A STATISTICAL FRAMEWORK FOR THE MUSIC SECTOR

FOR THE STATISTICS WORKING GROUP OF THE CULTURAL MINISTERS COUNCIL

A SCOPING STUDY
BY HANS HOEGH-GULDBERG
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Music Council of Australia

April 2005

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Preface

A Statistical Framework for the Australian Music Sector

This scoping study was undertaken in response to recent research reports and industry discussions that strongly indicated a lack of statistical information to form a basis for evaluating the contemporary music industry and for determining the most effective mechanisms for the future health and development of Australia's contemporary music industry. The research, however, quickly established that music of all genres and vintages should be included in the framework, although special attention was to be paid to popular music throughout.

All music is a source of creativity, cultural identity, recreation and employment for many people in Australia, including a large proportion of young Australians, many of whom attend popular music concerts. Music is one of a very small number of art forms with the ability to generate substantial employment opportunities and the potential to contribute to export earnings. The Australian Government and almost all of the State Governments have some form of program of assistance for contemporary music as well as other genres.

This report is a comprehensive, thorough and detailed assessment of the Australian music sector. It evaluates the existing data collections and available data sources and includes an examination of why the scope should be the entire music sector, the application of the value chain model to the music sector and suggests a proposed framework for the music sector in Australia.

An integrated set of data collection strategies is proposed in the report. It suggests options for the collection of data on the following: creators, performers and groups; live music performances; presenters and entrepreneurs and venues; production of recorded music; intellectual property flows; other industries which generate economic product based on music (broadcasting, film, advertising, etc); music education; service organisations; music libraries and some other related issues.

As identified in the report, many of these components are already covered to some degree in existing Australian Bureau of Statistics' collections. These collections would be an excellent base on which to add further detail, particularly about styles of music.

The Cultural Ministers' Council Statistics Working Group will assess the report's recommendations and canvass government priorities for further research and data collection work.

Cultural Ministers Council Statistics Working Group
August 2005

Table of Contents

Foreword

In the past quarter of a century, culture has become recognised as a macroeconomic asset, adding a new dimension to the historically established intrinsic value of artistic activity. As nations develop, the forces of economic growth supplant one another at an increasing tempo. The industrial revolution in the western world began to take over from the traditional agrarian economy a little more than 200 years ago, generating huge factory developments by the late 19th and early 20th century. As an economic locomotive, manufacturing began to run out of steam from the 1960s in many advanced nations, a development that was reinforced as other countries became competitive on quality and cost.

From the 1950s, service activities across a broad spectrum provided a new growth engine which remains important. But new hope for long-term growth is increasingly being pinned on creative industries based on knowledge and information. The current creative industries strategies adopted in several countries including Australia reflect this hope. Much of the creative effort is based on digital and other new technology, but cultural activities also show relatively strong growth. The music sector has the dual advantage that much of it is closely associated with technology and that it is artistically creative across a diversity of genres.

The Cultural Ministers Council through its Statistics Working Group (SWG for short) saw the need for better statistical data on the contemporary music industry, with special emphasis on its regional and national export and employment potential. However, the brief to the consultants also encompassed the cultural and creative side of musical activity, primarily relating to young people but including other 'themes' such as Indigenous and women's issues, the length of musical careers, and individual genres. The brief was subsequently amended to cover all musical activity, whether contemporary or traditional.

The magnitude of all this became ever clearer to us as we delved into the literature and into the minds of other people associated with the music sector. One of us (Letts) detected a basic logical flaw in the standard definition of the music sector which led us to develop the extended model presented in this report. The other evolved the concept of a socio-cultural value chain (with economic feedback potential) parallel to the usual commercial value chain. We trust both innovations will be helpful in future work in this and other cultural sectors. Above all, our work has convinced us that the music sector in all its manifestations is a promising generator of economic growth, close to the top among cultural activities. It needs the full attention of our policy-makers for commercial as well as cultural reasons, and therefore we need a good complete statistical framework for the whole sector.

In addition to the literature, we have benefited from contact with many individuals. We thank the following members of the SWG subcommittee appointed to oversee the work: Georgina Griffiths (who acted as secretary of the SWG sub-committee), Val Hodgson, Karen Lee, Damon Lewis, Bret Mannison, Theo Neumann and Warren Woodward. Thanks also to Sarah Barns, Emma Barron, Vanessa Chalker, Gail Cork, Sue Spence and Peta Williams from the Australia Council for the Arts. Last but not least, we acknowledge the Australia Council's Warren Woodward for his help in coordinating the response to the draft report and for being his usual constructive and friendly self throughout.

Among our fellow councillors and other members and associates of the Music Council of Australia we thank Andy Arthurs, Michael Barkl, Paul Bodlovich, Chris Bowen, Mary Jo Capps, Anna Cerneaz, Sylvan Elhay, Matthew Fargher, Samantha Groessler, Nick Hampton, Gillian Harrison, Robyn Holmes, Carroll Karpany, Peter Knight, Paul Mason, Scot Morris, Lindy Morrison, Peter Morrison, Philip Mortlock, James Nagy, James Nightingale, Tania Rose, Huib Schippers, Derek Watt, John Whiteoak, David Whitbread and Jim White for their contributions, advice and support.

David Throsby read and commented on the draft report. His contribution was most helpful both in its general endorsement and in identifying some inconsistencies and points of difference. We refer to his comments in appropriate parts of the report.

Hans Guldberg and Dick Letts, April 2005

Executive summary

Music industry or music sector?

The Cultural Ministers Council through its Statistics Working Group (SWG) has long been a leading advocate of the introduction of meaningful cultural data. This scoping study represents one of SWG's most ambitious ventures to date. The authors of this report (principals of Economic Strategies and the Music Council of Australia, respectively) felt that it was also an extremely important project with the potential to put Australia into an international leadership position in the cultural statistics area – and subsequently achieving the same for the music sector since the main purpose of developing statistics is to help devise effective policies. Our joint proposal was accepted in June 2004.

The SWG brief was guided by a desire to define the economic contribution of 'popular' contemporary music to employment and exports, especially at state and territory level. For this reason traditional classical music was not part of the frame of reference – a provision that was subsequently abandoned because, among several reasons, it is impractical to separate contemporary and traditional classical music which appear in the same concert programs. While focusing on music 'broadly understood as being popular', the brief also alluded to the social and cultural importance of what it saw mainly as young persons' musical activities, and called on the project to cover music genres such as jazz, country, world and contemporary classical, and to allow for topics such as the role of women, Indigenous music, airplay, and career lengths.

There are two different perspectives of the subject matter of this report. The *music industry* approach tends to concentrate on recording and basically sees performers and songwriters as inputs into an economic product. The *music sector* view originates in what makes music possible in the first place – the individual creators and performers of music and the bands, orchestras and other groups they form. Importantly, the SWG brief adopted the latter perspective by identifying three key groups for the statistical framework:

- Musicians including composers and songwriters
- The recording industry including record companies, producers and manufacturers, distributors of physical and digital products, studios and self-produced recordings
- Audiences at all public performances, and venue operators.

Developing a mental image of the music sector

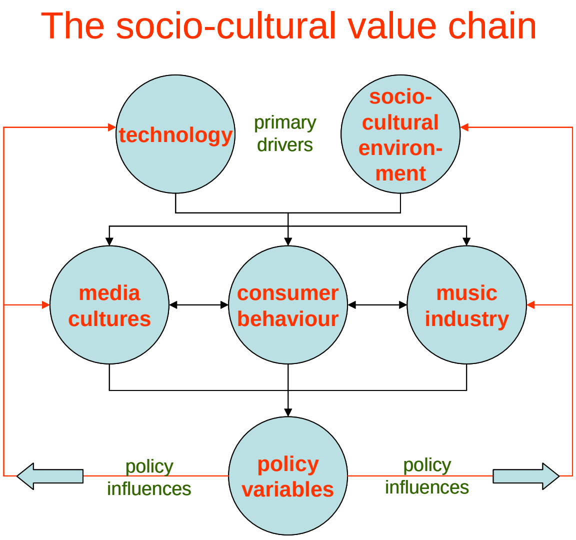
At a meeting in Sydney in July 2004 with the SWG sub-committee overseeing this study, and Australia Council staff, we presented a tentative 'model' which put the creator and performer of music at the centre or apex of the inquiry. The meeting agreed with this perspective which has guided us through the study period. The timing of the meeting coincided with the publication of three reports on the contemporary music scene in Queensland, from the Creative Industries Research and Applications Centre (CIRAC) at the Queensland University of Technology. One of the reports described what the authors called a 'value web' of creative 'grassroots' micro-businesses which are literally driving the Queensland music industry. The report is discussed in Chapter 2.

CIRAC's 'value web' is derived from the 'value chain' invented by Professor Michael Porter in the 1980s. Our study of the music sector also refers to the concept, because it forms a theoretical basis which can then be extended to show that there is much more to the sector than competitive confrontation. In its basic form, the value chain describes the process of value adding by a firm, from when it receives and stores its supplies of raw materials and other inputs, through the productive process itself to the marketing and distribution of the final product. The primary activities are supported by other capabilities which can further increase the firm's competitive advantage, including an effective infrastructure based on organisation, control systems and company culture, human resources, and technology development. These supportive attributes are very relevant in the music sector.

The firms in question can be any size, from the one-person and micro businesses that proliferate in the music sector to transnational record companies. The latter may have special advantages through their ability to control the upstream (supply) and downstream (distribution) value chains. However, size is not the only competitive advantage factor in the music sector – especially with the advent of low-cost high technology allowing even tiny creative businesses to compete effectively. The successful individual artist has of course done so effectively since time immemorial, using the technology of a musical instrument or in the case of singers no mechanical technology at all.

Through the value chain, a firm achieves a competitive advantage either by cutting costs or by developing a unique differentiated product or service. Most advantages in the music sector would be gained through differentiation, and 'unique' should be interpreted as 'having sufficient unique features to attract consumers', as in the case of a successful popular band. Differentiation, however, is not enough – cost is very important partly because there are so many near substitutes to any CD or live performance, and partly because there is a popular perception that CDs are overpriced. People use the high price of CDs as an excuse for illegal downloading, which remains one of the record industry's main concerns.

Porter also showed that a differentiated product can be marketed either to all consumers or to market segments – niche marketing. Within the generic music market, niche marketing may be considered the main model for all the genres that are 'minor' in an economic sense and probably also including much popular music apart from the current top bands and recordings.



Porter's model is a highly commercial concept that would provide a woefully incomplete analytic base for a cultural sector like music if not modified. While economic factors are important, we need to view the music sector more widely to incorporate its social and cultural importance. This study introduces the parallel concept of a *socio-cultural value chain* to demonstrate that competitive strategy is not limited to commercial and financial variables. In this view, summarised from Chart 2.12 in Section 2.4.6, the music sector is driven primarily by two factors: technology and the socio-cultural environment. The primary factors in turn influence music-related media cultures and consumer behaviour, and the music industry itself. These again influence the policy choices that could be made to adjust the previous links in the value chain (red lines feeding back from the policy variables at the base of the chart). The feedback includes influencing the 'exogenous' technological and socio-cultural environments, though of course these continue to receive stimuli from many other sources as well.

Technology is clearly a very important factor in the development of the music sector, economic as well as social and cultural. This includes the digital online revolution over the past decade or more and the tendency for conventional products to converge (the music-playing, picture-taking and computing mobile telephone is just one example). The threats to the recording industry from piracy and illegal downloads (not to mention the growth in legitimate online distribution of recordings) are of prime concern to the international and domestic recording industry. Other technology trends include the continued development in telecommunications and new products generally, the greater access to affordable high-quality do-it-yourself studio equipment, and technology for producing the music itself.

The other primary driving force is the socio-cultural environment, including the cultural ambience and diversity that provides space within communities for many genres and participants, general socio-economic and demographic factors and their impact on diverse local environments, competing social networks and activities such as sports and volunteer organisations, and the support a community gives to new creators and performers.

The next layer in the socio-cultural value chain has three inter-related sectors, the media, the consumer and the music industry itself. Apart from commercial, government and community radio and television and the film industry, important influences come from a wide array of general and specialist print media including magazines, the daily press and the Internet. There is also an important dimension of regional differences both between and within states and territories.

Consumers' taste and satisfaction trends influence, and are influenced by, other links in the socio-cultural value chain. Another socio-economic dimension is the rate at which Australians adopt new technology which enable them to benefit from new means of playing music. Over the past decade in particular, aided by favourable economic conditions, Australian residents appear to have been among the faster adopters of products such as the Internet, broadband and online music developments, the mobile telephone and new home entertainment systems.

Finally, the music sector itself in all its manifestations from the changing structure of the recording industry to its creators and performers is engaged in an intricate web of interconnected forces. Other influences include changes in the national and regional availability of venues from pubs to festivals and concert halls. The international nature of the music industry also ensures that overseas influences continue to be important or even dominant, depending on genre.

All these factors need to be taken into account when considering *policy options*, whether these relate to public funding, music education, business training, legal and insurance matters, competition policy (including policies to control international influences on the sector), protection of intellectual property, or support of international touring and exports of physical and virtual music product. As the influences from other parts of the socio-cultural value chain change, and the economic productivity of the music sector changes as a result, policies are devised to modify these influences to support the sector and to the greater good of the Australian community and economy. It is this that makes the socio-cultural value chain important not just in a community and cultural sense but also because the statistical framework is needed to guide the ways in which cultural and social policy decisions benefit economic growth.

It may be objected that the socio-cultural value chain is not 'quantitative' and therefore may be overlooked by statisticians. Our proposal, however, advocates the inclusion of 'qualitative' as well as quantitative information (eminently measurable using scaling and other techniques). Without explicit consideration of the relevant qualitative values embodied in the socio-cultural value chain there is a grave risk that these values will be overlooked. It would be a great pity if the developers of the statistical framework for the music sector ignored this, especially as some of the 'themes' suggested in SWG's own brief to consultants have significant qualitative elements.

One example demonstrates the point. Music education in Australia may be contrasted with what has become major policy in Sweden. Practically every local government area in that country has acquired one or more municipal music schools since the 1960s and 1970s. The vision causing this movement to happen can only have been guided by impressions of a qualitative nature; there were no numbers to steer the policy. Today, thirty percent of Swedish school students participate in learning a musical instrument in these schools, which has allegedly led not only to greater depth in the ability of Swedish artists to play quality music, but also to a sophisticated general audience that reinforces the demand for artistic excellence. This is regarded as an important factor in Sweden's success in becoming one of a small number of net music exporters other than the United States and United Kingdom. There is no apparent reason why Australia couldn't act likewise with similarly beneficial long-term results, given that community and cultural values are similar in the two countries.

Components of the music sector

The main components are identified and expressed as value chains in Section 2.4, primarily in economic terms but with frequent reference to the socio-cultural factors. To get the framework process going based on the concepts of the SWG brief to consultants, the primary value chain categories are defined in Chart 2.6 as:

- Individual creators and performers
- Bands, soloists, ensembles and orchestras
- Live performances
- Recording

- Airplay (suggested as a 'theme' in the brief)
- Distribution (of physical recordings through conventional and online channels)
- Other including film, video and advertising ('broad sectors', not part of any suggested 'theme').

The statistical framework specified in the brief consisted of three main groups which can be paraphrased as artists, venues (performances) and the record industry (manufacture and distribution). But the list conceals as much as it reveals. Its main merit is to recognise the pivotal importance of artists and their performances and audiences – but to limit the rest of the music sector to the conventionally defined record industry means leaving out some very important components which adds huge amounts of value. Furthermore, the concept in the brief leaves out what to a large extent makes it all possible – music education and other support functions.

Going back to the list developed from the brief, we found that the first two groups could be considered together, because one is a natural extension of the other. Live performances (venues and audiences as

Functional model of creation, production and delivery of music

Stage	Primary/conventional method	Comment
CREATION		
Composition	Composers and songwriters	Whole band may be involved in arranging/producing a song Creative process may continue in recording studio
PRODUCTION		
Live	Live performances	Live performances may be initiated by musicians, entrepreneurs, venues, radio and TV stations, film companies and others down the line Airplay and recording may follow
Mediated (recorded)	Conventional defined record industry embedding live performances into reproducible formats	Bands (DIY), film, broadcasting and TV production companies and advertising agencies also produce recorded product by embedding live performances for their purposes Products include CDs, tapes, cassettes, music videos, DVDs, tape and CD masters, hard drives and film and TV sound tracks
DELIVERY		
Live performances	Presenters; venues	Wide span of venues: clubs/pubs, festivals sites, concert halls etc
Physical recordings	Conventional distributors	Wholesale, retail stores, record clubs, online ordering
Online	Several sources, see comment column	Legal delivery through computer, telecom and online music companies, ISPs etc Illegal downloads
Via broadcast, TV or cinema	Radio and TV stations, film companies, advertising agencies (split between main program and advertisements)	May all produce live performances, and most film and television music is produced and recorded within these Advertising in all these media uses music, again probably largely produced in-house
To public spaces	Providers of recorded music, 'muzak'	Public spaces include workplaces, stores and other areas using background music
New/emerging uses	Depending on product	Providers of computer games, phone ring tones etc

Note: This is still a highly simplified and partial view of a complex sector. Support activities and industries such as music education, instrument making and repairs, and music reproduction equipment making and distribution are also part of the framework. There are also many overlaps adding to the complexity, as educational establishments may well be involved in live performance and recording, and many individuals divide their working life between music education, performance, composition, studio work etc.

specified in the brief) clearly needed to be treated as a group, and furthermore have so many points in common with the survey of creators, performers, bands and other groups that they may need to be examined in close succession. Rather than making venue operators the object of the survey, however, we recommend that the survey of live performance activities be based on presenters and entrepreneurs organising these performances (see further Section 4.4.2).

The main weakness of the list is its failure to identify the delivery of all music to the ultimate consumer. The only direct links to the consumer implied by the list on pp vi-vii are through live performances and sales of CDs and other recordings, but there are many other supply channels.

In our recommended framework, production and delivery are also seen as separate links in the chain (the functional model in the graph on page vii shows the basic *creation-production-delivery* sequence). The recording industry in this view is part of the recorded or 'mediated' production process (parallel to the production of live performances). It includes independent studios and other necessary components of the production process. However, the functional model discloses a host of complexities due to the fact that the recording industry is not the only one that records music: so do the musicians themselves and industries such as film, broadcasting, television and advertising. Similarly, live performances can be initiated by radio and television stations, film companies, educational institutions and others.

The third and novel part of the proposed sequence is the *delivery* of music product. In addition to live performances, an important part of this is direct to consumer in the form of physical products (CDs and other recordings distributed through stores and online. This is covered in most music industry studies. But much demand is met through independent industries that are not just 'downstream' users of the mediated music product supplied by the record industry. The broadcast, television, film and advertising industries all need to be investigated separately in the statistical framework to obtain a full view of the music sector. So do those providing recorded music for public spaces and for new uses, as set out in the graph. Unless these industries are explicitly included in the framework in the same way as the end markets are covered in the direct sale of performances and recorded music products to consumers, the framework omits some essential channels of delivery that are clearly part of the music sector.

