

Written evidence submitted by The Ivors Academy

BEIS Select Committee inquiry into the impact of coronavirus on businesses and workers

1st June 2020

About The Ivors Academy

The Ivors Academy is the UK's independent professional association for music creators. We represent, support and celebrate music creators. Our members include thousands of songwriters and composers across all genres at every stage of their career. The Ivors Academy is a member of UK Music, the umbrella body representing the interests of the commercial music industry in the United Kingdom.

Summary

- **Recent findings have shown that music creators alone contribute £2.5 billion in GVA to the UK economy – almost half of the industry's total £5.2 billion contribution.¹**
- **Music-making professionals have been impacted by the disappearance of the live music sector, as income from touring and public performance royalties has evaporated. Closure of other businesses has also negatively affected the flow of royalties.**
- **Music creators have seen songwriting and composition commissions cancelled, and have been unable to record new music.**
- **Government support and industry-specific hardship funds have enabled many to survive the initial emergency. However, we call on the Government to amend some of the Schemes – notably, many self-employed music creators are falling through the gaps of available support.**
- **Government actions necessary to support the music-creating business in recovering from the crisis include:**
 - **A review of the broken streaming market.**
 - **The stimulation of live performances, TV and film projects, enabling the commissioning of new music.**
 - **Promotion of UK composers and songwriters internationally to attract inward investment.**
 - **Comparable copyright protections for music creators in the UK to those guaranteed in the EU.**
 - **Ensuring the BBC remains adequately funded so it can continue sustaining our sector.**

¹ UK Music, "Music by Numbers", 2019
https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf

1. How the music-creating profession has been affected by Covid-19

This is a time of crisis for tens of thousands of music creators. Gigs and commissions have been cancelled, festivals and performances postponed, and recording studios closed.

A member survey launched in April 2020 on the financial impact of Covid-19 on music creators showed that the following career aspects had been impacted. Out of the 204 respondents:

- 57% were impacted in live and touring
- 38% in songwriting and production
- 44% in commissioning of compositions
- 46% in recording
- 20% in production and marketing
- And 22% in other areas²

Lockdown and social distancing rules have caused the interruption of the recording and live performance of the music created. Many music creators are also performers who have increasingly relied on revenue from live performances and affiliated income streams, such as sales of merchandise, to survive. The effect of Covid-19 on the live music sector, and subsequently on music creators, has been disastrous. 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.

Social distancing measures have also impacted on the ability to collaborate in songwriting and recording sessions. On the one hand, songwriters are commonly also producers who often work together in songwriting camps and in small commercial studios with featured artists and other music professionals. Jazz composition often involves improvisation and is therefore usually a collective endeavour.

On the other hand, classical or electronic composition, and composition for screen often take place in home studios, in solitude. However, these composers still engage with musicians to record music.

These creative processes highly rely on physical proximity with other people.

As the leading campaigning organisation for the UK's composer and songwriter community, The Ivors Academy is working to facilitate new ways of working during the pandemic. For instance, we have launched the Remote Recording Directory, a free and open database to connect composers for film, TV and games with professional musicians able to record from home. The database lists professional self-recording

² <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/>

instrumentalists and vocalists along with technical roles including music editors, orchestrators, copyists and record/mixing and mastering engineers.

Although it is vital to find ways to continue working without meeting in person, the crucial challenge is that there is no return on creation without the relevant job opportunities. Music creators might be able to exercise their creativity, but business is at an all-time low.

New song and album releases have been halted or delayed due to the coronavirus, because in the recorded music market as it is shaped today, marketing and promotion are considered necessary by record labels to reach a satisfactory level of success. The daily supply of new music is so high on streaming platforms that creating demand for a specific song or album highly revolves around live tours, promotional content such as pre-made videos, TV and radio interviews, record shop appearances, and so on.³

The composition of music for film and TV is naturally reliant on new visual content coming out, and classical composition is often part of a project the aim of which is to be performed live.

With song and album releases halted, and commissions for the concert hall, community projects, or films and TV cancelled or deferred, the pipeline of work is quickly drying up.

