



11 April 2017

HM Government - Building on our Industrial Strategy Green Paper

1. UK Music is the umbrella body representing the collective interests of the UK's commercial music industry, from songwriters and composers to artists and musicians, studio producers, music managers, music publishers, major and independent record labels, music licensing companies and the live music sector.
2. UK Music exists to represent the UK's commercial music sector, to drive economic growth and promote the benefits of music to British society. A full list of UK Music members can be found in annex.

The UK Music Industry in 2017

3. The UK creative industries are of huge economic and cultural importance. According to the most recent DCMS economic estimates the creative industries account for £87.4 billion in GVA and have an export value of £19.8 billion.¹ 1 in 11 jobs are in the creative economy.² The UK creative industries also lead the world in terms of soft power. The reach and volume of our national cultural output supports our strength in soft power. According to The Soft Power 30, the UK is second to the US in terms of cultural soft power.³
4. The UK is a world leading music industry. The sector contributed £4.1 billion to the economy in 2015, growing by 17% over the past four years.⁴ The UK is the home to diverse and innovative music companies and creators that support this growth. Their endeavours form part of a dynamic ecosystem that is consistently delivering for music fans and consumers.
5. The music industry generates exports of £2.2 billion.⁵ The export strength of the live sector has grown by 35% in the past year.⁶ This is attributable to a 16% increase in overseas

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544103/DCMS_Sectors_Economic_Estimates_-_August_2016.pdf

² <https://www.gov.uk/government/publications/creative-industries-2016-focus-on/key-findings>

³ http://www.comres.co.uk/wp-content/uploads/2015/07/Report_Final-published.pdf

⁴ <https://www.ukmusic.org/assets/general/measuring-music-2016.pdf>

⁵ <https://www.ukmusic.org/assets/general/measuring-music-2016.pdf>

⁶ <https://www.ukmusic.org/assets/general/measuring-music-2016.pdf>

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music tourists visiting the UK.⁷ In 2015, 767,000 people visited the UK for festivals and concerts.⁸ Music tourism as a whole generates £3.7 billion to the economy.⁹ Sales of exported recorded music grew by an impressive 8.9% in the same year.¹⁰

6. The UK music industry positively supports the growth of the digital market. The UK has 46 legal online music services. This includes 26 download, 17 subscription and 10 advertising supported services.¹¹ Behind the US, the UK ranks second in the world in terms of the number of legal digital music services available and thereby has a far greater proportion if taken in terms of population.
7. The UK is also home to some of the most popular festivals and venues in the world, such as the Glastonbury Festival, The O2 in London and the SSE Hydro in Glasgow. 27.7 million people attended live concerts and festivals in 2015.¹²
8. Global appetite for UK music artists is at record levels. Adele's third album 25 sold in excess of 20 million copies worldwide since it was released in November 2015.¹³ It was the biggest selling album in the world for 2015. 4 of the top 10 grossing worldwide music tours for 2016 are from UK acts (Coldplay, the Rolling Stones, Adele, and Paul McCartney).¹⁴ 1 in 6 albums sold worldwide were by UK artists in 2015 (17.1% of the global albums market).¹⁵ 5 of the global top 10 albums in 2015 were by British artists (Adele, Ed Sheeran, Sam Smith and Coldplay).¹⁶
9. UK songwriters are also experiencing phenomenal success internationally. Wayne Hector, Alex da Kid, Cathy Dennis and Tom Fletcher are amongst a growing number of UK songwriters achieving global recognition for their work with domestic and international acts such as Nicki Minaj, Eminem, Kelly Clarkson and One Direction.
10. In 2017 there are reasons for further optimism. Ed Sheeran's new album ÷ achieved 375 million streams on Spotify in its first week of release, breaking records and making streaming history in the process.¹⁷ The album also topped the iTunes album chart in 97 countries and was third biggest opening week seller in UK Official Album Chart history.¹⁸ Grime artists such as Stormzy and Skepta are receiving deserved recognition for their creativity and reach. This is truly an exciting time for the UK music industry.
11. Our strengths and productivity as a sector sustains 119,020 jobs.¹⁹ A further 40,000 jobs are supported by music tourism.²⁰

