The music recording sector in Australia: strategic initiatives

Associate Professor Shane Homan
Research Unit in Media Studies
Monash University
2012
Contents

1. Executive summary of findings 3
2. Background 4
3. Aims 5
4. Methodology 5
5. The music recording industry in Australia 6
6. Recording sector issues 9
   6.1 Markets and values 9
   6.2 Digital shifts 10
   6.3 Regulation 12
   6.4 Maintaining local content 13
   6.5 Export/international presence 14
   6.6 Building expertise 15
   6.7 Funding options 16
   6.8 Funding processes 17
7. Recommendations 18
8. Appendices 20
   Appendix 1: Key stakeholders interviewed 21
   Appendix 2: Interview questions 21
   Appendix 3: Digital services in Australia 21
   Appendix 4: About the author 22
   Appendix 5: Acknowledgements 22
   Appendix 6: References 23
1. Executive summary of findings

This report has been commissioned by the Music Board of the Australia Council to:

(i) understand the needs of the music recording sector;

(ii) assess what is required to grow the recording sector in the immediate and long term, amidst substantial changes in music and media technologies;

(iii) explore the specific role of government in ensuring the sustainability of music recording in Australia

This study has sought to incorporate the views of all sections of the recording industry: large and small, mainstream and niche; local and transnational, in a response to the issues outlined above.

The consultation process confirmed that the local recording sector has been subject to the same structural changes that have transformed the global recording industry in recent years, affecting the fundamental relationships between revenue structures, audience development and artist development.

While this has created an uncertain business environment, it has not diminished the creative and cultural significance of producing sound recordings.

The report finds a consistent view amongst stakeholders that there is a real need for the federal government to play a continued role in supporting the recording sector in the production of sound recordings by Australian composers and performers across all genres and traditions.

New recording, mentoring, promotion and export initiatives are crucial to ensure the recording sector’s high levels of creativity are maintained and matched by a greater presence in national and overseas markets. This requires government assistance beyond existing programs.

It was the view of the sector that access to any direct government support should be made available through a competitive application process.

Stakeholders endorsed the arms length peer review processes of the Australia Council, and as such the report recommends that future any federal funding for the recording sector should be processed through the Music Board’s application based processes.

In addition to funding programs there was a strong view that tax incentives, comparable to those offered to other cultural industries, should be available to support the production of Australian sound recordings.

The sector also requires regulatory certainty about the provision of local music content on Australian media platforms, and related copyright protections.
2. Background

Australian music recordings have played an important part in Australian cultural life since a local recording industry was established in the early 1900s (Laird 1999). The principal forms of federal government support have consisted of Australia Council music initiatives, including funded assistance of the creation of new recording works, collaborations between composers and those in other art forms, domestic and international touring, skills development, song writing residencies, and operational funding of key music organisations and companies. A number of state and local government initiatives also provide support for the creation and presentation of new recordings across all music genres and performance styles. These have been particularly useful in providing composers and performers with limited assistance to ensure the production and marketing of their recordings is of a high professional standard.

Since 2004 the classical music sector has received direct federal government funding through support of the Melba Foundation and its recording company, Melba Recordings, complemented by private sponsorships from individuals. Based in Melbourne, its catalogue includes 67 recordings of emerging and established composers and musicians with the aim to “promote Australia’s finest classical musicians and artists in the international and national markets” (Melba Recordings 2012). The organisation has received $7.25 million in federal grant funding since 2004. With this funding for Melba Recordings expiring in 2012, both government and industry have expressed interest in examining the future needs of the sector, and the role federal governments can play in maintaining a healthy local recording environment with a strong international presence. In this sense, this study has attempted to incorporate the views of all sections of the recording industry: large and small, mainstream and niche; local and transnational.

This report was also prepared at a time of considerable policy activity in relation to the Australian culture and arts industries of direct interest to music recording: the Strategic Contemporary Music Industry Plan (2010), the National Digital Economy Strategy (2011), the Convergence Review (2012) and the drafting of a National Cultural Policy (2012). These policy frameworks (some ongoing) underline the importance of how Australia responds to significant global challenges in relation to intellectual property rights, an increasingly sophisticated digital economy and changes to the public and commercial media/cultural industries. These changes are driving a re-evaluation of how traditional cultural production is maintained alongside ‘new media’ and new methods of production, delivery platforms, marketing and consumption. Music recording is at the forefront of these changes – indeed, the global music recording sector is an excellent example of a cultural industry that has confronted constant change in technological formats (vinyl to CD to mp3); delivery systems (‘bricks and mortar’ retail to online distribution); structural form (fewer large multinational recording companies, increasing number of smaller, dynamic labels); and revenue structures (previous stable profits generated through tight control of physical distribution declining as illegal online consumption rises).
3. Aims

The major aims of the study are to:

(i) understand the needs of the music recording sector

(ii) assess what is required to grow the recording sector in the immediate and long term, amidst substantial changes in music and media technologies.

(iii) explore the specific role of government in ensuring the sustainability of music recording in Australia.

4. Methodology

The Music Board of the Australia Council appointed Associate Professor Shane Homan (Monash University) to conduct an investigation into the needs of the recording sector in mid-April 2012. An advisory panel was then convened to discuss the shaping and structure of the interview process with key stakeholders, including representatives from the Australia Council, the Australian Recording Industry Association (ARIA), the Phonographic Performance Company of Australia (PPCA), the Australian Independent Record Labels Association (AIR), the Australasian Performing Right Association and the Australasian Mechanical Copyright Owners Society (APRA/AMCOS). In keeping with the emphasis upon examining the diverse nature of the sector, 21 interviews were conducted with those who have extensive knowledge of contemporary practices and issues (see Appendix 1). The interview list was designed to incorporate the views of a range of recording label figures involved in many genres (classical, pop, rock, hip hop, country). The list also includes several musicians, composers, music distributors and producers, many with extensive careers in recording, performing and publishing. Within the short time frame of the research, efforts were made to ensure that the views of the sector were heard from different parts of the country, and that reflected to some extent the diverse scales of operation and recording markets.

