

UK Music is the collective voice of the UK's world-leading music industry across each of the four nations of the UK. UK Music represents all sectors of the music industry – bringing them together to collaborate, campaign and champion music (please see the annex for a full list of members). UK Music promotes the music industry as a key national asset to all levels of Government, Local Authorities, devolved parliaments and the UK Parliament and publishes research on the economic and social value of music.

The cost-of-living crisis has heavily impacted the music businesses in Wales in a number of key ways. Inflation is eating into the buying power of music businesses, pre-existing pressures like rent and Business Rates are being made more acute and spiralling energy prices are putting swathes of businesses at risk.

These pressures are also impacting the large numbers of freelancers in the sector who are faced with increased job insecurity at the same time as the cost of living crisis crushes their personal finances. Additionally, music workers are finding it increasingly difficult to afford to do gigs in Europe, a key market for artists. The situation risks making it hard from low incomes to make a career in music – which particularly impacts music workers from Wales given its relatively less affluent population in comparison to the rest of the UK.¹

The sector faces a systemic challenge on the same scale as the COVID-19 crisis which caused employment in the sector to plunge by 35% and its economic contribution to fall 46% from £5.8bn to £3.1bn in 2020. The Welsh and UK Governments were able to work together to get most businesses and workers through that crisis. We now require similar ambition and co-operation. Without urgent and large-scale action 30% of music venues may not survive the winter according to the Music Venue Trust (MVT).

UK Music welcomed the Welsh Government's statement on 30th August, and the continuation of non-domestic rate relief for the retail, hospitality and leisure sectors through to the end of 2021/22. UK Music also welcomed the price guarantee on energy units matching the level for households over six months brought forward by the UK Government on 8th September 2022, but feels this is insufficient – with the unit price still set to double on the last year.²

UK Music would urge further action, including full business rate relief for music businesses, further action on energy bills either through a longer cap on energy prices for businesses or a direct grant to mitigate costs.³ UK Music is also urging the

¹ <https://www.ukmusic.org/campaigns/talentpipeline/>

<https://www.ons.gov.uk/visualisations/dvc1370/>

² <https://www.gov.uk/government/speeches/pm-liz-truss-opening-speech-on-the-energy-policy-debate>

³ <https://gov.wales/wales-economy-minister-demands-uk-government-intervention-reduce-energy-and-fuel-prices-welsh>

UK Government to cut the VAT on live music tickets to lift some of the tax burden on music venues to help them make ends meet.

Value of Music to Wales

Music is a key part of Welsh history and is also valuable to the Welsh economy and society. Pre-pandemic Wales attracted 440,000 music tourists (foreign and domestic), who spent £143 million and directly supported 1,843 jobs. In 2019 Wales saw some of the strongest percentage growth in music tourism in the UK with a 21% rise in music tourists between 2018 and 2019 and a 15% in rise in spend.⁴

Figures from the Principality Stadium suggest a £24.1 million spend in Cardiff by music fans visiting gigs at the stadium in 2017 – 2018, and more people attended a series of Ed Sheeran concerts in 2018 than attended the 2018 Six Nations at the stadium.⁵ Research by UK Music has found that at the other end of the scale a small live music event is worth £50,000 to the economy in overspill spend, the MVT has calculated that on average for every £10 spent in a music venue £17 is spent in the local economy.⁶ Stimulating spending on local transport, hospitality and leisure and ranging people with high streets, town centres, local businesses and community.

Music also brings health and wellbeing benefits, polling conducted by PublicFirst on behalf of UK Music found that 57% of people stated music has helped them deal with lockdown and 59% said music has helped improve their mental health, with 50% of people consciously using music to cheer themselves up.⁷

Boosting Welsh music, from traditional choral and harp performances at Eisteddfods to rising grime artists in Welsh cities, should be seen as a strategic priority. To build a platform for future growth the effect of the cost-of-living crisis must be addressed.

Energy Prices Rises

The key immediate issue for music businesses and freelancers is the very rapid rise in the price of energy. The domestic energy price cap does not apply to businesses, which is leaving them open to crippling energy price rises. This particularly impacts music spaces, live music venues and music studios, because they inherently have high energy use to power equipment and heat a relatively large space. Therefore, it is impossible to meaningfully cut back on energy use without hitting profitability.

