UK Music Submission to House of Commons DCMS Select Committee Inquiry on Impact of COVID-19 on DCMS Sectors Status 7 May 2020

May 2020

Introduction

1. UK Music is the umbrella body representing the interests of the commercial music industry in the United Kingdom (see Annex 1 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 and music licensing organisations. We strive to promote the UK's extraordinarily successful commercial music sector and support policies that drive economic growth and promote the benefits of music to British society.

2. Our *Music by Numbers* report 2019, (here) revealed that the UK music industry generated £5.2 billion GVA to the economy in 2018, employed 190,935 people and generated £2.7 billion of exports per annum.

3. However, there are certain structural features of the music industry that render it particularly vulnerable to this current crisis. Firstly, the importance of physical spaces to the industry, such as venues, festivals, recording studios, record shops and rehearsal spaces. And secondly, the companies whose income is made up entirely from ticket sales or commissions on live performances, such as booking agencies, concert and festival promoters.

4. The impact on the live music sector has been catastrophic (see Annex 2). It was the first sector to be impacted by COVID-19 and it will be one of the last to emerge. As you can see from Table 1, live music generated £1.1 billion GVA to the economy in 2018. Due to the restrictions on mass gatherings and rules on social distancing, the live sector has been shut down since mid-March. Using the 2018 figures, 41 weeks of lost business would see at least £900 million wiped off the live sector, which is almost a fifth of the music industry's total annual GVA, or four fifths of the live sector's total value.

5. The music retail sector – worth over £325 million in 2019 - has also been hit since record shops closed.

6. There is also a high level of self-employment in the sector with an estimated 72% of the music industry being self-employed in 2018 compared to a national average of 14.7%, leaving workers particularly vulnerable to economic shocks. There are an estimated 52,240

workers in our sector who are not currently being reached by Government support schemes.[1]

Table 1

Sector	**GVA Contribution in 2018 (£)**	**Export Contribution in 2018 (£)**	**Employment Figures for 2018**
Live Music	1.1 billion	80 million	30,529
Music Creators	2.5 billion	1.1 billion	139,352
Recorded Music	563 million	478 million	5,379
Music Publishing	459 million	618 million	1,363
Music Reps	148 million	387 million	2,624
Music Retail	402 million[2]	24 million	11,688
Total	5.2 billion	2,709	190,935

• What has been the immediate impact of COVID-19 on the sector?

7. The immediate impact of the COVID-19 epidemic on the sector has been devastating. The closing down of the spaces which act as an engine for the creation and promotion of music has had a catastrophic effect across the industry. The effect of cancelling all concerts and festivals has caused booking agencies, promoters and larger venues to have to furlough an average of 75% of employees, with thousands of redundancies on the horizon.

8. UK Music and its members have been working with stakeholders to ascertain the impact more accurately through surveys and other methods to ensure the Government has the latest available statistics. This is an evolving situation and we may provide an updated submission to the Select Committee nearer the closing deadline of this Inquiry to keep Members updated as the impact becomes clearer.

9. Content creation, the live music sector and music retail have all been immediately impacted by the lockdown. Recording studios, festivals, record shops and live music venues have no means to generate income while lockdown is in force, yet are still facing many costs including commercial rent, utility bills and service charges. This is particularly problematic as they are the foundational infrastructure for creating music and showcasing performances.

[1] July – September 2018
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/labourmarketeconomiccommentary/may2019
Based on IFS Study 38% of self-employed not covered by self-employed scheme:
https://www.ifs.org.uk/publications/14787

[2] This definition of music retail includes digital music retail, physical music retail, retail and manufacture of musical instruments.
https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Methodology.pdf

10. They power a mostly self-employed eco-system beyond the headline artists including managers, producers, session musicians and live music technicians, who have no income when there is no activity.

11. Content creation has stalled with songwriters and composers losing commissions and new song writing sessions have been curtailed. Studio recordings have also been cancelled and no video shoots or promotional tours have been able to take place. High street record stores have had to close their doors, and orders from supermarkets and online sellers have been heavily disrupted as retailers focus on COVID-related essential products. Protecting this supply chain and keeping creative talent in the industry will be vital for its long-term health and survival.

12. Our high streets have been particularly hard hit with record shops closing as lockdown was introduced and these retailers have been affected in several ways. This has not only impacted larger retailers like HMV but also over 400 independent record stores, which have been growing in number in recent years. The future of all these stores is now in jeopardy, including their ability to reopen once lockdown restrictions are lifted. We are facing the potential loss of a vital part of the music ecology.