This perspective must be kept in mind through the discussion of the first three music sector activities – those requested in the SWG brief. Three diagrams in Section 2.4 show input from suppliers of services and materials into the activity in question and its output to subsequent value chains and the ultimate consumer – 'the market'. The three activities are:

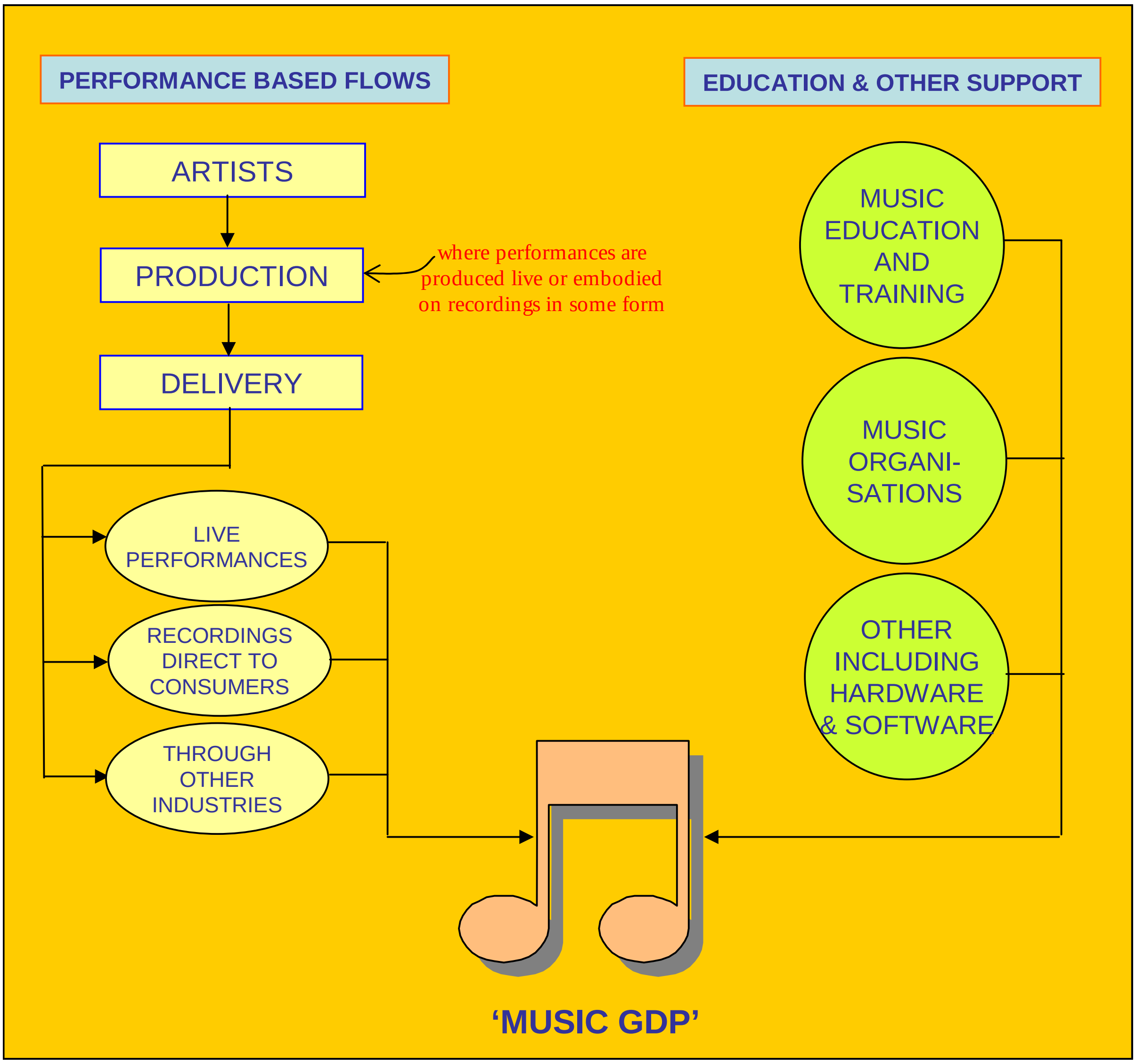
- Creators, performers, bands, soloists, ensembles and orchestras (Chart 2.7)
- Live performances (Chart 2.8)
- The recording industry including distribution of conventional and online material showing a simplified view of both production and delivery of mediated music (Chart 2.9). To indicate the shortcomings of this approach, we have named the SWG-inspired graph 'the limited view from the recording industry' and added another graph (2.10), which in principle shows the contribution of the *whole* music sector to the Australian economy ('Music GDP'). The graph is reproduced on page ix.

Flows related to copyright and royalties are shown in a separate chart (2.11) to simplify the graphic presentation in Section 2.4. Another reason for this approach is that there appears to be a potential for cooperation between the copyright-collecting societies (mainly APRA, AMCOS and PPCA) and the Australian Bureau of Statistics ABS).

In summary, the descriptions in Charts 2.7 to 2.11 relate to the *creation, production and delivery* of music through composers, performers, live performances, the conventionally defined record industry and other industries which supply consumers with music in some form. The music is delivered through live performances, through the provision of CDs, cassettes, tapes and online recordings direct to end users, and through radio and television, film and video, advertising in these media, piped background music and new uses such as computer games and telephone ring tones.

The upshot of this analysis is that the 'downstream' industries 'tagged on' to Chart 2.9 clearly require independent analysis to define their role as processors of recorded music for consumers, and the full music-related value which is added in the process. These industries are not part of the framework stipulated by SWG's brief, but logically they should be and we have built them into the framework. The

Overview of a full statistical framework



music-related value added in any industry using mediated product is no different in nature from the value added in bringing a CD, cassette or DVD from creation through the productive stages to the public, or selling tickets at a music concert or gig.

Furthermore, the music sector includes the education and training aspects, without which very little music would be performed, other support and supplementary activities such as music organisations at all levels, and the supply of instruments and music reproducing equipment.

Other studies and genre checking

Two important objectives of the study as we perceived it were:

- Ensuring that the framework comprehensively covers the sector
- Checking that all genres can be fitted into the framework.

The former objective was tested mainly through a review of other music industry or sector studies, discussed in Section 3.1. These studies were found to fall into four main categories:

- There is an important recent trend towards the formulation of *creative industries cluster strategies* (Section 3.1.1). The idea originated in the United Kingdom in 1997 and has since been adopted in a number of countries. The UK definition of creative industries remains current. They originate in individual creation, skill and talent, and generate intellectual property values. They have high value added (higher than in manufacturing) and involve cooperation between high-technology and conventional cultural industries.

The strategies are called 'cluster' because they encourage cooperation on investment, production and distribution between small-to-medium-sized businesses in a particular area or between firms which may or may not be geographically separate but work towards a common objective.

The Australian government started a creative industries strategic process in 2001. It adopted a very high-technology approach and identified two cultural industries, film post-production and music, as undergoing significant changes and being increasingly involved in the production of digital content and applications.

The Queensland government introduced a creative industries strategy in early 2004, and separate strategies for Brisbane and Cairns. The strategy is orientated towards conventional rather than high-tech industries as distinct from its Commonwealth counterpart. It identified music composition and production as one of six creative industry groups.

- The second group of studies concentrates on the commercial music industry, with a focus on musicians and covering live performance as well as recording. A valuable contribution was made in Western Australia in 2002 by a specially convened contemporary music taskforce. It produced many recommendations for development of the popular music industry and was an important inspiration for the brief for this study and for our thinking. The report is described in Section 3.1.2, which also contains reference to a study of popular music venues in NSW.
- Other studies also concentrate on the popular end of the music market with an eye on export opportunities. They include an Australian study from 1993 and a Canadian study from 1995 focusing on the recording industry, and studies of two of the few successful music-exporting countries, Ireland and Sweden (Section 3.1.3). The Irish report is orientated towards the artists and shows, among many other things, how exports depend on a few super-successes which account for a high proportion of the total. One of the conclusions of the Swedish study has already been reported: the role of the municipal music schools as a factor for subsequent export development (Section 3.1.4).
- Comprehensive studies of the music sector are few in number (Section 3.1.5). The first report published in 1987 by the Australia Council qualifies, but the only other examples we have been able to find are two reports on the British and Scottish scenes dated 2002 and 2003.

All the studies mentioned above had valuable detail to contribute to our understanding. In accordance with the brief for the current study, however, there is a need to ensure that all components and main genres are comprehensively covered. A check carried out in Section 3.3 indicates that the model set up in Chapter 2 (including both socio-cultural and commercial value chains) fits three different genres: country, contemporary classical and world music (as well as mainstream popular music which formed the basis and required no further testing). It can be safely inferred that other genres such as folk and jazz will also fit the model. The final section (3.3.4) demonstrates that it also fits Indigenous music, which straddles a range of genres but adds its own unique and distinctive features to these genres.

Naturally, each genre and other grouping under review will differ in their income and expenditure patterns, input and output characteristics. This is also likely to be the case within particular genres in the highly complex music sector. The main point is that the statistical framework must be designed to fit all genres, since the actual definition of genre/subgenre is up to the performers and groups themselves.

Other statistical framework studies

The ABS has already considered statistical framework concepts in at least three important and exhaustive studies (Section 4.2): tourism, the knowledge-based economy and even more comprehensively ten sectors of Australian social statistics, including culture and leisure. Tourism 'satellite' accounts (supplementing the main national income and expenditure accounts) are already in existence culminating in a 'Tourism GDP' which we suggest can be mirrored in a 'Music GDP' or a 'Creative Industries GDP' with the music sector as an identified component. With the new emphasis on creative industries strategies, this seems a realistic objective to set within a defined planning horizon, and a logical goal for the statistical framework.

In summary, the ambitious work by the ABS on other statistical framework studies makes us believe that the model proposed in this study for the music sector is realistic.

Concepts to cover in this framework

Findings from other studies reviewed in Chapter 3 provide the final contribution to subject matter that should be covered in the statistical framework for the music sector (each topic is elaborated in Section 4.3):

- The role of technology and the creative industries
- The regional perspective
- Formal education and training – with music first priority ahead of business training
- The role of Indigenous music
- Changing industry structures and export success factors
- Changing configurations of music genres and subgenres
- The role of the framework in providing policy guidance
- Providing a comprehensive view of the music sector
- Comparing strengths and weaknesses with other countries, such as Sweden.

Creativity as an economic force

We finally refer to the work carried out not just on creative industries strategies but also on the rise of a creative class as a main force behind economic growth in the 21st century (Section 4.3.1). Richard Florida claims to have demonstrated a strong relationship between the economic growth of American cities, the amount of high-tech activity in these cities and the degree of diversity and tolerance that exist in the populations of these cities. Though the empirical checks presented in his book are not always entirely convincing, he has subsequently responded strongly to his critics and his concepts should not be discarded just because they challenge conventional economic and statistical analysis. He defines the degree of economic success of American cities in terms of 'three Ts': technology, talent and tolerance. Furthermore, he shows specifically that the percentage of artists and designers in the population (his 'bohemian index') is highly correlated with the high-tech innovative index of number of patents per head.

The creative class he defines consists of about 30% of the US workforce of which the primary component is the 'super-creative occupations'. They include artists along with computer professionals and mathematicians, architects and engineers, the life, physical and social sciences, education, training and libraries, design, entertainment, sport and media.

A statistical framework for the music sector

The statistical framework has its logical conclusion in a concept that measures the entire contribution of the music sector to GDP. The 'Music GDP' is ultimately part of a 'Creative Sector GDP', but because of its size and complexity a successful music framework would go a long way towards ensuring that other cultural activities could be incorporated too. Chapter 4.4.6 shows first that the individual creator and performer adds value by participating in live performances, production of recorded music and, reflecting the eclectic life of these artists, in a range of other part-time activities such as music education, music administration or in the record industry (Chart 4.5). Having established this, Music GDP is fed by the following four main categories:

- Value added in live performances
- Value added through production and delivery of recordings to consumers

- Value added in other industries using mediated (recorded) performances for delivery to consumers
- Value added in support activities: music education including extracurricular training, support organisations and others.

Proposed statistical framework, towards a Music GDP

Creators, performers and groups

Surveyed jointly: additional questions to creators, and to band and other group leaders
Category (creator, performer, etc), demographics, other individual information, expenditure and income categories. Location (State/Territory) and overseas in detail.

Live music performances

Location, whether Indigenous, type of venue, genres performed, history, overseas v local, expenditure and income items, performances and audiences per year, etc.
Based on presenters/entrepreneurs (including producer/presenters)

Production of recorded music

Location, type of business (record company, studio, manufacturing, other producers), other including history, genres, Australian content, impact of piracy, products sold. Cost, income, export/import of goods and services (trade balance)

Intellectual property flows

Supplementary collection based on cooperation between copyright-collecting societies and ABS.

Delivery of recorded music

Distribution of physical CDs etc and online services direct to consumers.
Delivery via broadcast, TV, cinema , both main features and advertisements.
Delivery through public spaces and new and emerging uses of music.

Value added in music education and other support

Music education including extracurricular, public and private support organisations, publications, unions, libraries and research, music therapy and other uses.
Include music reproduction equipment, instrument making and repair and other 'hardware'.

MUSIC GDP (total value added)

Creators and performers, live performance, recording industry direct sales, music content in industries using mediated music performance, music education and other support.

We advise that priority be given to the surveys of creators, performers and groups and to live music performances, which are currently less well understood statistically than the conventionally defined record industry. The next priority is the record industry, followed by collections to identify the music content of

A possible time frame

Year 0

Overall plan approved or amended
Set up consultative committee of sector and other representatives

Year 1

Survey of creators, performers and groups

Design and carry out identification procedures starting from available lists and other material
Decide organisations to carry out different components
Design survey and consult with music sector representatives across genres
Ensure that consultative process captures special needs (women's issues, career length etc)
Ensure that all State and Territory issues are covered through consultative process
Decide sampling procedures and size and select samples

Intellectual property flows

Negotiations between ABS and copyright-collecting societies on data availability
Set up procedures for annual data collection (to start in year 2)

Year 2

Survey of creators, performers and groups

Conduct survey and decide on future frequency required

Survey of live performances

Six-step sequence of tasks as shown for creators, performers and groups, based on presenters/entrepreneurs

Other industries delivering recorded product

Start planning and consulting with industries on how to estimate music content in economic terms

Year 3

Survey of live performances

Conduct survey and decide on future frequency required

Production of recorded music

Similar six-step sequence of tasks as shown above, based on identified business units

Input-output data

Start developing model aimed at introducing Music GDP estimates by year 5

Other industries delivering recorded product

Develop models to define music content in broadcasting, film, advertising and other identified industries

Year 4

Production of recorded music

Conduct surveys and decide on future frequency required

Input-output data

Develop coefficients in sufficient detail to support a reliable music GDP estimate in year 5

Other industries delivering recorded product

Survey music content in broadcasting, film, advertising and other using industries

Music education and other support industries

Develop estimation models to define music content

Year 5

Music education and other support industries

Survey music content

Total music sector

Develop a music GDP estimate by end of year 5

Legend:

Green: Preparation for surveys
Gold: Surveys
Light yellow: Special flows (1: preparatory, 2: copyright-related and 3: towards GDP estimate)

industries using mediated music for delivery to consumers: broadcasting, film, advertising and other industries. Subject to the obvious budgetary constraints, we suggest that a timeframe be applied, setting a five-year horizon for identification of a reliable Music GDP. The chart on page xiii shows an approximate order of priorities, including surveys of music education, other support industries and hardware including music reproduction equipment and instrument supplies and repair in the latter years of the timeframe.

The statistical gap between what is available and what is required according to the suggested framework is very wide (Chapter 5). To a considerable extent we are looking at pioneering collections, starting with the realm of individual artists and live performances. Given that the premise is correct that the cultural sector is rapidly gaining economic importance (which we believe), we consider it important to set a timeframe for the complete statistical framework despite the complexity of the task.

Practical considerations and cost issues

The practicality of carrying out this program must be judged along several lines:

- Considering that the development of a statistical framework for the music sector represents a major development consistent with the emerging emphasis on creativity as a key economic growth factor, this is a very modest amount. Spending even $200,000 per year over the next few years would represent a very good investment in such an important cultural sector.[1]
- This annual amount represents an upper limit, assuming commercial contractors or academic institutions carry out some of the work. It will be less if the ABS is able to take on the major part of the work.
- Identification is a significant item, especially for the initial surveys of creators, performers and groups, and live performances. It should be possible, however, to reduce these costs through cooperation with state music organisations who keep registers of music sector participants, and using available directories of music businesses and other available records. These records are generally publicly available on Internet sites and in printed form, suggesting that privacy legislation should not be an issue.
- Another possible way of reducing cost may be to aim below the high standard of a fully representative list but to do a limited number of intensive probes of local areas (say, selected suburbs) to estimate the difference in coverage between an 'ideal' list and what is actually achieved across states and territories. We do not favour this option but advance it for consideration. Whatever choice is made, however, we do recommend working closely with state and genre-based music organisations, and to tap into the resources of peak bodies such as the Music Council of Australia and its member organisations, the Australian Music Industry Network (AMIN) and its state and territory affiliates, the Australian Record Industry Association (ARIA), the Association of Independent Record Labels (AIR) and the main copyright-collecting societies.
- A second set of considerations concerns the role of the ABS versus alternative operators. The statutory powers of the ABS, as well as its expertise, make it the logical candidate for carrying out the statistical collections. While it may also wish to accumulate the lists needed as sampling bases, commercial firms or academic institutions should be able to do a similar job (with methods input from the ABS as required).
- Finally, funding sources outside the ABS should be available. The Throsby surveys were largely funded by the Australia Council, and there may be a case for state governments to assist as well. Furthermore, the project fits well into the criteria for seeking Australian Research Council funding, which points towards university-led research teams augmented by personnel associated with economic and statistical research in the cultural sector, and music sector representatives.

[1] We didn't commit ourselves to providing cost estimates in our response to the brief. Our estimates of total cost are reasonable, based on published anecdotal evidence.

Conclusions

In an age in which creativity is becoming an important driving force and perhaps the driver *par excellence* of economic growth, there is a growing need to nurture and understand a principal creative sector such as music. On the plausible assumption that the creative industries strategies have a valid foundation, the perspective changes on what is the role of the cultural industries as economic growth stimuli and the priorities for developing the high-tech related music sector.

The development of the statistical framework for the music industry must address the following issues, among others:

- Does it address the relevant policy issues sufficiently, as set out for instance in the discussion of the socio-cultural value chain?
- That is, will the statistical framework allow for proper indicators of how social and cultural perceptions of the music sector are changing?
- Does it define the music sector sufficiently?
- Does it address the changes affecting the sector sufficiently?
- Does it identify activity at state and territory level (and within individual states and territories)?
- Does it define the foreign transaction aspects of the sector sufficiently?
- How does it define musical genres and any trends towards convergence and fusion of genres?
- How does it deal with the eclectic life of musicians – their multiple working life within the music sector and beyond?

These issues can only be resolved through further detailed analysis and discussion with a variety of leading representatives of the music sector.

To conclude, to develop a statistical framework for the music sector is useless unless it will help our understanding and how to formulate appropriate policies, or will assist the sector in working more effectively on its own account. Given the realism of that statement, the framework should be set up as we have advised with the ultimate goal of a 'Music GDP' and 'Creative Industries GDP' in mind, concepts which we consider to be politically realistic statistical targets in view of the emphasis on creativity as an important influence on economic growth.

Finally, the socio-cultural importance of any sector, including music, has never to our knowledge been properly tackled statistically. As we have stressed repeatedly above, the surveys should not just collect economic data. Responding to feedback relating to the socio-cultural value chain would also be important. Any progress towards resolving this basic problem would be a welcome development. The prospect that greater understanding of social and cultural forces in the community will lead to more informed policy decisions in the interest of long-term cultural and *economic* growth should be an added incentive for developing the proposed statistical framework.

1 Introduction

1.1 About this study

The project was commissioned by the Department of Communications, Information Technology and the Arts (DCITA) on behalf of the Statistics Working Group (SWG) of the Cultural Ministers Council. The consultants reported to a subcommittee of representatives from DCITA, the Australia Council, the National Centre for Culture and Recreation Statistics of the ABS), and the Western Australian Department of Culture and the Arts, Arts Queensland and Arts Northern Territory representing Australian regional interests in the study.

The brief called for a scoping study of a national statistical framework for the Australian contemporary music industry. At a meeting between the SWG subcommittee and the consultants in July 2004, this was modified to cover the music industry as a whole, which overcame problems associated with separating contemporary classical music (part of the original brief) from traditional classical music, which the original brief suggested should be excluded. Orchestras, ensembles and chamber music festivals play both contemporary and traditional classical music, which makes separation difficult in practice. Including all musical expression rather than leaving out a statistically small part of it makes no difference to the cost of statistical collection, since the framework aims at a common statistical approach to all musical genres anyhow.

The spirit of the brief remains intact. It emphasises the economic importance of 'popular' music in employment and export terms, and highlights the need for the statistical framework to provide regional (state and territory) as well as foreign transactions detail. But while the brief requested a focus on music that is broadly understood as being popular, it also requested the inclusion of other music genres and stated that there were other considerations than to provide pure economic indicators. The music industry should also be seen as a source of creativity, cultural identity and recreation, especially for young people. The extension is that it should be seen as such a source by all people, young or old.