For most music creators, all income streams have evaporated with the exception of royalties for previously released works, which in turn have also seen drastic cuts. Business closures all over the UK have directly impacted on music creators' revenues. As the use of music by those businesses has come to a halt, so has the flow of royalties from the licensing of those uses on behalf of music rights holders. This will have long-term effects, as future royalty distributions on behalf of collecting societies will be significantly reduced for a protracted amount of time.

The only revenue left to rely on is royalties deriving from recorded music. This has brought the problems with music streaming to the forefront. Increasingly, songwriters have had to rely on other ways to supplement streaming revenue, in most cases worryingly low. In the current climate, everything they had learnt to rely on out of necessity has vanished, hence exposing the dysfunctional structure of the streaming market.⁴

³ <https://www.rollingstone.com/pro/features/album-delays-caused-by-covid-19-973870/>
Mark Mulligan (2020) Covid-19 | Entertainment and Leisure Industry Impact Assessment. MIDiA.

⁴ See section 5 of this submission, p.8.

Government support has provided a vital lifeline for music creators across the UK during the pandemic. What follows is an analysis of our remaining concerns surrounding how the available support interacts with music creation, and further steps needed.

2. Government support

Self-Employed Income Support Scheme (SEISS) and Coronavirus Job Retention Scheme (JRS)

We worked with Government showcasing the need for support for the self-employed at this time, and were particularly pleased when Government announced the SEISS, its recent extension, and the income tax deferral for the self-employed. We also welcomed the JRS and its subsequent extension. However, we have concerns surrounding the limited reach of these measures. There are many within our membership who fall through the gaps of the eligibility criteria even though they are facing genuine hardship. A recent survey conducted by the Musicians' Union found that 38% of respondents do not think they qualify for either the SEISS or the JRS and 19% were considering abandoning their career in music altogether.⁵ This reflects the Institute for Fiscal Studies' figure of 38% non-qualification for SEISS among the self-employed.⁶

Some of our members may have been able to furlough themselves if they run their own businesses and pay themselves a PAYE salary. However, as the only earnings counted are those paid through PAYE, this type of support is proving to fall short of many of our members' needs, who mostly pay themselves in dividends when they are Directors of Limited Companies. The inability to work while furloughed would also render this support impracticable for most in this situation.

We urge Government to implement additional support for Directors of Personal Service Companies (PSCs), as many of them are low earners who are struggling increasingly by the day. To ensure applicants truly need Government support, taxable earnings could be capped to £50k annually for eligibility, in line with SEISS support for sole traders. However, we also urge Government to consider a broad range of circumstances when assessing the cap, as there are cases where it seems inappropriate. For instance, someone might earn just above £50k but be the sole earner within their household. Lastly, it is noteworthy that many self-employed music creators have become Directors of PSCs out of necessity, as it often eases administrative burdens and many employers refuse to hire self-employed workforce if they are not a Limited Company. The fact that they should be penalised at this time of hardship appears like a case of unequal treatment.

⁵ <https://musiciansunion.typeform.com/report/DIhT3i/3UvklZQ0rPullebb>

⁶ <https://www.ifs.org.uk/publications/14787>

The Government must also account for those in the creative sector who have portfolio careers and earn less than 50% from self-employed work. A mix of Government schemes should be available for those who need it. In fact, other schemes around the globe are more flexible. Australia's JobKeeper Payment scheme has a wider eligibility criterion and allows a Director to nominate their dividend for salary support.⁷ Ireland pays a flat rate to both the employed and self-employed.⁸

We welcome the Scottish self-employed hardship fund for those who fall through the gaps described above, including those who have entered the job market or switched to being self-employed during the 2019-2020 tax year.⁹ We would like to see similar measures for other UK citizens.

Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs) for small businesses

The majority of our members are SMEs, so we welcome the Chancellor's introduction and strengthening of the CBILS, and the addition of the BBLs for small businesses. We are aware of challenges posed by the scale of requests, however the need for loans to be awarded at pace remains. Further, with banks adhering to normal lending criteria under the Scheme, businesses within music and across the creative industries are considered high risk. Many 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 the specific needs of the creative sector.¹⁰

Business Rate Relief and Retail, Hospitality and Leisure Grant Scheme (RHLGS)

Recording studios are not covered by the RHLGS or the business rate holiday. We call on the Government to amend the guidance it has issued to Local Government to include them. This relief should also be extended to the entire supply chain of the live sector to ensure the sector is able to restart once restrictions lift.