⁴ <https://www.ukmusic.org/research-reports/music-by-numbers-2020/>

⁵ Econactive, 20 Years On the Importance of the Principality Stadium
https://d2cx26qpfwuhvu.cloudfront.net/wru/wp-content/uploads/2019/06/25171654/WRU1570-Principality-Stadium-economic-impact-report-V2_LR.pdf p. 5

⁶ <https://www.ukmusic.org/research-reports/this-is-music-2021/>
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/digital-culture-media-and-sport-committee/live-music/oral/91709.pdf>

⁷ <https://www.ukmusic.org/wp-content/uploads/2021/10/This-is-Music-2021-v2.pdf> p. 37

The MVT surveyed 941 members across the UK and found an average rise in energy costs of 300% with some venues seeing rises of up to 740%, adding tens of thousands of pounds to their running costs, the average having risen from £1,245 per month to £5,179 per month. One venue was quoted £42,000 a year for fuel as opposed to its current bill of £13,200, the MVT have warned that around 30% of venues face permanent closure due to these rises if no action is taking.⁸

UK Music would emphasise that these energy price rises also hit music studios that play a vital role within the UK music industry ecosystem. One major recording studio expects its gas bill to rise by 600% and electricity charge to rise by 80% according to the Music Producers Guild (MPG), therefore their overall energy bill will rise from £132,000 to £288,000.⁹ It is important to note that even with the energy unit price guarantee, the price of energy will double from last year – and this will be too much for some music businesses.

Some businesses that are being quoted stratospheric energy bills are finding that when they go to other energy companies they will not even be offered a quote or that they are being asked to pay a large proportion of the bill up front. This is simply unsustainable and must be addressed if Wales wants its music spaces to survive.

72% of the music workforce are freelancers and are reliant on music spaces, venues and recording studios to provide opportunities for employment. Furthermore, as domestic rate payers themselves they face huge pressures from the rise in domestic energy bills.¹⁰ Any reduction of opportunities within the sector could see them leave to ensure they can meet their skyrocketing bills. The COVID-19 crisis saw almost 70,000 workers leave the sector and UK Music remains concerned about a further exodus.

While the UK Government Energy Price Guarantee was welcome it is still unclear what form the “equivalent” support for businesses will take and it will only last around six months and therefore should not be seen as a solution to the crisis for music by itself.¹¹

Other Pressures

The energy crisis would be serious enough on its own, but it is only the most pressing of a range of issues confronting music spaces and music workers. Throughout this year the industry has been speaking about a “*cost of gigging*” crisis with sky-high inflation and spiking costs, including for fuel, supply and haulage. These are putting huge pressures on the industry with one festival owner noting that they cannot afford to match ticket prices to spiralling inflation, therefore cutting their

⁸ <https://www.ukmusic.org/news/uk-music-chief-warns-music-venues-and-studios-face-closure-without-urgent-action-to-tackle-crippling-energy-bills/>

⁹ <https://www.ukmusic.org/news/uk-music-chief-warns-music-venues-and-studios-face-closure-without-urgent-action-to-tackle-crippling-energy-bills/>

¹⁰ <https://www.ukmusic.org/research-reports/music-by-numbers-2019/>

¹¹ <https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market>

margins.¹² Running a music venue, festival or music studio has never been more expensive.

Business Rates have been a long-term issue for the sector. Ever increasing property prices, the need for large floor space and reasonable access has resulted in huge rises in Business Rates that are entirely divorced from the productive capability of a particular space. UK Music's analysis of Business Rates rises in the latter half of the 2010s found that venues had seen rate rise of up to 800%, and the iconic Abbey Road Studio saw their bill rise 50.6% in the last round of revaluations.¹³ Buffalo's in Cardiff (which had hosted Adele and Stormzy) specifically cited the spiralling costs of Business Rates as a key reason for their closure in 2019.¹⁴ This reduces opportunities for performers to play and build a profile and for music professionals to get job opportunities.

For Welsh music workers, another blow has been the failure of the UK Government to come to an agreement with the EU on frictionless cultural touring. The APPG on Music in the UK Parliament has written an extensive report on the new barriers facing music workers looking to work in the UK's largest overseas market (analysis by the Music Managers Forum found four times as many gigs by UK performers being played in the EU as the US).¹⁵ To cite one recent example, the band Ferocious Dog cancelled a recent European tour citing a "relentless rise in touring costs" resulting in two gigs in Poland alone requiring a £6,000 outlay.¹⁶ Rising inflation domestically is likely to negatively impact UK acts' willingness to tour internationally.

Specific issues include new red tape requirements like carnets and Music Instrument Certificates, visa and work permits depending on territory and form of employment as well as new haulage restrictions these combine to form a "tax on touring". The reduction of touring opportunities, rising cost of living and the closure of music spaces is creating a pincer movement where music workers are simultaneously struggling finding work in the sector while the cost of living escalates.

