

FACILITIES HOUSE PROPOSAL

for

GLASGOW ACTION

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PART ONE: THE BUSINESS CONTEXT

INTRODUCTION

This is, in summary, an investment proposal for the formation of Glasgow's first Music Production Facilities House. The concept of a production house is distinct from that of a recording studio or record label. In simple terms it can be described as a "total facility", offering everything from recording studios, rehearsal suites and programming rooms to training and musical advice, a skill agency and a performing area, to the necessary infrastructure in the way of professional legal and managerial expertise. It would house a production label and publishing company, properly set up to control the ownership and license of musical rights, as well as the necessary administration and office space, some of which could easily be sublet to smaller directly related companies. It would act as a centre for activity and exchange of ideas and the potential for growth would stem from the fact that so many individuals with common interests would be conducting their business from under one roof, generating the symbiosis necessary for a creative environment.

The proposal follows from the work done in two previous studies commissioned by Glasgow Action to examine the potential for the development of music facilities in Glasgow.¹ As these studies provided systematic evidence of the presence of and need for musical resources in Scotland we have not attempted to replicate their research here. Our task has been, rather, to work out how these needs can best be met, with maximum benefit to Scotland's economy, culture and music.

The previous studies were asked to consider the possibilities of music business investment in Scotland. One proposal explored was a new state-of-the-art recording studio in Glasgow, as both a resource for use by local musicians (so that they would no longer be obliged to travel south to record) and as competition for national and international business. The conclusions, with which we agree, were, in general, that to develop a commercial studio, as such, would not be a sensible investment. What was needed rather was a 'music factory' or 'pop centre' or, in our terms, a 'facilities house' of which a recording studio would be a crucial but only partial element.

This paper is written to explain the thinking behind this concept and to provide a detailed business plan for a Glasgow Music Production Facilities House, hereafter called the House.

It was put together by Clark Sorley of Sirocco Studios with research assistance from Professor Simon Frith (Director - John Logie Baird Centre) and financial guidance from Mervyn Lovat C.A. We would also like to acknowledge the enthusiasm and perseverance of David McDonald (of Glasgow Action) for allowing us to do what we like doing anyway - discussing and speculating on the future of music. We would also like to thank the many individuals who have keenly given their tuppence worth to the research for the project - we are happy to say that nearly everyone consulted thought that a music house was a great idea!

¹ Iwan Williams: Developing the Popular Music Business in Scotland. August 1985: Peat, Marwick, Mitchell and Co.: The Feasibility of an Industry Standard Recording Studio in Glasgow March 1986.

What follows is organised in two parts. Part 1. The Business Context provides a summary account of the music business, paying particular attention to the way in which music properties, songs and recordings, generate income, before explaining the concept of the House itself in both commercial and artistic terms. Part 2, The Business Plan contains the detailed investment proposal for the creation of the House in Glasgow.

A. BACKGROUND

1. THE PECULIARITIES OF MUSIC

The composer Constant Lambert once referred to "the appalling popularity of music," alluding presumably to people's urge to fill silence with sound, to use music to define themselves, their lives, their communities. We certainly take it for granted now, in the 1980s, that music is everywhere, that we either create our own mobile soundscapes (in the car or on the Walkman) or have to move through other people's (in shopping centres, cafes, offices).

Because popular music is ubiquitous - we can't avoid it even if we want to - it is accepted as public property, as somehow belonging to the nation or the community. In high art terms composers and performers are regarded as the vehicles for the expression of something transcendent. In fact, of course, the music that reaches us as somehow 'ours' is the result of musicians' skills, ideas and energy, made available through a complex industrial process; it is the 'property' of its creators and publishers.

This sense that music, like other art forms, is the property of both its authors and its audience, that individual creativity is a uniquely public good, has underpinned the economic organisation of musical production since the end of the eighteenth century. The problem is, on the one hand, to ensure creativity and invention are developed for the good of the community, that works of art and music become as widely available as possible. On the other hand, it is equally important that writers and composers benefit from their work, that their rewards are sufficient to keep them working. The solution to this dilemma - how to make a private gift publicly available - is the copyright system. A piece of music remains the property of its creator but the public has the right to use it - such use is 'licensed' by the composer; it has to be paid for.

2. THE ROCK ERA

Over the last thirty to forty years the most visibly profitable use of music has been on records sold to an essentially youthful market. The rock era depended on a number of factors:

- the emergence in the post-war period of a generation of young people who, for the first time in British history, had a disposable income of their own;
- the success of the Beatles in returning Afro-American music to the USA, thus establishing Britain as a major source of international pop talent and multinational record company investment;
- technological innovations, most significantly the development of magnetic tape recording, which shifted the creative centre of popular music from the stage to the studio;
- the rise of cross-national music media, most obviously radio and television, which expanded the sales potential of a popular record from international to global dimensions.

This was the setting in which we got accustomed to rock wealth and excess, to multi-millionaire pop stars like Paul McCartney and Michael Jackson, to ever more ambitious rock entrepreneurs like Richard Branson, to phenomenal rags-to-riches stories like that, most recently, of the producers Stock, Aitken and Waterman. But it was also the setting for dreams and ambitions at a much lowlier level. Rock music making became a resource for young British people, an activity that, it seemed, anyone could do, from which anyone could, with some breaks, become rich. And since the punk challenge to the established rock business in the late 1970s, 'do-it-yourself' success has also become a reality for any number of 'independent' record labels, recording studios and production companies.

Even now, twenty years after the Beatles, British pop music dominates the world. 25-30% of music sales in the USA and 35% of music sales in Europe and Japan are generated by British artists. If our own market gets steadily less significant in quantitative terms (UK sales figures alone are no longer sufficient to support the average production and promotion costs of an LP), qualitatively it is the most important of all - what happens in Britain in terms of both pop production and consumption still determines basic sales strategies and patterns everywhere else.

3. NEW DEVELOPMENTS

We have, however, described the rock era in the past tense because there are reasons to believe that the basic organisation of the music industry is now changing and that some of the commonsense assumptions about how to make money out of music no longer hold.

Firstly, after thirty years, the music business, once regarded as maverick, risky and even on occasion, corrupt in its practices (from the use of drugs to payola) has, inevitably, matured, and now depends on corporate practices much like those of any other business. More specifically the rock industry is now clearly integrated with other media - television, cinema, advertising - that at one time it seemed to oppose or, at least, ignore.

Secondly, the combined effects of demographic shifts (the relative decline of the teenage market) and technological change (the rise of the audio and visual cassette recorder, the development of compact discs) have, to some extent, turned the industry's attention away from its traditional youth market to the more problematic tastes of adults. What became obvious in a spate of conference and trade paper debates in 1988 was that selling singles to teenagers can no longer be the central concern of the music business - such promotion (long a marginal activity in profit terms) no longer translates properly into album selling and career building.