⁷ http://www.ukmusic.org/assets/general/Wish_You_Were_Here_2016_Final.pdf

⁸ http://www.ukmusic.org/assets/general/Wish_You_Were_Here_2016_Final.pdf

⁹ http://www.ukmusic.org/assets/general/Wish_You_Were_Here_2016_Final.pdf

¹⁰ <https://www.ukmusic.org/assets/general/measuring-music-2016.pdf>

¹¹ <http://www.pro-music.org/legal-music-services-europe.php>

¹² http://www.ukmusic.org/assets/general/Wish_You_Were_Here_2016_Final.pdf

¹³ <http://www.ukmusic.org/research/measuring-music-2016/>

¹⁴ <http://www.pollstarpro.com/files/Charts2016/2016YearEndTop100WorldwideTours.pdf>

¹⁵ <https://www.bpi.co.uk/home/stellar-year-for-british-music-as-uk-artists-achieve-record-171-global-share-but-to-sustain-this-success-musics-value-grab-needs-fixing.aspx>

¹⁶ <https://www.bpi.co.uk/home/stellar-year-for-british-music-as-uk-artists-achieve-record-171-global-share-but-to-sustain-this-success-musics-value-grab-needs-fixing.aspx>

¹⁷ <http://www.recordoftheday.com/news-and-press/ed-sheeran>

¹⁸ http://www.officialcharts.com/chart-news/ed-sheeran-smashes-official-chart-records-as-is-the-fastest-selling-album-by-a-male-artist-ever_18447/

¹⁹ <http://www.ukmusic.org/research/measuring-music-2016/>

²⁰ http://www.ukmusic.org/assets/general/Wish_You_Were_Here_2016_Final.pdf

Industrial strategy

12. UK Music warmly welcomes the Government's Green Paper "Building our Industrial Strategy".²¹ We support the priorities for industrial strategy as set out in the document:-

- (i) build on our strengths and extend excellence into the future,
- (ii) close the gap between the UK's most productive companies, industries, places and people and the rest; and
- (iii) make the UK one of the most competitive places in the world to start or grow a business.

13. In response to the result of the referendum on UK membership of the European Union, UK Music called for an industrial strategy for the creative industries.²² We are pleased that the Green Paper has identified the creative industries as one of five sectors earmarked for an early sector deal as part of its industrial strategy.

(i) *Creative Industries Sector Deal and the Bazalgette Review*

14. Whilst we recognise that a creative sector deal will be cross-cutting, for it to have an impact on the growth prospects of the music industry it must address our needs in relation to intellectual property and physical infrastructure.

15. The sector deal must deliver firm commitments and statements from the Government in relation to its support for the intellectual property framework. This provides a backbone to our commercial success and endeavours. Growth would be severely inhibited if copyright is not protected or its value not recognised.

16. Physical infrastructure is important to the development of the music industry. Without modern venues, studios and rehearsal spaces it would be impossible for new and existing artists and musicians to develop and grow audiences and fanbases. Proposals such as the Music Venue Trust Sound+Vision Project which can deliver high quality sound, lighting, audience and artists facilitates in grassroots music venues should therefore be integrated in any sector deal.²³

17. UK Music will engage with Sir Peter Bazalgette's independent review of the creative industries that will inform the sector deal. We will also contribute to work being undertaken by the Creative Industries Council (CIC) and Creative Industries Federation, both of which we are a member of, in preparation of a sector deal.

18. Whilst the term cluster may need to be clearly defined, proposals within the CIC to develop partnership packages for clusters would be welcome in any sector deal. As would suggestions around IP protection, prioritisation of IP within new trade deals, strengthening education and careers guidance and attempts to open up access to priority trading markets.

(ii) *Green Paper Response*

19. Our response to this consultation is based on five key priorities that need to be addressed to ensure the UK remains an attractive place for a talented and creative music industry –

²¹ <https://www.gov.uk/government/consultations/building-our-industrial-strategy>

²² <http://www.ukmusic.org/policy/industrial-strategy-for-the-creative-industries-2016/>

²³ <http://musicvenuetrust.com/2016/10/music-venue-trust-presents-sound-vision-2017/>

(1) intellectual property, (2) skills and education, (3) finance and investment, (4) international action and (5) regional development. These priorities are particularly necessary following UK withdrawal from the European Union.

20. Supporting these priorities will in turn enable the Government's overarching objectives for industrial strategy to be realised. The Government's proposed 10 pillars of industrial strategy are relevant to these five priorities. We set out further how the pillars and questions posed by this consultation relate to our priorities.