Phone interviews of 30 to 45 minutes’ length were conducted, with all stakeholders asked the following questions:

(i) Could you briefly describe your recording label/output, and the elements required to build a successful business?

(ii) What are the current issues impeding the growth of your business?

(iii) What are the current and future infrastructural needs of the recording sector?

(iv) What are the current issues impeding the growth of the recording sector?

(v) What could government do to assist the growth and sustainability of the recording industry?

While this study has made an effort to consult with key recording company personnel and artists, the restricted period of this investigation precludes an extended survey of the sound recording industry that acknowledges the full production chain of composition, studio production, retail, marketing and other related activities. Similarly, other important themes raised in some interviews – education and live music policies, for example – are not within the scope of this report.
5. The music recording industry in Australia: a snapshot

The music recording industry in Australia has a rich history of producing Australian content and ensuring a strong Australian presence in international markets. Across all genres and markets, the nation has had many international successes – Simone Young, Jet, The Easybeats, The Seekers, Yothu Yindi, Olivia Newton-John, INXS, Men At Work, Keith Urban, Mike Nock, Dame Joan Sutherland, Graeme Bell, Little River Band, Savage Garden, Yvonne Kenny, Kylie Minogue, Brett Dean, Midnight Oil, Jane Rutter, James Morrison, Nigel Westlake – all are representative of the diversity of composers and performers who have achieved significant success in many markets.

Export success depends heavily upon a few multinational successes (Yvonne Kenny, Keith Urban, Kylie Minogue, INXS, Men At Work, Savage Garden, Lisa Gerrard); and international success does not conform to reliable schedules, but is cyclical. Gotye’s ‘Somebody That I Used to Know’ has been a number one hit in 17 markets in April 2012 including the U.S., Canada, Germany, Italy, France and the U.K. The accompanying video has also been a global hit through YouTube and consistent plays on music video programs in many countries, provoking multiple covers of the song. As a single that was composed and recorded in the artist’s home studio and released though Eleven – an independent recording company – Gotye is the first number one Australian Billboard act since Savage Garden in 2000.

In classical markets, the Australian Chamber Orchestra remains a good example of an organisation that has consistently produced acclaimed recordings (with ABC Classics, Sony, Channel Classics, Hyperion, EMI, Chandos and BIS). It is also indicative of the classical economy where smaller recording sales volumes dictate consistent touring and support through concert subscriptions. Classical musicians are also building educational outreach programs into their performance and recording schedules, evident in organisations such as the Australian Chamber Orchestra and the Australian String Quartet. This part of the recording sector is more closely attuned to an interdependence of activities and roles for survival among orchestras, opera companies, choirs, smaller performing organisations, teaching institutions, broadcast, recording and film organisations, classical music presenters and venues. In the past 20 years, there has been greater collaboration in recordings across genres and traditions, partly for sound commercial reasons, but also due to curiosity among composers and performers to explore the benefits of a sharing of ideas and approaches. Katie Noonan, The Necks, Yvonne Kenny, David Hobson, Tim Freedman are examples of recent commercial success that has involved working with composers and musicians in different performance styles.

In the early 1990s, Australian recorded product was ranked third in the world (after the U.S. and the U.K.) (Contemporary Music Summit 1995); in 2012 it is ranked seventh, accounting for approximately 1.5–2% of the global market. Work undertaken by the Music Council of Australia places the Australian music industries at a collective worth of approximately $7-8 billion. In trade terms, Australia has been a net importer of recorded music product; for example, in 2007-08, music royalty payments to Australia consisted of $72 million, while royalty payments to overseas companies were $227 million (Queensland University of Technology 2010). In 2008-2009, the nation received $75 million in music royalties and paid out $235 million to overseas labels/publishers. This is in keeping with trade deficits in the audiovisual media industries. The 2011 value of the recorded music product was $382.7 million (ARIA 2012).

While there is a lack of finely tuned data across and within music industry sectors, the Australian Bureau of Statistics offers useful statistical knowledge. The 2006 Census of Population and Housing found that there were 234 people employed in the music
publishing industry, 2,286 people employed in the ‘reproduction of recorded media industry’, and 814 people employed in the ‘music and other sound recording activities industry’. In 2007, 678 recorded media manufacturing and publishing businesses were listed. Australian Recording Industry Association data for 2011 revealed Australian wholesale value for singles/albums (incorporating vinyl, CD, DVD) to be $242.1 million (ARIA 2012).

Music recording is a significant part of – indeed, one of the core – copyright industries in Australia. Artists and labels derive royalties from exploitation of recordings through sales of physical and digital recorded product; through public performance of recordings in related media (television, film, internet, radio broadcasts, telephony systems); and in a range of other social contexts and uses (gyms, hotels, nightclubs, supermarkets, retail stores). Royalty payments to composers and musicians for 2010–11 from public and related performances of recordings by the collection societies exceeded $160 million (APRA) and $45 million (AMCOS), an increase of 8.4%. Licence revenue from the public performance of Australian works in overseas territories was $20.2 million (APRA/AMCOS 2011). The PPCA distributed $25.7 million derived from over 54,000 licenses in relation to the use of its members’ sound recordings (PPCA 2011).

Traditionally, distinctions have been made between artists who exploit recording contracts and subsequent publishing income, and those who rely on live performance activities for their primary income. However, most artists now rely upon a mixture of income sources that also includes merchandising and sponsorship. While live performance has increased in importance in recent years, recording income remains a core component of music industries’ revenue streams. Recording infrastructure supports other industries and employment sectors, including studios, engineers, producers, session musicians, instrument retailers, audio technology hardware and software retailers, film scoring, advertising industries, CD manufacturing and graphic designers.

Traditional modes of dissemination of recorded product – radio airplay, film soundtracks, television broadcasts, video programs, television and cinema advertising and retail stores – remain strong income sources. For the collection societies, income bases have been broadened in recent times through successful efforts to gain increases in recording royalty rates among ‘secondary’ media rights, including the use of sound recordings in nightclubs, hotels and fitness classes. This is partly a response to immediate past term trends in the decline of ‘physical’ product (CD album and single sales). This has been much discussed within the global recording industries, and is argued to be the result of several factors: that the ‘golden’ era of strong recording sales, where recording companies dominated production and distribution, achieved its peak by the end of the 1970s; the peaks in the rise in sales driven by the initial shift from vinyl to CD formats (particularly by baby boomer consumers) has subsided; and the growing illegal sales of non-copyrighted product (CDs, online downloading).

