Response to: Path to Strong, Sustainable and Balanced Growth

December 2010
ABOUT UK MUSIC

UK Music is the umbrella organisation which represents the collective interests of the UK’s commercial music industry - from artists, musicians, studio producers, songwriters and composers, to record labels, music managers, music publishers, music licensing organisations and collective licensing companies.

UK Music consists of:

- Association of Independent Music representing 850 small and medium sized independent music companies;
- British Academy of Songwriters, Composers and Authors with over 2,200 songwriter and composer members;
- BPI representing over 440 record company members;
- Music Managers Forum representing 425 managers throughout the music industry;
- 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;
- Music Publishers Association, with more than 250 major and independent music publishers representing close to 4,000 catalogues;
- Musicians Union representing 32,000 musicians;
- PPL representing 46,000 performer members and 5,750 record company members;
- PRS for Music representing 73,000 songwriters, composers and music publishers.
INTRODUCTION

UK Music warmly welcomes Government’s recognition of the growth potential of the creative industries and its commitment to create the best conditions for that growth.

At the heart of the UK’s commercial music industry sits a complex network of songwriters, composers, musicians, artists, artist managers, studio producers, record companies, music publishers and collection societies all of which are supported by an expanding number of ancillary, dependent and associated occupations such as booking agents, live music promoters, equipment and instrument manufacturers, retailers online and offline and venue owners.

It is the very structure of this symbiotic relationship which provides our industry with the ability to dominate the world. As a nation we are blessed with the ability to produce generation after generation of uniquely talented young singers, songwriters, performers and musicians whose careers ultimately will lead them to command a global stage.

Per capita, the UK is the largest music consumption market in the world. As a nation we are the second largest producer of repertoire in the world and one of only three countries that can claim to be net exporter of music. Last year approximately one in every ten albums sold in North America and Canada was made by a British artist.

We have a pedigree and history admired by many and while happy to be reminded of our past we have no ambition to live there.

That is why earlier this year we published our vision of the future, an industrial manifesto for growth, “Liberating Creativity”. It unveils our single ambition for the next decade: to challenge the United States as the largest music-producing nation in the world.

Our aspiration is rooted in the knowledge that music is an important asset and strength for the UK. Music is ingrained in people’s lives, being consumed not only actively through purchasing music and attending concerts, but also passively through its use in film, TV and games. We know that there is a desire for high-quality, well-produced musical content and it is this incessant demand, which will be core to our ability to deliver on our growth potential.

Whilst there has been a global 5-year downward trend in recorded music revenues, it is a trend the UK industry has by and large isolated itself from. Indeed during 2009 the UK’s music industry delivered revenue growth of 5%.1 Particular strengths have been the increased digital and online uses of music, greater returns from collective international music rights licensing and live music (with a notable increase in sponsorship, and the increasing recognition of live music as a driver for wider economic activity).

---

One success story comes from our members PPL and PRS for Music. Both organisations license music rights collectively on behalf of thousands of rights holders. Both delivered particularly strong growth in international revenue last year. PPL grew international revenue by 40% to £21.6 million and PRS for Music up 19% to £166.9 million.²

Our industry is keen to build on this base to grow the export, digital and live business further.

In issuing this review, Government invite a fundamental review of all aspects of policy that impact upon this growth in our sector. Some of our comments specifically relate to these stronger aspects of our growth, and others to ways of improving the investment environment and skills framework.

In terms of the regulatory, competition and structural framework that is fundamental to this growth, we focus on:

- the ability of music SMEs to access sources of finance and investment;
- a cohesive policy-making structure for the creative industries;
- a copyright framework that protects creators and investors and enables them to derive a fair value for their work, particularly in the digital market;
- close communication between our industry and the UK’s international trade representatives;
- reform of the Withholding Tax regime and recognition of the investment of our sector in developing new music;
- a more flexible skills framework driven by the needs of employers, and;
- the removal of red-tape around the provision of live music in small venues and international touring.

We offer as supplementary evidence a number of appendices to this paper which deal in greater detail with some of the proposals we have put forward.

Clearly Government has a role to play in fostering an environment, which facilitates an ongoing investment programme.

In Liberating Creativity we recommend the creation of a Cabinet Committee to ensure complete cross-collaboration between all areas of Government policy which impact upon the Creative Industries. Going forward, it will be essential that all areas of Government policy and strategy are focused on the long-term gains that arise from a coherent approach and secure environment, where talent and investment is rewarded and our industries can fully deliver on their potential and promise.

