flexible support** - with a focus on Job Retention and Business Support that can provide help to otherwise viable music businesses throughout the supply chain and music ecology – including preserving jobs and supporting freelancers. It must recognise the dire need of the commercial sector.
  - **Restarting Live Performances** – Live music needs to be restarted in a safe and economically viable with financial incentives to help businesses cope with physical distancing or where possible manage the risk of COVID-19.
  - **Clarity of Messaging** – Businesses need to know what the risks are and how to manage them, what they will be expected to do and when. A road map with indicative dates along with more guidance would be greatly welcome.
44. It is concerning that the end of the Brexit transition period may coincide with this crisis, we would support a more flexible immigration system for music but we acknowledge this is beyond the gift of the Scottish Government.

## **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: The Entertainment Agents’ Association (TEAA), 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.