Since the 1990s, successive innovations in audiovisual technologies have fundamentally changed how all recorded music is found by and distributed to consumers. The ubiquity of mp3 and related digital file formats is evident in the range of distribution and media services including mobile ringtones, podcasts, legal and illegal downloading sites. Recorded music product has been integral to the growth of online social network media sites such as Facebook and YouTube. ‘Internet radio’ services (e.g. Pandora, Last.fm) have also proved popular globally as personalised services with the ability to fine-tune listener preferences from massive digital catalogues, based upon formulae of tastes and song properties. The growing number of ‘cloud’ music subscription services will continue to challenge the dominance of iTunes and assist in
online transactions as the norm in the distribution of recorded product, particularly for the commercial, popular music genres (see Appendix 3).

These remarkably fluid networks of technological change and attitudes about contemporary distribution models have had very real effects, particularly upon the music retail sector. With some understatement, a 2011 report notes “price discounting by retailers such as Target, Kmart and Big W has created a volatile market for music retailers. The net effect has been a 3.4% decline in industry sales over the five years through 2011-12” (IBISWorld 2011). The ongoing shift to digital web sales has provoked a significant decline in the number of ‘bricks and mortar’ retail stores. 32% of global music sales are derived from digital sources (IFPI 2012). In Australia, digital sales comprised 36.7% of the market in 2011, with single track sales increasing by 39.2% and digital albums revealing an increase of 45.8% on 2010 sales (ARIA 2012).

These recent statistics may reveal a cautious trend to recovery for the global recording industries as traditional publishing income streams slowly recover through improved legitimate online sales mechanisms. The industries have also made better use of live performances to drive recorded sales and promotions. Yet the point at which digital revenues compensate (or overtake) physical (CD) revenue losses is still far away. For example, while global digital sales revenue increased by 5.3% in 2010, global physical sales revenue decreased by 14.2% (Smirke 2011).

The sector incorporates an impressive range of scale and genres. Like other components of the music industries, it consists of overlapping roles and modes of creativity. For example, in small recording enterprises, composers might also be responsible for producing, marketing and label management duties. At the micro-business end, creators are also involved in the substantial administrative tasks associated with a small label or distribution service. The larger multinational labels retain some competitive advantage and expertise in bringing economies of scale to bear upon distribution and promotion. Australia possesses a strong layer of independent companies. In the popular music fields, the ‘indies’ are at the centre of productive relationships across the industry, often with strong relationships to community and public radio networks, and often with good track records in locating and signing artists that are at the leading edge of domestic and international trends. In the classical fields, independents perform similar roles in publishing and promoting niche artists and operate in smaller economies of performance and distribution.

The International Federation of the Phonographic Industry (IFPI) provides a summary of the recording sector’s role in the value chain of music production in a recent report:

There is the belief and the support in the artist; the expertise to plot a road to success; and the money, provided upfront, and always at great risk, that is needed to allow an artist to create their work. There is the choosing of the songs and the recording work in the studio. Artwork is needed and videos may be needed. There are manufacturing and distribution costs, both for online and CDs. Marketing teams campaign in one market, or several. Hundreds of digital channels and outlets are created and serviced. All this takes money, time, people, knowledge and skills. These are some of the essential qualities of record companies as long term investors in music (IFPI 2010).

Setting aside the often hyperbolic nature of such industry reports, the above offers a reasonable assessment of what is required from the contemporary recording outfit in terms of expertise, resources and commitment.
6. Recording sector issues

The interviews conducted with musicians, label managers, composers, artist managers and distribution company managers, all leading figures in music recording (see Appendix 1) revealed a surprising level of consistency in the central answers provided. The major themes of interview discussions have been summarised here as consisting of eight interrelated themes:

6.1 Markets and values

Music activity and its related funding structures – whether funded by local, state or federal governments or private sponsorships – have of course informed wider debates about the role of the arts in Australian life. These debates have recurrent at different times, and with different emphasis, in relation to which arts activities most closely represent national identity, heritage and values; definitional distinctions between ‘the arts’ and ‘culture’; and notions of ‘popular’/‘mainstream’ culture and media set against ‘high’ cultural forms. In more recent times, discussion about which forms are ‘cultural’ or creative’ industries have been vigorously aired in the wake of the ‘Florida effect’ (U.S. academic Richard Florida’s prescriptions for the ‘creative city’ and the ‘creative economy’) upon policy-making.

A level of tension remains about these distinctions that in turn inform what is valued in terms of a ‘national’ culture and is deemed of domestic significance; and contemporary understandings of ‘popular’, ‘commercial’ and ‘art’ musics that also inform the types of government support. These issues were evident in views obtained from the sector, and the extent to which understandings of such discourses inform policy decisions about state support.

Firstly, many interviewees pointed out how older divisions between ‘art’ and ‘commercial’ musics, for instance, are harder to sustain. One respondent who produces jazz recordings (among other genres) noted that contemporary jazz is a good example of recorded music that is increasingly a series of niche markets and activities, and is neither ‘commercial’ or ‘art’ music. Secondly, it is clear that recording enterprises of different genres and audiences had shared operational features. Many smaller labels (encompassing some hip hop, classical, art-pop musics) are commercial businesses who cater to niche, often non-commercial markets. Thirdly, there is a strong feeling that other arts forms had a more settled and cohesive narrative about its place within Australian culture. Several interviewees observed that Australian film has succeeded in being regarded as an important cultural and industrial necessity, successfully straddling the ‘arts’ and ‘business’ divide in the views of both governments and citizens.

How to more successfully transpose subsidy support into more effective business models has been aired in a number of forums. Unease about residual ‘high’/‘low’ arts discourses is evident, for example, in the Music Council of Australia’s 2010 Classical Music Summit which was preoccupied with ways to integrate the classical music experience more fully into spheres of Australian life that would lead to sustainable educational and business models (Music Council of Australia 2011).