RECOMMENDATIONS

1. BIS, the Treasury, the IPO and DCMS should establish a nerve centre across government to co-ordinate policymaking and drive the growth of the Creative Industries.

2. Develop a bespoke solution for the creative industries to ensure music SMEs can access finance.

3. Remove regulatory barriers for the performance of live music in small venues.

4. Consider a ‘copyright box’ incentive to enable further stimulation of and increased investment in the creation of creative content.

5. Extend multi-year Revenue and Customs income tax assessment for creative artists.

6. Advocate removal of the Withholding Tax barriers that the current systems pose to the flow of royalties into the UK; and seek changes in the operation of cross-border tax rules which would facilitate improved copyright licensing solutions for digital services.

7. UK Government (BIS and the IPO) to liaise with their equivalent Ministries internationally and prioritise the importance of a robust IP framework for trade purposes.

8. Reduce the cost and red-tape for touring musicians caused by the visa, Withholding Tax and Social Security regimes.

9. Protect British intellectual property.
   a. To re-examine the status of ISPs as ‘mere conduits’.
   b. Inform international governments of the UK’s determination to enforce its copyright where infringed online internationally.

10. Support rights owners and collective rights managers in the development of efficient pan-European licensing structures.

11. Rebalance the awarding of funding for training away from colleges with no relationship to our industry and towards the training organisations recognised and supported by employers.

12. Ensure that creative apprenticeship formats supported by employers are able to draw down funding, that the approval process for these formats is expedited and that employers are incentivised to successfully participate in these schemes.

13. Improve the structure of public-sector business support for music, which is inadequate.
1. BIS, the Treasury, the IPO and DCMS should establish a nerve
centre across government to co-ordinate policymaking and drive
the growth of the Creative Industries.

In May this year, UK Music proposed the Government form a Creative
Industries Cabinet Committee. We suggested that it should be composed of
Secretaries of State and those Ministers whose responsibilities include any
aspect of the creative industries. We also suggested it should interact with
commercial leaders from the creative industries who have a significant level or
experience and success in their relevant sectors. Since then, there have been
further calls for a better co-ordinated approach from Government and better
baseline measurement that recognises the complexity of the creative
industries.

We need a consistent, coordinated and clear approach to policy which is
delivered across all government departments and agencies. Recently, the
creation of a ‘Creative Industries Council’ was suggested as a way of
replicating a format which has worked well in other sectors (e.g. The
Automotive Council), and this would certainly be another model to consider.
This co-ordinated approach is essential if creative and digital industries are to
achieve their growth potential.

2. Develop a bespoke solution for the creative industries to ensure
music SMEs can access finance.

The difficulties which many music SMEs report in accessing finance have long
plagued the music industry; these difficulties have become acute, and now
pose a serious challenge to the industry’s growth prospects.

Music entrepreneurs are typically small or micro-businesses (92% employ
fewer than 10 people), often project based, and produce intangible assets
that they are not able to use as security. These factors, amongst others, have
been a barrier to equity investment and debt finance from traditional sources.

Generally speaking, a ‘one size fits all’ system for delivering finance, does not
work for the creative industries. The Amsterdam Declaration, which was

---

3 UK Music (2010) Liberating Creativity
5 BIS Select Committee Government Assistance to Industry - Uncorrected Evidence - 30
November 2010 HC 561-iv
6 DCMS (2001) Banking on A Hit, The funding dilemma for Britain’s music businesses.
7 Creative and Cultural Skills (Unpublished) Music Blueprint
8 The Amsterdam Declaration (2010) of the workshop “Towards a Pan-European initiative in
support of creative industries in Europe” EC Enterprise and Industry DG.
More information on the event is available at http://www.edc.nl/amsterdamconference and
http://www.europe-innova.eu/web/guest/home/-/journal_content/56/10136/162471
adopted by experts attending an EC Enterprise & Industry DG workshop on creative industries called on member states to:

“…facilitate more access to finance for the creative industries companies by, firstly, developing dedicated financial instruments stimulating and leveraging cross-border private investment and access to loans (e.g. guarantee funds) and, secondly, by improving the accessibility and capacity of the horizontal venture capital funds like the European Investment Fund’s High Growth and Innovative SME Facility (GIF1) and the High Growth Expansion Phase Facility (GIF2).”

