

Written evidence submitted by SSE Audio Group Ltd

Digital, Culture, Media and Sport (DCMS) Selection Committee inquiry: The future of UK music festivals

I am writing to you on behalf of SSE Audio Group, and welcome the opportunity to respond to the DCMS Select Committees' call for evidence to their enquiry into the future of UK music festivals.

About SSE Audio Group Limited

SSE is a company I founded in 1976 with my wife, and was Managing Director of until recently when I stepped down from the daily management of the business in preparation for retirement. The business was started literally "in the garage" at the age of 20 whilst we were students, and through our own endeavours and personal sacrifices built it to become the largest professional audio supplier in the UK, directly employing 200 full time staff, and with numerous awards and plaudits for the quality of the service we provide and business we have built. Two years ago we sold the company to Solotech Inc, a Canadian corporation based in Montreal that operate in the same sector as ourselves and with a large US subsidiary, who were looking to expand into Europe. SSE continues to be run in the same manner as before, with 2 of our long standing Directors being promoted to joint MD's of the business. I am retained as a part time advisor to help provide advice and guidance to the business, and we both remain closely involved.

SSE has been hiring PA systems to the UK festival market since 1979 and provides its services to the majority of the large events, such as Glastonbury, Reading, Leeds, Hyde Park, Download, Isle of Wight, Latitude etc. For these major events we have been the supplier for many many years and keep our pole position by continuous investment in the latest technology, working closely with key manufacturers as a testbed for new ideas that in due course are developed for wider market applications worldwide. I liken this to the relationship between an F1 team and its suppliers. Many of the innovations we have introduced over these 40 years are now in common use around the world. Key to our delivery is a staff of both permanent employees who run the design, testing, and logistics with a large number of highly skilled freelance staff that take the systems out and deploy them in the field. The job is much more than installing a few loudspeakers. The modern PA system is a large scale temporary computer network. Its output must be carefully mapped. The design team have to work closely with Promoters, Environmental Health officials and Audio Consultants to ensure that the coverage complies with local licensing regulations and minimises the impact of off-site noise on local residents, whilst dealing with many variables not least of which are the prevailing climatic conditions that can vary enormously day to day.

The economic and cultural contribution of the UK's festival industry

The impact of music festivals in the past 40 years has been enormous, from its infancy, where it was viewed as a subversive phenomenon, to become a mainstream part of everyday life. They are now seen as bringing important income to the local economy in the vicinity of the site, which is of particular importance in rural areas, to the extent that councils now actively encourage them for their economic benefits. Until 2020 nobody really noticed what a significant contributor it had become, employing thousands

of people from all walks of life all over the country. An entire industry has developed to deliver Festivals, which also has other benefits to outdoor events of every type – from massive sporting events like the Olympics, to local concerts and gymkhanas. Everybody has benefited from this, because the expertise and skills that have been developed make all events safer, convenient and attractive.

In May I calculated that the shows (both indoor and outdoor) we had been confirmed for prior to the onset of the pandemic, would have resulted in our firm this summer pointing our loudspeakers at a total combined audience of approximately 9.5 million people in the UK (the assumption was based upon venues operating at full capacity – which the majority of the majors do in any case). More than 35% of those people would have been at Festivals (where a 3 day festival with an audience capacity of 60,000 per day would be counted as 180,000). If you consider what the VAT take on those ticket sales alone would be, and the peripheral income to businesses that service these customers – from hotels to mobile caterers, you start to appreciate the huge amount contributed into the economy in general.

The cultural contribution depends, to some extent, on your point of view. But the very fact that so many tickets are being sold to these events means that their popularity is without question. Festivals and music events also generate considerable foreign income from visitors who travel to the UK to attend them. Conversely the technical production companies supply services all over Europe (we send audio systems abroad to many festivals every summer) which generates important foreign income to companies like ourselves.

The impact of cancellations on local economies and those who derive income from festivals during 2020

These events bring a substantial economic benefit to a festival's hinterland, and thus some inconvenience is generally tolerated by local government for the overall benefit the event brings to the local economy. Festivals named after their location also bring name recognition to a place on a worldwide basis, and thus are a huge marketing opportunity. The importance of this benefit has been slowly and steadily perceived as the market has grown. This year's downturn has brought the loss of local income to non-music industry suppliers into sharp focus, with hoteliers, bus companies, camping equipment retailers, shops, supermarkets, etc etc, able to measure the economic impact in a unique way – and who have been vocal on local media about the negative economic impact on their businesses, perhaps in a way that had not been understood or appreciated previously.

The effects of Covid 19 on our business has been disastrous, we have lost 100% of our income from this sector, a major part of our overall revenue. In 2019 our income from Live Productions for April to September – which includes most of the major UK festivals, was £12.5 million. For the same period this year £365,000 has been generated mainly through services like live streaming of a performance representing just 2.9% of last years turnover. Keep in mind that we expected our gross revenue for the sector to increase by at least 10% this year based on confirmed bookings. In consequence of this, as we fight for economic survival we have thus far made 75 of our full time staff redundant. The Furlough scheme has been enormously beneficial, but its reinstatement came too late in the day to save those jobs, and we are still liable for all our overhead costs, which are substantial as we are operating from four warehouses around the UK with a combined space of over 100,000sq feet. In 2019 "core overheads" amounted to 3.65% of our total income from all disciplines. This year, despite cutting everything deemed non-essential, they represent 36.5% of our gross income (which includes our sales and installations division). Our pool of highly skilled freelance staff have also been

severely hit. Payments to freelance subcontractors for April September 2019 were some £2.9million, compared to just £148,000 this year.

