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Senedd Cymru | Welsh Parliament
Pwyllgor Diwylliant, Cyfathrebu, y Gymraeg, Chwaraeon, a Chysylltiadau Rhyngwladol | Culture, Communications, Welsh Language, Sport, and International Relations Committee
Effaith costau cynyddol / Impact of increasing costs
Ymateb gan Ymddiriedolaeth Lleoliad Cerddoriaeth / Response from Music Venue Trust

9th September 2022

Music Venue Trust response to Impact of increased costs : Call for Evidence

About Music Venue Trust

Music Venue Trust is a UK registered charity which acts to protect, secure and improve the UK's grassroots music venue circuit. We provide advice to the government, the cultural sector and the music industry on issues impacting on the network of venues and are the nominated representative that speaks on behalf of the Music Venues Alliance, an association of more than 900 such venues from across the UK with 55 members based in Wales.

1. Background

A. Music Venue Trust welcomes the opportunity to comment on this consultation on increasing costs on the sector and how it impacts on Grassroots Music Venues (GMVs). We have a specific interest in this area as it impacts on GMVs that are members of our Music Venues Alliance (MVA)

B. Our focus is on the effect of the increasing costs of living on the GMV sector and the need for immediate action to halt rising costs.

C. During the last twenty years, this sector has declined substantially[1]:
   I. 144 GMVs were trading in London in 2007.
   II. Only 94 GMVs were trading in London in 2016, a reduction in trading spaces of 34.7%
   III. The 2007-2015 permanent closures of small music venues that occurred across the country resulted in:
      - Reduced access to live music experiences
      - A decrease in performance/earning opportunities for musicians
      - Decline in the number of touring dates taking place in the UK
      - Decline in the number of affordable quality live music experiences
   IV. However, current systemic challenges including rises in cost of living and its effect on both venues and their audiences threatens to plunge GMVs back into the prospect of prolonged decline.

2. What impacts has increasing costs living had on your sector so far?

[1] Music Venue Trust (2019) *DCMS Live Music Inquiry Response* http://musicvenuetrust.com/wp-content/uploads/2019/03/Digital-Culture-Media-and-Sport-Comittee-Live-Music-Ninth-Report-of-Session-2017-2019.pdf

The increasing costs of living, in particular energy prices, have already had a number of direct effects upon grassroots music venues and a wider impact upon key suppliers, stakeholders and audiences including but not limited to;

- Crippling increases to overhead costs on variable contracts
- Lack of competitive supply for new and renewed contracts,
- Suppliers declining to provide to the sector & reduction in renewable suppliers
- Reduced security to operators facing negotiating new rates who are already struggling to emerge from the effects of the pandemic.

46.9% of GMVs have less than 6 months left on existing contracts and empirical evidence from members and brokers confirms that suppliers including Opus, SSE, Scottish Power, Ecotricity, EON and EDF have refused new contracts to businesses in the hospitality sector creating a monopoly and allowing existing suppliers to offer inflated prices with a lack of options for competition. There have also been reports of suppliers declining to take on contracts already agreed to in principle leaving venues to renegotiate higher rate deals as prices increase or face out of contract rates. This coupled with a lack of direction & action during the recess and leadership election from Government has resulted in many venues accepting increases of over 500% to existing rates.

⅓ of our crisis cases in our Emergency Response Service are related to rising costs. Venues have already reduced operating hours to minimise energy usage and this is particularly harming community focussed events and use of space which provide low financial income but are of high social importance.

As per other hospitality sector businesses the repeated increase on wholesale drinks prices (on average 6-7%) as a result of inflation and energy costs has reduced margins and placed greater pressure on operators to increase prices, at a time when customers are reducing spending. This is uniquely exacerbated in our sector by the additional increase of artist & entertainment costs across the sector.

The cost of touring for artists and performers, due to the fuel cost increase of 47% in the last 12 months, is resulting in both a reduction in the number of shows being offered and higher artist fees to cover costs. GMVs find themselves in the middle of multiple supply chains, with no bargaining power, where suppliers have increased costs which cant be passed onto customers as they are unable to afford increased drink or ticket prices, have been forced into cutbacks and also have other options on social spending.