Schemes such as the Enterprise Finance Guarantee (EFG), aimed specifically at SMEs, have not successfully filled the funding gap in the music industry. An investigation by UK Music this year found only one music company amongst all of our memberships who was able to benefit from the EFG, and they were still requested to provide their directors’ homes as collateral contrary to the regulations of the EFG.

In the past, supply chain finance (e.g. advances from distributors against future sales, to finance the creation of new recordings and taking them to market) was widely used. However, given the disruption wrought by digital distribution over the past decade, this model has become severely challenged.

In August 2010, UK Music produced a report into difficulties that SME music businesses experience in accessing debt finance. This was submitted to the Treasury review ‘Financing the Private Sector Recovery’.

In response to that consultation, Government announced a study into whether SMEs in the creative industries have additional difficulties in accessing sources of finance than other SMEs in the economy. We are actively seeking to inform that study and assist in whatever way we can.

*Where there is market failure for music SMEs who wish to access finance, we need Government to work with us to find solutions for our industry.*

The UK Music evidence to Financing the Private Sector Recovery is attached as an annex.

3. **Remove regulatory barriers for the performance of live music in small venues.**

The current Government (along with the previous one) have agreed with UK Music that the licensing laws regulating the performance of live music in small venues act as an unnecessary burden. Government has made a commitment to reduce the red tape for small venues wishing to stage live music. This is
vital for the grassroots development of artists who are the life-blood of our industry, and also benefits small venues and the leisure economy.\textsuperscript{9}

The exception of small venues from the need for additional licenses should they wish to host live music does not prevent the application of legislation that would protect the public from noise. Furthermore, our analysis of the 800 responses to the Home Office consultation \textit{Rebalancing the Licensing Act} revealed that 75\% of respondents, including many local authorities, were in favour of this exception.

\textit{We urge Government to proceed with haste and introduce a licensing exception for small premises (defined in the Licensing Act 2003 as those of less than 200 people).}

We are attaching as an annex our submissions made to successive Government consultations on the impact of licensing regulation on live music.

4. Consider a ‘copyright box’ incentive to enable further stimulation of and increased investment in the creation of copyrighted assets.

As has been demonstrated in a number of other industry sectors investment incentives can and do stimulate growth and net gains both for industry and the nation.

We note with special interest the recently announced ‘patent box’ aimed at encouraging investment in pharmaceutical patents whilst retaining that asset, and the value of that asset within the UK economy.

We would propose that, for the first time, support should be given to similar incentive schemes to help stimulate further and continuing investment in copyright based assets and be applied equally across all of the creative industries.

Historically schemes which have been made available to support research and development (R&D) have focussed exclusively on science and technology, and (with the exception of film) we have found few schemes to encourage the development, innovation and retention of copyright in the UK. We would argue that the understanding of R&D is outmoded and based upon a legacy from our manufacturing past.

The existing Film Tax Relief, is provided to the producer of Intellectual Property and gives an enhanced deduction for development costs that reduces taxable profits and where possible gives rise to a surrenderable tax loss resulting in a cash repayment. This relief gives real cash flow advantage to SMEs where funding is key to survival and future exploitation of rights. We are interested in thinking strategically about how to maximise creation of high-

\textsuperscript{9} UK Music Response to Home Office licensing consultation \textit{Rebalancing the Licensing Act}: August 2010
value content, and finding a model which could be applied to R&D in our industry based on the support structures developed for other knowledge based industries.

We would strongly suggest that Government look to the benefits a ‘cultural box incentive’ would bring to the creation of copyright and further support the creative industries.

5. Extend multi-year Revenue and Customs income tax assessment for creative artists.

With regards to the current averaging rules for creators of artistic and literary works it would be helpful to consider an extension to the provisions to widen the base of creatives that gain benefit from the relief. In practice, artists and producers may be paid in advance for work to be delivered and expenses to be incurred over multiple tax years, and we suggest looking at the Australian example of writing such income down over a longer period, for example, over three years.¹⁰

6. Advocate removal of the Withholding Tax barriers that the current systems pose to the flow of royalties into the UK; and seek changes in the operation of cross-border tax rules which would facilitate improved copyright licensing solutions for digital services.

An issue of serious concern to our members relates to Withholding Tax both on royalties collected in the UK on behalf of rights holders abroad and also on international income flowing in to the UK for our creators.