This will potentially lock out early career music workers who do not have the personal resources to be able to tour the EU and build the fanbase which will support a successful career. It also amplifies the long term overrepresentation of those with access to wider family support in the sector – research by UK music 17% of music creators were educated in fee paying schools as opposed to 7% of the overall population.¹⁷ This risk is especially acute for Wales where disposable household income is the second lowest of any region (only the North East of England scores lower) in 2018 according to the ONS.¹⁸

¹² <https://www.kerrang.com/the-cost-of-gigging-crisis-how-rising-prices-are-affecting-your-favourite-bands>

¹³ <https://www.ukmusic.org/research-reports/securing-our-talent-pipeline/>

¹⁴ <https://www.walesonline.co.uk/whats-on/music-nightlife-news/cardiff-bar-buffalo-close-business-15626307>

¹⁵ <https://www.ukmusic.org/research-reports/let-the-music-move-a-new-deal-for-touring/>

¹⁶ <https://www.bbc.co.uk/news/uk-england-nottinghamshire-62691136?fbclid=IwAR2NLZnej3Y0nJvjI0INiiPXmwMkMp4v5WiOXbMDRv901Q1ass0fAZeAEu8>

¹⁷ <https://www.ukmusic.org/campaigns/talentpipeline/>

¹⁸ <https://www.ons.gov.uk/visualisations/dvc1370/>

This also raises particular concern about the effect of the cost-of-living crisis on ticket sales in Wales. Lower income in Wales has historically been balanced by a lower cost of living, but with inflation set to hit 14% in Q4 2022 this is likely to have a severe impact on leisure spend.¹⁹

When combining this with business rates and the impact of the pandemic, the live sector music will continue to face enormous pressures. While there has been some recovery post-pandemic and the resilience of the sector as a whole has been weakened, with savings being wiped out and increasing levels of debt. However, the response to the crisis did set out a template for bold government-led action to preserve sections of the economy that could not function in the same way as they had before.

Solutions

We appreciate that some of the issues being faced by the UK music industry are global in their nature and that neither the UK Government nor the Welsh Government can know when some form of normality may return. It is vitally important however that the livelihood of music businesses are preserved for the future and inaction now could be disastrous.

There are deep wells of resilience in the Welsh music sector and it has produced some incredible work over the past two years. UK Music has welcomed the range of support which the Welsh and UK Governments have made available in that time including the Retail, Hospitality and Leisure Grants, Business Rate Relief, the Self-Employed Income Support Scheme and the Culture Recovery Fund which was administered by Arts Council Wales.²⁰

However, while the Welsh music sector is still here all that effort will have been for nothing if the sector is allowed to go to the wall due to the cost-of-living-crisis, and it is vital that further support is brought forward to try and take some of the pressure off music spaces and music workers.

Any solutions must be brought forward swiftly, address key pressure points, and be inclusive of all music businesses. UK Music welcomed the price guarantee on energy units for businesses matching the level for households over six months brought forward by the UK Government on 8th September 2022, but feels this is insufficient.²¹ Furthermore, it is vital that any support covers music spaces specifically beyond six months as an energy intensive sector music spaces will need support beyond the six months outlined, and should be considered for sector specific

¹⁹ <https://www.britishchambers.org.uk/news/2022/09/bcc-economic-forecast-new-pm-must-act-as-uk-economy-set-for-recession-before-year-end#:~:text=CPI%20inflation%20is%20forecast%20to,2024%20at%20the%20same%20level.>

²⁰ <https://gov.wales/eligibility-checker-120-million-omicron-business-support-package-goes-live>
<https://businesswales.gov.wales/coronavirus-advice/support/business-rates-relief>
<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

<https://arts.wales/cultural-recovery-fund-3>

²¹ <https://www.gov.uk/government/speeches/pm-liz-truss-opening-speech-on-the-energy-policy-debate>

support as is being considered for hospitality. UK Music expects to engage with the announced three-month review of the form that this could take.

UK Music would welcome the return and extension of some of the measures brought forward during the COVID-19 crisis for businesses. One area for action could be further extending the Welsh Governments Business Rate Relief for Retail, Hospitality and Leisure Businesses, which is currently a £116 million fund to provide 50% Rate Relief for qualifying businesses for 2022/23.²² This could be either extended back to a 100% rate relief for qualifying businesses to put immediate money in their pockets or extended out to 2023/24 to provide greater long-term security. This would free up cash to pay bills, invest in performances and boost chances survival in many cases. This would have to explicitly cover music studios as their inclusion has been discretionary so far.