This is the context - the rising demand for music by television, film and advertising companies, the declining significance of young record buyers - in which the music business is increasingly focussing on the general exploitation of music rights rather than on the particular problems of record selling. We can best explain this by returning to the starting point of the industry - the copyright system.

4. THE MUSICAL PROPERTY

The music industry is built on the income that can be realised from the ownership of musical property, and the basic musical property remains today what it has always been, the piece of music itself (called as a matter of convenience, whether or not it has lyrics, the song). Over the last hundred years technology has changed the ways in which songs can be made publicly available (how music is stored, in what form it is sold) but as the pop commodity has shifted from sheet music to gramophone record to cassette to compact disc (and now doubtless, to floppy digital computer disc), the underlying principle of the music business has not altered: what matters is not how music is 'carried' to the public but who owns the rights to that music in the first place.

As we have already mentioned, under Western copyright law, owners of artistic properties like songs realise an income from them by retaining legal control of their use and thus charging a license fee. The possibilities of a musical income thus depend on the possibilities of music itself as a form of public and private entertainment (possibilities which are, of course, also changed by technology). Most people still think of the music industry as the record industry, but in day-to-day terms the sale of records in shops to individual members of the public is probably the least obvious use of songs. They come into our lives, rather, from radio and television, on the soundtracks of films and commercials, as the background for shopping, drinking and working, as the entertainment offered by clubs and concert halls and discos. And all these uses must be paid for.

One complication in the distribution of the resulting income (which is, therefore, additional to that realised from record sales themselves) is that two forms of musical rights fee are usually involved. First, every use of a song must be licensed by its performing rights owners (its composers and publishers); second, all uses of a song except live performance (with or without sheet music) involve uses of recorded versions of songs in which composers and publishers have mechanical rights. (There are also in Britain, though not in the USA, rights owned by record companies in the use of records as records - 'Phonographic Performance' has to be paid for too: the most significant part of this income comes from radio - hence, for example, the various 'needletime' agreements which control broadcasters' use of recordings: PPL gets about £9m a year from these.)

Copyright law rests on the legal principle that the creator of a work of art (in this case the author of the song rather than its performer, though these are often the same person) is its owner, but in order for such ownership to mean anything financially the song must be made publicly available, must be published, and so, in practice, the music industry depends on the contract made between composers and publishers - the former provide material to the publisher in return for a royalty, a negotiated percentage of the income the publishers can realise from it. Copyright thus becomes effectively controlled by the publisher - the music publisher in the case of a song, the record company in the case of a record.

We will return to the details of the standard recording contract shortly, but there is a final general point to make about rights income here. Because of the sheer range and variety of the uses of music not even large record companies or music publishers can afford the resources or time to license each user or collect every due payment. This task is thus entrusted to collecting agencies - the Performing Rights Society (PRS) and the Mechanical Copyright Protection Society (MCPS) (both set up and owned by an alliance of music publishers) and Phonographic Performance Limited (set up by the record companies). In 1987, for example, PRS collected £95m for its copyright holders (a third of this income coming from overseas) who are the music publishers who pass on, in turn, a percentage (40%-60%, depending on the contract) to the songs' composers and writers. Non-membership of these organisations makes it very difficult for composers or publishers to receive all the income due to them.

Contracts

We have already explained that the contract between artist/songwriter and record company/publisher lies at the heart of its music industry and here we want to explain in detail what this involves. We'll take the example of the exclusive recording agreement, the ultimate aim of most young musicians, though, in practice, the publishing contract may be a more significant source of income for songwriters. The general principles of the contract are, then:

(a) Product Commitment/Term Agreement

The artist will be required to sign a Contract that provides for the recording during an initial period such as one year, of a minimum commitment of a recorded product, for example, one long playing album containing ten master recordings. The Agreement will provide that the Record Company will have multiple, successive options that it may exercise in its discretion to cause the Artist to record additional products. Each option will call for a limited amount of product such as an additional long playing album during each option period. The use of options reduces the risk to the Record Company so that it commits to no more than the first period's product commitment whilst ensuring it can call for a stream of product commitment if the Artist is successful. As the Record Company can potentially have a long term successful relationship with an Artist they will be prepared to promote and market the first period's recordings, sometimes on a loss-making basis in order to establish the Artist. The Record Company would hope that the long term benefits will far outweigh the losses incurred by it on the early product commitment.

b) Exclusivity

The artist will be required to be an exclusive recording Artist in the Record Industry, usually for the World, although in some instances it is possible to enter into agreements on a Territory by Territory basis. As a result the Artists will not be able to perform on Phonograph Records (as defined in the Agreement, and which might cover long and short form films with a musical content) during the term of the Agreement for any other Record Company or third party and all recordings made by the Artist during the period of the Agreement would belong to the Record Company.

(c) Advances

Record Companies pay advances for the purposes of compensating the Artist, and for the purpose of recording and producing master recordings for exploitation. Both these forms of advance are recouped by the Record Company directly from the Artist's net record royalties that is to say, from the royalties that would otherwise be payable to the Artist as a result of the sale of the Artist's long playing and single recordings. This recoupment is usually on a fully cross collateralised basis across all the master recordings that the Artist may be asked to record under the Agreement.

(d) Royalties

The Record Company will pay royalties to the Recording Artist based on record sales. Royalties are calculated either on a notional/suggested retail list price of records sold or on the dealer/wholesale price. If the Artist achieves sufficient sales he/she will then repay the recording costs to the Record Company out of his/her royalty earnings. The Recording Company will be required to bear its costs of manufacturing, advertising and promotional expenses and its own administrative overheads. These Record Company costs are not recoupable against the Artist. However, there are certain promotional expenses which may be wholly or partially recoupable from record royalties. A good example of this is the cost of producing promotional videos, or, in the United States, the cost of the independent record promotion.

(e) Mechanical Licenses

In addition to paying record royalties to Artists, Record Companies are also required to pay "Mechanical Licenses" in respect of the underlying musical composition embodied in the record. The Record Company will pay a royalty to the copyright owner of the underlying musical composition for each record made and distributed embodying such composition. For those Artists who write and record their own material this is the second major source of income from the exploitation of recordings.

(f) Accounting

It is customary in the recording industry for Record Companies to account to their Artist (pay any sums due) semi-annually within ninety (90) days after recoupment of any personal advances or recording costs. How and when an Artist gets paid are fundamentally important, as is the ability to check on the accounting and payments made. As full a right of audit as possible is what every Artist would wish to achieve though the Record Companies will try and limit the period during which any objections may be raised and the materials opened for inspection.