In respect of UK Withholding Tax, we feel that improvements the system could reduce compliance costs and delays in processing and administration for agents managing rights, including collecting societies. A further note on this is included in the annex on Withholding Tax.

In respect of Europe, a significant number of member states impose the withholding taxes on creators’ royalties. Whilst there are taxation treaties in place, there is still a considerable administrative burden for individual creators, rights holders and their collecting societies in reclaiming withholding tax using these. This prevents the full and rapid flow of royalty income to UK rights holders. The current system disproportionately impacts on the creator and SMEs. More specifically we feel this system is creating an additional barrier to the effective development of a multi-territory licence. Again, further detail on the demand from licensees of music for a simplified way of licensing music across Europe for digital services is included in the annex on Withholding Tax.

¹⁰ See Australian Tax Office taxation ruling TR 2005/1 Income tax: carrying on business as a professional artist.
We draw attention to the potential to increase the competitiveness of the UK as a choice for location of rights management businesses over locations which are currently tax neutral or tax efficient. The flow of royalties to the UK would increase because of reducing double taxation and administration costs. As the UK is a net exporter of music rights, we are disproportionately affected by Withholding Tax; tax withheld in other countries is greater than that withheld by the UK. It would also facilitate the development of models for multi-territorial licensing of music rights and decrease the costs of implementing this, essential for licensing online music services across Europe and driving revenue growth in this area.

We ask the Treasury to seek an appropriate solution to the compliance costs and lost revenues to the UK's IP based industries as a result of Withholding Tax.

See attached annex on Withholding Tax from PRS for Music

7. UK Government (BIS and the IPO) to liaise with their equivalent Ministries internationally and prioritise the importance of a robust IP framework for trade purposes.

Growth in international trade more generally would be greatly supported by cross-departmental co-ordination, and close collaboration with our industry regarding the communication with foreign governments during trade discussions. The UK music industry is unable to collect revenues from all of the uses of its music around the world in part due to poorly implemented regulations in other markets, and we will be submitting in detail to Government’s Trade White Paper on some of the opportunities in this area.

8. Reduce the cost and red-tape for touring musicians caused by the visa, withholding tax and Social Security regimes.

Withholding Tax and Social Security provide a barrier to live performance in overseas territories and in bringing non-UK acts to the UK. Streamlining of the incidence of withholding tax would remove the administrative burden and costs of professional advice on a territory-by-territory basis. Agreement to a fairer basis of calculation which has to take into account the costs of touring in addition to the income earned would help ensure that touring overseas is not prohibitive and allow overseas tax to be relieved against domestic liability.

There is currently no relief for Social Security suffered overseas and the only prevention to a charge in every territory is the need to obtain certificates from domestic authorities which is costly and time consuming. In many territories, additional local deductions are taken for which there is no basis or relief and adds an additional layer of costs to a touring act. Collaboration across the EU
to remove these additional charges and the need for the administration would be very welcome in removing international barriers.

In addition, we wish to briefly mention the working visa regime, which is also a barrier to the music business (and other performing arts). The cost and bureaucracy of visas for British musicians travelling abroad to perform (particularly to the USA) or for international musicians performing in the UK are felt to be a substantial inhibitor to touring live performance.

9. Protect British intellectual property.

UK Music looks forward to engaging with the Government’s review of IP and growth led by Professor Ian Hargreaves, where we will provide a detailed assessment of how the IP system can be improved to further promote innovation and growth.

However, we wish to emphasise here the fundamental importance of copyright to our sector as the means by which creators and their investors are able to derive value from their creativity. It acts as an incentive to invest in producing high-quality content from creators’ copyrights, which can then be used by other sectors such as film, games, technology, telecoms and leisure to generate further value and growth.

Our ability to protect and monetise creativity in the digital market requires recognition from Government – and other sectors – that discouraging copyright infringement and encouraging the use of licensed services – is both possible and desirable, and a shared responsibility.11

This effectively means:

- The effective and affordable implementation of the Digital Economy Act in the UK, without further delays;
- ISPs stepping away from the defence of ‘mere conduits’ as an alibi for inaction, and becoming more active as partners in reducing copyright infringement, including the use of traffic management and site blocking tools;
- search engines acting as active partners in reducing copyright infringement, including prioritising licensed and legitimate sites in their algorithms;
- the music industry to continuing to work together to stimulate licensing to business users;
- the music industry partnering with the technology industry (and others) to find new ways of delivering music to the consumer;

• completing reform of the Copyright Tribunal to ensure a fair and accurate valuation of copyright in a commercial context.