Intellectual Property

21. The established UK copyright framework is of fundamental importance to the music industry. It enables creators to derive a financial return for their work and provides an incentive for businesses to invest in creative content.

22. UK Music says that the music industry has been innovating through the licensing of copyright in its report "A Year of Innovation".²⁴ The proposal in the Green Paper to maximise incentives created by the Intellectual Property Office and to look at registries to facilitate licensing deals and business-to-business model agreements is therefore relevant to our previous work in this area.

23. Copyright is a thread that runs through many of the Government's 10 pillars of industrial strategy. For example, copyright must be respected under initiatives related to the "investing in science, research and innovation" pillar. We look forward to engaging with the independent research on commercialisation and licensing of intellectual property as announced by the Green Paper.

24. Copyright education should be part of both the "developing skills" and "supporting businesses to start and grow" pillars. Having the right legal framework and incentives in place is fundamental to the industrial strategy's "encouraging trade and inward investment" and "cultivating world-leading sectors" pillars. The economic benefits of commercial exploitation of copyright must be considered when "driving growth across the whole country".

25. There are specific opportunities and challenges regarding intellectual property and copyright where government support through its industrial strategy must be taken forward. We ask the Government to consider the following remarks in response to the relevant questions and pillars that we have identified as relevant to intellectual property:-

(i) Data

26. In the digital environment data and administration is key. Businesses and the music industry (creators, performers and rightholders as well as digital service providers) depend on reliable data. Whilst particular parts of the music industry have been investing considerable amounts in order to ensure the availability of data, further work needs to be done. The industrial strategy would be a good opportunity for government to support existing initiatives. This could be explored by the UK Industrial Strategy Challenge Fund as announced in the Green Paper to capitalise on our strengths. Government assistance for further cooperation with the tech sector would also be equally valuable.

(ii) Exceptions

²⁴ <http://www.ukmusic.org/assets/general/YEAROFINNOVATION-WEB.PDF>

27. Whilst the UK copyright framework is currently based on the European Union Copyright Acquis, withdrawal from the European Union does not require substantial changes to the UK copyright framework. Exceptions in the United Kingdom have been amended in 2014 in order to take into account developments. There is no evidence of the need for further exceptions. We note that all but one of the exceptions provided under the European copyright framework were optional. It was the choice of the United Kingdom government to take these forward. Most of the exceptions currently proposed at a European level as part of discussions around the Digital Single Market strategy are based on the approach taken within UK copyright law, and thus may not require changes to the UK copyright framework. Government support for this assessment of this position is critical to ensuring confidence amongst music businesses.

(iii) Proposed Directive

28. The European Commission published a proposed Directive on Copyright in the Digital Single Market in September 2016 which included a number of measures relating to music industry interests, such as transparency, contract adjustment, as well as the gap between the value that certain digital platforms extract from music, and the value that is returned to rights owners. UK Music set out its views in relation to the proposed Directive in its response to the IPO call for views.²⁵ We ask the Government to confirm the position that it is taking at an EU level regarding the proposed Directive and how they intend to implement its provisions should the UK leave the EU before the Directive is adopted. Debates around a proposed “Great Repeal Bill” may present an opportunity to clarify this.

(iv) Communication to the Public

29. We note that decisions of the Court of Justice of the European Union (CJEU) on copyright, in particular the right of communication to the public, have been ambiguous. Recent decisions of the CJEU have provided more consistent definitions on what constitutes a communication to the public and how to assess hyperlinking under copyright law. The withdrawal from the European Union provides a good opportunity to put forward a dependable and coherent definition which will provide much-needed certainty.

(v) Enforcement

30. Furthermore, the withdrawal from the European Union provides an opportunity for the UK to strengthen the enforcement of intellectual property law. This could build on recent developments, such as the agreement between creative industries and search engines on a code of practice to reduce piracy in the UK. Initiatives could be developed relating to the responsibility of internet service providers and having a duty of care. Also, the availability of stream ripping software used to render licensed streams into permanent downloads threatens business models for legitimate users and right holders. Whilst this is not a new phenomenon it is taking on renewed significance. According to MUSO there were 7.2 billion visits to copyright-infringing stream-ripping sites between January 1 to September 2016, representing a 60% increase in visits from the equivalent period in 2015.²⁶ The ease of converting music streams into unlicensed downloads via sites such as YouTube-mp3.org is becoming increasingly well documented²⁷ and is also a potential threat to the ability to self-release.