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. Music creators - and many others in the industry -

⁷ https://treasury.gov.au/sites/default/files/2020-04/JobKeeper_frequently_asked_questions_2.pdf

⁸ https://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/unemployed_people/covid19_pandemic_unemployment_payment.html

⁹ <https://www.gov.scot/news/additional-support-for-business/>

¹⁰ <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>

are finding themselves forced to face rental demands while making no income during the lockdown period. Support could be achieved via 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.

We welcome the VAT deferral for three months for businesses and the inclusion of live music venues in the RHLGS. We have submitted further concerns regarding the music sector as a whole and made suggestions to expedite its recovery in UK Music's response to the DCMS call for evidence on impact of Covid-19 on DCMS sectors. Only in the context of the music industry as an ecosystem, in conjunction with other creative sectors, will a return on content creation be possible, both through new commercially viable opportunities and via public performance royalties.

3. Industry support

The music industry has come together at this time of crisis to help musicians in need through a series of initiatives. The PRS Members' Fund has provided support and advice to PRS members and their families who are struggling financially, physically or emotionally. Help Musicians has set aside £5m, plus an extra £1.25 donated by the British Phonographic Industry, to tackle some of the short-term financial effects of Coronavirus. In partnership with the PRS Members' Fund and PRS Foundation, PRS for Music's Emergency Fund awarded grants up to a value of £1,000. The Musicians' Union has set up a one-off grant of £200 to alleviate hardship. The Film & TV Charity offered grants of £200-£800 (or higher based on exceptional needs) to film and TV sector workers, including composers. Spotify is matching donations to Help Musicians, MusiCares and PRS Foundation dollar for dollar up to a collective total of \$10 million. PRS Foundation's Sustaining Creativity Fund is a new type of support which responds to the changing needs of creators. It aimed to help grantees to fulfil career potential, breaking down the barriers presented by the Covid-19 pandemic. The Creative Scotland Bridging Bursary Fund provided financial support to freelancers in Scotland, with one-off bursary payments of between £500 and £2,500. The Association of Independent Music (AIM) 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 Ivors Academy has signposted to all the funding opportunities available to music creators on our website. We have also directed music creators to valuable advice during this time, including where to find mental health and wellbeing support. In addition, we collaborated with other organisations and charities in

the industry to create one easy-to-use place where music-sector workers can find all the help, advice and signposting they need to support them through the coronavirus outbreak, at www.coronamusicians.info.

4. Recovery proposals for music creation

These sources of support from within the industry have been essential for many people facing a battle to survive. However, the music industry's capacity is limited at this time of crisis and it is unable to achieve full recovery alone. Further support is needed to mitigate the long-term impact on the sector.

The loss of key infrastructure, such as live music venues and professional recording studios, is harming the IP creation that is at the core of the music sector's growth and success. The stimulation of live performances, TV and film projects, together with bursaries to sustain those writers who are at most economic risk, are the main actions which can sustain our sector. The creation of new music ought to be encouraged by enabling those commissioning it - be it concert, film, TV or other - to be in a position to do so, for example through ring-fenced funding, at the earliest opportunity in conformity with Government guidelines.

As lockdown and social distancing are eased, the more the UK can promote British composers and songwriters internationally, the more inward investment the UK can harness. For instance, British music cannot hope to withstand the effects of this crisis if it is not able to compete with the EU, the largest single market for the UK's music industry. The UK copyright regime needs to be able to provide comparable protections for music creators to those in the EU, where authors are entitled to a proportionate share of the revenue being generated by their works; a measure which is strengthened by further provisions requiring greater transparency. This will be essential in order to incentivise creativity, retain talent and attract inward investment.

One of the most valuable sources of income for British songwriters and composers is radio. Broadcasting of living songwriters and composers should be encouraged. The Ivors Academy's Classical Committee wrote an open letter to Alan Davey of BBC Radio 3 calling for this and we are pleased that Mr Davey responded positively. However, further work can be done in this space, including ensuring the BBC remains adequately funded so it can keep sustaining our sector.

From a business-to-business perspective, certain structural flaws have been exposed by the pandemic. If music is not valued adequately, the UK music sector will be irreparably damaged. Music creation needs to see viable returns so that the quality content the UK is known for across the globe can continue to be produced.