We welcome the efforts that Government have made so far in facilitating dialogue between the creative industries and our technology partners on this critical issue. We also wish to acknowledge and credit the efforts of some ISPs. However, we seek much greater and swifter progress in the round.

*We ask that Government continue to uphold the rights of music creators through the Intellectual Property regime, and encourage collaboration between the creative and technology industries and licensing of music to users.*

9 a. To re-examine the status of ISPs as ‘mere conduit’.

One of the legislative blockages we wish to comment on is the ‘mere conduit’ provision in the E-Commerce Directive. In the 1990s, ISP’s were small start-up businesses operating with nascent technology with limited capabilities. In 2000, the E-Commerce Directive recognised that ISPs needed room to grow. ‘mere conduit’ protection was granted in response to the situation at that time, to make it clear that ISPs would not be liable for content of which they had no knowledge and no way of managing.

Now the UK market is dominated by four large players, each with millions of users and running sophisticated high-speed networks. There has been a growing debate surrounding net-neutrality (the principle that advocates no restrictions on the speed, content, and services which internet users' access). This has highlighted that it is essential for ISPs to operate traffic management to prevent congestion and maintain access to the net. The problem is that there are a lot of data-heavy uses (e.g. online games), as well a limitless flood of undesirable content ranging from spam emails to unlicensed peer-to-peer files. ISPs are quite rightly addressing some of these issues. However they are choosing to ignore others, unlicensed file-sharing being one of these.

Some ISPs still claim to be ‘mere conduits’ through which internet connectivity flows, when the reality is that they are more ‘smart networks’ than ‘dumb pipes’. Others have adapted and have demonstrated that they can work responsibly with content providers and law enforcement agencies. The recent announcement of Irish ISP Eircom¹² that it will, on the one hand, provide a music service to its customers but that, on the other, it will also be notifying customers if it receives any reports of illegal music file sharing and providing them with information on how to avoid repeating the infringement (i.e. managing their network, using legal services).

*We make the case that the ‘mere conduit’ status in the E-Commerce Directive is no longer relevant to modern high speed networks and that Governments should ensure that ISPs do not use this as an excuse for inaction.*

¹² See Also: http://pressroom.eircom.net/press_releases/article/eircom_launches_musichub
9 b. Inform international governments of the UK’s determination to enforce its copyright where infringed online internationally.

A second obstacle we wish to comment on in more detail is that of websites hosted outside of the UK present a variety of enforcement problems where sites make infringing content available without reward to the rights holders.

In order for content to be removed, notices are served on either the site operator/administrator or the company hosting the website. Given the range of countries in which sites and hosting providers are based, it means that the legislation and format can vary depending on the country. Therefore, to send notices outside of the UK, the BPI Anti-Piracy Unit used the expertise of its equivalent trade bodies around the world to action the notices for these sites. Increasingly notices are requested in the format set out by the US Digital Millennium Copyright Act (DMCA) even though they are not in the US.

Where a site or hosting provider is non-compliant, a view must be taken on whether litigation is a desirable next step. If this course is decided, it can be expensive and difficult to take legal action in a foreign jurisdiction. If enforcement action is required against the operators of a site or details of uploaders required, then this can also present problems where the hosting provider is outside of the jurisdiction.

Some infringing sites not only host but actually sell British music claiming to be licensed but without being so. This is clearly misleading to consumers, and harmful to genuine sites. This is an area where the influence of the UK Government in their trade discussions would be helpful.

We call on the UK Government to adopt a strategic and determined international approach with respect to copyright, making it an integral part of its diplomatic and trade relations with foreign Governments.

10. Support rights owners and collective rights managers in the development of efficient pan-European licensing structures.

The music industry is highly competitive, even more so in the online environment where the barriers to entry are so much lower. The myriad of online music start-ups is well documented. Less well known is the explosion in music production as bands in the early stages make their own recordings and distribute them through MySpace, BandCamp, SoundCloud and other similar services. For example, PPL, the music rights licensing organisation, receives around 1000 registrations of new music recordings from rightsholders every day.
Despite this competitiveness, there are significant structural differences between the analogue and digital content markets. The digital market does not follow the industrial structures of traditional markets. It is not just a shift from physical products to intangible ones (although this change itself is profound). It has transformed production, distribution and consumption and introduced new business models and commercial practices. These structural changes affect competition and they should be reflected in competition policy.