There is no such thing as a standard or normal recording Agreement or standard or normal terms. However, there are certain basic principles which have developed over the years and which remain in place. A new recording artist (who has not any previous albums) on a major record label can expect to receive a royalty of between 8% and 12% calculated on the suggested or notional retail list price of that recording. The artist will, today, be responsible for paying royalties to the record producer, which will usually be between 2% and 4% also based on the retail list price. An artist signing to a smaller or independent record label may expect a lower threshold of

royalties - 5% rising to 12%. Their obligation to pay a producer is open to negotiation. With respect to advances, there are two methods for a record company to operate: first, the payment of an advance and recoupable recording costs as separate amounts; second, the 'recording fund', where the artist is provided with an overall inclusive sum for each album. In the second instance the artist will pay from the fund all recording costs to produce masters acceptable to the record company (which will include advances payable to the producer); and the artist will retain any portion of the fund left over. However, the record company will usually keep a control of the fund and will pay out the recording studios, session fees, etc against invoices.

(g) Controlled Compositions

This relates to the mechanical licenses discussed above for musical compositions written or controlled by the Artist (hence "controlled compositions"). The Agreement will provide that whenever such a composition is embodied in a recording the Artist will ensure that the Record Company obtains a mechanical license to mechanically reproduce such a composition. The fee or rate payable pursuant to such clauses is currently governed by statute in the major territories (a compulsory license), however, the Record Company will usually seek to pay a reduced fee or rate. In the USA, for example, the Record Company usually pays three quarters of the compulsory rate set down by the US Copyright Act. It is important to negotiate the best possible arrangement with respect to mechanical licence fees as it is a major source of income which should be kept separate from recording income and not subject of any cross-collateralised recoupment pursuant to the recording Agreement. The Artist's publisher will usually administer the collection of these monies and will account to the Artist.

(h) Promotional Videos

In some markets promotional videos have overtaken touring as the principle form of promotion. The issues that are usually discussed concerning promotional videos are whether the Record Company will commit to such videos, how they are exploited, how the income will be divided, and how the cost of the production of such promotional videos will be recouped from the Artist. It is also important to many Artists that they retain a level of artistic and creative control over the content of the videos.

(i) Other Media

Although the recording Agreement is designed to provide a basis for the relationship between the Artist and the Recording Company regarding the sale of Phonograph Records, there is a trend by Record Companies to limit and restrict an Artist's recording services in connection with motion pictures, television, etc. Phonograph Records are usually defined as sound alone or "accompanied by visual images". Therefore, video cassettes and video discs fall within the definition of Phonograph Record and consequently within the exclusive rights of the Record Company.

(j) Merchandising Rights

It is common for a Record Company to ask for an interest in merchandising featuring the Artist's name and likeness. It is important for the Artist to try and exclude such rights although a Record Company may argue that they have been responsible for promoting the name and likeness and should benefit from any

merchandising exploitation as a result.

The matters discussed above and how they are applied in any circumstances will depend on the position of the parties. There will be many other issues of a minor commercial nature and of an artistic control nature which will appear in recording Agreements with varying degrees of importance and for particular artists. It is common for parties to agree on the major points and thereafter for there to be many weeks of negotiations as there are so many complex matters that still require to be sorted out. It is important to bear in mind that certain terms of a recording Agreement may be improved upon later through renegotiation. This is usually only the case where the artist is successful.

5. MUSIC BUSINESSES

One difficulty in explaining the music industry to outsiders is that its biggest operators are still referred to as record companies even though their interests these days go far beyond the manufacture and distribution of records. Companies or activities which appear separate (recording/publishing, for example) often turn out to be different elements of the same organisation: "record" companies nowadays, to give a different example, take it for granted that they will also have "visual exploitation" (i.e. film/TV production) departments. In general terms we can say, though, that the industry is increasingly divided into two types of organization:

a) major companies, built up through a process of "vertical integration" (taking over smaller companies involved in all aspects of musical production, from studios and musical instrument manufacturers to compact disc box makers) and "horizontal integration" (absorption of rival companies - these days this often means setting up new "independent" labels in conjunction with existing smaller labels). These companies thus have an interest in every aspect of musical exploitation and are themselves usually a division of even larger leisure and entertainment concerns. At present there are five multinational companies that dominate the world production of popular music - Sony-CBS (Japanese), the Bertelsmann Group (BMG) which owns RCA Records and Arista Records among others (German), Thorn-EMI (which owns the major US publishing company, SBK Entertainment World) (British), Polygram (Dutch-German) and WEA (which owns Chappells, Britains's largest music publishing company) (American).

There are also a small number of national majors (Virgin, Chrysalis and Island in Britain, Geffen in the USA) which have numerous other media interests.

b) specialist companies which survive, in large part, by supplying their specialist services to the majors. These include the so-called 'independent' record labels but we are also using the term to cover the providers of numerous other sorts of service. These can best be described in terms of the variety of roles that are involved in the provision of music to the public.

6. THE VARIOUS ROLES

a) The Record Company

The record company is primarily responsible for all aspects of producing music on record. These are finding new talent, recording master tapes, manufacturing and distributing the records, tapes, compact discs and videos, sales, marketing and all other promotional initiatives.

A record company is basically an office with people and a telephone. A small company rarely owns a recording studio or record manufacturing plant, and may sub-contract most of its production activities to smaller outside companies, who are more specialist in a particular area.

They could rightly be described as music commissioning or co-ordinating companies but for the purposes of convention they retain their age-old title. The record company product is a mechanical reproduction of the original master recording (i.e. LP, single, CD, cassette etc).

(b) The Publishing Company

Publishers are responsible for controlling the rights and ownership of musical compositions. They were traditionally responsible for the distribution on paper of a composer's work in appropriate musical notation but with the development of sophisticated recording and reproducing processes their initiating role has diminished, such that they are often referred to as 'just like a bank' - the money comes in without their apparently having to do much! They collect, hold and distribute the proceeds from royalties due to songwriters and composers from broadcasting, public performance etc. The publishers' product is the song or musical composition.

(c) The Production Company

This is another vague term which can mean just about anything you like! Generally speaking, though, this type of company specialises in the production and recording of music for final presentation to the record company for a specified fee, a royalty or both. The production company might retain ownership of the original master recording, granting a license to the distributor for a set period having negotiated directly with the artists involved, or, alternatively, they might be commissioned by the record company itself to provide a recording for one of its own artists.

The production company's product is the original master recording. A typical example of one such successful company is P.W.L. Ltd, whose producers, Stock Aitken and Waterman, are responsible for the current success of stars like Rick Astley, Kylie Minogue, Bananarama and Samantha Fox. P.W.L., like most successful production companies, own their own studios and publishing company and do, on occasion, issue records on their own label.