13. These retailers form an important part of the music market and within music retail we have seen vinyl sales continue to grow in recent years. These record shops often have close links with the live sector, hosting and promoting gigs and supporting new talent. Many of them act as community hubs, extending the reach of live music events and promoting the sale of merchandise for musicians.

14. 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.

15. Therefore, the lockdown has created an immediate income shock both to individuals and businesses across the sector. In terms of quantifying its impact on the music industry we urge the Government not to assess the support industry needs based on data from the Office of National Statistics. It would not be appropriate for the Government to use data based on SIC codes to assess the impact of COVID-19 on the music industry as they are inappropriate for capturing the activity which takes place in our sector. UK Music's Music By Numbers report provides an accurate assessment of the economic contribution of the music industry in terms of GVA, exports and employment.

16. We demonstrate the impact further with some illustrative statistics. The Musicians' Union (MU) report 90% of their members have seen a drop in income with £21 million in lost earnings as of April. The Music Producers Guild 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 Music Managers Forum and Featured Artists Coalition calculate losses of over £140 million to UK artists due to show cancellations, as well as an additional loss of £10 million from associate income such as

sale of merchandise.[3] The BPI reports that physical music sales have fallen by 50%, imperilling the survival of a sector worth over £325 million in UK retail value in 2019.

17. The Music Venue Trust reports that in the period until 27 April 2020, the Grassroots Music Venue (GMV) sector suffered £47.5 million in losses. Costs at a value of £524,000 per day are being sustained daily with no income available to meet them. As a result, over 550 GMVs are under immediate threat of closure, 82% of the entire grassroots network. This represents the potential permanent loss of over 5,000 jobs, over 100,000 concerts, over 300,000 performances by musicians, and over one million temporary employment opportunities for gig economy workers.[4]

18. The Ivors Academy survey of songwriters and composers emphasises how the digital market as it stands cannot replace the physical market that has been lost. They found that on average respondents will lose £24,970 over the next six months.[5]

19. Income disruption pre-dates (and will likely post-date) the actual confirmation of lockdown by the Government. The Association of Independent Festivals (AIF) report that festival sales have flatlined completely, with members reporting a 65.81% reduction in ticket sales as of 19th March. Subsequently sales have almost completely ceased, and it is becoming extremely difficult to cashflow events. In early March GMVs had already suffered a 27% downturn on the equivalent 2019 period according to the Music Venue Trust.[6] On current trends we expect 90% of all festivals in 2020 will be cancelled.

20. The National Arenas Association which represents 23 UK based arenas has projected that they will lose almost £235 million worth of ticket sales over a six-month period. They have also lost some five million visitors during this period too.

21. These figures illustrate that this income shock has created an existential crisis for many businesses in the music industry, including the live sector in its entirety. The Government's response to the crisis is crucial to help the industry mitigate both this immediate shock and the long-term impact set out later in this paper.

• How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

22. UK Music has welcomed the support introduced by the Government for individuals and businesses in response to the COVID-19 pandemic. This includes the Business Rate Holiday, the Coronavirus Self-Employment Income Support Scheme, the inclusion of live music venues in the Retail, Hospitality and Leisure Grant [RHLG] scheme, the deferral of income tax payments, the Coronavirus Job Retention Scheme and the establishment of the Coronavirus Business Interruption Loan Scheme [CBILS]. However, there are issues

[3] Taken from a survey sample of 188 https://themmf.net/site/wp-content/uploads/2020/04/28-April-Info-Deck.pdf
[4] http://musicvenuetrust.com/2020/03/grassroots-music-venues-in-crisis-music-venue-trust-call-to-action/
[5] https://ivorsacademy.com/news/survey-of-the-ivors-academy-members-shows-financial-losses-from-covid-19-for-each-music-creator-equivalent-to-62-million-spotify-streams/
[6] https://www.theguardian.com/music/2020/mar/13/hammer-blow-uk-live-music-sector-faces-coronavirus-disaster

in how these schemes interact with the music industry. We are concerned that there are gaps in these schemes given the variety of live music venues and that there are those in the sector who desperately need support but will not be able to access this Government help.