The commonality of challenges facing contemporary production across the sector makes these types of debate partly redundant, given the rapid changes in media technologies, product promotion and distribution, among others. At the same time, firm policy foundations need to be continually made that acknowledge the contemporary mix of industrial practices.
The challenge of adjusting policy settings to ensure the right mix of the industrial, cultural and artistic has been usefully summarised by O’Connor, Cunningham and Jaaniste in a recent Australia Council for the Arts report:

On the one hand, should the arts be approached purely in terms of state subsidy or are there other policy approaches better attuned to the commercial practices of the creative industries that could be beneficial to the arts? On the other hand, should the creative industries be approached in purely economic terms; if they are central to contemporary culture, how should they be supported to enhance this cultural contribution? (Australia Council for the Arts, 2011).

This is not to say that different art worlds do not exist according to label, artist and genre. Rather, in the context of this study, expertise and knowledge can be shared to provide new forms of thinking. In commercial terms entrepreneurial risk is equally evident in a small hip hop label signing a nineteen year old for her first recording, and in a small classical label publishing a string quartet’s original compositions for a small domestic market. In artistic terms, notions of conformity (a classical artist’s continuing resort to 18th century repertoire, for example) and innovation (pop ‘mashups’ for instance, that challenge genre histories and techniques) exist across all forms, dependent upon aesthetic traditions that have evolved over many years.

This is further reinforced through understandings of self-subsidy. Owners of smaller labels explained that recording costs are often not paid for through sales, but subsidised through venue and festival performances, or directly from the owner’s own income. At the smaller end of the recording business spectrum – whether classical or ‘popular’ – there is considerable exhaustion among entrepreneurs in attempting to maintain recording enterprises alongside other careers: “the majority of us have to do other jobs … imagine having one full-time job, and then having to take on another job on top of that to support their primary job! Something has to suffer, and when you’re creating a body of work, then momentum slows down”.

6.2  Digital shifts

Interview respondents were keen to discuss the increasing array of online distribution models for music (see section 5) and its implications for reaching their audiences. For Australian consumers and producers, the imminent arrival of the National Broadband Network will have important consequences for both distribution and consumption possibilities, particularly as social media networks expand in content and sophistication. Key music subscription services (eg Rdio, Spotify) are looking to establish themselves in Australia. The major music video streaming provider VEVO, a joint venture of Universal Music and Sony Music, launched in Australia in April 2012.

While all music producers are still contending with the best means of providing online music distribution, classical music faces particular issues. The notorious compression of bandwidths in digital music files is not welcomed by classical audiences who seek high quality audio recordings. The loss of retail shelf space has also affected the classical market, and those interviewed believed challenges existed for securing online markets for quality CD purchases. For popular music producers, the slow but steady rise in online sales has meant that, as one respondent put it, in some markets “the CD is almost [solely] a promotional tool now … everyone puts music straight on to their mobile phones”. Promotional work related to mobile phone ‘apps’, and presence on streaming sites, required considerable more thought.

Several interviewees noted how the reduced scale of basic commercial transactions had affected the entire sector. Wholesale prices for recordings had reduced (from $16
down to $13-14 per unit), and the popular market had shifted to almost 100% digital singles. As one respondent noted, “less income is coming from recorded material, both for the big guys and the little guys; the income derived from a digital sale is so much less… there is a ripple effect and it affects everybody: photographers, mastering suites, studios, touring”.

Some uncertainty exists among the sector about the proper ways and levels that recording labels can mesh with emerging online music-media structures. One respondent stated:

There is more music than ever being recorded… the biggest issue is that people think they can pop it up on the internet, and they will be ‘discovered’. But people are bombarded with choice, and you need a blueprint for promotion and distribution, otherwise there are not many chances it will take off. Take Gotye’s worldwide hit – without great management, a publicist, label, he wouldn’t have gone to a global scale… all those things need to be lined up for that level of success.

Others were keen to note the more favourable changes wrought by online environments: the ability to unite markets digitally, to more closely match audience demographics and genre, and the increasing potential to sustain small niche markets. This extended to classical markets; as one respondent noted, as one example, “it is no longer necessary to produce a 70 minute album, if the demand on line is for a particular 10 minute work”.

Good marketing skills have always been important to the cultural and copyright industries. In the age of the consumer ‘digital lifestyle’, it is even more crucial. Nearly all interview respondents talked at length of the need for a strong web presence for their businesses, particularly as traditional retail store relationships have withered. One manager likened their label to “a curatorial gate-keeping facility”, and that all labels can only build trust through its brand. Both large and small enterprises noted the rising costs associated with social media marketing, and the need for related expertise. One representative of a larger company stated that companies of their size can exploit quicker cash flows to direct towards these marketing areas, but that it was an issue across the industry. Another observed that “visibility for the consumer is now iTunes, and the front pages of the social media… but as a small label we don’t have as many overheads”. Several respondents believed that there was a need to adopt a formal strategy in relation to the industries’ best use of the National Broadband Network.

The potential of more strategic and targeted web promotion was posed in the recent submission of Google Australia to the National Cultural Policy review:

The YouTube Symphony Orchestra (YTSO) is a recent example of the internet being used to break down barriers to inclusion. The power of the internet was harnessed to bring audiences throughout Australia and the world to this major cultural event at the Sydney Opera House. The YTSO was enjoyed not only by those who had purchased tickets to the seven sold-out concerts at the Sydney Opera House, but also by millions of Australians and many more millions of overseas viewers through online streaming. There were 2.42 million streams of the YTSO finale in Australia, and 33 million streams around the world. Another example is Sydney Symphony. Sydney Symphony has entered into an arrangement with Telstra BigPond and ABC Classic FM to provide “the world’s first series of orchestral concerts to be streamed live in mobile applications”. Ten Sydney Symphony concerts will be made available, live and on-demand, to a global audience via the Sydney Symphony Android...
and iPhone apps (Google Australia 2011).