(d) The Producer

This is the "freelance" individual version of the production company. Normally commissioned directly by the record company, their prime function is to preside over recording sessions,

successfully directing the artist, musicians, technicians etc towards a satisfactory completed master recording in return for a fee, royalty or both.

These people command enormous respect (and fees) with the ever-increasing role that is played by technology in music production, and it is usually expected that the producer's abilities and experience are extensive. They are often individuals who have a musical background, a reasonable technical understanding and other attributes which include musical arranging, writing and composing and performing, along with a general capacity to get along with others, a necessity in dealing with the often uneven temperament of artists. Unfortunately producers are often victims of "flavour of the month" attitudes, although a talented producer whose recordings continue to sell can probably look forward to more successful years within the industry than the average artist.

(e) The Engineer

The recording engineer is often a well respected but sometimes not so well rewarded individual. The engineer's role is much more low profile than the producer's or artist's but in everyway crucial. Their fundamental job is to preside over the operational aspects of the recording equipment and sound balancing but depending on their abilities, aspirations and circumstances they often do much more than that, sometimes co-producing with the appointed producer, and taking sound and musical decisions based on artistic choice. This has led to an unclear distinction between these two roles and on many occasions hostility has developed due to the fact that engineers are generally less well paid and seldom receive royalties. Cases of the engineer who produces and engineers better than the producer are common cause for complaint. These days one person is often found to be doing both jobs simultaneously which partly reflects a routine career move from engineer to producer and partly the enhanced importance given to the engineer by the 'remix' - digital technology means that the final mix, rather than the recording process itself, is now the most important studio stage.

Latter day engineers wore white coats and handled soldering irons as it was assumed that those who built the equipment would be best qualified to operate it, hence the term 'engineer' which has stuck. They would be more aptly described as operators or sound balancers.

(f) Artists

Broadly speaking this is the face, the voice, the sound, the body or the image that sells the product. Many artists have very short careers and contrary to popular belief few of them accumulate wealth that they could call their own, living for the duration of their career on record company loans that even with several successful records they never pay back. They are largely exploited by the industry for a brief stint in the public eye and the distant promise of fame and fortune, and the harsh realities of music business finance are obscured by vanity, blind ambition or inflated egos. Neither they, their record companies nor their management, seem in too much of a hurry to break down the illusions. Recent years however have seen an improvement in the artist's lot with increased legal awareness and the industry's gradual maturity making for fairer contracts.

The more musical talent the better the chance of success, but talent itself falls far short of a guarantee (or, rather, it remains unclear in pop and rock practice what 'talent' describes). Determination, strong ambition and extremely hard work are required. Very successful artists are indeed among the most wealthy people in the world.

(g) Writers

Meaning songwriters or composers, they were much sought after in the early days of pop when this was looked upon as a very specialised craft. When a new artist was signed to a record company, one of the first tasks on hand was to find songs and songwriters that were suitable. That the artists themselves should compose their own material was uncommon until the time of The Beatles, who sung, performed and played as well as wrote their own material.

Today the picture is different: nearly everyone writes their own songs. Groups who do not are looked down on as being in some way non-creative. All this has resulted in the original art form of the composer/songwriter becoming rather watered down.

The writer's product is the song or composition and income is realised through royalties from record production, broadcasting and often public performance. Commercially successful songs can create enormous wealth for the writer which also helps to explain the interest of all kinds of people in song writing, safe in the knowledge that a bad song can sell as well as a good one!

h) Programmers

The programmer is a relative newcomer to the music industry, brought in by the use of the silicon chip in record production. Most of modern day popular music is performed by computers and it is now possible for a single producer to manipulate technology such as to provide a sound texture that would previously have required the considerable expertise of a score of individuals. The role of the programmer has evolved to perform the tedious tasks associated with instructing the computer to control the various electronic sound sources that have been selected (this can be anything from strings, brass, percussion to the unimaginable and the unintelligible). These people are usually musicians, probably piano and keyboard players who might also own programming equipment as it is relatively cheap to buy. Thus hire themselves out together with the gear for a fee or an hourly rate. Royalty payments are never given for programming work alone.

(i) Musical Directors, Arrangers and Session Musicians

To a large extent the roles performed by these people have been rather obscured by changes in production procedure. This is not to say that the processes are redundant, but that they have been absorbed into other techniques such as producing, engineering and programming. Conventionally an arranger's job was to take the original composition supplied by the writer and provide a score divided up into individual parts, allocated according to the requirements of the artist or commissioning company, and to present this to the musical director in order that the relevant recording or broadcast could be carried out quickly and efficiently. Session musicians would be hired and expected to

arrive at the studio adequately equipped, on time and able to read musical notation. Such musicians were never invited to voice their opinions, just to "play as written".

They would tend to be accomplished and experienced players who were therefore very directable, i.e. if they were asked to do a particular thing, they would supply. This contrasts with pop musicians who tend, on the whole, to be able to do well one particular thing and who are, therefore, considerably less flexible. Traditional recording sessions were highly disciplined and very productive but perhaps left something to be desired in the way of creativity or originality, as the producers were merely taking conventional styles and recreating them to cater for the tastes of middle-of-the-road listening audiences. These procedures still exist in, for example, broadcasting, but have been largely surpassed in the studio by the modern style of technology-dominated "trial and error" methods, where preparation is often minimal and demarcation lines are non-existent. Consequently, session musicians are finding work increasingly hard to come by without diversifying their talents into other areas (such as computer programming), but from their skills, techniques and experience younger producers and artists still have much to learn.

(j) Management

Good management in the business still remains the most elusive factor of all. Those with artistic skills do not want to do it and those with management skills are doing it in other industries that are more secure, sensible and less speculative than music.

The history of pop is scattered with stories of bad advice and rip-off deals resulting in long drawn out legal cases after which those involved are left wondering if it was worth the bother. Perhaps it is safe to say that to be successful in entertainment management you have to be tough, a bit odd, possibly extremely 'dodgy', and certainly damned lucky. Or you might just happen to be the artist's father which is unsurprisingly often the case.

There are few opportunities for people to train in management as the techniques are regarded as difficult to teach given the peculiar nature of the industry and the "hand to mouth" way in which business is done. So there continues to remain a void in one of the most crucially important areas of the business - young bands will always find it easier to find a good drummer than a good manager.

The record industry emphasis on 'learning by doing' is, though, slowly being changed by the industry's greater professionalism, and there is, thus, an increasing awareness of the need for music management training.

Managers' product is their experience and they generate income (typically 20% and rising of an artist's income) even if for them too that is really only a loan from the record company.