23. While live music venues are getting direct support, many companies in their supply chain are not. A survey on the events industry supply chain revealed 69% of companies who responded had liquidity for three months or less, even after current Government measures had been introduced. Including these businesses in existing support could be crucial to their survival. The removal of business rates alone would give 39% of companies one-month extra liquidity.[7]

24. One clear gap in the support structure is the lack of action on mitigating the cashflow problem which event cancellations and refund demands are causing. The AIF have shared several case studies with HM Treasury and DCMS suggesting a refund value of £22,646,200 across 25 case studies, which would equate to £800 million across the sector.

25. Many events businesses are burning through working capital to meet these costs and will not survive until a loan can be arranged. An AIF survey has shown 92% of their members, (which CPA has calculated have a total pre-crisis value of £2 billion), are facing collapse. This is not a consumer versus business issue, as if these businesses collapse then customers will be unable to claim their refunds.

26. One solution would be enabling an event organiser to legally issue a voucher or credit to be used for a future event within a period of 12 to 18 months as opposed to a cash refund to afford some breathing space. This longer time frame is critical for seasonal businesses dependent on the delivery of a single large event and reflects the reality that many other live music businesses may not reopen until 2021.

27. These are steps that our international competitors are taking, for example Germany is approving a refund deadline of 31 December 2021 for tickets purchased before 8 March 2020. Belgium has similar amended its laws around refund periods and Denmark has established a compensation schemes for organisers of live events cancelled by the Government's public health measures. We would welcome further action from UK Government on this, if it is not taken our sector will be at a disadvantage internationally.

28. We welcome the positive engagement with the Civil Servants at the Department for Digital, Culture, Media & Sport, who have been very willing to engage with our sector since the start of the crisis. UK Music has also been invited to participate and contribute to numerous calls with Ministers which is a useful channel to feedback our concerns directly to Government.

[7] A Report into the Prospects for the Events Industry Supply Chain During the COVID-19 Industry Shutdown, April 2020 (EIF/BVEP)

Coronavirus Job Retention Scheme (JRS)

29. The Coronavirus JRS is a vital tool that has protected jobs from redundancy, and it must be extended until such time as each sector emerges from crisis. The members of the National Arena Association (NAA) employ 6,000 employees, 74% of which are currently furloughed. Without live shows returning to arenas, NAA members estimate that 67% of employees will still need to be furloughed on 1 September. Members of the Agents Association report similar figures, with 77% of employees needing to be furloughed on 1 September. Ending the JRS scheme once lockdown restrictions are eased but before the sector recovers will lead to thousands of redundancies.

30. We also need greater flexibility on the three-week furloughing period to allow businesses to plan ahead in order to reopen successfully.

The Coronavirus Self-Employment Income Support Scheme (SEISS)

31. The SEISS takes an average of an individual's trading profit over the last three years up to £50,000 per annum, however this disadvantages those who have taken maternity or sick pay during this time. Where evidenced those periods should be discounted from the average.

32. The newly self-employed are not eligible to apply for the SEISS. The Scottish Government has set up a grant fund to help those in this position.[8] We call on the Chancellor to allow the newly self-employed to file their 2019-20 tax returns in April 2020 to qualify for this help.

33. Company Directors who pay themselves in dividends in lieu of salary are disqualified from the SEISS. Many in the music industry, including musicians, are directors of their own limited companies. This can be to ease the administrative burden for managers when planning overseas travel or applying for certain grants or funding structures. We understand that in these circumstances HMRC has advised Directors to apply for the Coronavirus Job Retention scheme and furlough themselves. However, the strict ban on working while furloughed would render these businesses unable to survive.

34. Unlike the JRS, those self-employed who earn above £50,000 trading profit are excluded from accessing the SEISS. An example is a musician working in the West End may make marginally above this cap. These musicians are the sole earner in their household and may not have the savings to see them and their family through this period. The shows have been closed indefinitely and these musicians are unable to be furloughed as they are self-employed. We need to see self-employed support extended to reach these musicians who desperately need it.

35. The existing schemes do not recognise the portfolio nature of many careers in the music industry. Those that earn less than 50% of their income through self-employed work should

[8] https://www.gov.scot/news/additional-support-for-business/

be able to qualify for a mix of Government schemes designed to support the employed and self-employed.

36. An example of the impact of this is a member of the MU who had three zero-hour sessional music teaching contracts, on PAYE, with two music services and a conservatoire, as well as gigging on a self-employed basis. They have been told by all three employers that they will not be getting any more work but will not be furloughed. As this work makes up over 50% of their income, they cannot apply for SEISS and therefore do not qualify for any Government support.