3. What impacts do you predict increasing costs will have on your organisation and sector?

Prior to the cost of living crisis the average Energy Service costs for Grassroots Music Venue Sector were

£1245 - average cost per month per venue £14,940 - annual cost per venue
£1,155,360 - average cost per month across all 928 members of the Music Venues Alliance
£13,864,320 - annual cost to the sector of energy services

Based on member feedback regarding new contract costs the expected annual cost crisis to the sector can be summarised as follows

	Current	Lowest	Highest	Average
Annual cost per venue	**£14,940**	**£38,246**	**£111,452**	**£62,150**
Average cost per month across all members	**£1,155,360**	**£2,957,722**	**£8,618,986**	**£4,806,298**
Annual Cost to the sector	**£13,864,320**	**£35,492,659**	**£103,427,827**	**£57,675,571**

£395,589,928 - Total gross turnover of the Grassroots Music Venue Sector
3.5% - current demand from this gross turnover for supply of energy services
9% - potential demand on this gross turnover resulting from lowest known offer on market
26% - potential demand on this gross turnover resulting from highest known offer on market
14.6% - potential demand on this gross turnover resulting from average offer on market

The concerns raised in section 1 are still relevant to the future, with a lack of competition in the market and unique threat over intermediary position in numerous supply chains for GMVs. GMVs are the research and development centres of the UK live music industry. They are the small business entrepreneurs of the UK music industry, taking exceptional risks with programming and support for new and emerging artists. This activity produces long-term significant economic outcomes for the wider industry and for the UK. In 2019, the UK Music Industry provided:[2]

I. Total GVA: £5.2 billion
II. Total Export Revenue: £2.7 billion
III. 190,935 FTE jobs.

Even prior to the COVID-19 crisis, the GMV sector operated with high overheads, show costs and tight margins[3]. The increasing costs associated with the energy crisis act as an added pressure and as a deterrent to any would-be venue operator wanting to open a GMV.

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[2] UK Music (2019) *Music by Numbers Report* https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf
[3] Music Venue Trust (2019) *Town Hall Presentation* - available on request

GMVs consistently exhibit negligible individual profit margins at the point of delivery, supporting the development of new artists and creation of new intellectual property assets through not-for-profit activity. This investment creates substantial value elsewhere in the wider cultural and local economy. For example, in the local economy for every £10 spent on a GMV ticket, £17 is spent elsewhere in the night time economy[4]. As noted above (section I) the work created in GMVs is the bedrock of a multi-billion pound music industry, but the GMVs which develop those artists and that IP are not partners to the profits that it generates.

4. To what extent will these impacts be irreversible (e.g. venues closing, rather than a temporary restriction in activities)?

In addition to the temporary restriction in activities, which also has a long term threat to staff retention, skill loss and artist development, the increase in overhead costs with little chance of offsetting poses an immediate threat to the ongoing operation of many grassroots music venues increasing their risk of closure in the coming 12 months.

Due to the organisational structure and lack of building ownership amongst these operators, 93% are tenants, closure will most likely result in the permanent loss of these cultural spaces amongst communities. GMV locations would be lost into retail or alternative development and as mentioned above, new operators are likely to be put off taking on sites for existing cultural uses due to high energy costs. These sites may never be replaced due to the specific location and interior layout requirements of performance spaces and the ecosystems and skill sets surrounding their survival. As a result of the pandemic and the cost of living crisis the GMV sector has lost many skilled and resourceful people in our workforce who have now left the sector for good. This has been a contributing factor to why recovery within the live music industry post pandemic has been sluggish. Reduction in activity and venue closure will continue and multiply this cycle of resource loss

5. What interventions would you like to see from the Welsh and UK Governments?

The very necessary work that the Government undertook during the Covid-19 crisis to ensure venues were able to survive, such as establishing the Culture Recovery Fund and at a local level the use of Retail, Hospitality and Leisure grants, is at risk of being seriously undermined if venues have to close as a result of rising energy prices. The measures that the Government introduced during the pandemic do not amount to a long-term commitment to Grassroots Music

[4] Mayor of London (2017) *Rescue Plan for London's Grassroots Music Venues - Progress Update* https://www.london.gov.uk/sites/default/files/rescue_plan_for_londons_grassroots_music_venues_-_progress_update_-_jan_2017.pdf

Venues. Whilst the measures announced by Westminster around a price cap of 6 months will reduce the impact in the short term without further information about the level of the cap it is difficult to calculate the long term impact. The short term nature of this cap and lack of further information about the level and about long term plans specifically for the sector means that overall security for operators is still greatly reduced and threatens operators ability to plan for the future and raises concerns around mental health well being and new businesses launching into the sector.

We would call on the following measures

- Extension of price cap beyond 6 months for the business sector
- Specific engagement with Grassroots Music Sector in addition to any engagement with hospitality sector due to extra unique pressures placed on operators
- Continuation of Business Rates Relief for all GMV operators
- Cut to the VAT rate - the UK has the highest rate of taxation on cultural provision in Europe
- Pressure on suppliers to provide competitive contracts to the sector rather than closing offerings to hospitality sector
- Targeted support to those in most need as identified by the industry through grants and funding support
- Quick uptake to Commercial Crown Services for those Not For Profit operators eligible and ongoing support

We urge the Government to heed our recommendations for bold reform as without it GMVs will be plunged into another decade of decline. These recommendations will help support GMVs to continue to act as spaces where valuable intellectual property is developed, created and showcased and help strengthen the UK's live music industry so that the unique global standing we have gained through our live music sector remains the envy of the world.