7. CONCLUSIONS: A MUSIC BUSINESS FOR SCOTLAND?

The above guide to the music industry roles and practices is designed to serve as a context for what follows: a case for establishing a music facilities house in Glasgow. It is generally agreed (this was the conclusion, for example, of the Glasgow Action research cited earlier) that while Scotland produces an abundance of musical talent - writers, performers, instrumentalists, etc - a relatively small amount of the income it generates returns to Scotland. Scottish musicians, it is said, are obliged to move south to realise their talent.

One explanation of this is that Scotland lacks the necessary facilities but while this is clearly true, we believe that previous such arguments were unduly narrow in their conception of the facilities needed, tending to focus either on recording facilities (with which Scotland is relatively well equipped - Scottish bands such as Wet Wet Wet and Hue and Cry have been able to lay down at least their initial tracks here, the basic instrumental and vocal lines that are then worked on in better equipped international mixing studios elsewhere) or on record companies as such. It is clear that in the existing organisation of the business there is no point in attempting to compete with the majors as no small label could have their production, promotion and distribution clout. In the new pop world of multimedia, multinational music sales it is much more commercially sensible for local producers to service the majors, to provide them - for a royalty share - with the music that the large companies are better able to exploit.

What is missing, then, are the facilities which would enable Scottish musicians and companies to enter the music business on their own terms - managerial, legal, accountancy services, rehearsal and promotional resources, the opportunities for talent development before a major label contract. Above all what seems clear to us is that in straight financial terms what Scotland needs is a way of retaining the ownership of musical rights and properties. In this way, Scottish songs and stars would still be marketed by the major record companies - the necessary worldwide success would not be possible otherwise - but there would be a fair return on this to Scottish musicians themselves, and to the Scottish businesses that would have nurtured them. Hence the suggestions that follow.

B. A MUSIC PRODUCTION FACILITIES HOUSE

Following the recent sales success of Scottish artists and the resulting discussion (particularly in Glasgow) about how to best build on it, people both inside and outside the industry have begun to call for the creation of some kind of "pop centre" or "music factory" to harness Scottish talent for Scotland (the most public example of such a call is Tennents Caledonian Breweries' million pound sponsorship plan).

As there is no precedent for such an idea, there has been a fair degree of speculation (and disagreement) on everything from its form to its title. For the purposes of avoiding confusion we will refer to the idea from here on as a "production facilities house".

1. THE CONCEPT

To repeat our initial summary: the concept of a music production facilities house is distinct from that of a recording studio or record label. In simple terms it can be described as a "total facility", offering everything from recording studios, rehearsal suites and programming rooms to training and musical advice, a skill agency and a performing area, to the necessary infrastructure in the way of professional legal and managerial expertise. It would house a production label and publishing company, properly set up to control the ownership and license of musical rights as previously described, as well as the necessary administration and office space, some of which could easily be sublet to smaller directly related companies. We thus envision the house to include the following elements:

a) Production Philosophy

Central to the financial viability of the project would be income from its publishing and production contracts with musicians and licencing deals with record companies, from its ownership of production and publishing rights and advances against royalties based on sales. Although this would constitute the major part of the revenue, useful income, especially in the initial stages would also come from the direct rental of facilities and studio to the industry at large. In this respect the House would cater to the grass roots through rehearsal and small studio hire as well as to established acts through their use of the larger facilities. Only a very small percentage of the potential users would need to be attracted in order to reach full capacity in the facility.

The House would benefit from the fact that it owned all its own production facilities which would allow it to commission speculative projects at relatively little cost other than the variable overheads.

A possible scenario

What is in it for the House?

1. The House recognises the potential of a local artist or band.
2. The House signs a publishing deal with the artist, and offers them free rehearsal and studio time to prepare their material.
3. After a short trial period and the completion of demonstration tapes, the House embarks on the recording of a master tape, for the potential release of a single or LP. At this stage negotiations would begin with the artist on the details of a production agreement.
4. The House secures a suitable licencing arrangement with an existing record label for manufacture and distribution in return for an advance against sales.
5. The record label accepts the further responsibility for marketing and promotion.
6. The record is a success and the House gets the royalty returns from the record sales (after the repayment of the advances) and its share of the publishing rights income for all other uses of the material.

What's in it for the artist?

1. The artist approaches the House with a basic tape of her or his songs and immediately has access to professional advice on how best to protect and develop their musical potential.
2. The artist signs a publishing deal with the House which is beneficial in terms of both the percentage deal offered and because of the House's local position and immediate commitment to the artist's talent.
3. The artist is able to use the House's facilities to develop their material to the stage where a production deal can be made.
4. The artist records a master tape which the House then uses its experience to place with the most appropriate record company, to get the best possible manufacturing and distribution deal.
5. The record is a hit and the artist receives a share of all royalties (after the advance has been met) which will be larger than they would have received with a straightforward publisher or record label because of the original deal struck and because of direct access to recording/rehearsal facilities.

The economics of the industry are such that one such success story within its first two years would place the House (and the artist) in a healthy financial situation. Such success clearly depends on the quality of its product and this in turn will depend on the "ear" of the production company - its ability to spot potential talent and to develop and package it appropriately, in a way that has popular appeal.

Other Uses of the Facilities

b) Live Performance

Even in these times of digital sound storage and retrieval, live performance remains centrally important to the music business. It is still an important form of promotion, a way of generating interest and excitement; and musicians still learn more about their musical potential (and the public response to it) from playing together on stage than in private rehearsal or in the fragmented experience of recording.

Unfortunately live performance is increasingly unviable financially. Major tours now depend on sponsorship or have their losses covered by record companies promotional budgets. Smaller performing venues like pub rooms and clubs risk less by organising discos than live acts, and most of the regular live outlets at a local level (student unions, for example) depend on subsidies.

In the Glasgow area there is a dreadful lack of good small venues for live entertainment; musicians have to rely on the few public houses which still consider their bar takings will be increased by live music (in most cases they are). This suggests that if better performing facilities existed they would succeed even if, to begin with, they required subsidy. The community of Paisley's positive response to the well-organized Arts Centre reveals the enthusiasm and support that is released if the facility is provided (see below).

It is important, then, for a facilities house to include "live" performance space - a small theater with bar facilities, whose use would evolve over time. It would be used initially as a rehearsal space - it would give young bands an opportunity to learn stage craft and live sound mixing (the theatre would be fully equipped with lighting and sound facilities and could also function as a video studio). Second, it would act as a "shop window", a way of presenting new bands and material to record companies, radio programmers, agents and concert promoters, etc. Third, it would function as an "arts club" (on the model of the Tron theatre club), open to the public on a membership basis (and involving, therefore, a commitment on their part to the work of the production house in general, rather than to particular acts). Finally, it would become a public performance space, whether being hired to outside promoters or putting on in-house events.