The brief described the main components of the music industry as performers including composers and songwriters, the recording industry, and audiences and venues. It called for the development of a statistical framework to cover a range of music genres including contemporary classical, country, jazz, blues, world and folk as well as mainstream commercial forms. It also requested that the framework be designed to cover themes such as women's participation, Indigenous music, the turnover of people and firms in the industry, airplay and musicians' own investment in the sector.

We proposed in our response that the statistical framework should identify the economic contribution of the music industry expressed as total economic product (value added) and employment opportunities. We also suggested, however, that undue concentration on the economic result would ignore the benefits of vigorous and changing cultural activity on society. As far as possible, such benefits should be captured by the statistical framework.

Above all, we valued the spirit of the brief in emphasising the role of creators and performers of music who make the whole commercial musical activity possible (commercial in the sense that the study concentrates on artists and activities that provide, or at least contribute to, a living). We formed the opinion that putting individual musicians and composers at the apex was tantamount to describing what we call the music sector, distinct from putting the recording industry in the centre of a music industry, in which the creators and performers of music are simply inputs. As its title indicates, this report is about the music sector, not the music industry.

The end result was a recommended statistical framework to meet these objectives and an audit of existing data to identify gaps and set up a plan, including estimating the cost of establishing and maintaining the framework. On the last requirement, we responded in our proposal to carry out the study that costing would require the cooperation of the ABS but have in fact come up with a crude estimate for which we claim 'all care and no responsibility'.

The report is a cooperation of its two co-authors. Hans Hoegh-Guldberg of Economic Strategies carried out the investigation and wrote most of the words – however, the assessment was crucially reinforced and tested by Dr Richard Letts, Executive Director of the Music Council of Australia (MCA), who also provided vital contact with a representative group of music industry identities culminating at the annual MCA assembly in Melbourne in September 2004.

The authors have cooperated previously and had no difficulty agreeing on the philosophy of the task at hand. In 1985–86, Dr Letts on behalf of the Australia Council's Music Board (which he directed at the time) commissioned Hans Guldberg to conduct a comprehensive study of the Australian music industry – this became a year-long task aided by practically no past research[2] and appears to have been the world's first comprehensive statistical music industry study.[3]

The present scoping study has provided an opportunity for this cooperation to be rekindled at a time when the state of knowledge has increased greatly, thanks not least to the role of the ABS, SWG, music industry organisations, the Australia Council and state arts authorities. We sincerely hope that the recommended statistical framework will assist in the continuation of that progress in the future to the benefit of the Australian music industry in the broadest sense and to provide more effective guidance to public policy-making. This progress has become even more important as creativity has become recognised as a vital source of 21st century economic growth.

1.2 Changing outlook of arts authorities

Before delving into the report content itself, it is useful and proper to record the thinking and commitment that motivated the brief for the scoping study. Both federal and state funding authorities have long supported what may be called 'fine music', whether traditional or contemporary. What was once called 'ethnic' music and some genres such as jazz also received support. However, the addition of 'popular music' to the frame of reference is of quite recent origin but has already led to widespread involvement of governments throughout Australia even if 'pop' has not by any means displaced the traditional funding areas.

The recent emphasis on popular music is not only motivated by social and cultural considerations but has clear economic connotations as well. At both state and federal level there is a renewed interest in the export potential of the music sector. Other medium-sized countries such as Sweden and Ireland[4] have actually achieved trade surpluses for music products and services, despite the dominance of the United States and United Kingdom on the world export market.

There is no reason why Australia shouldn't be able to achieve similar success with the right policies. It fits well with the recent development of creative industries strategies in response to government concern that production and export of conventional products may be losing at least some of their ability to function as generators of economic growth.

The Australia Council took an important initiative when it sponsored a series of six contemporary music 'round tables' in 2002–03, hailed by the authors of the subsequent report as a 'unique opportunity'.[5] The 'round tables' enabled 82 industry leaders to get together including representatives of the leading organisations in the commercial music industry, the Australasian Performing Right Association (APRA) and the Australian Record Industry Association (ARIA). Adam Simpson and his colleagues (2003) identified the following main issues which are reproduced verbatim:

- **Local content** – raising the exposure of Australian music most particularly on Australian radio
- **Indigenous issues** – supporting Indigenous music
- **Live performance** – supporting live music and venues
- **Cultural sovereignty** – identifying, protecting and developing music that is culturally significant to Australia (particularly in the face of US market dominance)

[2] David Throsby's *The Artist in Australia Today* (1983), Australia Council, was a notable exception.
[3] Hans Hoegh-Guldberg (1987), *The Australian Music Industry*, Australia Council.
[4] See Section 3.1.3.
[5] Simpson et al. (2003), *The Power and the Passion*, The Australian Contemporary Music Working Group (www.simpsons.com.au)

- **Export initiatives** – assisting Australian music to reach critical overseas markets
- **Intellectual property** – protecting Australian music by using existing laws and lobbying for changes
- **Statistics** – improving the information available on the Australian music industry (particularly in relation to airplay and sales) to allow for more informed decisions
- **Industry skill development** – assisting individuals and organisations develop skills to develop Australian music
- **Investment** – financially assisting currently under-funded Australian music projects
- **Tax** – providing incentives through the taxation system to encourage investment and participation in the contemporary music industry.

Most of these issues are integral parts of the discussion in this report, though we take a wider view of what statistics should be collected. Another recommendation of the Australian Contemporary Music Working Group report by Simpson et al. (2003) was for a study to investigate and report on challenges for the industry. The Allen Consulting Group was appointed to conduct the study in September 2004, and is due to report in early 2005.

The Australia Council has taken other initiatives to support contemporary popular music. It co-sponsored a study of popular music venues in NSW with the NSW Ministry for the Arts[6], it supports the ongoing coordination costs of Music NSW (the non-profit organisation set up to represent, promote and develop the NSW contemporary music industry), and supports other music genres apart from classical in its general funding policy, especially jazz. In addition, the annual program and projects of Music NSW are supported by both the NSW Ministry for the Arts as well as the Australia Council.

The Department of Communications, Information Technology and the Arts (DCITA) has taken other initiatives, including a four-year $1 million funding program of tours taking Australian contemporary music to the country. The program is in its third year at the time of writing and by November 2004 had provided assistance to 66 bands touring various parts of Australia.[7] It supports contemporary Australian musicians across all genres and increases audience access to live original Australian contemporary music, particularly in regional and rural Australia.

DCITA also administers *Playing Australia*, which funds performing arts tours across the country, giving all Australians better access to some of the country's best performing arts — from ballet to Indigenous dance, jazz to classical music, and Shakespeare to bilingual theatre. The Department of Foreign Affairs and Trade sponsors musicians of all genres (and other artists) to perform at major international venues to promote Australian arts.[8]

Arts authorities in practically all states and territories are involved in the support of contemporary music. Section 3.1.2 is the subject of a Western Australian study[9] which has since given rise to a $5 million program over four years to develop and support Western Australia's contemporary music industry. In South Australia, Arts SA has five competitive grant areas, of which live music 'supports the development of the state's live contemporary music sector by offering grants to assist professional development of musicians and bands, and opportunities to record CD's, tour and achieve promotion via media.'[10]

Arts Victoria[11] has a comprehensive contemporary music program with three components. Contemporary music sector development delivers grants of any size to 'organisations that make a critical difference to contemporary music in Victoria by providing key services, expertise, projects and industry development initiatives.' The actual maximum grant to date is $40,000 and the average $16,000. The contemporary

[6] Bruce Johnson and Shane Homan (2002), *Vanishing Acts: An inquiry into the state of live popular music opportunities in New South Wales.*
[7] The Hon Rod Kemp, Minister for Arts and Sport (2004), *Taking Contemporary Australian Music to the Country*, DCITA Media Release 19.11.04.
[8] Source: Department of Foreign Affairs and Trade (2004), *Arts Support* (www.dfat.gov.au).
[9] Bob Gordon et al. (2002), *Making Music: Findings and recommendations of the Ministerial Taskforce into Contemporary Music.*
[10] Arts SA (2004), *Arts SA Funding Programs* (www.arts.sa.gov.au/).
[11] Arts Victoria (2004), *Music for the Future* (www.arts.vic.gov.au/).

music touring program provides up to $5,000 for touring within Victoria and $10,000 in other states. Contemporary music recording will grant up to $1,000 for 'demo' recording (provided the artist pays at least 50% of total costs) and up to $15,000 for compact disc releases which include two or more original compositions.

Other states and territories have taken other approaches according to the research we have been able to put into this study. The NSW Ministry for the Arts funds *Indent*, coordinated by Music NSW to organise events for all ages throughout the state to provide opportunities for young musicians in 'a fun, sane and supportive environment'. *Whichway* is an initiative by Music NSW and Gadigal Information Services (Koori Radio) to assist in the development of Indigenous music in NSW, funded by the Ministry for the Arts.[12] Another important NSW initiative is the *Strategy for the Arts in Western Sydney*, which includes support of numerous contemporary music ventures.

Queensland is, as we shall see, relatively advanced in the area of creative industries strategy development, including music. While it doesn't appear to have specific contemporary music programs like Western Australia, South Australia and Victoria, 'the whole-of-Government cultural policy, *Creative Queensland*, guides the Government's investment in arts and culture, and outlines the Government's vision and investment strategies for a culturally dynamic Queensland. Arts Queensland develops and supports programs that deliver social, cultural and economic outcomes across Queensland to meet *Creative Queensland* priorities.'[13]

The Queensland Government has entered into a partnership with universities including the Queensland University of Technology which is developing new economic models for the sector largely based on contemporary music (detailed in Section 2.3.2). Finally, Arts Queensland's program, *Children and Young People in Creative Queensland – Queensland's Cultural Policy in Action 2003–2005*, focuses on popular contemporary music.

Contemporary music programs are less prevalent in Tasmania and the ACT. Arts Tasmania provides support up to $500 for contemporary music local touring and promotion[14] and the evidence for the ACT is limited to a few project grants in the 2005 arts funding program.[15] Finally, the Northern Territory does not have a contemporary music program as such, but it supports Indigenous art and in the October 2003 funding round included an Indigenous local contemporary music touring initiative which offered a total of $25,000 in grants of up to $7,000 to subsidise touring of Indigenous contemporary music through remote communities.[16]

1.3 Report structure

The principal task was to build a model of the music sector which can be replicated in statistical terms to produce a meaningful framework. From the beginning we felt that the conceptual model should provide an opportunity to think beyond current assumptions on what makes the music sector successful and important. For example: Do our perceptions lock us into a policy model in which only current money-making music genres are seen to have potential? Are any developments underway that may give other genres a chance of greater financial success? Is the structure of the industry itself changing with unknown consequences, for instance as a result of technology changes, and what does that mean for the mix of genres and the health of the sector generally?

As we delved further into these matters, it became clear that the common perception of the music sector is unduly narrow because it concentrates on the recording industry and tends to treat 'downstream' industries as mere adjuncts, industries such as broadcasting, film and advertising. Furthermore, it disguises the importance of new uses of music, generally associated with technology development. Last but not least, the common perception ignores music education and other support industries.

[12] The information on NSW is from www.arts.nsw.gov.au. We add that all States and the Northern Territory (the latter in particular) have programs aimed at furthering Indigenous music and other Indigenous arts.
[13] Arts Queensland, Grants Handbook 2004 (which is also the source of the subsequent paragraph).
[14] www.arts.tas.gov.au.
[15] Arts ACT, *Arts Sector to Benefit from $1.2M Funding*, (www.arts.act.gov.au).
[16] Arts NT, *Arts Grant Program Guidelines September 2004* (www.arts.nt.gov.au).

To design a statistical framework to reflect all this meant thinking beyond the fact that the popular music industry is currently the prime generator of foreign exchange and employment opportunities. If we define the music industry as a few major international record companies, their suppliers and distributors and a limited range of successful contracted bands, we can easily forget the vigour of the rest of the industry, whether in the main popular music field, in other genres, other geographical regions, or other parts of a comprehensively defined music sector.

A statistical framework ideally measures change as well as quantity. If a framework can be devised which provides the opportunity to repeat a previous collection, we obtain the beginnings of a time series to measure dynamic change. The framework should be able to pick up significant changes such as a greater dispersal of economic activity across musical genres, or increases in the number of small music production and distribution companies, as distinct from less significant stylistic changes in the main popular music industry unaccompanied by any appreciable change in industry structure.

The value chain was chosen as the primary theoretical instrument in the construction of a model statistical framework for the music industry. A number of studies mentioned in Chapters 2 and 3 refer to value chains, culminating in a recent (July 2004) set of studies of the Queensland music industry.[17] While we acknowledge the importance of this work, we have consciously taken an independent line towards understanding the value chain concept. Our brief to devise a statistical framework also calls for a different agenda. Furthermore, we have cast the music industry definition net wider and extended the formal value chain concept to the social and cultural sphere.

The first three sections of Chapter 2 deal with these matters. The initial section sets out the theory of value chains in a generic (all-industry) context, the second section applies our own knowledge of the music industry to the value chain theory, and the third section summarises the findings of the main Queensland study (Rogers et al. 2004).

This provides the background for the fourth section of Chapter 2, which diagrammatically defines the financial flow at the level of (1) composers, performers, bands and orchestras, (2) live performances and (3) the recording industry (Charts 2.7 to 2.9). These components were specified in the consultants' brief and represent the initial priorities in the proposed statistical framework.

As foreshadowed on page 4, however, we formed the view that the music sector is much wider, and that to leave important music-providing industries out is tantamount to providing a biased and incomplete picture. This view was based on the insight that most of the music sector is part of a sequence from *creation* through *production* to *delivery* of either live or recorded (mediated) music. The rest of the sector consists of the support it receives from music education and organisations, and from the supply of music-reproducing equipment, instruments and digital products and services. The fourth and pivotal chart in the sequence (2.10) presents the path towards a '*Music GDP*' – the true contribution of music to the economy.

To preserve reasonable clarity, copyright and royalty flows were made the subject of a separate chart (2.11). Finally, Chart 2.12 introduces the cultural and social value chain developed specially for this study. Its importance is, first, that it highlights the non-financial influences and interactions that influence the demand and supply of music. Secondly, it shows how policies could be devised to influence not just future social and cultural trends in the sector, but its commercial and economic potential as well.

In summary, the previous paragraphs reflect how the study evolved from the triangle of activities the SWG brief asked the consultants to include in the statistical framework. To get from this to an appreciation of the true contribution of the music sector meant developing a conceptual framework far beyond what governs the conventional definition of the record industry, which is used in publications such as *Business of Music 1995–96* (ABS Cat 4142.0, 1997) and traces the production and sale of CDs and other recordings to consumers. This definition ignores the fact that broadcasting and television stations, film companies and advertising agencies are important independent entities which generate large amounts of value added by transmitting recorded or 'mediated' music through other channels to consumers. The picture of the music sector is skewed if it includes the value added by live performances and the

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[17] The main study in our context is Ian Rogers, Abraham Ninan, Greg Hearn, Stuart Cunningham and Susan Luckman (2004), *Queensland Music Industry Value Web: From the margins to the mainstream*, Creative Industries Research and Applications Centre (CIRAC), Queensland University of Technology. Subsequent sections of Chapter 2 contain references to the two other studies in the CIRAC set.

conventional record industry but not the value added by these other industries. Other outlets such as piped music in public spaces, and those associated with new technology such as computer games and telephone ring tones, are also part of the music sector. So are the support industries including music education.

Chapter 3 describes a number of studies of the music industry (in isolation or part of a creative industries strategy) conducted in Australia and other countries to ensure that we have covered the field and made a reasonable attempt to learn what we can from other experience. This helps reinforce policy-related issues such as the diverse impact that digital developments and the role of music education are likely to have, judging from these studies. The final section of Chapter 3 tests the model developed in the previous chapter to ensure that it applies across all genres of music and covers other constructs such as Indigenous music which span a cross-section of genres.

The rest of the exposition follows a logical path towards the objective of defining a statistical model. Chapter 4 presents the recommended framework following sections dealing with the statistical framework concept as applied in three ABS publications, and a summary of findings from other studies. It takes the consequence of what we determined in Chapter 2 as a logical flaw in which live performances are described in full while mediated or mechanically reproduced musical performance is not taken beyond the recording industry to its main users in broadcasting, film, advertising and other industries. Most importantly, it describes the pathway towards a truly comprehensive statistical image of the contribution of the music sector – the goal of calculating a 'Music GDP'. This includes music education and other industries which support the music sector.

Chapter 5 defines what is currently available from ABS and other Australian sources and defines the gaps in our knowledge, which not unexpectedly are considerable. This is due mainly to the lack of data on individual artists and the limitations imposed by the conventional definition of the record industry.

Chapter 6 discusses the practicalities involved in realising the framework relative to the potential benefits of obtaining the knowledge in a world increasingly dependent for its economic expansion on creative industries such as music. It concludes with a suggested set of priorities for putting a statistical framework for the music sector into operation, outlining a five-year plan for arriving at a 'Music GDP' based on all the identified components of the sector.

1.4 Evolving the sector model

Because we started within the proposed triangular structure requested in the consultants' brief (performers and creators, venues and audiences, and the conventionally defined record industry), the report contains various strands which need to be recognised from the beginning.

- The triangular structure governs the development of the three first components of the proposed statistical framework. These are developed in Chapter 2 with reference the value-chain concepts but need to be followed through to the actual proposed framework in Chapter 6.
- The insight provided by the '*creation-production-delivery*' sequence is central to the understanding of the music sector. It is proper to introduce it at an early stage (Chapter 2) but it proved impossible to avoid reference to the 'old' triangular structure in Chapters 4 and 6 because of the recommended surveys of performers, creators and groups, and of the conventionally defined recording industry.
- The 'ultimate' graphic presentation, 'Towards a Music GDP' (Chart 4.6), is based on the 'creation-production-delivery' sequence although it is not shown explicitly.

To avoid confusion caused by the evolutionary process of concept development, the report indicates clearly when the 'old' triangular structure is used.

2 Developing the music sector concept

2.1 The commercial value chain

Analytic studies often use the concept of value chains to build up a model of competitive advantage and strength in an industry. The cultural sector is no exception, especially when the focus is on new digital and multimedia aspects.[18] In Australia, the value-chain concept was adopted with modifications in the recent study of the Queensland music industry mentioned in Chapter 1 (Rogers et al. 2004). The study gains further relevance and importance because its perspective is regional rather than national. It is discussed in a later section of this chapter (2.3).

The value chain concept was formulated by Michael Porter in the 1980s and quickly found its way into managerial thinking as a major strategic planning tool.[19] Porter is a world-renowned economist turned strategic guru whose concept of value is strictly economic – it concentrates on competitive advantage and the financial bottom line. However, while cultural activities should be conducted in a businesslike fashion other aspects are also important. We have extended the concept beyond Porter's basic model to incorporate socio-cultural value chains to capture other attributes of musical activity.

Sections 2.2.1 to 2.2.5 provide a quick overview of the value chain, competitive factors and strategies which we hope provide a relevant but not excessive introduction.

The authors of the Queensland industry report (Rogers et al. 2004) found that a linear value chain for a firm, with 'upstream' and 'downstream' links to other firms, makes most sense for the first tier of the music industry centred on major record companies and commercially successful artists. They see the second tier ('grassroots') as an informal network of micro-businesses comprising independent musicians, niche markets, creative entrepreneurs and new technology. The authors find that 'value web' provides a better description of the players in each tier and their interrelated activities.

This chapter continues with a description of Porter's generic value concept (Section 2.2), followed by an initial assessment of the music industry according to our understanding of the value chain model, and a summary of the Queensland report's findings (Section 2.3). The chapter concludes with the formulation of the generic music industry (Section 2.4), which will then be tested on individual music genres in Chapter 3.

The important test performed in Chapter 3 shows that the model, which was largely developed from the mass-market popular music industry, does in fact prove suitable for other genres such as country, world and contemporary classical music. The analysis in Chapter 3 also demonstrates that the model is suitable for Indigenous music – a special case cutting across genres. Accordingly, the statistical framework for the music sector can be readily adapted for special groups.

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[18] One study that compares the standard music industry value chains with possible models in the digital age is Teresia Ahlin and Kristina Larsen (2001), *Electronic Commerce in the Music Industry and Steel Industry in Sweden*, VINNOVA, Verket för Innovationssystem (Swedish Agency for Innovation Systems), Stockholm. The father of the value chain has himself considered the strategic role of the Internet with some music industry examples (Michael E Porter (2001), 'Strategy and the Internet', *Harvard Business Review*, March). Another useful study is Matti Rantanen (1998), *The Value Chain of Multimedia Networks*, Helsinki University of Technology (http://www.hut.fi/~mjrantan/).