One of the features of the online world is the sheer volume of material available and the possibility of direct access to millions of recordings. In theory, a consumer can go directly to a band to get their recording. Although this is happening to some degree, the digital market predominantly operates via a range of services that provide consumers with access to a range of music with features to help them find what they want. These services should obtain the licences for the repertoire they make available to their consumers.

Users want a broad repertoire to be able to offer to consumers. Rightsholders want to licence the online market at a fair rate. It is important that competition laws, and their application should not stand in the way of efficient pan-European licensing structures for the benefit of rightsholders and commercial users.

In response PRS for Music has developed a strategic proposal of Hubs as a voluntary market-led aggregation of repertoire and consolidation of back offices, as a route to delivering improved rights clearance across Europe. In effect it is rooted in a conviction that such consolidation will support more effective and efficient collective rights management. Hubs would offer benefits to all stakeholders in the future through ensuring effective collective management of rights in which rights are effectively identified and claimed, aggregation of larger bundles of repertoire are offered to the market, all available on a multi-territory basis.

*We ask that competition policy should adapt to the digital age to keep up with business realities, and that the UK Government can assist by promoting a digital market led approach in Europe. One which ensures the competitiveness of the UK as a location for collecting societies and rights management hubs to do business - and this depends on the UK’s IP framework, including the scope of protection and the mechanism(s) for dispute resolution, and the withholding tax rules.*

*Government support for voluntary rights management and market-led consolidation in both the regulatory debate (in the forthcoming Framework Directive on collective management) and in the competition framework, recognising the pro-competitive benefits of scale in volume processing and aggregation of repertoire.*
11. Rebalance the awarding of funding for training away from colleges with no relationship to our industry and towards the training organisations recognised and supported by employers.

The music industry is acutely aware of the importance of skills and training to our long term future and potential for growth. The music industry is not short of applicants for vacancies. However, we do have difficulties recruiting applicants with the right skills and knowledge mix.

From our own evidence, 75% of businesses surveyed identified skills gaps in their current workforce\(^\text{13}\). The skills challenges for those wishing to enter our sector are therefore significant, and the skills required of those already working in our industry are continually changing.

The industry is characterised by a small number of large businesses and a large number of very small organisations. The music industry is estimated to comprise 13,760 music businesses, of which:
- 86% employ fewer than 50 people (in reality the majority of companies working within our sector employ fewer than 10 people).
- 46% are sole traders.\(^\text{14}\)

Those already working in our sector must meet both business and creative imperatives and manage a complex network of relationships across the value chain without the systems, processes and backroom support found in larger organisations. Those working in our sector are generally highly creative and skilled in a specific area, but lack other skills important to the successful operation of small businesses.

Educational institutions are alert to the attractiveness of our sector to potential students. However, the industry is concerned that not every HE and FE course purporting to offer industry-specific skills and knowledge is in fact properly equipped to do so. As such we are now planning to kite-mark courses, because of our concern that some are not appropriately developing skills for our industry.

Government encourages industry to invest in the skills and training of those already in the workforce to ensure that their skills keep pace with rapidly changing business environments. Music industry trade organisations which do provide tailor-made training packages designed to meet the changing needs of their sector’s workforce receive no form of public support whatsoever. These organisations face continuous capacity constraints, frustrating their ability to meet demand and to offer training that is affordable for all.

*We ask that business is able to draw down funding directly or indirectly to contribute to the cost of its preferred training, and that its views about the*

---

\(^{13}\) Creative and Cultural Skills (Unpublished) *Music Skills Audit: Skills Needs of the Music Industry*

\(^{14}\) Creative and Cultural Skills (2008) *Creative Blueprint*
appropriateness of formal HE and FE training influence the funding distributed.

12. Ensure that creative apprenticeship formats supported by employers are able to draw down funding, that the approval process for these formats is expedited and that employers are incentivised to successfully participate in these schemes.

The industry is also concerned that the existing Creative Apprenticeship scheme, which should be another effective entry route into the business, is in general not adequately serving either the music industry, or young people wishing to join the music industry. The industry has had concerns about the Creative Apprenticeship scheme since its inception since it does not take into account the special characteristics and business constraints of small employers. The requirements of employers are too onerous and the relatively limited take-up by the industry (only 150 in place) appears to bear this out.