In view of the difficulties of assessing the potential income of a public performance area it may be sensible to consider sponsorship of this last aspect (including bar) in a tie up with Tennents Caledonian Brewery and the likes. But this would be a medium rather than short term decision.

c) Training

Opportunities for training for a career in music are few and far between. People do not get positions without experience and do not get experience without positions. Opportunists and maverick types thrive in the "jungle" environment that prevails. Stories of "if only I'd known" are commonplace. Often those who enter the industry do so with absolutely no knowledge of what they are about to come up against.

The House would treat training as a fundamental aspect of its existence, liaising with local authorities, universities and colleges to construct a syllabus and sources of funding. The aim would be to combine courses in management and production techniques with individual tuition in music, thus giving those with serious intent of entering the music business a basic grounding in procedures, prospects and pitfalls.

The management and production courses would be publicly funded and the music tuition would normally be paid for privately. The popularity and success of Bathgate College's Music Management Course, the Perth Rock School and Kilmarnock's Studio One Complex (the latter works completely without subsidy) shows the need for such a development (see below).

d) Skills agency

The House would act as an agent for free-lance music business personnel - session musicians, recording engineers, accountants, lawyers, designers, video producers, etc - whose skills are in continuing demand but for whom, at present, knowledge of employment opportunities tends to be a matter of pot luck. In the long term the House would hope to be part of a building complex which also housed those industries peripheral but necessary to music making - sleeve design and photographers studios, video production companies, instrument and equipment repair workshops, etc.

e) Summary

Putting the above descriptions together we are suggesting that the House will have six sources of income:

1. the rental of the facilities (the studio, rehearsal rooms, equipment, tape duplication service, etc)
2. the ownership of rights (the production and publishing royalties)
3. the fees for use of training and business services
4. the takings from the public use of bar/live venue
5. the rental of office space
6. the fees from the use of the skills agency

2. COMPARABLE IDEAS

In part, the above proposal has derived from conversations with and research into parallel institutions, and in conceiving a production facilities house, we have taken ideas from a variety of sources. The following companies thus offer services similar to those proposed for inclusion within the House, and we found their example particularly helpful to our thinking.

a) Ca Va Sound Workshops, Glasgow

Ca Va are currently one of the best facilitated and longest running studios in Scotland. The business has existed for some 15 years now and over recent years has consistently supplied services to successful Scottish acts. They offer a 48 Track recording room in a very high quality listening environment, mostly hired to record or film companies, as well as two smaller studios with the necessary offices and administration. They have plans for further expansion.

Their prices are relatively cheap.

They do not enter into areas of "controlling rights" relying solely on income from facilities hire.

b) The Nomis Complex, London

Nomis is one of London's best known rehearsal complexes (there are very few of them anywhere). It has been in existence for around 10 years and supplies small, medium and showcase size rehearsal rooms. Hire costs are fairly cheap therefore the place has run on the backs of the individuals' enthusiasm rather than financial attractiveness. Nomis have recently undertaken to build a state-of-the-art recording studio as well as a restaurant and bar as part of an ambitious expansion programme.

Like most studios, they have entered into the negotiation of rights and now plan to become a production facility.

c) Go Discs, London

Go Discs are a small independent record company operating under the multinational "Polygram" umbrella (having moved there recently from Chrysalis). They have been in existence for the past 5 years and are already a very successful company.

They have complete control over most aspects of their activity, relying on the mother company only for manufacturing, distribution and sales, although they plan to have their own sales "strike force" within the near future.

Go Discs do not own studios, hiring others as necessary, generating their income purely from advances and royalties from ownership of rights. They also operate a publishing company.

The entire monetary turnover of Ca Va and Nomis combined could probably be fitted into that of Go Discs' several times over, showing once again the importance in the music business of the ownership of rights.

d) West Lothian College, Bathgate (Music Management Course)

This initiative is one of the first of its kind in the U.K. It

is basically a higher national certificate course in Business Studies with particular emphasis on the music industry. Students look at aspects of management related to record company and artists representation with a view to securing jobs in any of those areas. The project is now in its third year and so far the success rate has been fairly high, although future funding from Lothian Region is by no means guaranteed. The course is full-time and has a capacity for 25 students per year.

e) Paisley Arts Centre, Paisley

This Arts Centre is a thriving initiative backed by Renfrew District Council. It is more like an intimate theatre than an arts centre, offering an auditorium well fitted out with moving seating (capacity 150) lights and a sound system. It has a small restaurant attached and a bar which also hosts live music and entertainment as well as the appropriate dressing rooms and offices. The cafe and bar make a fairly healthy profit being open all day: the theatre is presently subsidised by the Council.

The success of the project has come mainly from the combined enthusiasm of the management, the council and the community.

f) Red Tape Studios, Sheffield

This is Britain's only municipal recording studio, and is funded by Sheffield District Council with two objects - first, to provide a needed resource for local musicians (of all sorts, from punks to brass bands) wanting to make demo tapes, rehearse arrangements, etc; second, to act as a training resource, particularly for local schools (in practice, of course, the making of demos is, itself, a form of training - and Red Tape now gets funds from the European Development Fund to provide studio training courses). The studio is fully booked and has been completely successful in achieving its initial aims: it is now entering the second phase of its development, upgrading its equipment and adding a second studio as a component in an audio-visual complex which combines public and private resources.

Red Tape shares its building space with a photography gallery and video production workshop, as well as with three commercially based studios (owned by Comsat Angels, the Human League and Fon Records). The council's rental income from the latter helps cover the costs of Red Tape, but there are further sources of mutual benefit - Red Tape trainees can be given placements in one of the commercial studios, who are thus able to spot young engineering talent early. Red Tape is also an integral part of Sheffield's plans to develop a 'Cultural Industries Quarter' in which music, film and television production companies work alongside each other, together with smaller design, photographic and print workshops.

g) P.W.L.

PWL, Pete Waterman's holding company for his production work with Stock, Aitken and Waterman, is perhaps the nearest thing to our commercial venture it does not include the training/advice or performance/rehearsal elements. It does include a studio complex, a publishing company, a production company and a record label, and the trio's sales record over the last couple of years probably gives them the best right of anyone in pop to call themselves a music "factory".

3. THE FACILITIES

The exact requirements with regard to equipment and costs are detailed in the Business Plan which forms part 2 of the report. The following is a general explanation of the various facilities together with their functions and operational requirements.

a) Main Studio

This will be a state-of-the-art industry standard recording studio having the most sophisticated available 48 track capacity, mainly for music recording and mixing together with the necessary equipment for post-production film work.