²⁵ http://www.ukmusic.org/assets/general/UKMusic_DSM_Copyright_Package_FINAL.pdf

²⁶ <http://www.musicbusinessworldwide.com/music-biz-faces-rampant-piracy-threat-stream-ripping-jumps-60-2016/>

²⁷ <http://www.breitbart.com/big-hollywood/2016/08/03/stream-ripping-google-creating-music-free-literally/>
<http://www.musicwatchinc.com/blog/bad-company-you-cant-deny/>

(vi) Copyright Education

31. Education is important to fostering respect for copyright and intellectual property. There are a number of initiatives that the music industry is involved with relating to copyright education which would benefit from further support. In collaboration with the IPO and Aardman Animations, UK Music developed Music Inc²⁸, an online application to raise awareness amongst young people about the challenges of copyright infringement for music businesses. In the app has achieved significant global reach since its launch in 2014. The Get it Right from a Genuine Site campaign,²⁹ designed to promote greater copyright understanding online, is also showing evidence of success. With further commitments and support over the next few years this campaign has the potential to broaden its reach further.

Skills and Education

32. Having a talented and skilled workforce is essential to the ability of the music industry to drive productivity and growth. Music industry investment in skills and education can be evidenced in a number of ways, such as the work of the BRIT Trust³⁰ which provides significant investment to both the Brit School³¹ and ELAM.³² *PRS for Music's* investment in its Foundation which has established a UK wide Talent Development Network to address imbalances between London and the regions is a further example.³³ UK Music has been involved in a number of initiatives in recent years to ensure that our sector continues to attract, nurture and retain talented people within all aspects of the business. This work includes the formation of the Music Academic Partnership (MAP) which fosters collaboration between industry and academia.³⁴ We also operate an apprenticeship scheme³⁵ and a rehearsal space network.³⁶ Within this work we have attempted to overcome inequalities to ensure the music industry has a diverse workforce.

33. Whilst “developing skills” is the central pillar to industrial strategy for investing in talented individuals it must not be forgotten that a skilled and educated workforce is essential to ensure an industry can fulfil other pillars, namely “driving growth across the whole country”, “supporting businesses to start and grow”, “encouraging trade and inward investment” and “cultivating world-leading sectors”. Skills and education should not be compartmentalised and instead be approached by the Government in terms of their cross-cutting nature. Similarly, the debate around STEM (Science, Technology, and Engineering & Maths) versus STEAM (Science, Technology, Engineering, Arts and Maths) is unhelpful as it implies certain skills are not utilised in the creative industries. Music is a digital business. Traditional definitions of “the arts” do not accurately capture the breadth of activities that constitute the modern music industry.

34. The skills and education needs of the music industry and how industrial strategy should support this can be understood in a number of ways. We ask the Government to consider

²⁸ <http://www.ukmusic.org/skills-academy/music-inc/>

²⁹ <https://www.getitrightfromagenuinesite.org/>

³⁰ <http://www.brittrust.co.uk/>

³¹ <http://www.brit.croydon.sch.uk/>

³² <http://www.elam.co.uk/>

³³ <http://www.prsformusicfoundation.com/funding/momentum-music-fund/>

³⁴ <http://www.ukmusic.org/skills-academy/music-academic-partnership/>

³⁵ <http://www.ukmusic.org/skills-academy/apprenticeships/>

³⁶ <http://www.ukmusic.org/skills-academy/rehearsal-spaces/>

the following remarks in response to the relevant questions and pillars that we have identified as relevant to skills and education:-

(i) School education

35. Creative skills need to begin at primary school and play a significant part in continued curriculum learning. Reducing access to this could easily lead to an inequality of opportunity. Children and young people from less affluent families, and all of those in state schools, will have less chance of experiencing music tuition outside of school. Sutton Trust research found that “top earners are almost four times more likely than bottom earners to have paid-for out of school enrichment classes.”³⁷ 50% of children at independent schools receive sustained music tuition, whilst the figure for state schools is only 15%. According to Richard Morris of the Mayor’s Music Fund “this huge disparity in opportunity is perhaps the greatest single distinction in any aspect of independent/state educational provision.” Through “Skills and Schools”³⁸ events that we undertake throughout the year we notice that cultivating music skills and performance not only encourages creativity but also builds self-confidence and personal development. The Government should ensure that creative learning continues to play a key part throughout compulsory learning as it is essential for the development of our future workforce.