Professor Throsby has asserted that the Porter value chain is not well-suited to explain the workings of the music sector. While we respect this view, we chose the value chain in our search for a mental model to show how musical activities have to survive in a commercial environment and because others had followed a similar path. Most importantly, it enabled us to develop the parallel socio-cultural value chain specifically for the music sector to place it fully in a public policy-related context.

[19] Michael E Porter (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*. New York, NY. The Free Press.

2.2 The generic model

Porter's analytic unit is the firm, which in principle can be any size from a multi-national company to a micro-business with one employee, though naturally the functional structure is much more formal (and rigid) among big firms. The firm creates (adds) value through a series of activities known as the value chain. The generic model designed to cover a wide range of industries identifies five primary activities in the process of creating and delivering a product or service:[20]

- **Inbound logistics** include the receiving, warehousing, and inventory control of input materials.
- **Operations** are the value-creating activities that transform inputs into final product.
- **Outbound logistics** are the activities required to get the finished product to the customer, such as warehousing and order fulfilment.
- **Marketing and sales** activities are undertaken to get buyers to purchase the product, including advertising, pricing and distribution systems – in short, the identification of customer needs and generation of sales.
- **Service** activities support customers after the products or services are sold to them. They include repair and after-sales service and warranty arrangements.

These primary activities are supported by activities which are not directly involved in production but may increase the firm's competence and competitive efficiency:

- **Infrastructure**: organisational structure, control systems, company culture.
- **Human resource management**: employee recruiting, training, development and compensation.
- **Technology development** of value-creating activities ('R&D').
- **Procurement**: purchasing materials, supplies and equipment.

Within the basic generic model, any or all of the primary activities may support a competitive advantage. For example, logistic activities are critical for a provider of distribution services, and service activities are of prime importance for a firm offering on-site maintenance contracts for office equipment. Each generic set encompasses specific activities that vary from industry to industry.

Support activities are rarely if ever carried out exclusively within the firm. Control systems, recruitment, training and technology can be fully or partly acquired from other sources, and procurement is from outside the firm unless it is vertically integrated to include supply sources. But one critical variable that is not acquired elsewhere is company culture.

The firm's own linear value chain is linked to other value chains. Primary activities are linked 'upstream' to suppliers and 'downstream' to distribution channels and consumers. Support activities tie into value chains in a mass of other industries too numerous to count in a formal analysis. Accordingly, the value chain resembles a web even in the generic model.

2.2.1 The value chain and competitive strategy

The value chain model is a powerful strategic tool that helps identify the fundamentals of commercial competitive success. To achieve a competitive advantage, the firm must perform one or more value-creating activities in a way that creates more overall value than its competitors do. Superior value is created either through lower costs or through differentiation which delivers superior benefits to the consumer.

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[20] The websites www.tutor2u.net/, www.fact-index.com/v/va/value_chain.html, www.quickmba.com/ and www.netmba.com/ were useful when extracting the essentials of the Porter concepts.

Porter identified ten drivers of cost advantages which can benefit the firm's value chain, and nine that support gains from differentiation. While choosing a cost or differentiation policy is clearly linked to the nature of the products or services offered, it is noteworthy that the list of drivers is largely identical for both (Chart 2.1). Some drivers are related to business size, but subsequent sections show that differentiation can also work well for smaller businesses, whereas the cost efficiency with which a standard product can be made in great quantity gives big business more of an edge in mass production of such goods.

Chart 2.1: Porter's drivers of value-creating activities

Driver	Cost	Differentiation
Economies of scale		
Learning		
Capacity utilisation		
Linkages among activities		
Interrelations among business units		
Degree of vertical integration		
Timing of market entry		
Cost and differentiation policies and decisions		
Geographic location		
Institutional factors (regulations, unions, taxes)		

Source: Porter (1985). Lists reproduced from http://www.netmba.com/strategy/value-chain/

A firm develops a cost advantage by controlling its drivers better than its competitors, or by reconfiguring the value chain through structural changes such as a new production process, new distribution channels, or a different sales approach.

Differentiation and uniqueness are intimately related. A differentiation advantage may be achieved either by changing individual value chain activities or by reconfiguring the value chain to make the final product unique (or possessing sufficient unique features to attract customers).

Firms may be able to choose between cost and differentiation strategies. Decision-makers must consider tradeoffs between them because some cost efficiencies will most likely have to be sacrificed if greater differentiation is seen as the future.

Linkages exist not only in the firm's own value chain and its direct 'upstream' and 'downstream' dealings, but can apply to much wider supply chains and distribution networks. While a vertically integrated firm has direct power over 'upstream' and 'downstream' activities, other firms can also forge agreements with direct and indirect supplier and distribution networks to achieve better coordination. So a firm's success in developing and sustaining a competitive advantage depends not only on its own value chain, but on its ability to manage the value system of which it is a part.

The industry-wide synchronised interactions among local value chains create an extended value chain, sometimes global as exemplified by the major record companies. This suggests that the firm's value chain through its interrelationships with the value chains of other firms becomes part of what might be called a value web. The music industry thus appears to fit the generic model, though its special characteristics still need to be considered.

The following headings present some of the generic Porter model's features, all potentially relevant to any industry that is analysed.

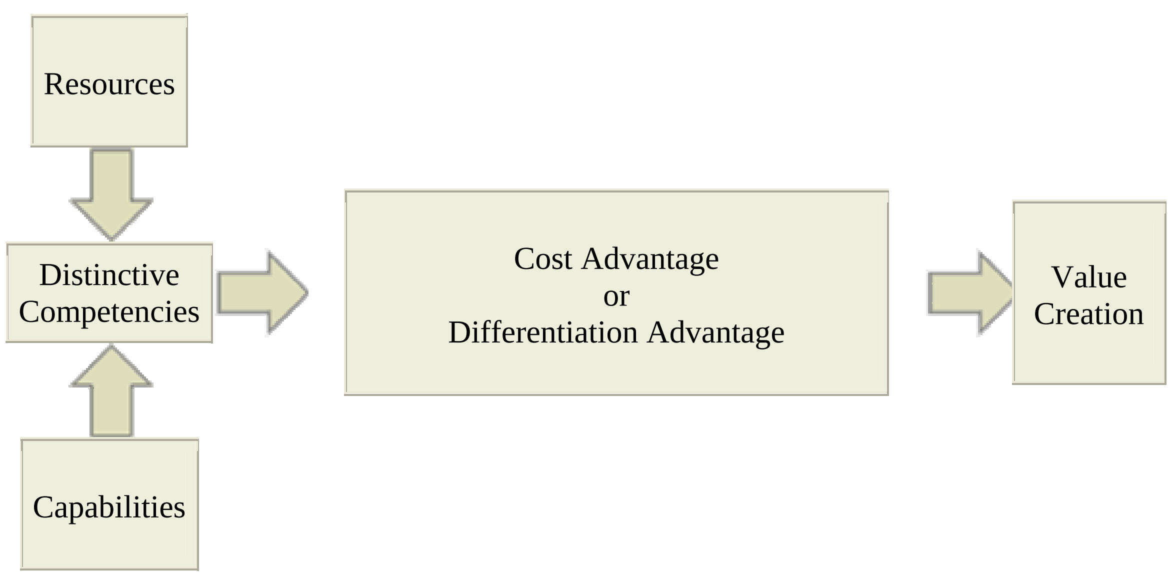
2.2.2 Competitive advantage

As noted above, a competitive advantage exists when the firm is able to deliver the same benefits as competitors do but at a lower cost (cost advantage), or can deliver benefits that exceed those of competing products (differentiation advantage). A competitive advantage enables the firm to create superior value for its customers at a better profit for itself.

A firm makes the most of its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Resources are useful assets for creating a cost or differentiation advantage that few competitors can acquire easily, such as patents and trademarks, proprietary know-how, customer base, the firm's reputation, and positive brand equity (the value built up in a brand through effective promotion and meeting or exceeding consumer expectations). Capabilities refer to the firm's ability to exploit its resources effectively, for example the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organisation; they are not easily documented as procedures and are therefore difficult for competitors to emulate.

The firm's resources and capabilities together form its distinctive competencies, which provide scope for innovation, efficiency, quality, and customer responsiveness, all of which can be used to create a cost advantage or a differentiation advantage. Chart 2.2 combines the resource-based and positioning views to illustrate the concept of competitive advantage in the simplest possible way.

Chart 2.2: A Model of Competitive Advantage



Source: www.quickmba.com/strategy/competitive-advantage/

2.2.3 Technology and the value chain

Technology is employed to some degree in every value-creating activity, so changes in technology can influence competitive advantage by changing the activities themselves or by discovering new configurations of the value chain. This applies to both primary and support activities.

Inbound logistic technologies include communications, testing and information systems as well as physical activities such as transportation and materials handling. Operations technologies range from process, materials and materials handling to packaging, maintenance, testing and information systems. Outbound logistic technologies include transport, materials handling, packaging, communications and information systems. Marketing and sales technologies comprise media, audio and video, communications and information systems. Variations of the last two also appear as service technologies along with testing (Chart 2.3).

Chart 2.3: Technologies applicable to each type of primary activity

Type of technology	Inbound logistics	Operations	Outbound logistics	Marketing and sales	Service
Transportation					
Materials storage					
Materials handling					
Building design & operations					
Machine tools					
Materials					
Process					
Packaging					
Maintenance					
Testing					
Information systems					
Communications					
Media					
Audio & video					

Source: Adapted from http://www.netmba.com/strategy/value-chain/.

Many of these technologies are used in different forms across the value chain of primary activities. For example, information systems of various types are used in every activity. Similar technologies are used in support activities including technologies related to computer-aided design and software development (and to training which doesn't appear as a specific item in Chart 2.3). To the extent that these technologies affect cost drivers or assist efforts to create uniqueness, they can lead to a competitive advantage.

2.2.4 Three generic strategies

Porter describes strategies along two dimensions: *strategic scope* based on the size and composition of target markets, and *strategic strength* based on the *core competency* of the firm – 'the one thing it can do better than its competitors'. Core competency may be based on anything from product differentiation to employee dedication.

As noted above, competencies are associated with either product differentiation or product cost (cost efficiency). If a core competency results in a long-term advantage for the firm, it becomes a *sustainable competitive advantage*. To be effective, this advantage must be difficult to imitate, sustainable, unique, superior to the competition and applicable to multiple situations. Superior product quality, extensive distribution contracts, accumulated brand equity, low-cost production techniques, patents and copyrights, superior employees and management and a company culture that encourages creative initiatives are characteristics that could provide a sustainable competitive advantage to a firm.

Some observers argue that the increasing turbulence of markets has made competitive advantages less sustainable. They believe that for a company to gain or maintain a sustainable competitive advantage, it must be ever vigilant in its search for changes in the business environment. It must also be agile enough to alter its strategies and plans when the need arises. This ability to scan the business environment and plan ahead becomes in effect its sustainable competitive advantage.

The best generic strategies according to Porter are industry-wide cost leadership, industry-wide differentiation, and focusing on one or a few market segments. They can be summarised graphically along the two axes of strategic scope and strategic strength (Chart 2.4).

Chart 2.4: Porter's Generic Strategies

Target Scope	*Advantage*	
	Low Cost	**Product Uniqueness**
Broad (Industry Wide)	**Cost Leadership Strategy**	**Differentiation Strategy**
Narrow (Market Segment)	**Focus Strategy** (low cost)	**Focus Strategy** (differentiation)

Source: http://www.quickmba.com/strategy/generic.shtml

The cost leadership strategy is based on cost efficiency. By producing high volumes of standardised products, the firm hopes to take advantage of economies of scale and experience curve effects (which express the relationship between experience and efficiency). The product is typically basic, low-cost and aimed at a large number of customers. Maintaining this strategy requires a continuous search for cost reductions right through the business, coupled with the most extensive distribution system possible. While costs are important, standardised products are not characteristic of the music sector.

Differentiation involves creating a product that has sufficient distinctive features to make it unique in the eyes of the total market or market niche. It is much more applicable to the music sector. The unique features or benefits must provide superior value for the customer if this strategy is to be successful. To maintain this strategy the firm needs to own some or all of the following:

- strong research and development skills
- strong product engineering skills
- strong creative skills
- good cooperation with distribution channels
- strong marketing skills
- incentives based largely on subjective measures, rather than quantitative targets
- ability to communicate the importance of the differentiating product characteristics
- awareness of need for continuous improvement and innovation
- ability to attract highly skilled, creative people.

Firms that pursue a market segmentation strategy concentrate on one or a select few target markets rather than a broad industry-based market. These strategies can focus on cost leadership (such as a motel chain offering clean, no-frills rooms to guests with simple requirements) or differentiation (exemplified by BMW which targets elite customers who are seeking a car perceived to be valuable for its design and performance and are willing to pay a premium price for this differentiation). These strategies are niche or focus strategies and highly relevant to the music sector. By focusing the marketing efforts on narrow market segments and tailoring the marketing mix to these specialised markets, the firm can better meet the needs of these target markets.

The focused differentiation strategy is most effective when the target segment:

- is large enough to be profitable and has good growth potential
- can be served effectively with available organisational resources
- is not crucially important to the success of competing firms
- is loyal enough to enable the firm to defend itself against the actions of competing firms. [21]

The strategy is the most suitable for smaller firms, which will need skills similar to those shown above for industry-wide differentiation strategies to pursue it effectively.

2.2.5 Marketing strategies

Every marketing strategy is unique, but if we abstract from the specific details, each can be fitted into a generic marketing strategy. There are several ways of categorising these:

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[21] Mary A Hamilton, *Generic Business Strategy*, www.cba.uri.edu/Faculty/Lehrer/module-5.doc. The motel and car industry examples in the preceding paragraph were also borrowed from that source.

- Strategies based on *market dominance*: firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies: leader, challenger, follower, and niche marketer.
- *Generic strategies* defined by Porter: cost leadership and differentiation in broad and segmented markets, as discussed with reference to Chart 2.4.
- *Innovation* strategies based on whether the firm is strongly into technology and business innovation. There are three types: pioneers, close followers and late followers.
- *Growth* strategies: How should the firm grow? There are different ways to proceed, of which *vertical integration* is the most important in our context (where firms set up subsidiaries to supply them with inputs, or distribute their output, or both). The American music industry provides an example of vertical integration strategy.[22] Other growth strategies include horizontal integration (by firms wanting to sell one undifferentiated product in different markets, which is not an appropriate model for the music sector), diversification, conglomeration and intensification. A related field includes exclusive arrangements between big companies, such as a US satellite radio corporation's deal with a major car manufacturer to include in its models the receiver that picks up these particular satellite programs.
- *Aggressive strategies* are based on attributes such as marketing assertiveness, risk propensity, financial leverage, product innovation, and speed of decision-making.
- *Warfare-based strategies* find parallels between marketing strategies and military strategies. They are sometimes grouped into offensive, defensive, flanking and guerrilla marketing strategies.

[22] 'Some in the music recording industry believe vertical integration is the best way to survive in the modern, post napster [*see below*] environment. The idea would be to vertically integrate the record label with the radio station of its genre in local markets. This would allow the label to more cheaply produce music (because many of the elements which make the production expensive are due to unnecessarily high standards of production required by the radio stations, and the system of *payola* [the practice of paying money for broadcasting records on music radio]). It should also ensure that the record company better understands the wants of the radio listeners. The hope would be that anything the record label would play on their radio station, provided the listening habits and distribution system of music has not changed, would very likely be a hit.' (Wikipedia (2004a). *Vertical Integration* (http://en.wikipedia.org/wiki/Vertical_integration)). We might add that vertical integration into radio stations may result in even more restricted public offerings of music.

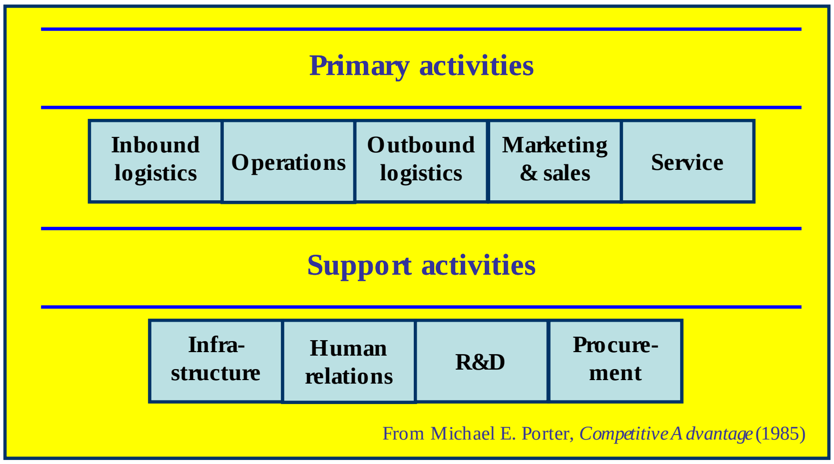
The term 'napster' refers to the Napster file-sharing service created in 1999 by 18-year-old Shawn Fanning as a new way to distribute MP3 files. MP3 is a compression system for reducing the number of bytes in a song without reducing the sound quality to an unacceptably poor level, which reduces download time drastically. Instead of storing the songs in a central computer, the files are in the users' computers (peer-to-peer file sharing or P2P). The Napster utility set up a directory on members' computers that could be shared by users on remote computers. The music industry sued Napster because it saw P2P as an automated way of copying copyrighted material. It won, and the original Napster utility went offline in 2001. Since then, however, other systems have appeared, including Gnutella which eliminates the need for a central index server, making P2P possible through direct contact between Gnutella clients. (Jeff Tyson (2004), *How the old Napster worked*, http://computer. howstuffworks.com/napster.htm, and Marshall Brain (2004a), *How MP3 files work*, http://computer. howstuffworks.com/mp3.htm).

Despite the continued proliferation of P2P ('converting the P2P file sharers is still central to the long-term success of the industry'), the latest *Music on the Internet* report estimates that the share of music sales online will rise from 4.6% in 2004 to 15.2% in 2010. 'Much of the focus with regards to music on the internet during 2004 has centred on the growth of downloads and the numerous launches or services providing a legitimate alternative to P2P file sharing. While this is unquestionably good news for the music industry, illegal file sharing continues to thrive and efforts to limit its spread have so far all but failed. *Music on the Internet* (5th edition) estimates the value of lost sales to the music industry in 2004 remained almost unchanged at $2.1 billion.' (Simon Dyson (2004), *Steady Download Growth Defies P2P*, http://www.mi2n.com/ press.php?press_nb=74125).

2.3 The value-chain model and the Australian music sector

Section 2.3.1 contains our interpretation of the music sector in the value-chain framework (which is summarised in Chart 2.5). We have adopted the CIRAC distinction between the two tiers for now but have otherwise undertaken an independent analysis. The CIRAC report findings (Rogers et al. 2004) are described in Section 2.3.2.

Chart 2.5: Generic value chain for a firm – summary



2.3.1 Initial description

The **first tier** centred on the major record companies[23] can derive competitive advantage from both cost and differentiation factors. They can influence cost structures through economies of scale (as the push towards global concentration by a few corporations indicates), capacity utilisation, linkages of activities, interrelationships among business units, and vertical integration (which again is plainly a global record company strategy). Lower unit costs are a major result. In short, the first tier record companies have the advantage of scale and potential access to a global market.

Differentiation also favours the first tier, but not to the same extent. Policies can be formulated at all levels, and factors such as timing, location, interrelationships, learning and institutional factors can benefit smaller as well as larger firms, given the complex nature of the music industry. The driving forces favouring the first tier most in respect of differentiation are integration and scale.

Cost and differentiation advantages may be developed through the first-tier value chain by influencing suppliers, in the actual production process, marketing, sales and after-sales service, and through infrastructure development, human resource management, and R&D.