37. Internationally other schemes are more flexible, for instance Australia's JobKeeper Payment scheme has a wider eligibility criterion and allows a Director to nominate their dividend for salary support.[9] Ireland pays a flat rate to both the employed and self-employed.

38. These gaps need to be rectified to stop a significant proportion of our workforce missing out on support and thereby being forced to leave the industry – taking the skills needed to restart the sector with them. Crucially, the SEISS is not set to go live until June, which means many self-employed people in the music industry still have an agonising wait ahead.

39. A survey by the MU suggests that these points are translating into large number of sector workers being unable to access Government support for those impacted by the pandemic. 38% of respondents did not think they qualify for either SEISS or the Job Retention Scheme, 26% do not believe they will be able to financially survive until SEISS pays out in June, and 19% were considering abandoning their career in music long term. This reflects the Institute for Fiscal Studies' figure of 38% non-qualification for SEISS among the self-employed. Across the music industry this would translate as 52,240 people self-employed people or 27% of total music industry workers who are currently falling through the gaps in support.[10]

Business Rate Relief and Small Business Grants

40. The application of the Business Rate Relief to High Street music retail stores is welcome, as is its extension to include live music venues and it will be a vital tool as these businesses struggle for survival. Much of the business support is structured around the Rateable Value system, including 100% Business Rate Relief for 2020/21 for qualifying businesses, as well as the Retail, Hospitality and Leisure Grant (RHLG) and Small Business Grant (SBG), for businesses with a Rateable value of up to £51,000.

41. However, basing the programme of support around the business rate valuation system has created a number of challenges.

[9] https://treasury.gov.au/sites/default/files/2020-04/JobKeeper_frequently_asked_questions_2.pdf
[10] https://www.ifs.org.uk/publications/14787

a. Many music businesses are based in shared business premises rented from a third party or are a festival renting from a landowner who pays the business rates and are thereby ineligible.
b. In major cities such as London, Manchester, Liverpool, Edinburgh, Glasgow, Cardiff, small live music venues occupy premises with rateable values in excess of the £51,000 maximum level at which the government has currently limited grant support.
c. The position of festivals in the business rate system is often unclear, making accessing these grants hard. The guidance on businesses that pay little or no business rates is they must "occupy a property" to be eligible for the SBG or RHLG, ruling out many festivals, who are especially vulnerable as they will lose an entire year of income if they cannot run a festival.

42. We welcome the recent Government announcement of a discretionary top-up fund to accommodate certain small businesses previously outside the scope of the business grant funds scheme and will monitor its impact.

43. While DCMS's clarification that festivals which pay business rates are eligible for a business rate holiday was welcome, more work needs to be done to ensure that intermediaries pass on this holiday to renting businesses. We would welcome a clarification from Government to Councils that festivals are definitively eligible for the RHLG and SBG if they pay business rates.

44. We also call on the Government to extend the scope of this programme to ensure that all live music venues, including those in shared premises and those with higher rateable values deriving from location, are able to access the short term immediate support offered by these grant schemes. Only 1% of businesses surveyed in the events sector said they had been successful in accessing the RHLG, this raises questions on how effectively the current system has been supporting these businesses to date.[11] We note that the Welsh Government has launched a Grassroots Music Relief Fund which is not tied to the business rate system.

45. Recording studios are not covered by the RHLG scheme or the business rate holiday and we call on the Government to amend the guidance it has issued to Local Government to include them. Recording studios will be crucial to the recovery of our industry. This relief should also be extended to the entire supply chain of the live sector including service companies, sound, lighting suppliers etc to ensure the sector is able to restart once restrictions lift.

46. While the support of a business rate holiday is welcome, the short-term support is at present insufficient to meet liabilities such as utility bills and commercial rent. As of 27 April, the Music Venue Trust has calculated that the total value of all government support available so far for the GMV sector equated to £36.8 million against existing liabilities until

[11] A Report into the Prospects for the Events Industry Supply Chain During the COVID-19 Industry Shutdown, April 2020 (EIF/BVEP)

27 April of £47.5 million. This evidence highlights a major challenge to these businesses is commercial rent.

47. The Government protection from eviction on commercial premises until 30 June 2020 which is established by the existing COVID-19 legislation, delays rather than addresses the rent liabilities issue. Many businesses will still have no income with which to pay arrears by 1 July – meaning that they may simply be evicted at a later date. We do welcome the Government's further intervention to introduce temporary new measures to safeguard the UK high street against aggressive debt recovery actions during the COVID-19 pandemic, though further support will be required over time.[12]

48. We call upon the Government to take more action on the issue of commercial rents to afford businesses the necessary protections to survive in the longer term. Record shops for example may be forced to close permanently if they continue to face rental demands while making no income during the lockdown period. Support could be achieved by a mandated rent-free period with the relevant period added on to the end of existing tenancies which would protect many landlords. Additional support to landlords negatively impacted in the short term by this measure would be required.