There was large agreement amongst those interviewed that support in relation to digital strategies should be directed to the smaller recording companies, including the micro- (‘bedroom’) labels. One respondent believed that “you have a lot of inbuilt momentum with these [bedroom] labels, but they reach a point where they don’t know where to turn”. Another stated that small label managers now perform many of the tasks formerly undertaken by the traditional larger music distributors, including the management of digital payment systems and digital ‘metadata’ associated with online sales. This is magnified in an era of labels entering into multiple promotional and distribution relationships across different markets, with networking skills at a premium.

6.3 Regulation

All interview respondents made their views known on several regulatory issues that have current prominence within the music (and media) industries. These included the health of live music circuits within the States; and the recent High Court case relating to fixed royalty payments paid by Australian radio broadcasters.

Many noted the importance of live music venues in the value chain of the music industries. Most State governments and many local councils have intervened to assist with changes to planning laws to encourage favourable venue operations; and the Cultural Ministers’ Council have also investigated ‘best practice’ principles for venues across the nation (Cultural Ministers’ Council 2010). Despite these interventions, it was felt that more work was required to protect venues against resident noise complaints and other planning/development threats. Several respondents observed that the live sector remains the precursor to recording careers.

Some respondents commented on the PPCA’s recent attempts in the High Court to lift the 1% cap on radio broadcast royalties from sound recordings that has existed since 1969 (commercial radio broadcasters are required to pay artists and labels no more than 1% of the station’s gross annual revenue). Particularly the larger companies regarded this as an anomaly not evident in other areas of cultural production: “this issue has been around for a long time, and is long overdue for fixing”; it was believed that “an uncapped environment” would stimulate investment in local content by companies. Others observed that the royalties cap amounted to a content subsidy for the commercial and public broadcasting sectors.

The dominant issue, however, remains copyright governance. Nearly all those interviewed expressed strong opinions on the need to tighten controls on the behaviour of illegal digital purchases and to examine the role of ISP providers and content aggregators in music piracy. Many believed the federal government needed to adopt the copyright legislation adopted by several nations, principally the ‘graduated response’ or ‘so-called ‘three strikes’ policy relating to ISP companies. The opinions of respondents (with a few strong exceptions) were consistent with the stated policy aims expressed by the key representative bodies – ARIA/AMCOS, APRA, PPCA – on copyright over the past 10 years. These can be summarised in the views of one label manager:

We’re probably picking up about 5% of sales on the internet, but we’re losing massive amounts… Laws need strengthening and practical steps with the telecommunications companies, and industries… 100 specialist retail stores have closed [in Australia]. We’re in contraction because of weak piracy laws – there’s a huge hole in revenues and tax collection – the government is missing out on legitimate sales and tax on legitimate retail.
In revisiting legislation, several pointed to the need for clear codes of conduct between ISPs, content creators and consumers.

Reference was also made to reducing costs and regulations related to touring; visas are expensive for domestic artists to travel internationally. In the context of bringing international performers to Australia, it remains difficult to facilitate cultural exchange; “onerous red tape for overseas musicians arriving here” prohibit smaller labels from touring international acts that can in turn subsidise local recordings: “you really need to streamline these processes, because those working in this sector are all time-poor”.

6.4 Maintaining local content

All interviewees agreed that Australia does not lack for talent across all genres. However, for all the discussion about online environments, all respondents were keen to point out the continued importance of traditional media. Classical companies rely on close partnerships with ABC Classics and ABC FM for recordings and promotion. Similarly, for the youth audience, all agreed that the public broadcaster JJJ stands out as a key breaker of local acts; one respondent described the youth broadcaster as “a vital part of our cultural development”. Indeed, it was pointed out several times that if JJJ airplay is not achieved for an artist, then national tours are very difficult as a promotional and financial viability. One label manager believed that “music genres have become so diverse that JJJ cannot cater for future growth; the onus should be on government to lean on the commercial sector, as they do in Canada and New Zealand”.

A general theme emerged that the broadcasting sector was in the main not matching the commitment to Australian artists and companies. One manager stated that “investment in local artists, and a passion for Australian artists, defines you as a recording company, and it dictates everything that we do”, and this was not reflected in radio and television broadcasting. Older assertions were aired about commercial radio in particular: that commercial radio only played those recordings that were already successful (leaving the ‘R&D’ component to public and community broadcasters); and that commercial stations discriminate between ‘indie’ and major label recordings when it comes to airplay. In terms of the classical economy, “radio is still locked into a cultural cringe mentality, that our recordings aren’t good enough, when it’s patently not true”.

There was a consensus of opinion that the local content quotas for the commercial radio broadcasters required investigation; if content rates could not be raised, then obligations could be tightened in relation to the times and spaces when Australian material was played. This has been a source of considerable tension between the music recording and copyright companies and Commercial Radio Australia.

Some classical producers and musicians believed that measures should be put in place to ensure that funding for Australian classical catalogues emphasises new local music, and not the reproduction of traditional/canonical European content. One classical musician pointed out that despite significant levels of federal government funding, Australian orchestras were not subjected to local content quotas in terms of their repertoire. In relation to film production, measures could also be adopted to ensure the employment of local screen composers as part of taxation offset principles of support.

Thinking about local content more broadly, one musician believed that classical music had to look to the book publishing industry for promotional templates. The local book industry had mastered the art of promotion for local authors, primarily through highly visible industry and government literary awards, and classical music could implement similar schemes.
Local content is also an important part of the considerations of the Convergence Review, with its final report to be distributed by the federal government in April 2012. The *Convergence Review Interim Report* notes industry submissions requesting the extension of music content quotas to digital/internet radio. More significantly, the interim report flags a potential shift from quotas as the primary means of local content support to media committing a percentage of expenditure to Australian content, or contributing to a “converged content production fund” (DBCDE 2011). If implemented, these directives fundamentally shift the debate about the visibility of Australian music content on Australian media platforms, and reinforce the following discussions about other measures related to a national and international presence for local producers.