The marketing strategies of first-tier companies show them to be worldwide market leaders actively seeking vertical integration for growth, for instance into the online markets. However, these advantages may be blunted by big-business bureaucracy and remoteness from market sentiment across genres. Rather than being pioneers of new technology and business innovation, they are more inclined to take over successful smaller pioneering firms. They pursue aggressive marketing strategies

[23] To simplify the description of the first tier in this section, it concentrates on major record producers and their artists. The first tier may also include the organisation and promotion of major live performances, commercial radio, national and overseas touring by commercially successful artists and bands, and leading composers of jingles and tunes for advertising and screen.

both against one another and in their efforts to integrate vertically, but mainly in the popular music market which holds out the prospect of mega-sales. Mergers and takeovers are an integral behaviour trait of first-tier record companies, as in the BMG–Sony merger in 2004.[24]

First-tier companies take a highly commercial approach to the *artistic input* into their product, based on scale and proven popularity of artists (brand equity). Production decisions are largely based on the potential of a particular recording to reach 'platinum' status, a risky process given the fickle nature of the recorded music market in which most recordings fail to cover costs. The risk is reduced by concentrating on popular big-name music genres and successful artists and bands within these genres.

While the first-tier music industry is influenced predominantly by the financial bottom line, commercial considerations are less obvious for the bulk of the industry making up the **second tier**. Naturally, they have to survive financially to exist and they do depend on successful releases, but profit expectations are more modest. The second tier in effect consists of the creation and production of music that has not yet had the chance to attain major commercial success (such as an up-and-coming rock band) or one of the genres or bands unlikely to reach first-tier status at all. The operative term is 'had the chance', as the marketing strategy of the majors is based to a large extent on finding a few major successes to compensate for the majority of products that will never show a net profit.

The second tier has no significant economies of scale but firms have substantially lower salary, production and marketing costs than the major record companies. The successful second-tier firms are also very creative and quick on their feet. In the value-chain model, the main opportunities for a second-tier firm are at the operations and marketing stages, in the development of an enthusiastic culture in support of the product within the firm, through the use of high technology and the pursuit of artistic excellence. This seems to apply whether we are dealing with a medium-sized participant such as an independent record company or an individual band or soloist.

Differentiation is the key to competitive advantage, with a strong emphasis on good management of 'upstream' and 'downstream' linkages. Distinctive competencies are developed through resources (intellectual property rights, know-how, brand equity and customer base) and through capabilities embedded in the very nature of the organisation as it has been developed to deliver an excellent and unique product or service (or more precisely in the context of the music industry one proving sufficiently distinctive and high-quality to attract customers). The ensuing distinctive competencies then ideally foster innovation, quality and an alert response to changing market preferences.

Differentiation protects firms against the vagaries of extreme price competition. Naturally, this should not be taken too far as a particular CD (say) still has to compete with other CDs across a

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[24] This is the subject of Peter Jenner's personal comments on the characteristics of the major recording industry in connection with the [then] proposed Sony-BMG merger (unpublished note, 2004). Peter Jenner chairs the International Music Managers' Forum (IMMF) and wrote his comments after extensive discussions with other members of the IMMF Executive. He summed up their view by answering three questions: 1. How does the market for recorded music function in terms of its effect on competition, and how would the proposed merger change it? 2. What is the role of the music market for the creators and the consumers, and how does it help these two groups? 3. How does the present structure respond to the challenge of new technology and distribution systems, and what will be the likely impact on the new technologies of the proposed merger?

He makes a point that all thinking about the music sector should heed (our emphasis): '***We start from the position that the market for music is there to help the interaction between the creator on the one side and the public on the other.*** *The structures that lie between are a reflection of the history of the development of the technologies of music distribution and the market response to those technologies. In themselves these structures have no inherent worth or value, the question is whether these structures fulfill a function that helps or hinders the cultural and economic interaction between the creator and the public. It is in this light that we need to approach the questions posed above.*' His response in relation to all three questions is that the structures are detrimental: 1. to competition, 2. to creators and consumers, and 3. in delaying technological change and digitised distribution.

particular genre of music (or even across genres). But differentiation is clearly a precondition for successful results from the competitive armoury of price, quality, uniqueness, distribution options and service delivery.

Product distinctiveness is clearly important. While this applies throughout the music industry there are important differences between the first and second tiers. The first tier tries to differentiate from its past experience between successful popular artists and those less likely to bring in mega-sales. The second tier engages in a much greater degree of differentiation because it serves niche genres as well as mainstream popular music[25], and relies on dedicated and keen people who think that the bottom line consists of more than financial success.

Though the second tier does not normally serve a mass audience but an array of niche audiences, it does get involved in mass-market activities through its services to the major companies and to that extent pursues the same customer base as the first tier. Despite the diversity of the second tier, individual firms have some clear-cut directions. Some independent labels focus on specific genres such as jazz, folk, country, world/ethnic and classical, specific pop styles such as rock, dance, hip-hop or R&B, or particular markets such as children's or Christian music. Though many distributors and independent record companies listed in the leading commercial music industry directory[26] specify long lists of musical genres, or simply 'all genres', the actual degree of specialisation among these firms is probably greater.

Independent second-tier companies do sometimes succeed in reaching a mass market through their own efforts. When this happens, major companies may be prepared to provide international distribution for the successful recordings and their artists, and generally to cooperate more closely.

Technology is important for the industry and crucial for the second tier, especially at the production stage of the value chain. In the first tier, the research and development effort probably concentrates on production hardware such as new record formats or making CDs and DVDs impossible to copy. The second tier is more likely to look at the Internet for innovative approaches or to release discs by innovative musicians who have found new ways to produce music on computers – often motivated by pure musical interest rather than profit. As noted above, the second tier also offers its technology skills to the major companies, so that numerous links exist between the two tiers. The differentiated production calls for a niche or focus strategy based on strong creativity and marketing, research and development skills, awareness of the need for continuous improvement and innovation and, above all, the ability to attract highly skilled, creative people.

In short, marketing strategies in the second tier are segmented, focused, innovative and quite different from the strategies pursued by the first tier. Second-tier firms are less likely to engage in strategies characterised as 'growth', 'aggressive' or 'warfare' (except perhaps 'guerrilla warfare' which may be pursued in the online markets).[27]

Technologically advanced products, of course, will only be purchased by a public who has the apparatus to use them. An increasing percentage of Australians, however, have demonstrated that

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[25] Philip Mortlock in his description of independent record labels at the 2004 MCA Assembly noted that the membership of the Association of Independent Record Labels (AIR), of which he is a board member, largely reflects the contemporary music spectrum. He advocated a more diverse range of labels to be represented to provide a broader choice.

[26] Immedia, *AustralAsian Music Industry Directory* (AMID 2004) (http://www.immedia.com.au/amid/).

[27] 'Guerrilla marketing warfare strategies are strategies designed to wear down the enemy by a long series of minor attacks. Rather than engage in major battles, a guerrilla force is divided into small groups that selectively attacks the target at its weak points. To be effective, guerrilla teams must be able to hide between strikes. They can disappear into the remote countryside, or blend into the general population. The general form of the strategy is a sequence of attacking, retreating, and hiding, repeated multiple times in series. It has been said that 'Guerrilla forces never win wars, but their adversaries often lose them". (http://encyclopedia.thefreedictionary.com/guerrilla%20marketing%20warfare%20strategies).

they adopt new technology fairly quickly, whether associated with the Internet, DVDs or mobile telephones. High-tech industries across the spectrum from telecommunications and digital know-how to the music industry itself join forces with the leading retailers and manufacturers of the new equipment in a concerted effort to attract consumers quickly to the new equipment. The list of desirable attributes for differentiated firms on page 13 includes 'incentives based largely on subjective measures' (as distinct from the quantitative targets favoured by firms pursuing a cost leadership strategy). The incentive strategies of the telecommunications, digital and music industries exemplify a reliance on subjective measures aimed at manipulating consumer attitudes.

2.3.2 Value creation in the Queensland music industry

This section presents a rearranged summary of the CIRAC findings (Rogers et al. 2004), concentrating on the respective roles of the industry's first and second tiers, supplemented by notes on aspects such as education and training, marketing and promotion, and live music performance. New technology plays an outstanding role.

Industry structure: The first tier is the domain of professional musicians contracted to major recording companies, which are surrounded by a bureaucratically organised ancillary workforce. A first-tier recording company placing a record in the mainstream marketplace obtains the services of recording studios, manufacturing plants, distribution outlets and graphic design companies, and markets the product. The mass-market record companies have organisational hierarchies resembling most bureaucratic businesses, with management structures across financial, human resource and marketing divisions.

Associated areas include creative industries such as radio, television, journalism, advertising, film and video, and software and computer services. These areas are instrumental in creating value which is associated with both tiers. The creation of value in the music industry includes both mainstream practices and innovations in style, content, technology and business models, often found in the second tier.

Ninety percent of music organisations in Queensland are micro or small, consisting of a musician, band, disk jockey or other individuals involved in various ways in live or recorded music.[28] Many artists and bands are content to build up their network and audience through niche markets, while they recognise the potential that exists in a State with a vibrant second tier to move to first-tier status (as has happened with Queensland bands such as *Powderfinger*).

The key motivators for these independent practitioners are brand building and audience development. Ultimately, they strive towards a degree of profitability, but they are basically driven by a passion for music. The CIRAC research (p 21) demonstrates that, 'with careful planning, niche marketing and 'quality' product, independent merchandise can survive and prosper.'

Most music enterprises (including sole traders) engage in multiple activities, mainly but not exclusively in the second tier and overwhelmingly in music rather than unrelated fields.

Innovation and the second tier: The second tier has become more competitive as technological innovation has emerged as a major force of change in the industry, allowing do-it-yourself (DIY)

[28] The CIRAC report (Rogers et al. 2004) is based on a survey which (p 14) 'can fairly be claimed as the first rigorously defined and collected representative sample of music industry business in Australia.' It identifies 10 groups: artists/performers and writers/composers; funding and industry bodies; education and training providers; instrument sales and repair; rehearsal studios; record labels; record distribution; live music; recording studios and production; and marketing and the mass media. The original survey identified 33 CIRAC Music Industry Codes (CMIC), developed from the Australian Culture-Leisure Classification (Stephen Cox, Abraham Ninan, Greg Hearn, Simon Roodhouse and Stuart Cunningham (2004), *Queensland Music Industry Basics: People, businesses and markets*, CIRAC, QUT). Some of these classifications were combined in the CIRAC report discussed here (Rogers et al. 2004), while others were omitted.

techniques to develop such as production of high-quality masters at home rather than relying on recording studios. The advent of superior and affordable digital recording equipment has seen a marked rise in the practice of home recording. DIY technology has reduced the gap between the capabilities of independent artists and labels and those of the majors. Technology makes it easier for new emerging independent artists and bands to record their demos at lower cost in home studios and prepare for live shows.[29]

As commercial enterprise in the sector faces challenges from the introduction of new media technologies, innovation is increasingly found beyond the first tier. Queensland, like other lesser Australian centres of music production (that is, beyond Sydney and Melbourne), has predominantly found itself placed within the second tier, one presently populated by independents, emerging music industry workers and sub-cultural groups.[30]

The second tier is both researcher and developer. There has been some concern about first-tier organisations exploiting emerging talent, but the second tier can also be viewed as an 'R&D' sector for the majors. It has been observed that major labels have essentially replaced their R&D function with a model that instead of developing its own talent, harvests it from the independent sphere administered through independent distributors.

Second-tier disadvantages: The second tier is disadvantaged by the small scale of its enterprises. High production and demand assists profitable operation. The barriers to entry in the second tier may be low but once new entrants cross the threshold into establishing supply, they face aggressive competition from first-tier organisations exploiting their resource-based advantages. Second-tier independents cannot compete on product promotion and may have difficulties securing airplay and distribution through record stores because of their lack of financial power, though they can secure invaluable substitute assets based on reputation.

Distribution methods: The advent and increasing use by consumers of digital distribution through administered downloading services has some positive implications for Queensland music. The adoption of these revenue-earning distribution channels may lessen the extent of peer-to-peer (P2P) MP3 piracy which is damaging first-tier enterprise and could provide second-tier business with expanded, more effective product distribution.

One example given in the report is Lawrence English and Room 40 Records, whose working environment is wholly shaped by the digital era (p 39): '*The emergence of online communication (email and file-transfer in particular) has broadened the scope of his audience and producer community to such a degree that global*

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[29] Mortlock (2004) painted the following picture from the artist's side (quoted from taped address): '*On the positive side, it's cyclical. There was a previous build-up of smaller labels in US, Europe, Australia which were bought up by the majors. Now we are back starting grassroots businesses, believing in DIY. You can in principle do it all by yourself, or with your friends or business associates – you can empower yourself to make your own recordings, manufacture your own CDs, make licensing agreements with companies that do downloading and use the new technology, you can do your own micro or mass marketing, you can do your own distribution or seek incorporation, you can be your own agent as a performer.*'

The understanding and promotion of the second-tier market is spreading. The planned 2005 annual 'WAMi' conference organised by the Western Australian Music Industry Association (WAM) is entitled *DIY Global Revolution.* According to the publicity statement (still in draft form), '*DIY Global Revolution will seek to outline why the independent music industry, including DIY resources, epitomises the most competitive record industry business model of the future in this new digital economy world.*' WAM has joined with CIRAC in this venture.

The DIY movement is also evident in the United States where major conferences are being devoted to the subject.

[30] Rogers et al. (2004:9-10) describe the emergence of the 'cultural entrepreneur' as a response to the dwindling opportunities for full-time work and the trend to micro-economies apparent since the 1970s. '*Increasingly less formalised, contingent and ephemeral working relationships are becoming the norm for a growing cohort of highly motivated freelance and self employed creative workers.*' Similar increases in networks of independents and freelancers have been noted in the European film and television industry.

markets are now accessible. One of the recurring themes in interviews was that access to international markets – even for independent popular artists – was a major factor in assuring sustainability for the second tier in non-core locations.' This provides an illustration of how second-tier recordings can become commercially successful by tapping into niche audiences globally via the Internet.[31]

The more traditional areas of distribution also provide examples of emerging and innovative 'new value' approaches. Recent technological and cultural shifts have given new entrants direct access to niche markets. There is also a greater willingness on the part of the first tier to work with second-tier operations that are increasingly seen as 'serious players'. Metropolitan Groove Merchants (MGM Distribution), for example, has grown since it was founded in the late 1990s to become one of Australia's leading music businesses (p 38). Being one of the only gateways to interstate and local markets for many Queensland acts it has helped bands with suitable management and material to gain access to markets that were traditionally controlled by the first tier through the distributor.

Live music: Venues for live music performance are important at the introductory stages of a performer's development. Once an artist performs they are usually paid and this marks the first receipt of revenue and the first steps in the audience development process. From there, performance revenue is usually re-invested by the singer or band into developmental work through ancillary music-related services, most notably recording, designing, CD manufacturing and the media.

The Livid festival, billed as Australia's longest running outdoor music festival, has been a successful promoter of popular Queensland music and an impressive economic performer.[32] '*Festivals seem ideally suited to Queensland's climate and cultural sense of self. Not only does the festival extend the network of small cultural businesses such as promoters, tour managers, graphic designers, publicists and multi-media companies, it also features a robust proportion of local bands. And … a festival culture such as Livid can grant sustainability to such micro cultural businesses on a long term basis*.' (Rogers et al. 2004:31)

Promotion and the mass media: One of the positives is the sector's coverage and promotion provided by the local street press, via numerous freely available and widely distributed papers such as *Scene*, *Rave* and *Time Off*. The Queensland sector has also benefited from the promotional sway of the Internet. Metropolitan Brisbane in particular has benefited from the privately funded and maintained *Brispop.com* website directory.

Respondents to the CIRAC survey regarded televised media as a disappointing area of promotion for the music industry in Queensland and nationally as well. In the television area, this is largely due to reduced coverage by the ABC, traditionally Australia's foremost supporter of local popular music product.[33] Support from radio for the music sector, on both State and national level, was reported to be poor, especially commercial broadcast radio.[34] Commercial radio is currently perceived to be more

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[31] Paradoxically, the first-tier record companies, which are thought to be global, with global market reach, can be inhibited from operating globally because they are organised regionally, and regional managements have some autonomy. For instance, a major Australian orchestra that tours regularly through Europe struck a contract with a major record company expecting that its recordings would then be released globally. However, the interest of the Australian branch was not echoed by the European branch, which chose not to release the recordings. Generally, local offices of major record companies can produce recordings of popular Australian artists but cannot depend on international distribution through their own company.

[32] The 17th Livid Festival was held in Brisbane on 18 October 2003 and prior to that date toured Sydney and Melbourne. The 2004 Festival was cancelled due to lack of international acts but will 'return bigger and better in 2005' (http://livid.com.au/default.asp).

[33] 'While *Rage* continues to air twice a week, shows delivering live performance and interviews such as *Recovery*, *Fly TV*, *The 10:30 Slot* and *Countdown* are no longer produced. In their place, music television has to some degree been taken up by cable television channels such as *Channel V*.' (Rogers et al. 2004:34).

[34] ABC Radio is more supportive than ABC TV in the popular music field (where Triple J coexists with commercial radio) and has general influence on changing musical tastes as a major supporter of other music genres. Apart from being a traditional champion of classical music it provides strong support for what can be broadly characterised as world music through shows like Lucky Oceans' *Daily Planet* (though to an decreasing

of a barrier between new artists and an audience than a promotional vehicle, and this is seen as having a detrimental effect on the industry. The single biggest supporter and broadcaster of Queensland music is community station 4ZZZ.

Queensland music promotes itself well to local media outlets within the state but has difficulties doing so to the rest of Australia and overseas. In summary, the inefficient interaction between the second tier and the mainstream media is considered value-reducing in nature. So is the lack of well maintained networks with other markets.

Education and training: Rogers et al. (2004) identify positives in the form of voluntary, effective training models and the value-adding effects of personal community clusters. Only a small minority of respondents have tertiary qualifications in a music-related discipline. What became clear was that many in the music industry are self-trained. The music sector has been self-educating and providing informal training within the independent sphere for more than three decades. The report suggests that a transfer of this mentoring capacity to the formal educational and training area presents opportunities to address respondents' criticisms of its performance.

The negative and positive findings relating to promotion, education and other aspects serve as a reminder that an important reason for improving the statistical framework for the music industry is to provide policy guidance.[35]

2.4 Identifying music sector components

Michael Hannan's *The Australian Guide to Careers in Music*[36] (2003) provides helpful categorisations and job descriptions in the music sector. Hannan's list of positions in the areas of composition and performance is particularly useful because it illustrates the wide range of this basic part of the sector. The guide has helped identify the components of the industry that should be covered in the statistical framework.

The list of composition jobs provides a striking view of the sweeping range of the music sector. As well as composers in genres such as jazz and contemporary classical music, dance and musical theatre, the range of jobs covers:

- songwriters (composers of words, melody and chords of commercially released songs, usually in cooperation with other creative music people such as arrangers, programmers and producers)
- electronic dance music composers who use electronic media to compose and record subgenres such as techno, house, trance, drum and bass, and hip-hop, typically in home studios (these composers often work together with disc jockeys (DJs), who perform electronic and other music at dance parties or dance clubs and are often dance music composers themselves)
- community music composers for amateur musicians, funded by government arts funding organisations
- educational music composers of various genres intended for the educational market, including music for stage bands, concert bands and the like
- screen composers of music written to synchronise with film, television and video

extent and now confined to late night only) and Andrew Ford's Saturday morning *Music Show*. Among other genres, ABC Local Radio supports country music in shows like *Saturday Night Country*, which is marking its 10th anniversary as we write (http://www.abc.net.au/snc).

[35] We have observed some sentiment in the Australian commercial music industry that is not welcoming to formal education – a possible resistance to intellectual discipline. To the extent that this is so, it may put Australia at a disadvantage internationally when competing with industries elsewhere where education is valued.

[36] Prepared for Music Council of Australia, UNSW Press.

- interactive multimedia composers of music for websites, CD-ROM and games
- composers of jingles and other music for television and radio advertisements
- library music composers of short recorded musical pieces with a certain theme or concept such as movie themes, ethnic music, action music, themes for jingles and guitar moods. The resulting compilation CDs provide an additional source of income for composers who write instrumental music for commercial use.

Hannan also describes the original band – a group of musicians with a long-term commitment to writing, performing and releasing recordings of their own songs. He notes (p 36): '*Original bands have formed the backbone of the international music industry since the Beatles, and they chart the history of rock music in its various manifestations. … Original bands usually have one or more songwriters, but the whole band is invariably involved in the arrangement and production of the song.*'

The association between composition and performance provides a reason for treating creators and performers as one group, though the composer is more closely associated with the performance of his or her music in rock or jazz than in contemporary classical music.