All the finished production masters would be prepared in this studio, normally staffed by an in-house engineer and assistant. Free-lance people would also be contracted depending on circumstances.

The studio would be charged out at an hourly rate (including staff) mainly to record industry, broadcasting and film companies. It should be noted at this stage that the post-production aspect used by television and film makers commands a rate considerably higher than for that music purposes.

There are no comparable studios to this in Scotland presently as the initial capital expenditure to set up is substantial.

b) Demo Studios

A 'demo' (demonstration) studio is basically a much smaller version of the main studio. Probably a high quality 16 or 24 track. The tapes produced here would be for reflective purposes only, being copied in house in small amounts for presentation to others (e.g. record companies, potential management, publishers, etc).

It too would be staffed by an engineer and assistant and costed at an hourly rate. This studio's clients would tend to be individuals, bands, artists, etc, operating on minimal budgets hoping to gain recognition. This therefore would be one of the main areas for talent spotting, and would also serve as a training space.

There are a handful of similarly equipped studios in Scotland.

c) Programming Suite

Also referred to as pre-production.

This studio is basically a room with computers and synthesisers equipped with music software. The equipment is referred to as M.I.D.I. (Musical Instrument Digital Interface) gear, the universal system used for linking digital musical instruments.

As programming for musical purposes can be a long, tedious job, it is considered cheaper and more efficient to have a separate area in the production house allocated for this function.

This facility would feed into the first two studios as a pre-production studio and would either be absorbed as an in house cost or charged hourly to outside users.

The House would employ a full time programmer. There are no such rooms in other studios at present but the actual M.I.D.I. equipment itself is widely available and kept by many people in their homes.

It is relatively inexpensive to buy.

d) Tape Duplication

This is basically a process of cassette duplication from a master tape or demo tape. The equipment involved is not expensive and can be housed in a small room operated by one person. This facility is not intended to compete with specialist tape copy companies but merely to supply fairly short runs (10's and 100's) for particular purposes. E.g. packaging deals including cassettes, studio time, production assistance, biogs, photos and general guidance could be offered to artists keen on impressing themselves upon record companies.

There are very few companies offering this service in the Glasgow area.

* It is worth noting at this stage that the emergence and general acceptance of D.A.T. (Digital Audio Tape) as a means of recording and reproducing music could allow a production house such as this to go into the widespread manufacturing of its custom product, thereby taking in another stage up the chain currently controlled by the record manufacturing companies. This would be another step towards a completely independently operating music company.

e) Rehearsal Rooms

The House would offer rehearsal facilities to all areas of the business from the up and coming to the well established. The rooms would number around 12 in total. 6 of these would be basic empty rooms adequately soundproofed, another 4 with amplification and P.A. equipment and a further 2 large enough to have small stages and fairly sophisticated sound systems.

Such a service is almost guaranteed to be used constantly, especially the smaller rooms as there is an appalling lack of good rehearsal space in West Scotland.

They would be hired out at an hourly rate or, in the case of the bigger rooms, on a short term lease to established artists rehearsing for concert tours etc. Space hired for the storage of equipment (e.g. basement cages) would also be a sensible consideration. These rooms would be the best source of new talent and are therefore crucially important to the wider aspirations of the House.

One person would be responsible for coordinating rehearsals.

f) Administration and Offices

This area of the operation would be fairly conventional in its style supplying offices (including teaching facilities), reception area, private kitchen, toilets, showers, restrooms, recreation area, boardroom and the likes. Most of this would also be used for administering the House's business but it would also be a wise consideration to rent office space to associated companies - bands, management, etc as part of the overall philosophy of the project.

g) The Performance Area (Showcase Suite)

This would be a small theatre with a capacity of around 300 (seated) and 600 (standing) suitably equipped for sound and lighting.

It would have 4 main functions:

- 1) As a live venue for showcase purposes hired by artists and their management to attract record companies, publishers, broadcasters, agents etc.
- 2) As an area hired to film and television programme makers for their own production purposes.
- 3) As a stage rehearsal area.
- 4) As a conventional live venue with regular entertainment.

This would require around 3 staff to operate, made up of a promotions person and 2 technicians.

(h) Cafe/Bar

A cafe or small restaurant providing simple meals and drinks would be advisable given the quantities of people who would pass through the house.

4. PERSONNEL

For the House to run consistently well it would require around 20 people. This would begin with 3 in the developing period (6-9 months) increasing to 6 when the house opens and moving up to 10 during the first year, and reaching its final complement of 20 after 18 months.

The company employees would be divided into 3 main categories:

DIRECTORS: Managing and Artistic. Responsible for financial control, on the one hand, and production and A&R, on the other.

MANAGEMENT TEAM: Responsible for all aspects of administration and coordination

CREATIVE TEAM: Responsible for the direct operation of the facilities and production and publishing aspects.

Staffing would thus be as follows:

Managing and Artistic Directors

Accountant
Studio Manager
Rehearsal Coordinator
Sales/Promotion
Secretarial X 2
Course Coordinator
Technicians X 2
Maintenance Engineer
Caretaker
Recording Assistants X 2
Assistants X 2

Cleaning, Kitchen and Bar Staff could be sub-contracted as necessary.

A profit sharing scheme would be considered for some of the positions to increase incentive and reduce overheads (and to counter poaching by other companies).

Some jobs may qualify for employment grants.

5. PREMISES

It is envisaged that the House would best be positioned somewhere in Glasgow City Centre with easy access to amenities and transport.

Given the showpiece nature of this initiative a fairly prominent profile would be preferred as well as an appearance that was aesthetically pleasing. The House would after all aspire to be a centre of excellence. Industrial sheds would not be desirable!

That all the facilities are contained in one building is not absolutely essential but would be preferable as the philosophy is dependent on the environment being a strong contact point. What is most crucial is that there is room to expand activities (into video production, for example) or to incorporate other processes into the space (graphic design, for example).

Around 20-25,000 square feet of floor space would be required. This could conceivably be on several levels assuming freight lifts were in operation to allow heavy equipment to be transported.

Adequate car parking is important.

It will be necessary to conduct a widespread search in order to find the best location.

6. THE MARKET

The people in the industry who would be most affected by a production house of this kind are

- (a) the major record companies (they would be buying the product and would therefore be the House's most important market)
- (b) musicians (they would be the facilities' users, and would therefore be the House's most important clients)
- (c) other recording studios

We will discuss these in turn.