(ii) Digital skills

36. In an increasingly digital market the music industry needs to recruit and retain a workforce that can adapt and embrace new technologies. It is essential that school leavers have a basic level of digital literacy and that graduates are equipped with the digital skills to gain employment in the sector. Rights management in the music industry is key to ensuring creators get paid in the digital value chain. This means that many jobs in the music industry are in IT, programme management, systems and software development, managing data standards and databases. These are global projects and require international collaboration. Music employers inform us that they increasingly require employees to have database experience. The industrial strategy presents an opportunity for the Government to make the link between creative and digital skills more explicit.

(iii) Apprenticeships, internships and careers advice

37. The UK music industry is committed to helping talented young people get paid jobs in the sector. Key to this has been the creation of 70 new job opportunities under Creative & Cultural Skills’ Creative Employment Programme (CEP).³⁹ Apprenticeships have been placed in all aspects of the industry including studios, record companies, live events and promotion. CEP has helped create nearly 4,500 apprenticeships and internships in the creative industries with 367 in music alone. The creation of music apprenticeships have coincided with growth in the music industry’s workforce. In addition, UK Music promotes fair internships and has agreed a Code of Practice with its members in this regard.⁴⁰ UK Music has been at the forefront of discussions around the changes to apprenticeships, both in terms of communicating this to the music industry and via consultations and

³⁷ The Sutton Trust (2014) *Research Brief: Extra Curricular Inequality*, <http://www.suttontrust.com/wp-content/uploads/2014/09/Extracurricular-inequality.pdf> [accessed 24/06/2016]. The Sutton Trust research includes private tuition and extra-curricular activities across *all* subjects but the implications for access to the creative subjects are clear.

³⁸ <http://www.ukmusic.org/skills-academy/skills-and-schools/>

³⁹ <https://ccskills.org.uk/apprenticeships/cep-england/>

⁴⁰ <http://www.ukmusic.org/skills-academy/internship-code-of-practice/>

working groups with government and other industries. We have also developed a careers information pack that is designed to promote entry points into the industry.⁴¹ Through its industrial strategy the government should continue to support leading initiatives such as these and look at further opportunities to develop more apprenticeships within the sector.

(i) Rehearsal spaces

38. UK Music runs a rehearsal spaces network. This is made up of 19 spaces across the country.⁴² It is based on a pilot DCMS scheme which from setup to November 2012 had over 30,000 visits, around 75% of which were by young people aged between 11-18 years old. (Pilot Rehearsal Spaces Report, Sound Connections, 2012). The spaces are now firmly embedded in their local communities and have been used to deliver meaningful projects for young people from poor socio-economic backgrounds, boosting skills, fostering creativity and driving down crime in local communities. To build on this work the government should consider further investment in the current scheme and assistance with expanding it into other areas of the country that experience multiple deprivation and high levels of youth unemployment.

(ii) Self-employed and freelancers

39. There is a high percentage of self-employed people working within the music industry, whether it is musicians, composers, producers, engineers or mixers. According to Creative and Cultural Skills 43.5% of the creative sector is self-employed.⁴³ Their needs should be reflected within the industrial strategy. For example, a self-employed parent will not be eligible for shared parental leave or pay but if they satisfy the “employment and earnings test” this may enable their employed partner to access shared parental leave and pay. If both parents are self-employed neither parent will be entitled to shared parental leave or pay.⁴⁴ Given the high levels of freelancers within the music industry, it would be worth the Government examining these measures further to see whether the system adversely affects those working in the music industry and if any changes are necessary. We trust that the Government will ensure that is addressed in its forthcoming consultation on parity in parental benefits between the employed and self-employed.⁴⁵

(iii) Diversity

40. Recognising the need to understand how representative the music industry is the UK Music Diversity Taskforce conducted an industry workforce survey. This found that 15.6% of the workforce are from a BAME (Black, Asian, minority ethnic) background. Whilst this is higher than the percentage for the UK population, two thirds of music industry workers are based in London the workforce is 30.3% BAME. The proportion of BAME workers in senior positions decreases by age; the survey found that 23.7% of BAME workers aged 25-34 are in senior roles, while between the ages of 35 and 44 the figure is 11.7% and from 45 to 64, this figures sits at 7.6%. Regarding gender, the overall split of men to women (53.6% to 45.3%) in the music industry shows women are slightly underrepresented in comparison with the UK population (49.3% to 50.7%). However,