Another point where the burden on businesses could be quickly reduced is VAT, the 20% VAT on live music sales in the UK is around triple that of many European countries (Belgium and Germany are 7% and 6% respectively) and almost double the 10.3% EU wide average. This again would place more money directly into the system as was done during the COVID-19 pandemic where VAT was slashed to 5% and then 12.5%.²³ Again, although this is a matter for UK Government it is an area the Welsh Government could look to lobby on in support of Welsh businesses.

Solutions such as these are critical to the long-term health of the music sector in Wales, but delivering them will bring a long term dividend in economic growth, wellbeing and community benefits if the music sector continues to thrive.

Conclusion

Music is vital to the economic and social wellbeing of people in Wales, it is a national asset that people are rightly proud of and should be protected.

However, music businesses and music workers are seeing the costs of staying in business spiral. Issues include rising prices, inflation, spikes in energy prices of up to 600%, the 'tax on touring' new restrictions on working in the EU have imposed as well as long term trends such as the increasing unaffordability of Business Rates for many music spaces. These are all amplified by the sectors fragility post COVID-19. These issues could see 30% of music venues lost over the winter and in the long term an insurmountable barrier placed in the way of working-class people looking to make a career in the sector, which could decimate Welsh music workers.

While accepting the sector cannot opt-out of the general cost of living crisis, it is vital that the UK and Welsh Governments address key pressure points for the sector to give it the best chance of recovery. This should include extending Business Rate Relief, taking action on energy bills and cutting VAT as soon as possible.

²² <https://businesswales.gov.wales/coronavirus-advice/support/business-rates-relief>

²³ <https://www.gov.uk/guidance/vat-reduced-rate-for-hospitality-holiday-accommodation-and-attractions#:~:text=Contents&text=As%20announced%20at%20budget%202021,2021%20to%2031%20March%202022>

UK Music welcomes the action taken so far including the Energy Price Guarantee announced on 8th September but will continue to engage with both the UK and Welsh Governments on the importance of further support for the sector.

COVID-19 showed that the desolation of the music sector would rob many people of not only employment but a part of what gives life meaning. As the American poet James Oppenheimer noted; “*it is Bread we fight for—but we fight for Roses, too.*”²⁴ UK Music would take the view that a thriving music sector in Wales can be both the bread the nation needs and the roses too.

²⁴ Oppenheim, James (December 1911). American Magazine. Colver Publishing House. p. 214.

Annex

UK Music's membership comprises: -

- The Association of Independent Music – the trade body for the independent music sector and community which make up more than a quarter of the UK's recorded music market. Representing 1000+ independent record labels and associated businesses, AIM's members range from globally recognised brands to the next generation of British music entrepreneurs.
- BPI - The British Phonographic Industry - The representative voice of the UK's recorded music sector. Their membership consists of approximately 500 music companies, ranging from hundreds of SME independent labels to the major global record companies Universal, Sony and Warner. They also organise the BRIT Awards, the Mercury Prize and administer the Music Exports Growth Scheme (MEGS).
- FAC – The Featured Artists Coalition - UK trade body representing the specific rights and interests of music artists. A not-for-profit organisation, they represent a diverse, global membership of creators at all stages of their careers and provide a strong, collective voice for artists.
- The Ivors Academy - An independent association representing professional songwriters and composers. As champions of music creators for over 70 years, the organisation works to support, protect and celebrate music creators including its internationally respected Ivors Awards.
- MMF – Music Managers Forum - representing over 1000 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 music studios, producers, engineers, mixers, remixers, programmers and mastering engineers.
- MPA - Music Publishers Association - with 260 major and independent music publishers in membership, representing close to 4,000 catalogues across all genres of music.
- Musicians' Union - Representing over 32,000 musicians from all genres, both featured and non-featured.
- PPL licenses recorded music in the UK when it is played in public or broadcast and ensures that revenue flows back to our members. These include independent and major record companies, together with performers ranging from emerging musicians to globally renowned artists. In 2021 we collected £252.8 million while also distributing money to 147,000 performers and recording rightsholders.
- PRS for Music is responsible for the collective licensing of rights in the musical works of 150,000 composers, songwriters and publishers and an international repertoire of 28 million songs.
- UK Music also has an informal association with LIVE (Live music Industry Venues & Entertainment), the voice of the UK's live music and entertainment business. LIVE members are a federation of 13 live music industry

associations representing 3,150 businesses, over 4,000 artists and 2,000 backstage workers.