### 6.5 Export/international presence

Despite the discussions of the continuing globalisation of music markets, composers, performers and companies, several of those interviewed stressed the older problems of the sheer distance of Australia from key markets. The “tyranny of distance” was cited to be still an obstacle, particularly in keeping a breaking act in the minds and ears of newly won fans. Given the smaller classical market in Australia, export strategies were seen as crucial, with the need for reliable distribution sources. Those working in the popular music markets also echoed this: “export is vital, because you have so many bands looking for a slice of the domestic pie, and it becomes very thin… you need a planned global agenda, that includes management networking, market research”. Export strategies were felt to have significant flow-on effects throughout the industry if successfully implemented. Several interviewees pointed to the recent efforts of New Zealand governments:

> The music industry has never been seen like the mining industry, that is, as a serious export earner and because of that, for instance what New Zealand does in an export market is amazing, and we have to see us taking music more seriously as a commodity – I’m a business person who says it’s great to be artistic, but if you’re not making money, what’s the point? New Zealand take it very seriously, because they see it as a serious income producer for their economy.

For those in niche markets, it was felt that “you can see the attrition of small labels over the last ten years; we have lost a lot of really active labels… you are constantly hedging your bets between established artists, the ones that sell, and promoting new artists”. Many stressed that in all genre markets, ‘success’ – heavy overseas sales figures and prominent chart and media presence – is rarely achieved quickly. Rather, a regional – national – global model can be realistically achieved over longer periods.

Despite the prohibitive costs associated with ensuring a physical presence in overseas markets, some respondents believed that digital mechanisms now provide opportunities. In a digital environment (at the moment) dominated by social media networks, marketing expertise is regarded by most as central to international access:

> What you need is a marketing company to market to fans, building simultaneous fan bases in Germany, the U.K. etc at the same time… the opportunity to go global has never been better.

Others agreed that funding and marketing assistance was required to compete with the marketing of bands in overseas markets: “employ people who can go to the media, and get the artist brand into the market, and source the fan bases”.

The music recording sector in Australia: strategic initiatives 14
Government support for music exports has gradually increased since the 1980s. Currently Austrade administers the Export Market Development Grants Scheme that includes assistance with “the export of intellectual property” (Austrade 2012). In its submission to the National Cultural Policy review, ARIA proposed that the scheme be broadened to include a focus upon arts enterprises (ARIA 2011).

Sounds Australia is an initiative established in 2009 to provide support at international showcase market events. Funded primarily by the Australia Council and APRA, the initiative is also supported by State governments, along with other music industry bodies. In addition the Australia Council administers various other programs related to export. The Live On Stage – International Music Showcase Program supports the ability of Australian acts to appear at key international music fairs and events; and the Live On Stage – International Market Program for Music Managers provides travel support for music managers interested in developing international markets. International Pathways supports international touring activity. Several respondents believed that these initiatives were valuable, but could be improved through broadening their focus to recording, and to a greater diversity of music genres represented.

6.6 Building expertise

While some State governments had maintained support programs for emerging artists, many respondents believed that more could be done at the ‘grassroots’ level to build solid networks and expertise in required fields. Access to other areas of expertise in the industry is important. One musician stated that individual and collective passion exists in all areas: “all the artists I know balance the passion for their work with the reality of paying the rent and raising families; there is a compelling urgency to create [for the artist].” The issue is how to best accommodate this passion in terms of industrial knowledge. Here many discussed the broad need to feel part of a professional community, and this can be difficult for individual musicians and labels at the start of their careers. In Victoria, The Push’s former mentoring scheme was proposed as a good example: “getting those contacts and being given role models for success is vitally important … you wouldn’t have heard of [for example] Mia Dyson, Clare Bowditch, Dan Kelly without those programs to kick-start those careers”.

Those working in niche markets believed that the regional – national – global model discussed earlier should not be seen as applying to everyone. Instead, it should be acknowledged that other, more realistic aims apply: “it’s important to measure ‘success’ according to where an artist fits, what is culturally significant without applying unrealistic expectations upon an artist”. The building of professional communities is regarded as vital.

These issues have particular resonance for those working with indigenous musicians, particularly labels and artists situated outside the metropolitan centres, where the sense of isolation is keenly felt. Building networks can be difficult as English is often not the artists’ first language. Others commented on the need to better service the larger indigenous populations, particularly in western Sydney, where interest in hip hop is increasing.

There was a strong consensus among respondents that existing knowledge could be better shared across the industry. This could be achieved through mentoring schemes with experienced industry figures sharing their knowledge in two ways. Mentoring was deemed important in terms of the challenges associated with operating a small business, and the establishment of proper developmental plans for artists before they are ready for recording careers. One manager noted that “we always have a 10 year
plan in place, our bands are long term developments … some work needs to be done before a band is ready to make a high quality recording”.

Mentoring could also take place at the time of recording; many respondents believed that careful matching of experienced artists and producers with emerging artists would greatly assist in the production of recordings to higher professional standards. The Australia Council administers the New Work-Music (Writing and Recording and Media Arts) grant that supports the “development of new work in a studio context … the costs associated with recording, up to and including the mastering stage, are eligible for funding” (Australia Council 2012). While providing valuable encouragement for new material, this scheme does not incorporate a mentoring process and an exchange of ideas where experiences and knowledge are shared. Many respondents believed that mentoring could be an effective means of improving the quality of recordings, and assist in market development.

6.7 Funding options

Debates about the most appropriate forms of assistance to the recording sector have a long history. Calls for direct (funding of recordings) and indirect (taxation schemes) support have existed since the late 1980s. For example, the Contemporary Music Summit held in Canberra in 1995 aired a range of proposals including tax offsets and recording loan programs (such as the MIDAS scheme proposed by Dobe Newton).

Interviewees stressed the need to ensure longevity for recording companies both as businesses and as cultural enterprises. One label manager pointed out that “most acts come and go in ten years; a great label will last 30, 40, 50 years, and be an important cultural gatekeeper”. The parallel effects of the declining size of the larger labels coupled with an expansion in the number of artists meant that the “owner-operator-band who are self-publishers” model was becoming more frequent, particularly as the online market matures.

The majority of discussion (even among those we interviewed who are involved with larger recording companies) was striking in the similar points raised about attitudes to smaller recording enterprises, and attitudes regarding them as small businesses. High levels of self-investment involved in establishing recording labels was necessary due to the denial of traditional means of assistance (e.g. small business bank loans). Problems related to understanding the specific needs of music entrepreneurialism have not changed much in the past 20 years in the sense of the need for “capital that understands risk that drives huge success”.