Coronavirus Business Interruption Loan Scheme (CBILS)

49. While we welcome the introduction of CBILS, we are concerned about the ability of businesses in our sector to access these loans. We recognise the scale of demand placed on lenders at this time is unprecedented however businesses are at a critical stage in the crisis and desperately need to access cashflow at pace.[13]

50. With banks adhering to normal lending criteria under the Scheme, businesses within music and across the creative industries are considered high risk. Many venues have been declined even a conversation about such a loan with banks following Treasury guidance to run a normal business standard of lendability. There needs to be an understanding among lenders of creative businesses or guidance provided to lenders for how to treat them and their specific needs.

51. It is vital that the specific circumstances of the creative industries are recognised either through CBILS or another financial mechanism. For instance, festivals are a high-risk business and profit / loss can vary greatly from year to year based on numerous factors so previous annual accounts will not always present the picture of a viable business by this definition. They have also been hit particularly badly by the timing of the crisis, in preparation for festival season they have invested significantly in talent and infrastructure deposits, marketing, promotion and staffing costs yet do the majority of sales between April to June.

[12] https://www.gov.uk/government/news/new-measures-to-protect-uk-high-street-from-aggressive-rent-collection-and-closure
[13] https://www.ukfinance.org.uk/press/press-releases/banking-and-finance-sector-provides-over-%C2%A31-1-billion-to-smes-through-covid-19-lending-scheme
https://www.ft.com/content/9ab135d3-f85e-4ca8-9bb4-0e487e134b10

52. Festivals are also hampered by the insurance situation. A survey of AIF members found that by March, they had already accumulated 'sunk costs' ranging from £20,000 to £1.7 million with an average of £375,000 across 60 responses. 98.5% of festivals were not covered for communicable diseases, and insurance underwriters in January moved to rule out Government bans and quarantines as reasons for claims for those that were covered, meaning sunk costs are irrecoverable. As single event entities the size of the loan needed to tide over to 2021 or even 2022 is unlikely to seem viable under normal lending protocols.

53. Therefore we need more flexible lending, this can be achieved both by expanding the British Business Bank's list of accredited lenders to include those that are more experienced in cultural lending, social enterprise loans and crisis loan lending, and by moving away from normal lending protocols that discriminate against cultural businesses.

54. We welcome steps made in this direction, such as the removal by the Treasury of the need for personal guarantees against loans under £250,000 under CBILS. The Treasury announcement of the introduction of Coronavirus Bounce Back Loans is also very welcome with the 100% Government guarantee and changes to the viability tests. We will be monitoring the effect of the £50,000 cap on the loans' ability to act as an affective new line of credit for music businesses.

Industry Support

55. The music industry has set up a number of crisis hardship funds to help those most in need which include charities such as Help Musicians. UK Music members have also created emergency funds in response to the crisis. PRS for Music announced an immediate Emergency Relief Fund to help its members and the MU have established a Coronavirus Hardship Fund which is a one-off grant to alleviate immediate hardship. The Association of Independent Music (AIM) has launched a support fund aimed at contractors and freelance workers in the independent music industry. PPL has contributed £700,000 to several hardship funds. The BPI has also coordinated a £1.5 million donation after teaming up with streaming services and other parts of the music industry. The Music Venue Trust has a national crisis fund for grassroots music venues which provides support for their legal, licensing, tenancy and liabilities, and is working with its venue members on individual campaigns that work with artists and local communities to prevent the closure of their local venue. PRS Foundation have announced a Sustaining Creativity Fund designed for music creators experiencing hardship from loss of work due to the COVID-19 pandemic.

56. UK Music has signposted to these schemes and listed the Government support available to individuals and businesses on our website. We have also created a bank of links to music education resources on our website to help with home schooling and widely promoted the power of music for mental wellbeing as well as suggestions of activities to do while social distancing across social media. However, given the magnitude of the emergency caused by the COVID-19 epidemic, the capabilities of the music industry alone are not enough to address the impact.

• What will the likely long-term impacts of COVID-19 be on the sector, and what support is needed to deal with those?