⁴¹ <http://www.ukmusic.org/skills-academy/careers-advice/>

⁴² <http://www.ukmusic.org/skills-academy/rehearsal-spaces/>

⁴³ http://ccskills.org.uk/downloads/CCS_BUILDINGACREATIVENATION_WEB_SINGLES.pdf

⁴⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/417505/bis-14-1329-Employers-technical-guide-to-shared-parental-leave-and-pay-1.pdf

⁴⁵ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-03-23/68875/>

between the ages of 25 and 34, women account for 54.5% of the workforce which looks more positive for younger women in the industry. This number drops to 41.4% in the 35 to 44 age range and to 32.7% between 45 and 64.⁴⁶ Ensuring a diverse sector and taking steps to integrate this within industrial strategy should be taken forward by the Government. It is disappointing that diversity is not specifically addressed in the Green Paper. Music and other UK creative industries are successful because of their diversity. This must be remembered for our future strength.

Finance and Investment

41. Finance and investment is essential to the growth of the music industry. Our ability to be entrepreneurial, bold and ambitious is assisted by having the right funding mechanisms and financial environment in place.
42. There is not a one-size fits all solution to music business financial needs. In fact, the Government should explicitly acknowledge that whilst there are some large music companies and businesses, the vast majority are either small and medium sized enterprises, or further still micro-businesses. A tailored approach is therefore necessary to financial considerations under the “supporting businesses to start and grow”, “encouraging trade and inward investment”, “driving growth across the whole country” and “cultivating world-leading sectors” pillars of industrial strategy.
43. Whether a business is a start-up or scale-up phase, or has general business support needs, the right incentives should be integrated within the Government’s industrial strategy in order to sustain further growth and productivity within the music industry. We ask the Government to consider the following remarks in response to the relevant questions and pillars that we have identified as relevant to finance and investment:-
 - (i) Tax credits
44. The music industry should benefit from the same level of fiscal support that film and video games enjoy. The Government has introduced a number of creative sector tax credits to incentivise new productions. At present music does not receive equivalent assistance from the Government. Initially, measures to incentivise the UK as a destination for music recording via tax credits should be introduced to support the development of new artists and ensure content creation within the UK is retained. New artists are vital to the grassroots of the industry, such as recording studios, enabling them to continue to thrive. A new recording music tax incentive has recently been supported in New York State legislature. Music tax credits in other American states, as well as Canada and France, also exist. The UK industry risks falling behind unless incentives are put in place in the UK too. Once established, music tax credits can then be extended for other music activities, including touring and videos. We urge the Government to give serious consideration to extending creative sector tax credits to the music industry as part of its industrial strategy. Such measures would clearly be of advantage for inward investment opportunities for the UK, as well as promoting competition.
 - (ii) Cultural grants and funding
45. It is anticipated that music will soon receive priority support from the Creative Europe EU funding programme. Creative Europe has a budget of €1.46 billion to support Europe’s cultural and creative sectors. Leaving the European Union will restrict this funding from

⁴⁶ <http://www.ukmusic.org/equality-diversity/uk-music-diversity-taskforce-workforce-diversity-survey-2016/>

being available to UK music companies, putting them at a competitive disadvantage. In addition to losing access to Creative Europe and other programmes, including Horizon 2020 which supports innovation and could be beneficial to other music industry initiatives, will also no longer be attainable. The Government should consider the case for a Culture and Heritage Investment Tax Relief. This would be based on the existing Social Investment Tax Relief model and operate along similar lines to that of EIS/SEIS schemes. It would allow investors to receive tax relief in relation to venues, creative spaces and performances. The industrial strategy should also consider the extent to which the Arts Council supports music related projects and how this can be enhanced further, possibly extending to new entrants in the sector. There exists a disparity in the distribution of cultural funding at present with venues focused on opera and ballet receiving substantial support whereas dedicated popular music venues receiving comparatively little. The removal, in 2018, of Arts Council England funding from ACE's first bespoke fund for artists working in popular music is a further concern when compared with public investment made in classical performance groups and composers.⁴⁷