The views of many are summarised by one artist interviewed:

If there was a grant system for artists who couldn’t finance their own [projects] … there could be an absolute explosion if you had [grants] allocated in lots of $20,000, who knows what you could achieve … We don’t fit the norms of salaried people, so it’s hard for the tax system to understand – we’re freelance, so we’re always in debt because it takes 6 to 8 weeks to get paid, so some understanding of this would be great.

There is a particular need for assistance that provides for and encourages long term planning. This would break previous strategies that consisted of “making albums and then looking for markets”. Rather, previous international experiences show that export success requires 3 year (and longer) plans that reveal careful thought about audience development.
In relation to the need for mentoring assistance discussed earlier (section 6.6.), gaining access to recording studios, producers and mastering producers of high quality is expensive and support to underwrite at least a portion of recording costs was required. This would assist in ensuring the finished product matches the high quality of composition and performance standards in Australia, and meets international standards in mixing/mastering that can mean expenditure of $20,000 to $30,000.

Beyond the provision of funding at the small business level, nearly all respondents believed that taxation measures are also required that reflect the forms of assistance provided to the film sector that encourage commercial and subsidy productions, and multinational co-productions. The current Screen Australia Producer Offset Scheme is available to film productions that pass a ‘significant Australian content’ benchmark, with rebates of up to 40% of film productions costs, and 20% of television and documentary costs. Strong beliefs exist that the correlations between national identity related to local production and targeted federal taxation support equally apply to music, with similar benefits and contributions to forms of Australian storytelling, driven by the fact that Australians want to see and hear their favourite artists.

A strong call exists to provide taxation relief in the form of a tax offset on local recording investments that would directly benefit artists and labels residing in Australia. These forms of support would be welcomed across all sections of the recording industries. Targeted combinations of funding and tax support would also operate in very different forms (and complement) existing programs (e.g. the ‘Breakthrough’ indigenous pilot recording scheme; the ‘Generate’ music enterprise program).

Tax credits/offsets for music production exist in a competitive market of comparable size and with similar challenges to Australian producers: Canada (which also offers some tax exemptions for artist income derived from music copyright). In Ontario, a 20% tax credit exists for qualifying corporations “in the production of ‘eligible’ Canadian sound recordings’ by ‘emerging Canadian artists or groups’” (Freudenberg 2008). This would be of particular benefit to the smaller classical and ‘indie’ pop companies in Australia, and increase levels of private investment. Some respondents believed that a simple and effective method of increasing private investment is to double tax deductions for donors to not-for-profit organisations.

The Canadian incentive has been replicated in Louisiana, with a rising scale of tax credits (ranging from 10% to 20%) granted to individual and company sound recording projects. This is increasingly seen globally as an important part of a suite of incentives that ensure cultural industries participate in appropriate ‘R&D’ activity.

6.8 Funding processes

This study has been conducted within a context of much arts and mainstream media discussion about whether the federal government funding of Melba Recordings should be renewed. While none of the interview questions explicitly canvassed this matter, many respondents wished to provide an opinion. The views of those sought for this study also reflected longer debates about which art forms, and in this case which music forms, produce and reflect meanings of national identity. These in turn provoked strong views on how representative existing funding structures were in relation to the diversity of production activity.

A strong consensus among respondents was apparent on five related issues:

(i) To ensure the sector retains confidence in government processes, application, assessment and outcome processes need to be transparent.
(ii) This requires the maintenance of arms-length peer review through Australia Council programs.

(iii) Federal government funding should broadly encourage investment in new and original works across all music genres.

(iv) All funding projects must be measured against clearly defined outcomes and national benefits including stated outputs, impact, export benefits and related assessment of the growth of Australian composers, performers and infrastructure.

(v) While some existing funding schemes have direct application to specific contexts, activities and genres, any further funding for recording initiatives must encourage applications from and benefits to the entire sector.

7. **Recommendations**

At this point it is useful to return to the original questions put to key figures within the recording sector in Australia. These questions sought a broad canvassing of the contemporary issues facing producers, label managers/owners composers and performers. They also emphasised their needs for long term sustainability, and the appropriate role of government in assisting the sector. All those interviewed revealed a highly developed sense of their own industrial contexts; their descriptions of their current roles underlined the multiple skill and knowledge sets required to survive in national and global markets. Both commercial and not-for-profit producers also showed an awareness that government support is provided within finite budget resources, and amidst ever increasing claims as arts and cultural forms expand in different collaborative forms.

As discussed, international (and national) success is often cyclical. However, steps can be taken in building a more sustainable whole-of-industry approach that provides for more solid foundations of the ecology of the entire sector. This is in keeping with developments in the role of government in other areas of artistic production in Australia where “the creative industries agenda is not about cutting government subsidy but finding new policy tools to support the creative ecology as a whole” (Australia Council for the Arts 2011).

The following recommendations align with the broad objectives of the National Cultural Policy discussion paper: that “the arts and creative industries reflect the diversity of 21st century Australia, encourage the use of emerging technologies, strengthen the role the arts play in telling Australian stories, and continue the capacity of the arts to contribute to the Australian society and economy” (Commonwealth of Australia 2011). Further, unceasing change in how both traditional and new media act as the carriageways for cultural production has led national governments to consider the best means of promoting and increasing Australian content. The federal government’s *Strategic Contemporary Music Industry Plan* discussion paper of 2010 noted the need to assist artists to produce “broadcast ready recordings” for radio and other airplay. It has been noted in another forum that “what has been lacking is how to get capital. Australians don’t invest well in intellectual property” (Australia Council for the Arts 2011). These recommendations reflect the sector’s belief that existing high levels of creativity can be increased through targeted support that allows a greater transfer of the recording sector’s intellectual property to tangible outputs and presence in the marketplace.
The recommendations derive from a demonstrable and real need for the federal government to play a key role in the recording sector; their ranking here is in order of importance as evidenced by the consultation with recording sector stakeholders:

(i) Recording grant scheme: the provision of grants to assist in the creation of sound recordings by Australian composers and performers. Such a scheme should be designed to support both individual artist-led projects and multiple projects commissioned by recording labels.