57. Further support is needed to mitigate the long-term impact on the sector. We need to ensure that the foundational infrastructure of the industry such as live music venues and professional recording studios are not lost. The loss of this infrastructure would harm the content and IP creation that is at the core of the music sector.

58. It will also narrow opportunities for new talent to enter the industry. UK Music laid out the current issues with the music talent pipeline and the importance of building up our GMVs to overcome these in our *Securing our Talent Pipeline* report (here). Suffice to say that a further diminution of our live music venues will set us back.

59. It is also important to remember that the music sector has a symbiotic relationship with the broader creative sectors. Video games, television and films all need not only artists, but the managers and producers who support them to help provide scores and syncs to elevate their work. A major downturn in the UK music industry would deprive these mediums of UK music talent and encourage better supported cultural sectors to fill the gaps, thereby hampering the global promotion of UK music and culture abroad.

60. Without further support, the retail music sector may be completely or almost completely wiped out. This not only puts thousands of jobs at risk but will have ramifications across the wider music eco-system. While online streaming produces most recorded income, physical products remain an intrinsic part of the music industry. Music retail supports jobs and investment through the supply chain at record labels, distributors and stores. Record stores are a feature of high streets across the country and provide social value as meeting places bringing together those passionate about music while giving the opportunity to purchase physical music formats they can keep and treasure. They act as spaces where new and emerging artists can perform live gigs and sets to promote their material and sell merchandise which is an important stream of income. Preserving the diversity of independent record stores is crucial part of the infrastructure of the musical talent pipeline by helping artists to develop their fledgling fan bases. Retailers of physical music will require additional support to get through this crisis and a VAT exemption on physical music products for an initial 12 months would go some way to saving this key part of the sector.

61. Support will be needed to restart the live sector, which in 2018 attracted 888,000 overseas visitors to the UK and over 11.2 million total visits, once domestic visitors are included.[14] Assuming there is a phase where the lockdown has been lifted but social distancing is still in place, many venues will still be unable to open and will therefore still need support. A survey by ITV's Peston found that 40% of gig goers will not return to a concert until a vaccine has been developed. There needs to be consideration of how the furloughing scheme could be adapted to support businesses that will be effectively closed until 2021, this will certainly include festivals who only have one annual event as a source of income, which has now been removed. But may also include live music venues and others reliant on physical spaces, depending on how long the social distancing measures are deemed

[14] https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf

necessary to preserve public health. There needs to be a recognition that certain sectors will be closed for longer than others due to the difficulties in arranging organised gatherings. Without long term support many live music venues and festivals will not survive the winter of 2020/2021.

62. These live events and festivals often have high overheads and low profit margins, this creates unique challenges. Even among the limited number that could hypothetically re-open in the post-lockdown social distancing phase, they will not be able to run events at the limited capacity social distancing requires as it would be uneconomical. Some venues have already carried out modelling which demonstrate that if they opened while applying current social distancing rules, they would run a loss. With bars unable to open, they will also lose important ancillary spend from food, drinks and merchandise. Therefore, to restart the live sector they will need incentives to ensure re-opening on reduced capacity makes business sense. This could include the introduction of VAT breaks on ticket sales. There is already precedent for this, as many types of tickets issued for certain cultural events and exhibits are already exempt.[15] If this was carried forward we would recommend an 18 month minimum period to ensure annual events like festivals, and music venues unable to open until the end of social distancing were also able to benefit.

63. Other challenges include issues with being able to book and plan gigs where staff are currently furloughed. The existing schemes for the employed and self-employed need to be continued or tapered in order to support the return of the live sector. With the MU reporting that 19% of its members were considering abandoning their career in music long term, this could cripple or even reverse long term growth in the sector as we will simply lack the skills to create and carry out many activities. Any support needs to keep in mind that it will take a long time for the sector to restart, and it will take even longer for income to filter up the supply chains.

64. Clarity with social distancing measures in this period will be vital, for example clear guidance that recording studios can use to work out the number of employees and musicians they can safely have in for a recording session, and the measures they would need to maintain public safety.

65. Steps that could be taken once social distancing measures (as far ahead as 2021/2022) are lifted could include campaigns to encourage attendance of live music events, discussion with councils for allowing large events licences paid for in 2020 to be rolled over to 2021, as well as allowing large venues such as the O2 and the City of London Stadium to expand the number of large events they are allowed in a year to aid rescheduling.