International Action

46. The UK music industry is one of three net exporters of music globally (the others being the USA and Sweden). We need the freedom to trade at an international level. We note that the UK government is already working on model free trade agreements to be adopted once the UK has withdrawn from the European Union. UK Music is concerned that the UK creative industries must not be used as a bargaining chip in any trade talks. Nor should UK music content be subject to restrictive quotas. Leaving the European Union will entail a number of negotiations over a period of years. UK Music needs to be consulted at each and every stage. Placing international action at the heart of industrial strategy and a sector deal is therefore key.
47. The “cultivating world-leading sectors” pillar of industrial strategy places great emphasis on sector deals and it is welcome that the creative sector has been afforded priority status. International action is also fundamental to “encouraging trade and inward investment”.
48. The music industry’s success internationally can be further enhanced in a number of ways. We ask the Government to consider the following remarks in response to the relevant questions and pillars that we have identified as relevant to international action:-
 - (i) International respect for intellectual property
49. Copyright and its enforcement should be a key part of the trade negotiations, ensuring that our trading partners protect not only their respective creative industries but also the interests of the UK music industry. The Government’s industrial strategy should in particular be mindful of the following challenges:-
 - The campaign of the Australian Productivity Commission to reduce protection provided by copyright in Australia. Such campaigns reflect a general tendency in current reforms of copyright in several countries to weaken copyright by introducing “fair use” style exceptions (South Africa is also considering the introduction of such an exception).
 - China constitutes a rapidly developing marketplace for creative goods such as music with enormous potential for the UK creative industries provided that an adequate system of protection is in place. Whilst there have been some improvements in recent

⁴⁷ <http://www.prsformusicfoundation.com/funding/momentum-music-fund/>

years the state controlled Chinese broadcasters still only pay a limited amount of royalties for the use of our music if compared to the broadcasters in other countries.

- Canada has introduced extensive exceptions in 2012 for educational establishments and user generated content.
- The lack of enforcement of copyright in countries such as Russia and Turkey.

(ii) Addressing challenges in the USA

50. The North American and European music markets are both worth \$5.3 billion.⁴⁸ The US remains the largest national market for the recorded music industry. Under US copyright law, a variety of issues prevent the UK (and international) music industry from benefitting from the use of music. When considering its trading relationship with the USA, the Government should consider the following:-

- Compulsory licenses for the copying of music remove the possibility for publishers and songwriters to negotiate the value of the use of music with commercial digital service providers.
- The “bars and grills” exception benefits many business in the US from not having to pay for the use of music. This exception is still in place despite a decision in 2000 of the WTO panel that the relevant section 110 (5B) of US Copyright law infringes the internationally binding Three Step Test.
- Under existing US copyright law, there is no right for the producers of sound recordings to receive a royalty when their recordings are included in terrestrial broadcasts (eg through FM radio).
- Our members are also concerned about the impact of developments of the so-called 1941 Consent Decrees. These consent decrees have been agreed in 1941 between the two US collecting societies ASCAP and BMI and the Department of Justice to deal with concerns on potential market abuses by price fixing. Despite some updates in 1994 and 2001 the consent decrees do not reflect the market situation in 2017. They only apply to two of the four US collective management organisations and they limit the ways in which ASCAP and BMI can offer licenses to services such as traditional or digital radio. As of March 2017, there is uncertainty about the scope of the consent decrees given decisions by the Department of Justice and the district court of south New York in 2016.

(iii) Collecting societies

51. We are very concerned about the operation of certain overseas collective management organisations. Whilst the collective rights management directive provides for a supervisory system at a European level, it would be a good opportunity for the UK government as part of its industrial strategy to stress that such organisations have to comply with certain standards such as transparency, in particular given that they are administering rights on behalf of UK creators, performers and rightholders.

(iv) IP attaches

⁴⁸ <http://www.ifpi.org/news/Global-digital-music-revenues-match-physical-format-sales-for-first-time>

52. It is welcome that the Government specifically commits within the industrial strategy to placing Intellectual Property Office representatives in key UK cities. This commitment should be developed further by extending the existing IP attaché network, whereby liaison officers are based within South East Asia, China, Brazil and India, to other key markets.

(v) Visas

53. Leaving the European Union could result in restrictions for musicians, crews and freight in relation to live music tours across European member states. This is because freedom of movement will no longer operate in the way that it currently does. European tours for UK bands are important for building fan bases across Europe. Promoting new music overseas and deriving income to UK music companies and creators from European tours needs to continue without new bureaucracy which leads to costly administration. The burdensome performing visa system that operates in the USA already acts as a significant impediment to UK acts and artists. The Government should resist any attempts to instigate a similar system with the European market and instead take a diplomatic approach to avoid punitive measures. The Government should support a system that introduces temporary short-term permissions and exemptions for musicians and crews.