(a) The Major Record Companies

Traditionally, the major record companies did their own talent spotting and development. A&R (Artists and Repertoire) people travelled the country from live gig to live gig to find new bands, worked in studio with in-house producers, liaised with the marketing department, etc. While this is still an aspect of A&R departments' work, it has steadily declined over the last ten years. There are a number of reasons for this:

- the rise of specialists outside the record companies who can perform certain roles better because they are specialists. This was first true of record producers but would now include publicists, pluggers, designers, etc.

- the decline of live performance and rise of video/television as the basic form of promotion. Record companies are increasingly concerned to sign bands who are already, in some sense, packaged.

- the growing importance of the global rather than national music market, which means that an increasing amount of record companies' work and skill lies in the world of international marketing - they are becoming less concerned to build national stars than to take them over when their international sales appeal becomes apparent. It is now clear, for example, that 'independent' record labels function as 'research and development' departments for the major labels. They do the work of developing original, risky or unusual talent; the major labels move in when the success of such stars seems guaranteed (EMI thus took the Smiths over from Rough Trade in the most notorious such deal in Britain; WEA took the band REM from IRS similarly in the USA).

The major record companies are, in short, becoming specialist sellers of material (music and performers) which has already been developed by smaller production companies or independent labels. As the demand for musical material grows globally (as a consequence of the huge expansion of television time to be filled, for example) so record companies will increasingly concentrate on the profitable last stages of the star-making process rather than on its risky beginnings. There will always be a market for the output of a production house - as long as it has the 'right' sound. That is where the risk (and the excitement) lies.

(b) Musicians

Musicians using the production house facilities can be divided into three broad categories:

a) young, starting musicians (the most talented of whom would be signed to the production and publishing companies), the regular customers for the rehearsal space and demo studio, and the people most eager to use the House as an accessible, reliable, honest and friendly launching pad for national and international stardom.

b) established Scottish musicians using the facilities in a more focussed way - the stage area for rehearsing an upcoming tour, the studio to lay down initial tracks for an upcoming LP, etc.

c) national and international acts hiring the studio for straightforward recording purposes - its rates would be highly competitive internationally.

In terms of generating income from use (rather than from rights), the aim will be to develop a balance of uses: a continuous, if relatively small income from starting musicians' use of the basic facilities; a regular, higher return from local performers' and companies' use of the more specialist resources; and a high but irregular return from the use of the studio by major recording acts. The latter are a notoriously unstable base of studio income (as recurring studio bankruptcies testify) - at this often ill-informed level, studios (and cities) go in and out of fashion, and there are additional obstacles for studios established outside the music business centres. Metropolitan record companies like to be close to where their artists are working in order to keep an eye on costs and progress - only the biggest stars can dictate recording terms. The pressure on London-signed Scottish bands to record in the south was, indeed, one reason for our belief that for the music business to flourish in Scotland strong production companies as well as good recording studios are necessary. We must counter the music biz belief that Scotland has never had much success in producing hit records, challenge A&R departments' snooty "never has never will" attitude.

(c) Other Studios

There is a feeling among some existing studios that a state-of-the-art complex would threaten their market which is at present tough enough. Given the wider aims of the House it is much more likely to have the opposite effect: its presence would generate more business not only for other studios but also for other service companies directly and indirectly related to music. Success in the music industry generates success, first because of ancillary services needed; second because as one studio is inundated with work so it spills over to its neighbours.

7. THE PROBLEM OF CONTRACTS

Having already described in detail the elements in the exclusive recording contract and its effects on an artist's career, and made clear that in the end the success of a production facilities house will depend on its contracts with successful stars, it is appropriate now to point out some factors in these contracts that are potentially problematic.

(a) Restraint of Trade

It could be said that the exclusive recording agreement is verging on a restraint of trade. After all the artists sign contracts requiring them to supply 6-8 album recordings throughout their period with the record company. This quantity is in many cases well in excess of an artist's capacity but it is in the contract anyway just in case. During the period few other activities can be entered into without full consultation and approval from the record company. Naturally all factors are stacked in the company's favour, allowing the artists little freedom.

This can become particularly problematic in production company deals, when studio and record company are the same - the record company can encourage artists to spend huge amounts of money out of their advance (see below) in the studio which it owns. This was a point successfully made by Holly Johnson in his bid to escape from Frankie Goes to Hollywood's exclusive contract with ZTT records on the grounds of its unfairness.

(b) Advances

To counter and support their control record companies compensate the artists with large advances (typically in six figures), arguing that as such huge sums of money are being invested on speculation, they need to have a proper degree of control to maximize the possibility of an eventual return - these advances are, after all, non-returnable in the event of the project's failure. The problem for the artist, though, is actually success, when they are fully recoupable. A 10-15% royalty rate on sales rarely covers the initial advance and the artists become dependent on further record company loans which restrict them even further.

Remembering that most careers in the business are short lived it is unlikely that any proceeds from record sales are accumulated by musicians other than by those who are hugely successful, when they usually renegotiate their contracts anyway from a position of strength.

You either make a fortune or nothing at all leaving a large gap in the middle.

There are parallels to be drawn with the film industry in this respect. The bigger the production budget, the bigger the promotional budget as more and more work goes into trying to guarantee huge sales (in the record industry, as in the film industry, promotion now probably costs more than production in the making of global hits). This places an increasing emphasis in the music business on packaging (rather than sound itself) as the source of success.

8. THE HOUSE: AN ALTERNATIVE VISION

A production facilities house places itself directly between artist and record company being contractually responsible for supplying product. Given that a fairly significant part of advances are spent on recording costs (typically between £100,000 and £200,000, recoupable from artist's royalty), it would be easy for the House to absorb this aspect as the facility is there anyway, therefore reducing a large part of the artist's liability. A production company can speculate on recorded material far more easily than a record company without placing heavy burdens on an artist's earning potential. It also has the advantage of firsthand access to emerging talent in the community.

Easy access to facilities and smaller production budgets allow for more flexibility, more product and therefore more opportunities for even moderately successful individuals to consider a career in popular music.

Our argument is that the making of music can only benefit from the processes of decentralisation, moving production decisions away from London; localisation, giving musicians in all areas ready access to training, production and business facilities; and professionalisation, so that these musicians' and musical entrepreneurs' first, most crucial career steps aren't taken, as is usual currently, from a position of naivete and no concern for the future. The aim is not for a music house to exploit the musician - nor for the musicians to exploit the house - but for production house and musicians to work together to 'exploit' each other's skills and talents. This may well be a longer term vision, but it is possible to see an entire network of such production houses operating in provincial environments across the country (and even, perhaps, the world): Music Factories, Pop Centres or whatever - well equipped, self-contained and managed by people who can sensibly combine artistic aspiration with ordinary living, supplying limitless contributions to our insatiable appetite for more music.

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 The Nomis Complex
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 Tone Zone Sound Hire
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 Sheridans