5. Structural reform for music streaming

Covid-19 has shone a light on the fact that composers, songwriters and most performers are unable to make a living from streaming royalties, while the major labels receive record revenues from streaming. Thousands of composers, songwriters and performers have taken to social media to call out the #BrokenRecord business.¹¹

How music creators are being affected

- Songwriters and composers - members of The Ivors Academy - anticipated a loss of £25,000 per person over 6 months from the outbreak of Covid-19.
- It would take approximately 62 million Spotify streams to break even on a £25,000 loss, a figure that is wildly unattainable for most music creators.¹²
- 1 in 5 musicians are considering abandoning a career in music due to the crisis, according to a recent Musicians' Union survey.¹³

Now that other income streams have evaporated, the unreliability of streaming income for those who make music - the very product that streaming sells - has never been clearer.

How major labels are thriving

- Just as the Chancellor announced the first support measures for Covid-19, the BPI, the British trade body for the major labels, announced that major label revenues have gone up 7.3% year on year.¹⁴
- This was followed by Universal Music Group announcing \$1 billion in revenue from streaming, just for the first quarter of 2020, and the IFPI announcing that 56% of \$20bn global revenues last year came from streaming.¹⁵

¹¹ <https://threadreaderapp.com/thread/1249290407088881675.html>

¹² <https://ivorsacademy.com/coronavirus/survey-of-the-ivors-academy-members-shows-financial-losses-from-covid-19-for-each-music-creator-equivalent-to-62-million-spotify-streams/>

¹³ <https://musiciansunion.typeform.com/report/DIhT3i/3UvkLZQ0rPullebb>

¹⁴ <https://www.bpi.co.uk/news-analysis/uk-record-labels-trade-income-reaches-11-billion-in-2019/>

- At the end of Q1 2020, Sony Music's streaming revenues alone were up 27.4% year-over-year, reaching \$641.7m – an annual increase of \$138m.¹⁶

While the major labels play an important role, their story is not that of the whole industry and their success should not come at the expense of songwriters and musicians. Given the amount of money generated by music streaming, music creators shouldn't have to rely on Government support and hardship funds to survive.

The streaming model has been broken for years, but at this time it is posing an existential threat to the very profession of music creation. The streaming market needs to adopt an innovative, sustainable and transparent model.

To do this, The Ivors Academy and Musicians' Union have formed an Alliance. We have launched a joint umbrella campaign, under the name *Keep Music Alive*, to tackle long-standing issues in the music industry, starting with music streaming.¹⁷ The *Keep Music Alive* campaign aims to fix the broken streaming market and calls for industry stakeholders to come together to build a viable model for royalty distribution in the streaming era. The streaming payment model harks back to the days of CDs, when record labels used to carry all the costs of recording, manufacturing and shipping. But the investment/return balance has long since shifted and the major labels' investment is hence greatly overstated. Now we see songwriters, performers, producers, managers and publishers investing heavily in developing music and acts. They do so in their own studios, at their own cost, in their own time and at their own risk. Yet, the share of streaming revenue that reaches individual music makers is negligible in most cases. We urge Government to intervene in this market failure.

We have set up a petition calling on Government to urgently undertake a review of streaming to expose its faults and ensure that the streaming market is transparent and fair.¹⁸

The larger *Keep Music Alive* umbrella campaign revolves around four core issues: bespoke initiatives to survive the Covid-19 period, rebuilding the broken streaming market, making commissioning of music for screen fair in its fees and rights negotiated, and creating opportunities for all to a career in music, particularly underrepresented groups.

¹⁵ <https://www.musicbusinessworldwide.com/universals-streaming-revenues-topped-1bn-in-q1-with-total-recorded-music-up/>.

¹⁶ <https://www.musicbusinessworldwide.com/another-billion-dollar-quarter-for-sony-music-as-streaming-revenues-jump-27-4/>

¹⁷ <https://ivorsacademy.com/campaign/keep-music-alive/>

¹⁸ <http://chng.it/Q7YyvzR6MW>

We welcome the opportunity to discuss each of these individual strands with the Business, Energy and Industrial Strategy House of Commons Select Committee at your earliest convenience, and look forward to working with you to find solutions to protect, invest in and promote the creative cycle at this crucial time.