(vi) CITES

54. The ability of musicians to travel globally with instruments without hindrance is of primary importance. The recent changes to the CITES regulations on trade, with specific reference to an improvement for musical instruments under resolution 13-7 – personal effects exemption, is welcome news. However, we understand that as yet those regulations are yet to be fully implemented in the UK.

Regional Development

55. There is music activity taking place across the country, whether it is a studio in Sheffield, a festival in Fife or a venue in Vauxhall. The Government industrial strategy presents an excellent opportunity to realise the potential of our nations and regions, unlocking barriers and “driving growth across the whole country”.

56. Devolved and local government should play a role here in realising this aspect of industrial strategy, with central government maintaining a joined up approach with an aim of “creating the right institutions to bring together sectors and places”.

57. The Government’s industrial strategy can assist regional development in the following ways. We ask the Government to consider these remarks in response to the relevant questions and pillars that we have identified as relevant to regional development :-

(i) Venues

58. Music venues play a vital role in supporting the industry’s infrastructure and ensuring a healthy music industry across the country. They also nurture the music industry’s talent pipeline. Venues are increasingly finding it difficult to operate. In the last 10 years the sector has come under substantial external threats, resulting in a decline of 35% in the total number of grassroots music venues trading in the UK. London has been badly affected yet venues in Birmingham, Manchester, Edinburgh, Glasgow, Bristol, Plymouth, Newport and Swindon, to mention just a few, have either closed or had considerable threats of closure placed on their businesses in recent years. UK music venues are unable to compete with European music venues in attracting international talent and providing comparable performance spaces for emerging UK artists due to a huge disparity in the

levels of funding received. Across mainland Europe (including Germany, Belgium, Holland, Denmark Sweden and Austria), venues receive subsidies that average 42% of operating costs, or as high as 70% in France. Facing such a stark disparity, the industrial strategy should look at available subsidies of the grassroots music sector so that funding falls closer in line with what European venues receive. Other measures such as the introduction of a statutory “agent of change” planning principle and further liberalisation of licensing laws should be considered.

(ii) Music cities and regions

59. The Mayor of London has shown great leadership in establishing a Music Development Board. The Government’s industrial strategy should consider how similar schemes could be established in other areas electing City Mayors and subject to devolution deals. This can complement the work of existing music development organisations in the nations and regions play a vital role in mentoring local talent, equipping the future UK music industry workforce with the skills it needs and supporting businesses in the process. Generator, based in the North East of England, is a market leader in this field and has run programmes supported by the European Regional Development Fund (ERDF).

(iii) Business rates

60. Music businesses are facing substantial increases in their business rates. 10 of the top 11 arenas in England will see increases to their business rates. Over half of these increases will be in excess of 45%.⁴⁹ The geographical disparity of the hardest hit venues ranges from the North West, North East, West Midlands, East Midlands and London. Music fans will undoubtedly suffer, either through having to pay more or having fewer venues to attend due to closures. Music recording studios also face such challenges. The industrial strategy should prioritise business rate reform in order to avoid a detrimental impacts on culture and creativity. The existing exemption for festival and event sites should be maintained to prevent further punitive measures from being imposed.

Annex

UK Music’s membership comprises of:-

- AIM – Association of Independent Music - representing over 850 small and medium sized independent music companies.
- BASCA - British Academy of Songwriters, Composers and Authors – BASCA is the membership association for music writers and exists to support and protect the professional interests of songwriters, lyricists and composers of all genres of music and to celebrate and encourage excellence in British music writing.
- 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.

⁴⁹ List of venues drawn from:

<http://www.pollstarpro.com/files/Charts2016/2016YearEndWorldwideTicketSalesTop200ArenaVenues.pdf> plus Royal Albert Hall, Nottingham Arena, Metro Radio Arena Newcastle and Echo Arena Liverpool. Calculations of new business rates via: <https://www.gov.uk/calculate-your-business-rates>

- MMF – Music Managers Forum - representing over 500 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 30,000 musicians.
- PPL is the music licensing company which works on behalf of over 90,000 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 the main trade associations and representative bodies of the live music sector

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