New markets emerge as technology advances. Rogers et al. (2004:8) observe in a footnote: '*The publishing royalties from mobile phone ring tones, for example, was estimated to be worth $US 1 billion worldwide in 2003 and the profits gleaned from ring tone sales in Europe have now approached and in many cases overtaken profits for music CD singles.*' The report refers to 28-year-old British ring tone pioneer Alexander Amosu's description of how the market is further expanded because ring tones can be varied to identify callers (a hip-hop tune if someone from work, the song Pump it up if a friend, a siren if his mother!). He looks forward to the next developments of this market: '*What I really hope to do is find investors to put together a mobile TV channel so that people can subscribe and have access to films, soaps, and other programming, and then watch them on their phones.*'[37]

This is an extraordinary example of the inherent unpredictability of the future, and points to the continued need to monitor emerging products and services and the way these may converge to combine functions that were formerly quite separate.[38] No one could have predicted ten years ago

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[37] Shelley Emling, 'Ring tone millionaire dreams of soapies on mobile phone TV channel', *The Sydney Morning Herald* 31.1.04. With their high-quality microphones, modern mobile phones also provide an additional market for MP3 recordings which can be readily downloaded and played.

[38] Richard Letts discussed *emergence* in *The Arts on the Edge of Chaos* (unpublished manuscript, 1995), based on Murray Gell-Mann's *The Quark and the Jaguar: Adventures in the simple and the complex* (Owl Books, New York 1994). While emergence is part of a highly complex theoretical paradigm spanning a wide range of academic disciplines, it may be defined informally as an accumulation of small changes that at some point cause a *reorganisation* into an entity that previously didn't exist. The process may involve a large assortment of causal chains going in various directions. The result is a conglomeration of dissonant phenomena that are somehow reconciled at the end. The process makes the shape of the reorganisation unpredictable, sometimes even as little as a few years ahead, but its properties are evident in both the inanimate and the animate world. Emergence is a force that for better or worse changes the pattern of demand for goods and services forever.

One huge example is the emergence associated with potentially catastrophic climate change. It has kindled a vast array of separate forces pulling in different directions. Consequently, the problem was difficult to identify and therefore easy to dismiss for a long time – indeed the world has not yet reorganised itself into a sustainable system to cope with the change and we may not know the nature of the eventual reorganisation for a long time. Suffice to say that the process appears to be continuing in many ecological areas at a mutually reinforcing accelerating rate, which may be typical of dynamic emergence patterns generally.

Even if we cannot predict the eventual reorganisation, we can plan for it. Hans Guldberg first used *scenario planning* in 1998 as a strategic tool (describing four different futures for Indonesia in 2008). It is based on a finite number of possible futures based on storylines, different from each other but each of them equally plausible, and containing a wide range of internally consistent socio-cultural, economic, political, ecological and technological assumptions. Scenario planning was developed to cope with a turbulent and unpredictable world in which simple trend projections and forecasting models were failing miserably following the social upheaval that a fortune could be made from the music in mobile telephones (though it was reasonably well known from the 1980s that about the only people making a living as full-time composers in Australia wrote advertising jingles). Nor were there any indications that telephones would double as cameras, let alone digital cameras which might just have been invented[39] but certainly were not yet in the public mass-consumer domain.

Another example of what is emergent today but may have the potential to become a major income-earner is composition for computer games as technology development provides scope for increasingly rich and complex sound-scapes in this area. The Australian Film Television and Radio School (http://www.aftrs.edu.au/) hosted a new music and interactivity day in August 2004, noting: '*With an overwhelming growth in demand, music for games is coming of age. … The all day seminar* [is] *designed to assist interested people in making the leap into composing scores for games. … Games are certainly earning more in the market than feature films at this stage but they are an area that composers have not been strongly involved with in the past. Perhaps this is due to them not being sure how to interact with games makers on concept and content. This seminar will showcase the work of a couple of composers who have been working on music for games. Anyone interested in working in this area might get a few ideas on how to bridge the gap.*'

As well as being independently developed and marketed, computer games have emerged as merchandising items for the US movie industry (such as *Toy Story* and its sequel). It would be very difficult to predict what computer games will be like in a decade's time, and how they may have converged with other products and services. Adequate and publicly available monitoring of these developments, including the use of statistics, would be an important step forward.

Other jobs associated with composition include arrangers of popular music (reworking existing compositions into different instrumental or vocal groupings often adding distinctive compositional features to the piece), orchestrators (arranging for symphony orchestra) and music copyists, who produce the parts from a music score in preparation for a performance or recording session.

Hannan's list of performer jobs is practically as long as his composer list, ranging from pop singers and children's music groups through DJs, musical directors and conductors, orchestral and chamber musicians and classical singers to defence force band musicians, ballet pianists, community musicians and buskers. Other parts of the volume provide guidance to music industry structure though not quite in the form we seek for the statistical framework.

The hierarchy of industry groups is shown in highly simplified form in Chart 2.6, each embodying its own value chain and 'downstream' and 'upstream' connections to activities and industries that also have their own value chains. The top four groups and 'direct delivery to consumers (market)' comprise the 'triangle of activities' specified in the SWG brief (see page 5). 'Direct delivery to consumers (market)' represents sales at live performances and sales of physical recordings from the conventionally defined recording industry. *Everything else* in the music sector is represented by the two remaining boxes of Chart 2.6: *airplay* which has its own box because it was specified as a 'theme' in the brief, and *all other* including film, video, advertising, new uses of music, music hardware and software, and support functions.[40]

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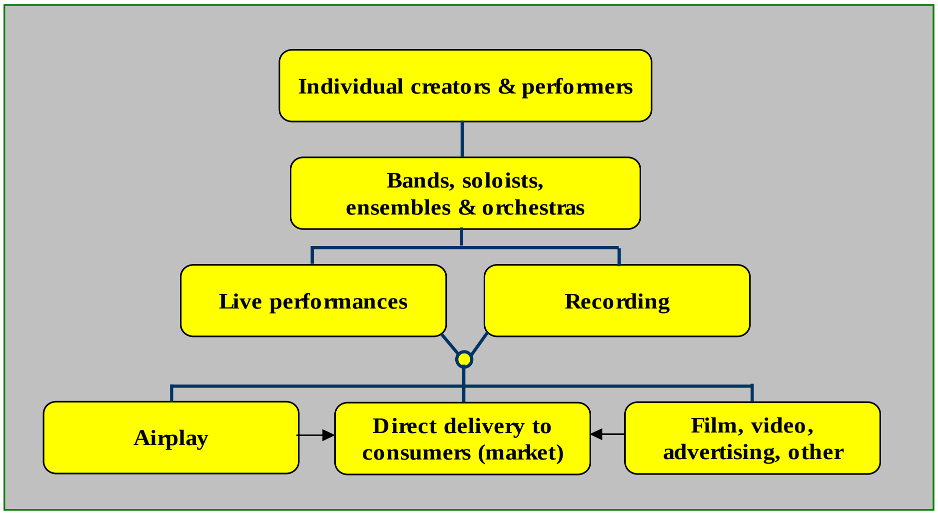
after the civil rights, counter-culture and New Left movements in the late 1960s and the incalculable impact of the 1970s oil crises – emergences of a mass of diverse linear causal chains that combined to lead to major societal discontinuities.

Music is part of the emerging reorganisation, and scenario planning is eminently applicable to the music sector, especially if we can define a proper qualitative and quantitative basis for the scenario stories.

[39] The first digital camera for the consumer market was the Apple QuickTake 100 camera in February 1994. (Mary Bellis (2004), *History of the Digital Camera*, http://inventors.about.com/library/inventors/bldigitalcamera.htm).

[40] To anticipate the discussion in this section, independent analysis of all relevant industry groups is essential if we are to build a comprehensive picture of value added by the music sector, a 'Music GDP'. Support activities like music education are equally important parts of the sector, irrespective of the fact that most music education

Chart 2.6: Music industry groups and connections



Each group identified here or elsewhere in the report consists of the primary and support activities shown in Chart 2.5 and discussed in Section 2.2. Charts 2.7 to 2.9 represent the limited view of the triangle of activities. It is augmented by Chart 2.10, which is designed to show what the statistical framework of the music sector should comprise if we are to consider its full contribution to the Australian economy.

Value chains associated with copyright payments are explored in Chart 2.11. A final chart (2.12) outlines the generic cultural and social value chain, designed specially for this study.

Charts 2.7 to 2.9 use a common colour code for identification: yellow for the industry core groups (supplemented by green circles for some special flows), orange for income, blue for costs, and red for the ultimate consumer market associated with this partial view of the music sector. The intention with each chart is to identify input and output flows which in principle should result in a value-added measure for each of the three groups (but not for 'upstream' or 'downstream' music-related industries that each have to be surveyed to establish their own value to the economy).

2.4.1 Creators, performers, bands, soloists, ensembles and orchestras

The income and expenditure flows are similar for creators and performers, bands and orchestras, so they are conveniently treated together (Chart 2.7). Inputs include two positive flows into these core groups, and several cost items for which the arrows would point in the opposite direction (payment for inputs). Public funding and private sponsorship can benefit individual composers and performers as well as a band, soloist, ensemble or orchestra.

On the cost side, education and training primarily relate to what creators and performers currently spend in this area (a small part of the total contribution of music education). Most other items apply to either of the two groups under review: accountancy and business management, instrument purchase and repair, online and other equipment, artistic management, specialist legal advice and contract work, and booking agencies. Other categories include supplies of items from outside the music industry, and ancillary personnel.

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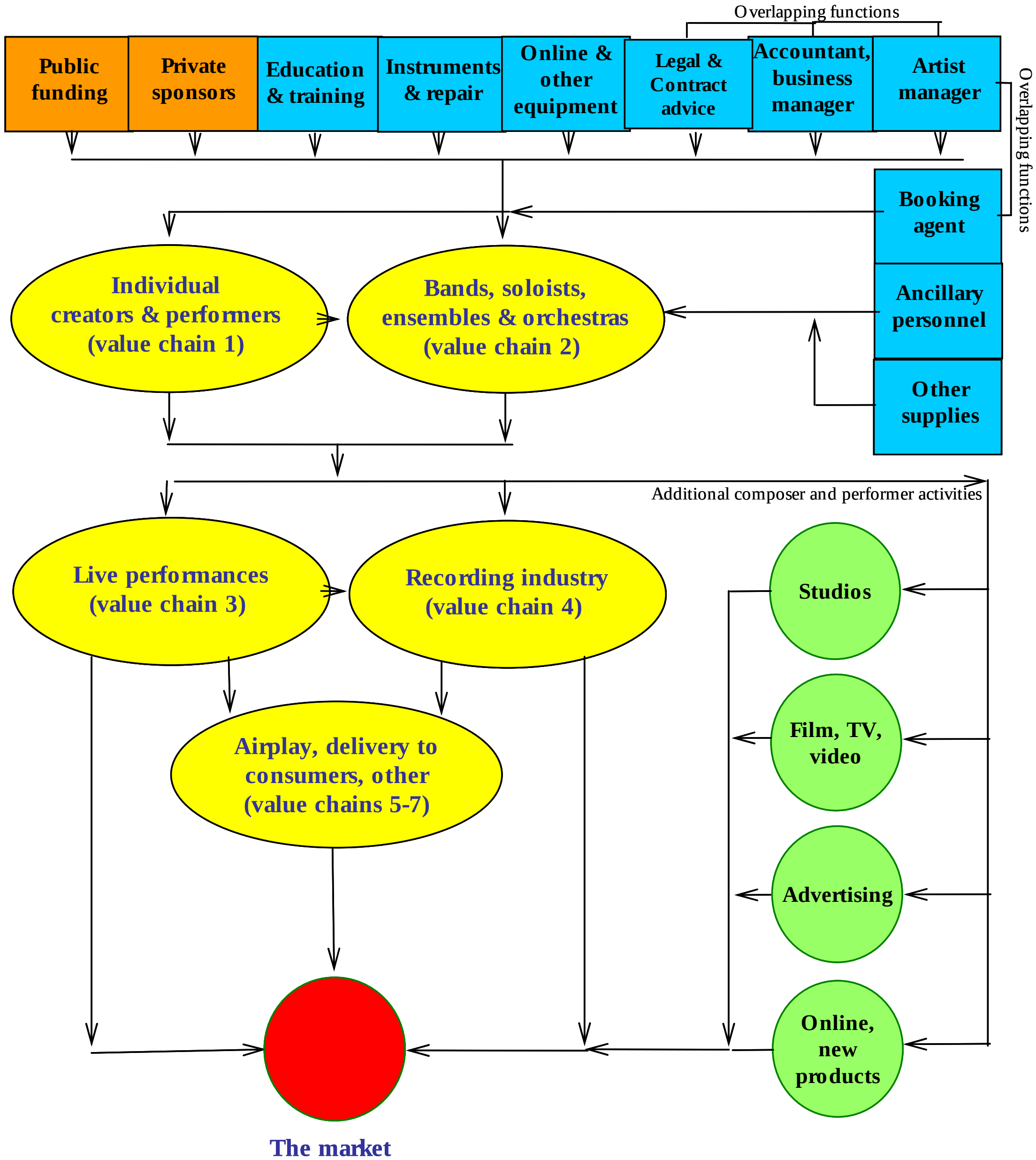
benefits people who won't become professional musicians but will only play or sing for pleasure or will just listen to music. These matters are taken up in subsequent parts of the report as we work towards our recommendations in Section 6.3.2.

Technically, music education is part of 'other industries' when considered in the context of formal education systems, but stands independently when practiced by studio teachers or music organizations such as the Western Australian Music Association (WAM) or the Australian Society for Music Education (ASME). Complexities such as this must be tackled when setting up the relevant parts of the statistical framework.

Chart 2.7: Flows relating to creators, performers and groups

(excluding royalty and copyright-related flows)



Note: The creators, performers and groups pay for education and training, instruments and repair etc; they are themselves paid from the live performance, recording industry, studio, film and other sectors. Arrows representing payment would thus run in the opposite direction to those representing inputs into subsequent value chains. The same applies to the subsequent charts.

Booking agents are engaged on commission to seek out, negotiate and contract performance engagements. Chart 2.7 has a line connecting booking agents and artist managers to indicate that there is an overlap between the two functions, though a manager is usually understood to assist with all aspects of an artist's development such as career planning and above all to represent the artist in the different sectors of the music and media industries.

Artist managers establish their own businesses independent of the businesses of the artists they represent, and may branch out into entrepreneurial activities such as promoting concerts and marketing self-produced CDs. They may also liaise with specialists such as intellectual property lawyers and accountants. The artist manager's role is described as very hands-on and time-consuming. Only the more successful artists can afford one. Less successful individuals and groups make do with agents, though these may call themselves 'management'. In the classical music field, 'agent' may also fit the job description better than 'artist manager' for most musicians.

The functions of artist managers may also overlap with music accountants, though these concentrate on advice such as tax returns, financial statements, business plans, export market incentives and arts grants. While artist managers are primarily engaged in matters artistic, there is a natural further step towards giving advice on financial management. In short, there is a range of tasks or functions but different understandings or misunderstandings of the job titles applied to them.

Hannan (2003:146-153) describes the three overlapping music business functions described above.

Within both value chains, the focus is on development of talent with unique features to secure a competitive advantage. First-tier companies tend to focus on providing sufficient uniqueness to create some sense of novelty.

In the second tier, the activity is more closely connected to the creative motivations of musicians, and at least some of them have a strong desire to be innovative or original. Nevertheless, to be successful they cannot depart too far from a commonly understood musical language within their chosen musical genre. Supported by small but potentially growing groups of loyalists, however, new musical forms do emerge which originally would have been considered eccentric or extreme.

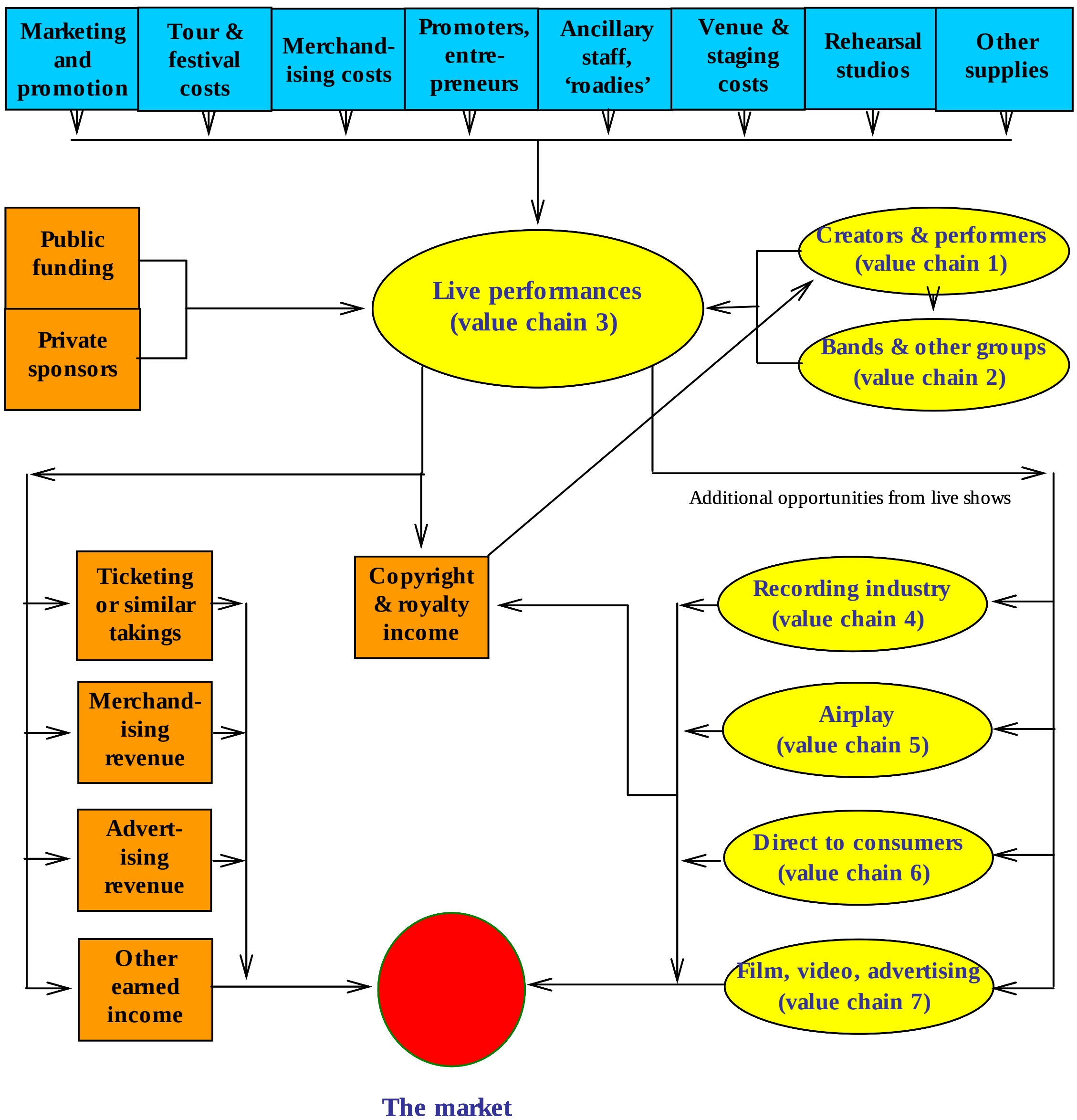
Strong creative skills and awareness of a need for continuous improvement and innovation are important. Differentiation is essential, which may have feedback effects both positive (more funding) and negative (higher costs). Given that most units are small or very small businesses, the main support activities are the development of a strong culture as part (or in lieu) of a formal infrastructure, continued human resource development through training and rehearsal, and technology.

Live performances and the recording industry form two important outlets for creators, performers, bands and other groups. They are described in the two subsequent sections. 'Downstream' value-adding through the distribution systems and opportunities for further activities such as airplay, film, video and advertising are also indicated. Groups and individual musicians and composers may bypass the recording industry (even do their own recording) and go straight to film scoring, soundtrack performing or jingle writing. Chart 2.7 hints at wider opportunities for composers, including studios, film and video, advertising and new technology (as described in Hannan's list of composer jobs). Similar possibilities exist for performers since live performances may be initiated by these industries. The arrowed lines into the 'market' circle represent ultimate consumers, including earned income from concerts and associated activities and additional income from studio, advertising, film, video and digital industries (not the full contribution of these industries which requires special surveys to establish their full music-related value-added contribution).