66. Under the circumstances, we believe that all licensing committees for live events should follow the recent direction outlined by Kit Malthouse (Minister of State for Crime and Policing) in a letter dated 8 April to the chairs of Local Authority licensing committees outlining ways in which licensing authorities “may wish to consider a pragmatic and more flexible approach” during the crisis. There also needs to be ongoing discussions with devolved Governments to ensure approaches are synchronised across the four nations.

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[15] https://www.gov.uk/guidance/admission-charges-to-cultural-events-and-vat-notice-70147

67. The future success of the UK music industry relies on UK artists being able to continue to grow their audiences abroad. There is an opportunity for music exports to be a key driver of economic growth in the future as we strive to rebuild the economy following the impact of COVID-19. As the global streaming market increases, the UK needs to be a key competitor in this market. The Music Export Growth Scheme (MEGS) - which was established in 2013 and is administered by the BPI - allows this to happen by boosting our music exports and supporting the potential of UK artists overseas. PRS Foundation's International Showcase Fund (ISF), is another example. Both schemes are supported by the Department of International Trade. Government funding for these schemes should be renewed and extended further.

68. Fiscal incentives have been used to great effect to support creative sectors. However, currently, there is no equivalent scheme for the commercial music industry. The music industry, like many other sectors within the creative industries, comprises a disproportionately high number of SMEs, micro businesses and sole traders. Many of these businesses suffer from a lack of inward investment. The introduction of a tax credit for the music industry would educate investors and pump prime inflows of capital. It would also incentivise companies that are developing the next generation of world-class UK talent to invest more in new recordings and new artist signings and to encourage global talent to use the UK's world class music infrastructure.

• What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with COVID-19?

69. As stated, clarity for businesses attempting to navigate this kind of crisis is very important. The message from Government on 16 March that people should avoid pubs, clubs, theatres, and other public venues created a level of confusion for business as it implied that venues should remain open but also accept not having any customers. This left individual businesses making uncomfortable decisions with a lack of clarity on how it would affect their insurance positions.

70. We recognise the clear need for public health interventions during this pandemic and we are supportive of their impact on public safety. It is crucial when restrictions are eased that they are done so with as much clarity as possible for businesses so they can prepare. We urge the Government to fully involve industry in the development of an exit strategy and to be clear and precise about when live music concerts and festivals can return, in order that operators can properly plan a recovery.

71. Arts Council England (ACE) has established a £160 million emergency response package to support individuals and organisations - £90 million for NPOs, £50 million for non-NPO organisations, £20 million for creative practitioners and cultural workers including the self-employed. However, it is unfortunate that monies intended for GMVs was not protected, and that ACE support is focused on organisations with a track record of public funding.

72. It is important to consider that as a mechanism for delivering support the focus on boosting ACE support will disadvantage those who have traditionally focused on commercial income even as that commercial income falls away. All popular music is often wrongly assumed

to be commercially successful and to not need to benefit from ACE funding. The Arts Council has traditionally not supported popular music to the same level as other genres which has now left us potentially more exposed and at a disadvantage when trying to access the public funding package on offer during the current crisis. The Arts Council of Wales and Creative Scotland have launched their own emergency support funds, while the Arts Council of Northern Ireland has taken its own steps to support artists there.

73. The commercial music sector also has to contend with an international dimension. Other countries have been aggressive in supporting their cultural sectors. The Netherlands and Switzerland have respectively announced £261 million and £227 million funds targeting support to their cultural sectors. Germany has led the way with a generous support package worth €50 billion, that covers artists and small businesses. If the UK does not match these, our artists will exit this crisis from a lower base and therefore be at a disadvantage to their international competitors.

• How might the sector evolve after COVID-19, and how can DCMS support such innovation to deal with future challenges?

74. The increased emphasis on online engagement between people during the lockdown further reinforces the need for the Government to ensure a high level of protection for copyright and performers' rights online, so that content creators are fairly rewarded for the online use of their work.

75. There is an increased importance for the music sector of making revenues online due to the lockdown restrictions. This means that the Government must ensure that this value is not lost to the online illegal sites. There has been an increase in piracy since the outbreak of COVID-19, with an 8.5% increase in April. The Government's upcoming Online Harms Bill provides a legislative framework to capture these economic harms. It is vital this legislation is broadened to force platforms to protect the creative work and intellectual property of music creators.