The music industry has developed internal specialised training and business support run by trade associations and others, and has also developed our own ways to attract trainees into the industry. However, to get training schemes approved by the relevant agencies is often highly bureaucratic, slow and complex. Where funding is being drawn down it is not necessarily supporting the training that is most valued by employers. For example, the Working Initiative Training Scheme (WITS) proposed by the UK's Producers and Recording Studios will encourage professional trainee opportunities via a monitored programme. This scheme takes account of the freelance nature of that work and is supported by the business, but doesn’t fit into the apprenticeships framework and therefore is not recognised.

We have worked closely with organisations such as Generator in the North-East of England and Music4Good in London who deliver bespoke training and apprenticeships. However, similarly, it has been problematic for them to gain approval for their schemes despite the support from employers.

The apprenticeship scheme should include higher-level and adult apprenticeships and not just schemes for young people. This could play a significant role in addressing both existing concerns about entry-level skills and the lack of diversity within the workforce. Our membership has recently signalled their intention to develop an ‘Equality Charter’, where entry and progression routes to encourage diversity in our industry will be examined.

Because so much of the industry is comprised of SMEs, much recruitment is informal. Typically, a small company receives offers from applicants keen and willing to undertake a period of unpaid work experience. This might lead to permanent employment as a natural progression. The outcome is that young people who have the financial support at home to enable them to undertake a sustained period of unpaid work are most likely to get their foot in the door.
For perhaps the majority of young people, and especially in the current economic climate, that is not a possibility. This scenario is helping to perpetuate the lack of diversity within the workforce. Opportunities for non-graduates and those who cannot afford to undertake an unpaid internship are few. Work experience is far more common in the industry than paid internships (44% to 14.8% respectively)\textsuperscript{15}. Apprenticeships are a good opportunity to help address this.

We ask that where we as employers present our needs for training and apprenticeships that the framework adapts to those needs. The Sector Skills Councils must be empowered to facilitate the delivery of this, and employers must not be forced into a framework driven by bureaucracy.

13. Improve the structure of public-sector business support for music, which is inadequate.

The systems for delivering finance and business support to small music businesses do not appear to understand our industry or fit its needs. For example the Screen Agencies who claim to deliver support in some regions and have finance available through ‘content funds’ have failed to understand the music business model. This has led, in our view, to a lack of appropriate business support for music businesses across the country. We are concerned that the proposed Creative England structure may repeat these mistakes.

We are also concerned about how creative industries will fit with new Local Economic Partnerships. As a national strategic organisation for music, it is not clear how we can work with these new bodies to ensure that support for local music and creative sector is planned in, whether the LEPs will adopt a standard way of engaging with industry sectors, or whether each LEP will need to be partnered with separately to ensure that there is business support for music in their area. We note the recent conclusion of the BIS select committee on the LEPs\textsuperscript{16} that “a structure consisting of significantly more than 40 bodies has the potential to result in business confusion…” and welcome their recommendation that if groups of LEPs need to coordinate on a sectoral basis and require an organisation to coordinate this that Government should support this.

We are looking with interest at proposals from music development organisation Generator that a central hub be created for music development and business support which could provide bespoke business planning, training and advice which will be more relevant to our industry.

\textsuperscript{15}Creative and Cultural Skills (Unpublished) Music Skills Audit: Skills Needs of the Music Industry
\textsuperscript{16}BIS Committee (2010) The New Local Enterprise Partnerships: An Initial Assessment
We ask that business support and funding schemes work with our organisation to ensure that businesses can access sector specific support where needed, and that structures are as transparent and even as possible.

14. Other Issues

One of our members, the Music Producers Guild identify a number of barriers specific to music producers and recording studios. The first of these is the way that studios are rated. This is done differently across the country, but their members report that some studios, including home studios, are being rated at a premium by some local authorities, when there is no evidence that music studios impact on local council services at a premium.

They also point out the persistent problem for music companies in accessing any affordable property, public liability and vehicle insurance. This can be a significant cost when considering expanding a small business premises and expanding staff.

Finally, they would like to encourage empty and unused property to be offered at reduced rents for small music firms.
Annexes

UK Music submission to Financing a Private Sector Recovery
UK Music submission on Live Music Licensing
PRS for Music note on Withholding Tax