2.4.2 Live performances

Live shows provide the springboard for most musicians to further career opportunities, notably recording though many artists may never actually make or participate in making a record. Chart 2.8 shows a range of cost items (in addition to the musicians, bands and orchestras themselves), including marketing and promotion, tour and festival costs, merchandising, promoters and entrepreneurs, ancillary personnel such as road managers ('roadies') needed for the performances and tours, venue, lighting, staging and rehearsal studio costs, and other items. Live performances may be directly subsidised by public authorities or private sponsors.

Chart 2.8: Flows for live performances



The " market" represents total value added from live performances and additional income generated in other value chains as a result of these performances. Also see note at base of Chart 2.7, which applies to this chart as well.

Income from live performances is from ticketing or similar takings related to audience size (including revenue based on indirect income increases for pubs and clubs from added drink and food sales and poker machine takings attributed to live shows).[41] Other earned income (as distinct from public funding and private sponsorship) comes from merchandising, advertising and other sources as indicated in the bottom left-hand corner of Chart 2.8. Live performances also generate royalties for Australian and foreign creators.

[41] Bruce Johnson and Shane Homan (2002), *Vanishing Acts: An inquiry into the state of live popular music opportunities in New South Wales*. Jointly published by the Music Board of the Australia Council and the NSW Ministry for the Arts.

Live performances also stimulate sales and other income through feedback to other value chains as indicated by the bottom right-hand corner of Chart 2.8. Live performances range from large entertainments organised by major promoters and entrepreneurs, and major concerts and festivals in hired venues, to gigs presented by pub and club managements. Live performances may also be organised by other industries such as radio stations. The size of business varies widely as further explored in Chapter 3. Marketing and promotion are prominent activities at any level of business. Choosing whether to promote particular acts or indeed whether to promote any act where alternative venue uses are possible (as in pubs and clubs) enters the decision-making process as well. The first and second tier distinction is relevant here, as bands develop their skills and reputations sufficiently to enter into more lucrative contracts. However, this usually does not take place until a major recording company expresses interest in the band or group.

'The market' in Chart 2.8 ideally represents total value added either generated directly by live performances (bottom left-hand concert income items) or through additional income generated by the performances in other value chains (bottom right-hand corner). Again, the full contribution of these other value chains cannot be established without special surveys.

2.4.3 The limited view from the recording industry

Chart 2.9 shows flows between the conventionally defined recording industry, its inputs and the subsequent distribution systems. It conforms to the SWG brief's concept of 'core activities' to be investigated in the statistical framework. The industry in this context consists of record companies, manufacturers of recorded music, recording studios and other contributors to the production process. The first and second tier components are both part of this description. The previous sections on the value chain and the music industry and value creation in the Queensland music industry were modelled largely on the record industry and its strategic use of major or potentially major bands. These descriptions identify the mainstream first-tier part of the recording industry as an international oligopoly with marketing strategies to match. Technology is one of the most powerful drivers of the industry, especially at second-tier level where survival often depends on being up with the latest.

Chart 2.9 concentrates on physical rather than online product, which is not yet standard output from the mainstream firms. A link between the direct delivery and airplay value chains serves as a reminder that broadcasting is an important part of the marketing and promotion effort: airplay is marketing for retail and so backs up the chain. Another feedback effect is shown between airplay and the record industry itself to suggest that airplay influences record company decisions to release discs that will get airplay or to feature artists who have had broadcasting success. There is a strong interaction between record companies, especially first-tier, and commercial radio/Triple J.

The arrow from 'the market' back to recording company and artists is a reminder of the contractual arrangements between the latter.[42] The availability of appropriate music reproduction systems is important to enable consumers to play the technologically advanced products offered by the industry. The above ignores new products in the online field, which now involves the conventional record industry adding to its CD, DVD, tape and music video products. Two possible models are that the composer takes over by bypassing the record company and the distribution system shortening the link to the consumer, and that the recording company takes on the retailing either through its own website or through contracted web dealers (Ahlin and Larsen 2001:57-62). These possibilities are shown in the bottom left-hand part of the chart, which shows online music supply with an arrow of possible influence from the recording industry value chain and another from 'composers and others'. An arrow from online music to the market indicates the competition with conventional recordings.

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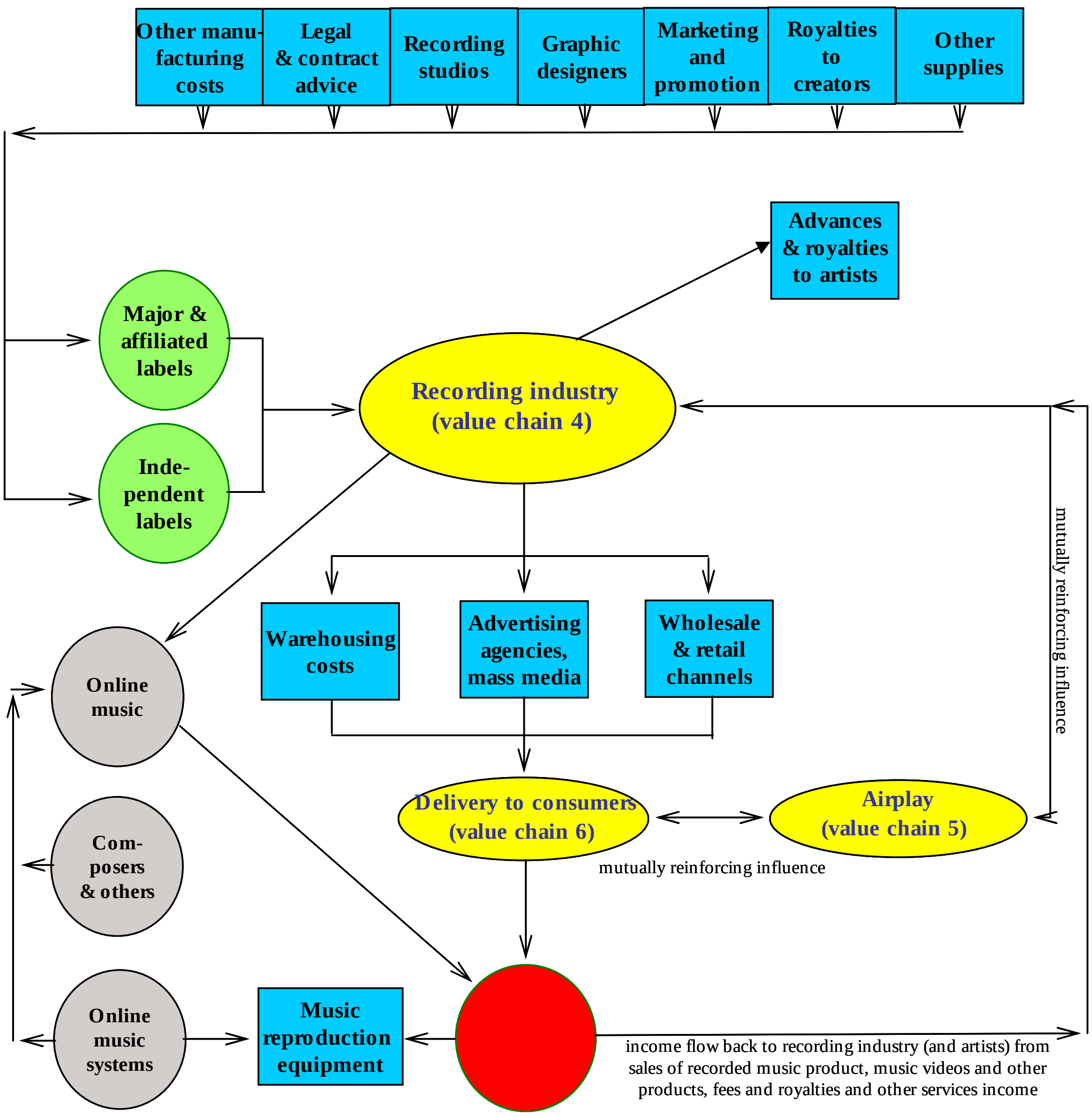
[42] Marshall Brain, *How Recording Contracts Work* (2004b) is a useful reference including a link to Courtney Love (2004), *Artist Rights and Recording Companies* advocating more concerted action from artists to help secure their rights (http://entertainment.howstuffworks.com/recording-contract.com).

Chart 2.9: The limited view from the recording industry



The market

The " market" represents total value added from manufacturers of recorded music product, value added by studios, and record industry sales through conventional distribution channels. There is a significant internal value chain system inside the industry as defined here, including manufacturing costs and income and services income of recording studios. Music reproduction equipment shown in the bottom of the chart represents an additional ultimate consumer cost.

For simplicity, the diagram omits the symbols for value chains 1 and 2, represented by royalties to creators (composers and songwriters) and advances and royalties to performers, respectively.

The online music distribution is represented in the lower left of the chart. It competes with the conventional record industry, and may itself be influenced by the existing recording companies or by composers and other smaller players taking direct control of the distribution. Online music systems are another necessary input. They also affect the market for conventional (physical) music reproduction equipment.

2.4.4 A total music sector model

The process depicted in Chart 2.9 tells an important but insufficient story from the perspective of the recording industry. Most importantly, it underestimates the importance of all other music-related value chains representing broadcasting, advertising, film and video, piped music for use in public spaces, computer games, telephones, and other new and emerging uses. To develop a method of identifying all this demand we devised a sequential model tracing the process from the CREATION of music through the PRODUCTION of music products and services to the DELIVERY of these services to consumers.

To understand the significance of this, let us consider the conventional model which formed the basis for Charts 2.7 to 2.9. Thanks to the focus on individual artists, *creation* is well represented – composers and songwriters are identified as important actors. There are two types of *production* of music for public consumption: through live performances and supply of physical CDs, cassettes, tapes and music videos. Finally, there are two *delivery* processes – live concerts and gigs for which audiences (or the venue on behalf of the audience) pay money, and the distribution of physical recordings through stores and online outlets.

While Chart 2.9 contains some recognition of other industries supplying music to consumers, including radio and television stations, film companies and advertising agencies, what we have called the limited view from the recording industry treats these other industries as mere adjuncts. There is no provision for identifying the contribution of these – and many other – industries to a '*Music GDP*'.

By applying the 'creation-production-delivery' model to the problem it is readily demonstrated that these industries provide an additional range of consumer items to the public in many ways. In some cases such as commercial radio the contribution is obvious: airplay which is enjoyed by a huge number of people – *consumers* of broadcast music. This consumption has a value just like the direct sale of CDs has a value, and the radio stations providing the music adds value to the total economy just like the record production and delivery process adds value.

Similar considerations can be made for film companies, advertising which is linked to both commercial broadcasting and television and to films, music used in new products such as computer games and telephones, music piped in public places such as workspaces and shopping centres, and many others. The digital and online revolution has added whole new dimensions and is certain to produce a largely unpredictable range of new products in the years to come.

All these industries and applications have to be subject to special statistical investigation to identify their contribution to the total value added to the Australian economy.[43]

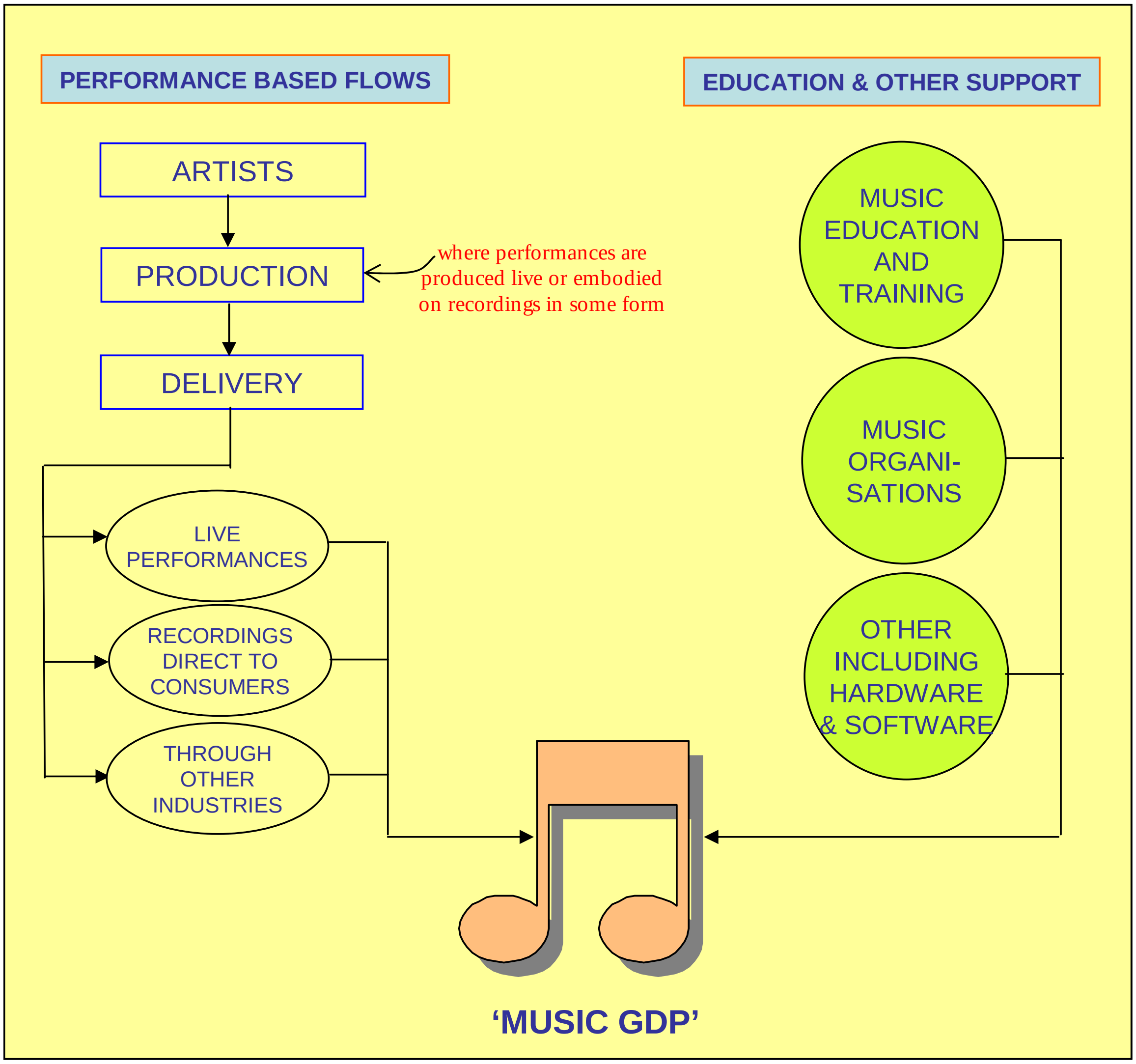
In addition to these industries, support industries must also be included, notably systemic and extra-systemic music education and training at all levels. Other support industries include private-sector and government music organisations.

One final component (included with support industries for convenience) is the hardware and software needed throughout the whole process from creation to delivery. This is a huge and growing field, exemplified as follows:

- Hardware and software for *music creation* includes acoustic and electronic instruments, sheet music, computer instruments and computer programs

[43] Some problems must be anticipated when the 'music-related' part of the total value added in an industry has to be determined. In some cases such as radio broadcasting, percentage of total airtime may form a basis. In other cases, such as film (and even dramatic performances where music is often used as an integral component), it may be more difficult. Film scores are well-known for enhancing the experience of viewing the film, to the extent that a music-less picture is likely to be a complete flop. This obviously doesn't justify the music claiming all, as other ingredients (photography, direction, acting) could make similar claims. Some sort of cost-based sharing of the total value added would have to be devised.

Chart 2.10: Overview of a full statistical framework



- Hardware and software for *record production* includes recording equipment, equipment and software for editing, playback, CD manufacturing equipment and many other items
- Hardware and software associated with *delivery* (or the 'productive' process needed to get ready to deliver) includes amplification and mixing equipment for live performances, and studio equipment and transmission gear for broadcasting. The ultimate consumers themselves use downloading equipment such as iPODs and MP3 players, as well as a wide range of online hardware and software, hard discs and other items either specially for music or shared with other applications. Home entertainment systems of all kinds add to the list.
- Other hardware and software is used by establishments serving the consumer indirectly, such as schools. For example, SoundHouses Corporation of Australia is a joint project of The Brash Foundation and the Victorian Department of Education and Training. It provides music technology courses for students, professional development programs for teachers, curriculum advice and support materials.[44] The corporation deals almost exclusively in electronic equipment

[44] http://www.amuse.vic.edu.au/musresdir/teched.htm and www.soundhouse.com.au

that makes music and has set up entire educational programs in some schools. Teacher development programs include 'your computer as a music tool', 'introduction to music technology' and workshops on music-related software such as *Band in a Box* and *Music Time*.

- There would be many other hardware and software uses in industries in the 'creation-production-delivery' chain or among the support industries. The point may well be made that without all this equipment, there would be few deliveries in our 21st century setting.

Chart 2.10 provides a summary of the music sector, showing the essence of the 'creation-production-delivery' process to the left and the flow into 'Music GDP' from support industries and hardware suppliers to the right. Naturally, all these concepts need considerable refinement as the statistical framework is developed. This is likely to prove difficult unless all significant flows can be identified and supplementary input-output tables can be constructed to assist the identification of value added.

2.4.5 Copyright-related flows

The previous charts did not lend themselves to proper depiction of the value chains dealing with royalties and copyright-related matters. The first main flow to consider is through the performance and mechanical reproduction represented in Australia by the partnership of the Australasian Performing Right Association (APRA) and the Australasian Mechanical Copyright Owners Society (AMCOS). These societies administer licences to perform, reproduce and synchronise musical works and ensure that the creators (songwriters and composers direct or through arrangements with music publishers) are paid their due intellectual property rights.

The Phonographic Performance Company of Australia (PPCA) ensures that the copyright due to creators of music recordings for commercial use (the companies producing commercial recordings and music videos, and Australian performing artists featured in the recordings) are paid their copyright dues.

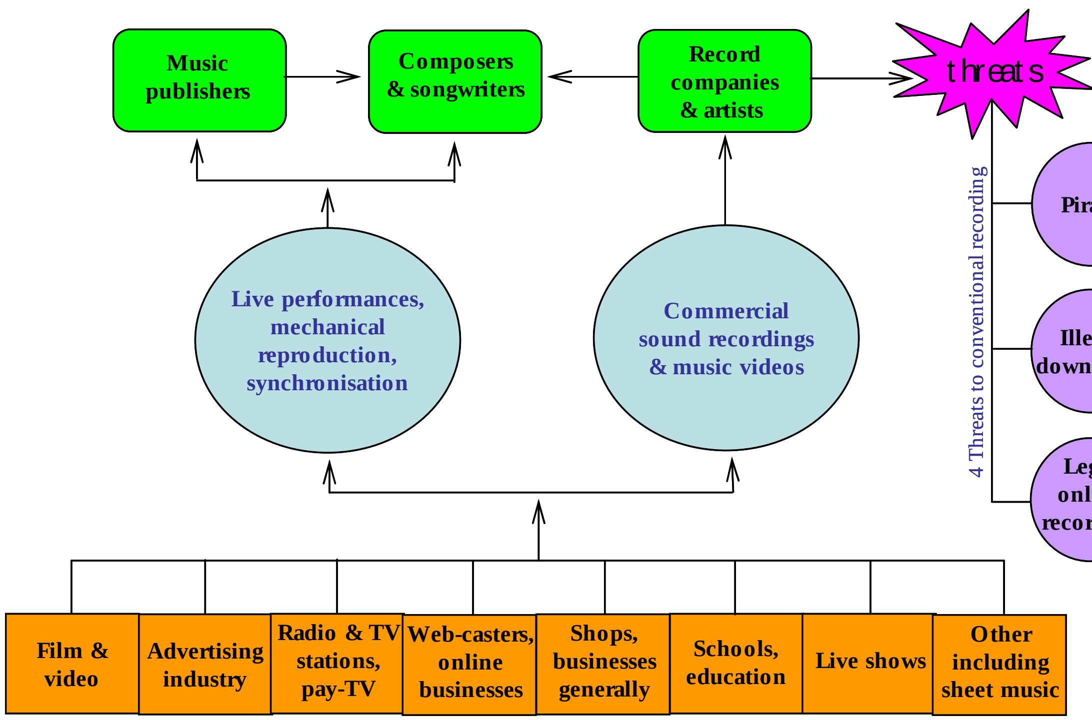
Chart 2.11 lists the main end users of copyright musical material in a series of boxes at the bottom. Users include the advertising, film and video industries which take out licences to synchronise visual material with audio recordings, and a wide range of industries playing copyrighted works ranging from live performances, radio and television stations, web-casters and other online users, shops and general businesses that transmit music in a variety of ways such as background music and on-hold music in telephones, schools and other applications such as churches and eisteddfodau.