76. UK Music has been managing rehearsal spaces, places for young people in the community to meet, rehearse and in many cases for artists to record. We suggest that as artists seek to find new ways to record and share music, spaces such as these could offer the expertise, equipment and / or space to do so. Whether this be streaming live gigs or recording sessions to share they could form a key part of the recovery. We need supportive co-operation from Local Authorities once such places can be run securely again.

77. Access to superfast fibre optic broadband will be crucial to ensure the UK remains a place where companies and artists can base themselves and effectively conduct their business.

78. Technology and apps that allow more effective remote creation of music including sounds mixing should be incentivised. Existing research and technology innovation funds should be broad enough in scope to encourage UK tech firms to develop work streams in this.

Annex 1

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.

Annex 2

Impact of COVID-19 on the UK's Live Music Business
Updated 7 May, 2020

The live music sector contributed £1.1bn GVA to the UK Economy in 2018, with 30million fans attending concerts and festivals, and 11.2m music tourists attending a live music event, which contributed £4.5bn to the UK economy. That year, live music employed 30,529 individuals, and the sector powers a huge self-employed ecosystem of managers, artists, technicians, suppliers and independent operators who have no income when there is no activity.

The effect of Covid-19 on the live music sector has been catastrophic, with all shows cancelled, and venues forced to close since mid-March, while the entire 2020 summer festival season is cancelled or cancelling. The sector believes there will be no income of significant scale until well into 2021, with a 3-4 year recovery period before the sector returns to 2019 levels.

Extrapolating from the 2018 figures, the loss of activity until the end of year will see over £900m wiped off the live sector, which is almost a fifth of the music industry's total annual GVA.

If the current Government support schemes end before the sector re-emerges, it will trigger thousands of redundancies and place much of our self-employed eco-system in financial peril, possibly leading to a catastrophic loss of skilled workers. And without further business support, many venues and companies will close completely, never to re-emerge.

The scale of disruption:

1. A survey by the Association of Independent Festivals has shown that 92% of their members are facing collapse; 98.5% not covered by insurance and with average sunk costs of £375,000 per event.
2. Over 550 grassroots music venues are under immediate threat of closure, 82% of the entire grassroots network. This represents the potential permanent loss of over 5,000 jobs.
3. The National Arenas Association 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. NAA members employ 6,000 employees, of which 74% are currently furloughed.
4. Booking agencies employ 4,000 people in the UK. A recent survey by the Entertainment Agents Association showed that 73% of employees are currently furloughed, while 77% will need to be furloughed beyond 1 September.
5. According to research carried out in April, 60% of suppliers across the live events industry have liquidity for 3 months or less after taking all available cost reduction measures.

Surviving the Covid-19 Crisis

The live music sector will be one of the last to emerge because most, if not all, concerts and festivals are not commercially viable while social distancing measures are in place. The sector is actively assessing how shows might be possible under social distancing, but given the losses incurred already, licensing objectives and new compliance requirements, the balance of cost over benefit is overwhelming. Additionally, public confidence in attending organised gatherings is at an all-time low, and confidence needs to be restored.

The measures introduced by Government to date have been warmly welcomed by the sector, but the live music industry will be in crisis long after most others return to normal. To survive, the sector is calling for:

1. A continuation of all existing employment (furloughing and self-employed schemes) and business support packages until the live music industry has emerged from crisis.

2. 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 12-18 months.

3. VAT breaks 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).

4. 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.

5. 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.

6. Clear guidance about when professionally run, licensed events can resume, in order to allow operators to properly plan a recovery.

7. Clarity around social distancing which takes into account the range of different venue sizes, some of whom may not be able to reopen until measures are further relaxed.

The broader music business contributed £5.2bn to GVA in 2018 and employed 190,935 people in total. But the broader music business cannot function without a commercially viable live music business. Without long term support many live music venues, festivals, booking agencies and promoting companies will not survive the winter of 2020/2021.

Additionally, the loss of foundational infrastructure such as live music venues will narrow opportunities for new talent to enter the industry, hindering long-term recovery. This is at precisely the same moment when many other countries are aggressively supporting their cultural sector (such as Germany's £46bn cultural package), which could lead to a significant reduction in the UK's cultural status internationally.

Our live music business is a jewel on the international stage. We boast world-class performance spaces, culture-defining festivals, and our passionate, creative workforce builds global superstars that are the pride of the United Kingdom. But there will be no significant or measurable economic activity this year.

As with most sectors, the live music industry will not emerge from this current crisis in the same shape it entered it, but without immediate and substantial support, it may never fully recover.