(ii) Media marketing and promotion scheme: the provision of individual grants for assistance in the marketing of recordings in online formats.

(iii) Australian sound recording tax offset: a refundable tax offset provided for Australian expenditure in the production of Australian sound recordings, similar to those available to other cultural industries.

(iv) Increased export assistance: greater financial resources allocated to existing programs including Sounds Australia to better meet current demand and ensure utility across the widest range of music genres.

(v) Recording mentor scheme: the provision of individual grants to artists for the employment of quality recording producers or musicians of national and international standard.

The majority of these proposed actions are delivered via funding programs. It was the strong view of interviewees that any such programs should be established and processed through the competitive peer assessed mechanisms and overview of the Australia Council for the Arts.

These priorities align with stakeholders’ desire to formulate a whole-of-industry approach that represents a series of strategic ways to improve local conditions for creative music production, and foster greater international competitiveness. As such, excluding the proposed tax offsets which requires further detailed modelling and costing, initial estimates suggest a minimum budget of $1 million per annum is required to produce change; however, an outlay of $2 million across the funding cycle would effect real growth.
## Appendices

### Appendix 1: Key stakeholders interviewed

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Albert</td>
<td>Alberts Music recording company</td>
</tr>
<tr>
<td>Emmanuel Candi</td>
<td>Sony Music recording company</td>
</tr>
<tr>
<td>Sebastian Chase</td>
<td>Metropolitan Groove Merchants</td>
</tr>
<tr>
<td>Jen Cloher</td>
<td>Artist</td>
</tr>
<tr>
<td>Daniel Denholm</td>
<td>Producer/composer/Point Blank Productions</td>
</tr>
<tr>
<td>Lawrence English</td>
<td>Artist/Room 40 recording company</td>
</tr>
<tr>
<td>Mark Grose</td>
<td>Skinny Fish Music recording company</td>
</tr>
<tr>
<td>Catherine Haridy</td>
<td>Catherine Haridy Management</td>
</tr>
<tr>
<td>Nicholas Heyward</td>
<td>Tasmanian Symphony Orchestra</td>
</tr>
<tr>
<td>Simon Huggins</td>
<td>Two Bright Lakes recording company</td>
</tr>
<tr>
<td>Tim Levinson</td>
<td>Artist/Ellefant Traks recording company</td>
</tr>
<tr>
<td>Cyrus Meher-Homji</td>
<td>Universal Music recording company (classical/jazz division)</td>
</tr>
<tr>
<td>Phillip Mortlock</td>
<td>Alberts Music recording company</td>
</tr>
<tr>
<td>Robert Patterson</td>
<td>ABC Classics recording company</td>
</tr>
<tr>
<td>Maria Vandamme</td>
<td>Melba Recordings recording company</td>
</tr>
<tr>
<td>Andrew Walker</td>
<td>Head Records/Jazzhead recording companies</td>
</tr>
<tr>
<td>Belinda Webster</td>
<td>Tall Poppies recording company</td>
</tr>
<tr>
<td>Nigel Westlake</td>
<td>Artist/composer</td>
</tr>
<tr>
<td>Felicity Urquhart</td>
<td>Artist</td>
</tr>
<tr>
<td>Zulya Kamalova</td>
<td>Artist</td>
</tr>
<tr>
<td>Jonathan Zwartz</td>
<td>Artist</td>
</tr>
</tbody>
</table>
Appendix 2: Interview questions

(i) Could you briefly describe your recording label/output, and the elements required to build a successful business?

(ii) What are the current issues impeding the growth of your business?

(iii) What are the current and future infrastructural needs of the recording sector?

(iv) What are the current issues impeding the growth of the recording sector?

(v) What could government do to assist the growth and sustainability of the recording industry?

Appendix 3: Digital music services In Australia (source: Ifpi 2012)

Anubis.fm
Bandit.fm
BigPondMusic
Cartell Download
DanceMusicHub
Getmusic.com.au
Guvera
Hutchison Three
Inertia
iTunes
Jamster
JB Hi Fi
Liveband.com.au
Mobile Active
Music Unlimited
Nokia Music
Optus Music Store
Qtrax
Rdio
Samsung Music Hub
Songl
The In Song
Third Mile
Ticketek Music
Virgin Mobile
Vodafone
YouTube
Appendix 4: About the author

Associate Professor Shane Homan has published three books and many journal articles on the music industries, with an emphasis upon Australian musicians and practices. With Professor Bruce Johnson, he co-authored the Vanishing Acts report on the health of live music venues for the NSW Ministry of Arts and the Australia Council for the Arts in 2003. In 2010 he completed The Music Capital: Melbourne Music Strategy report for Melbourne City Council. Shane is also the leader of an Australian Research Council project, Policy Notes: Local Popular Music in Global Creative Economies, a multi-national examination of music policy histories and formations. He is a former Chair of the Australia-New Zealand branch of the International Association for the Study of Popular Music, and a member of the Musicological Society of Australia and the Music Council of Australia. In 2011 Shane edited a special issue of Musicology Australia on recording, composition and performance collaborations in different genres and contexts. He is the co-Director of the Research Unit in Media Studies and Head of Communications and Media Studies at Monash University. Shane has been a drummer in various bands since the 1980s.

Appendix 5: Acknowledgements

The author would like to thank David Colville and Katrina Dowling for their expert and professional assistance in the completion of interviews, and all industry stakeholders interviewed for providing their time and thoughts.
Appendix 6: References


APRA/AMCOS (2012) Submission to the federal Minister for the Arts The Hon. Simon Crean: Proposal for a National Cultural Policy, October


Australia Council for the Arts (2009) Arts Content for the Digital Era, June

Australia Council for the Arts (2010) Artist Careers (summary of economic study and census analysis)

Australia Council for the Arts (2011) Arts and Creative Industries: A Historical Overview; and An Australian Conversation, January


Google Australia (2011) National Cultural Policy, Submission to National Cultural Policy review, October


IBISWorld (2011) Recorded Music Retailing in Australia Research Report, November


MCM Media (2012) ‘VEVO, the Global Home of Music Video Launches Australia, New Zealand’, 16 April