We applied for the Cultural Recovery Fund but were unsuccessful. To date the only financial assistance we have had has been the Furlough monies. Staff at all levels have had pay reductions, with senior managers only getting 60% of salary. If we don't see a return to 'normal' business levels next summer the business will no longer be sustainable because by the spring we forecast we will have exhausted our reserves. It is naïve to think that if we fail other companies will step in and fill the vacuum. Our competitors are all in the same position as ourselves, at whatever market level they operate at. UK Music has recently published data suggesting that the Live sector grew by 17% last summer, and it is a fact that all companies were stretched to meet this growth in demand. Because of its seasonality this period of high demand takes place in a short period of time, so suppliers were previously only able to finance growth at a steady incremental rate year on year. It remains to be seen what appetite financiers have to give new loans to firms looking to increase their rental stocks next year when their balance sheets have all been decimated.

The risks to festivals taking place in 2021 and beyond, and how can these be mitigated.

With a vaccine now within sight we can have hope for 2021. Widespread vaccinations plus test and trace are key to large gatherings resuming. However, whilst this is looking increasingly likely to be in place by June, the decision-making and planning for these events to go ahead takes place in January, so time is of the essence. The costs to promote and sell tickets, book artistes, sites and material are substantial, and Promoters, who have already been hard hit, are wary of the financial commitment needed to instigate this without clarity that the costs can be covered. The concern is that if the event fails to proceed – for example if a new outbreak of Covid occurs, then they will have lost substantial sums for the second year running. It is thus essential that a government backed insurance scheme is put in place – similar to that recently set up for Film Production. It is equally essential that the scheme provides for the support of the supply companies like ourselves in such a situation and does not just depend of the largesse of the Promoter.

The measures needed for audiences to attend festivals without social distancing, and how realistic are they.

Social distancing at festivals is simply not possible or practical. No matter how effective the site management, with any large crowd of people bottlenecks will build up at key access points. Bars, eateries, toilet and washing facilities, would all have to be many times the current size. The performance arena would either have to be much larger – not possible for most established sites, or the audience size substantially reduced. A reduction in capacity would make most events commercially unviable – most of festivals rely on at least 80% of sales to break even. A reduction in guaranteed audience size would also pro-rata reduce the monies paid by the concession vendors, which for most events is a crucial contributor to the economic model, whilst the infrastructure costs from fences to temporary roadways to power generation all remain in full.

The impact of the temporary VAT cut and Culture Recovery Fund on festivals and their supply chains, and what else can the Government do to secure their futures?

I am not qualified to comment on the VAT impact since it has had no effect on the supply side. Ticket prices do not appear to have been reduced, so it is basically a financial support for the Promoters but does not impact on the supply chain. The CFR has assisted some Festival organisations to ensure their survival – mainly the smaller niche “boutique” events. For the supply chain it has done very little, (total awards to the entire supply sector as a whole were less than £15m) but the few companies that have been awarded grants have been given an unfair commercial advantage which it seems very hard to justify. The remedy would be to provide additional grant funding to supply companies that did not receive CFR funding that would contribute towards their overheads and fixed costs. The “#We Make Events” group representing companies across the whole supply sector has recently published an ‘Events Industry Survival Plan’ following extensive consultation and discussion which examined the needs and issues facing supply companies until “normal” business is restored, and this would be an excellent reference document.

How has the structure of the UK festivals market evolved over recent years, and what has this meant for consumers, artists and the wider industry? What further changes might be anticipated?

As the Festival market has grown and matured, so the nature of the organisers has changed. In their original form these events were organised by entrepreneur individuals looking at the event in hand only, with little consideration for any subsequent event. The events / promoters who prospered were gradually acquired and became part of large multi-national organisations. All of the larger events are now managed by a small number of large companies (with the notable exception of Glastonbury which is a unique phenomenon and unlikely to be repeated) employing an experienced management team of seasoned professionals who are experts in this field.

Whilst some artists and consumers decry the involvement of “Big Business” in these events I consider that the overall influence has been very positive for a number of reasons. The large organisations take a long term view and want to see the festival site used year after year. They are prepared to invest in a site / location which may not even be profitable in the first year due to the start-up costs, but are keen to build the event into a brand name. To achieve this they need to have good relations with local councils and populations, and thus have a vested interest in achieving a good relationship. The local council ultimately controls whether an event will go ahead, so their power is considerable. Promoters do everything in their power to ensure licensing conditions are adhered to – something we have first-hand experience of with regard to noise controls and curfews. Using the same site year on year makes investment in permanent infrastructure more viable. It also enables data amassed from one year – including traffic flows, off-site noise monitoring, local weather conditions and so on, to be interpreted and influence decisions to improve site design and management for the next year. This has long term benefits for festival users, and locals alike.

What support do festivals need to reduce their environmental impact and tackle the dangers of illegal drug use?

This is a question that should be directed at Festival Promotors and local Councils. The suppliers can exert little impact unless the initiative is led by the organisers. In recent years there has been a growing interest in festival sustainability and reducing environmental impact, instigated by the festivals themselves. Again, this comes back to sites which are used year on year and where there is a long term partnership between the site and the local councils.

The issue of illegal drug use at these events has raged since they first were staged. In simple terms as someone attending these events for over 40 years I don't consider it to be a key issue. Drugs have been a part of the landscape for many years and are a part of everyday life, for a period in time at least, for much of the population. Frankly I have witnessed more problems arising from excessive alcohol consumption than illegal drug use at festivals over the years. The key to the issue of illegal drugs is better education led by informed persons. Clearly there are potential dangers for users, which has a lot to do with the fact that illegal drugs have no quality control or health warnings. The issue is much wider than my understanding of the core brief this committee is examining, and worthy of a committee investigation of its own into illegal drugs and society.

John Penn

For and on behalf of SSE Audio Group Limited. 7/12/2020