The final distribution of the collections by the three societies[45] to creators as distinct from music publishers, record companies and performing artists depends on individual contracts. Arrows pointing to the composers and songwriters box in Chart 2.11 suggest that some additional sums may find their way to individual creators of music, depending on the contractual arrangements.

Record companies providing physical products such as CDs, DVDs and music videos are under increasing threat from piracy, illegal downloading activities and the emergence of legitimate online recordings available for distribution to consumers (right-hand section of Chart 2.11). These activities imply lower demand for the record companies' product. Of course, the obvious countermove is to become increasingly involved in legitimate online delivery.

[45] Most royalties are collected through these three organisations. Screenrights is responsible for licensing of audio-visual materials, including music videos, for educational and government institutions. Two collecting societies, Christian Copyright Licensing Asia-Pacific and Word of Life International supplement APRA's role in the licensing of hymns, gospels and other Christian material. Copying of sheet music also constitutes a use of copyright material. Copyright Agency Ltd, which collects royalties from educational and other institutions for copying of print copyright material pays its music revenues to AMCOS for distribution.

Chart 2.11: Copyright-related markets and income flows



Arrows pointing upwards show income flows in return for the use of copyright material, rather than input flows as the three previous charts.

1 The industries shown in the boxes immediately above constitute the "market" for music copyright, for which they pay licence fees which are mainly administered by APRA, AMCOS and PPCA.

2 The APRA/AMCOS domain is the copyright in musical works, with income derived from live performances (APRA), reproduction and synchronisation rights (AMCOS). The PPCA domain is copyright in the recording of commercial CDs, cassettes, tapes and music videos, with income derived from use in broadcasts and other public use. Under a voluntary arrangement, the PPCA or its record company members split this royalty 50/50 between record company and lead performers. With the imminent introduction of performers' copyright, a performers' royalty might become obligatory and supplant this voluntary arrangement.

3 The copyright holders receiving income through APRA/AMCOS are the creators unless other contractual arrangements have been made with a music publisher. The copyright holders receiving income for commercial CDs, tapes and music videos go to the controlling licensor record companies and registered Australian artists.

4 Threats to the income flows consist of piracy, illegal downloads and (from the point of view of the licensor record companies), the distribution of legitimate online recordings.

The note below Chart 2.11 explains that in exchange for the downward flow of copyright product used by the consuming industries in the bottom of the chart there is an upward flow of income to copyright holders, in the direction of the arrows shown on the chart. The right-hand part showing threats essentially indicate what the recording industry is deprived of as a result of piracy, illegal downloads and legitimate distribution of recordings through the Internet.

2.4.6 Combining music industry value chains

The flows depicted in Charts 2.7 to 2.11 combine to provide an overall model of generic value chains in the music sector (including the full model summarised in Chart 2.10). The key sectors at this stage are creators and performers individually and combined in bands and other performing groups, live performances and the recording of musical works.

Other industries and their value chains need to be added at a later stage to ensure the development of a full 'Music GDP' set of statistics. Statistical collection and analysis of other supporting activities such as music education will also need to be incorporated into 'Music GDP' (Chapter 6).

2.4.7 Socio-cultural value chain

We have identified six areas that together define a socio-cultural value chain which runs parallel to the commercial value chains described above. In this model, two sets of influences may be regarded, at least initially, as exogenous – driving forces for music industry development (Chart 2.12).

The first driving force is technology, which as well as influencing studio techniques and recording industry products include developments in online and telecommunications technologies and the associated strong trend towards convergence of products, exemplified by the mobile telephone which as well as providing an efficient means of communication plays music, takes photographs, and serves as a computer. No doubt the trend towards product convergence will continue, though we don't know where it will lead. Another important trend is towards better control of piracy and illegal downloading activities, resisted at every step by ever more skilful illegal supply arrangements.

The second fundamental influence is the socio-cultural environment. Every society has a particular cultural ambience – a sensitivity and preference for particular cultural expressions. The ambience is diverse: the musical preferences of different sections of the society vary, ranging from heavy metal to classical. Socioeconomic distributions are important influences (including inner metropolitan versus outer metropolitan versus country and regional versus remote and outback). So are demographic patterns including age distributions. Furthermore, music is not the only cultural activity creating social networks and peer groups; there are all kinds of competing influences within the general recreation and sporting sector, and beyond. A final influential factor is the degree of encouragement society gives to new creators and performers.

The two main sets of driving forces in this model influence three other areas: media culture, consumer behaviour and the music industry itself:

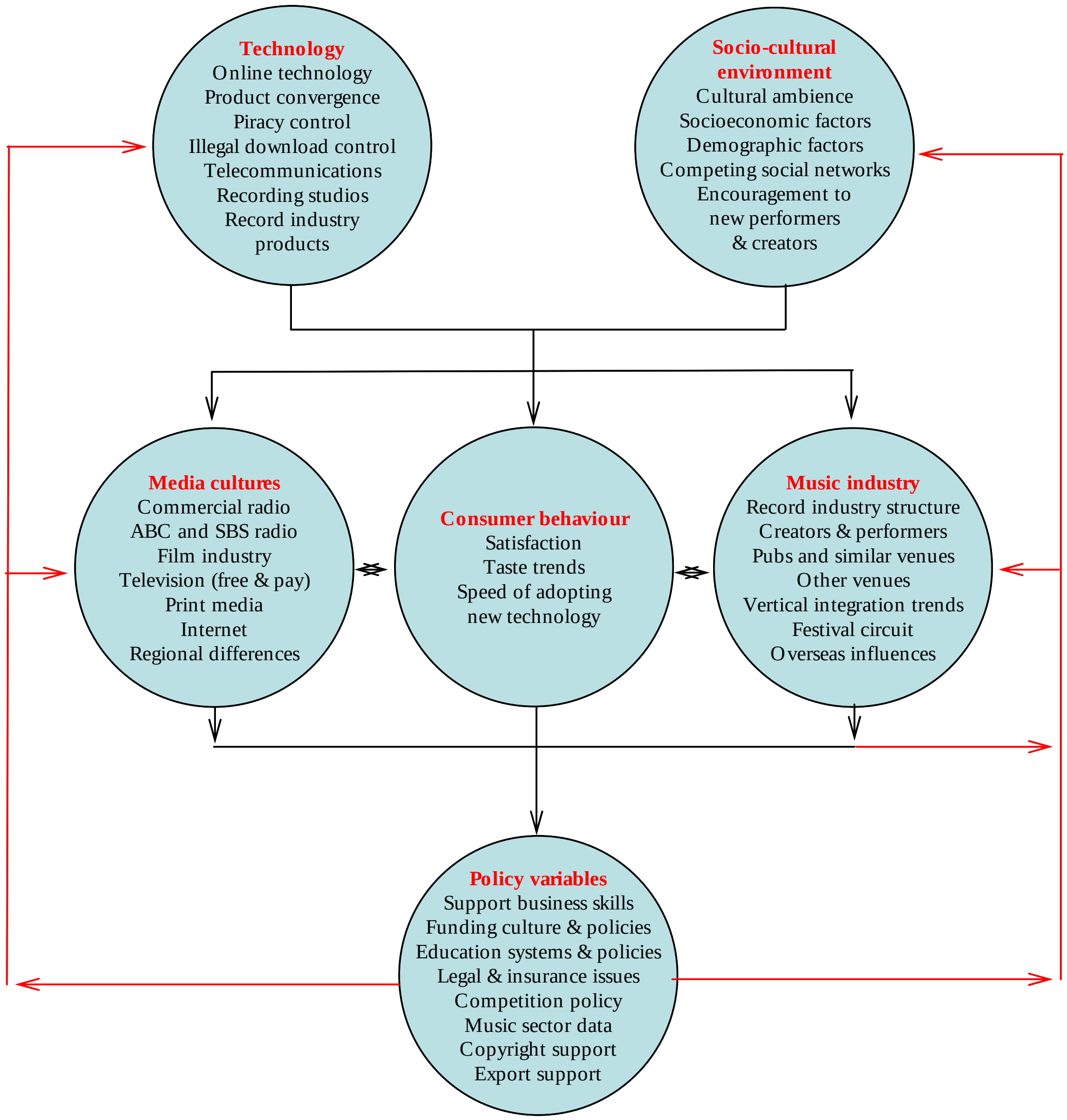
- *Media cultures* comprise commercial and publicly funded radio and television, the film industry, and the Internet. Print media include genre-related magazines, music critics in newspapers and journals, and stories about pop groups and other musicians generally. It is also important to account for regional differences and international and domestic influences on regional media cultures.

- *Consumers* may grow more or less satisfied with the quality of music industry output as time passes. Furthermore, their musical tastes may change. There are also marked differences over time, and between various communities, in the rate at which new technological products are accepted – as we have noted before, Australians currently experiencing favourable economic conditions are quite fast at taking up the new technologically advanced products, strongly promoted by their manufacturers, telecommunications companies and the media.

- The music industry is itself affected by a multitude of changing influences starting with the structure of the record industry, which the main CIRAC report (Rogers et al. 2004) saw as a relative strengthening of the second tier despite the continuing trend towards concentration of the transnational first tier, with its vertical integration strategy. There are also changes in the attitudes and abilities of performers and creators of music, and in the availability of pubs, clubs and other venues including festivals, which affect performing opportunities. Last but not least there are continuing multitudinous overseas influences on the Australian music industry, including competition from overseas performers as well as technological and cultural influences.

The three areas are tightly interconnected, including an important direct mutual influence between the media and music industries and the way both try to persuade the consuming public.

Chart 2.12: Cultural and social music industry value chain



The final area is the policy environment. Policy-making related to music is influenced by change in the other areas depicted in the upper parts of Chart 2.12. There are changing policies to assist the business skills of music industry operators from individuals up, to provide funding for particular musical activities, to educate and train musicians and composers, to address legal and insurance issues, to regulate competitive practices and to protect intellectual property. An additional policy variable refers to the provision of databases for government and sector planning purposes, including statistics as illustrated by the current project.

Most importantly, the cultural and social value-chain model is dynamic. This is indicated by the upward feedback lines from the policy area to the other areas, including the technology and socio-cultural areas despite our initial branding of them as ‘exogenous’. While technology development and the socio-cultural environment are to a large extent independent driving forces they can also be influenced through policy-making changes.

Another feedback line of influence is shown from the media and music sectors, and changing consumer preferences and behaviour, back to the socio-cultural environment. The policy feedback circuit, however, is the most influential because it not only has socio-cultural but also economic impact on the previous links in the socio-cultural value chain. In other words, the model helps us gain a perspective on how attention to socio-cultural values can also lead to further economic gains through policy changes, a perspective that might otherwise have been lost.

2.4.8 Postscript to the modelling approach

Perhaps the main merit of the CIRAC study of the Queensland music industry – and one that is all too easily lost in a purely economic approach or trying to find a statistical framework without much reflection on why – is the emphasis on the 'soul' and dynamics of the industry. 'It's a great time to be independent', is the catchcry of a third, not yet mentioned CIRAC report.[46]

It would be a great pity if such a message was lost, and we would be entirely in sympathy with any suggestion that this sort of sentiment should be preserved as an essential condition for going down the statistical path at all. The reason why it is important to measure and monitor our great arts industries is that it goes beyond economics into the very heart of our cultural being – without which we could not survive as a successful nation. Other countries have reached similar conclusions as reported in the next chapter.

Of course there are problems and issues associated with being a vigorous member of an inspiring industry, such as the lack of business skills of music workers inhibiting their ability to market themselves effectively and the practical difficulties of having to make a living by taking on a variety of roles. Nevertheless, the excitement of being part of a process which is transforming the music sector into something new is a vital factor, which the statistics must be able to capture. The relative lack of musical education and training among young aspiring musicians represents another problem that needs to be addressed, if we are to enable as many talented people as possible to participate in that process and ultimately add to our economic growth potential. The need for proper musical training and education appears to have been queried in some quarters and may need a concerted effort to be reinstated as a fundamental principle. For these sorts of reasons it is important to capture the changing social and cultural currents within the framework, not just the financial flows.

2.5 Next steps

Following a review of other research into the structure and nature of the music and related industries in Australia and other countries, Chapter 3 tests the value-chain model of the music industry developed in Section 2.4 against selected genres and against Indigenous music, which crosses genres.

[46] Abraham Ninan, Kate Oakley and Greg Hearn (2004), *Queensland Music Industry Trends: Independence Day?* CIRAC in partnership with Australian Government and Australian Research Council.

3 Other industry studies and genre checking

This chapter has four main sections. Section 3.1 discusses the scope and definition of the music industry in a number of other Australian and overseas studies. Section 3.2 summarises the relevance of these studies for a future statistical framework for the Australian music sector. Section 3.3 checks various music genres against the model developed in Chapter 2, concluding that it does indeed provide a general basis for data collection across the genres. Section 3.4 discusses difficulties associated with defining genres using folk music as an example.

3.1 Other industry studies

Three main categories of studies and strategic documents can be identified:

- Music is one of several creative industries with the potential to generate future employment opportunities. It is part of a creative industries strategy for a nation or state. The emphasis is on commercial potential reinforced by new technology (Section 3.1.1)
- The music industry is largely identified with the main commercial sector and is centred on major recording companies or successful popular artists (Sections 3.1.2 and 3.1.3)
- The music sector is defined to cover all activities from mainstream popular music to other genres, the markets for which may be described as 'niche' (including classical, jazz, folk, country and world). Indeed, a large proportion of popular music is probably 'niche' too (Section 3.1.5).

Section 3.1.4 was inserted to deal with the subject of education, which was a key issue defined in Section 3.1.3 in a report from Sweden, with important implications for Australia.

3.1.1 Music as part of a broader creative industries strategy

The idea of a creative industries strategy originated in the United Kingdom. The Blair government created the Creative Industries Task Force in 1997 as an advisory inter-departmental and industry unit.[47] The task force published its first creative industries mapping document in November 1998 and followed up with it a second report in 2001.[48] The original definition of creative industries was retained and, with some local variations, is similar in other countries that have taken up the concept, including Australia as reported below.

The definition of creative industries was developed and refined during the formative phases of the strategy. The key ideas have been expressed as follows:[49]

Four characteristics combine to define activity within the creative industries perspective. The creative industries:

- involve activities which have their origin in *individual creativity, skill and talent*

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[47] Stuart Cunningham (2003), *The Evolving Creative Industries: From original assumptions to contemporary interpretations*, Transcript of a seminar, 9 May 2003, QUT, Brisbane (http://www.creativeindustries.qut.com/research/cirac/documents/). Professor Cunningham is CIRAC's Director.

[48] UK Department for Culture, Media and Sport (DCMS 2001), *Creative Industries Mapping Study* (http://www.culture.gov.uk/global/publications/archive_2001/ci_mapping_doc_2001.htm).

[49] Stuart Cunningham, Gregory Hearn, Stephen Cox, Abraham Ninan and Michael Keane (2003), *Brisbane's Creative Industries 2003*, QUT. Report for Brisbane City Council, Community and Economic Development (http://www.creativeindustries.qut.com/research/cirac/documents/bccreportonly.pdf).

- have the potential for wealth and job creation through generation and exploitation of *intellectual property*
- have creative intangible inputs which add more economic and social value than is added by manufacturing, and
- encompass and link traditional cultural industries (such as the performing arts) with new 'info-intensive communication and cultural industries' such as computer game design.

The creative industries were defined in the UK study to include *advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer services, television and radio*. The term creative does not necessarily match the customary concept of cultural industries, though numerous search engine references suggest that they tend to be grouped together, at least in Great Britain. More importantly, however, it places music alongside a number of industries with which we found common bonds in Chapter 2. Foremost among these are interactive leisure software and software and computer services, in addition to the traditional linkages with film and video, television and radio, and the performing arts.

Cunningham (2003) notes some advantages in pursuing these strategies:

> *I think the key upsides are that it mainstreams creativity. For the first time it brings those industry sectors, those enterprises and those people who are creative in this broad sense, right into that mainstream of economic calculation and activity. Secondly, that it brings about a wide convergence of sectors, which have not typically been seen as having a lot to do with each other in most policy frameworks. Thirdly, there is a continuum that establishes a connection from non-commercial arts through to highly commercial software, ICT, games sectors. This continuum from the non-commercial to the commercial is a crucial achievement of this template. (p 2 – ICT means information and communication technology)*

He observes that some economists have accused the strategy of being incoherent, mixing inputs, products and services '*in ways that make it 'uneconomical' from a traditional economics point of view, a rather incoherent definition*.' Our rejoinder is that economics cannot allow itself to remain stuck in its neo-classical framework but needs to allow for emerging cultural, social and environmental forces to remain relevant in these contexts.[50] At the very least, it should recognise the new perspective offered by these models to identify the commercial opportunities they reveal.

Cunningham also comments that the strategy has been criticised for not including the heritage sector (CIRAC's own definition does include it) or cultural tourism, while some sectors such as straight software development are not 'creative' (others think they are and they are useful in our frame of reference in any case). He concludes: '*I would like to refer to it as a dynamic, but potentially incoherent definition of the creative industries because of its breadth and because of its ambitiousness*.'

Anyhow, the concept has gained wide acceptance among governments, including Australia, New Zealand and Asian countries such as Singapore, Taiwan, Hong Kong, Korea and even China. Cunningham (2003) notes that the concept has gained less currency in Europe and North America, though we have found a very similar approach in Denmark without the actual label of creative industries strategy (see box on page 40). It is part of a new way of putting the cultural sector into perspective, including the dynamically changing music industry.

The United Kingdom after seven years remains the leading exponent of the strategy (Australia is a close runner-up). One of the most important aspects of the UK policy is its dissemination into

[50] One author (Guldberg) has examined how to adapt conventional economic theory to deal sensibly with proper valuation of ecosystem degradation, in a major report on the Great Barrier Reef (Hoegh-Guldberg and Hoegh-Guldberg 2004) and other reports and papers. There seems to be no real reason why a parallel approach couldn't be taken in the socio-cultural area.

regions[51] (including Wales and Northern Ireland as well as Scotland through its own economic development agency, Scottish Enterprise). This is important in the Australian context as well.

Before turning to Australia we note that New Zealand published its innovation strategy in February 2002[52] – a significant event because of the close cooperation between the two countries, including statistical matters. The strategy includes the creative industries (defined as film and television, visual arts, design, music, fashion, and multimedia art) as one of three target sectors to assist in New Zealand's future economic growth. The two others are biotechnology and information and communication technology. As we have seen, the latter has close connections with the cultural creative industries, especially music. The target sectors were chosen (p 7) to '*promote most effectively innovation, throughout the economy,* [because these] *areas … have both the potential to grow in their own right and, because of their horizontal nature, positively improve productivity across the economy'*.

In 2001, slightly before the New Zealand initiative, the Australian Government began a three-phase *Creative Industries Cluster Study* to honour an election commitment to develop a comprehensive *Digital Content Strategy* to accelerate the production, distribution and marketing of digital content and applications domestically and internationally. Significantly, the driving force was the digital agenda, even more so than in other national strategies. As we shall see below, however, a focus has also been retained on the conventional cultural industries, including music, while continuing to explore the role of technology development in these industries.

Stage One of the Creative Industries Cluster Study provided a general overview of creative digital industries. Stage Two focused on the level of the firm and Stage Three researched key issues raised by the earlier reports in more detail. The study was conducted under the auspices of DCITA and the National Office for the Information Economy (NOIE).[53]

The Stage One report lists a number of 'core' creative industries (DCITA/NOIE 2001:12): film, music, broadcasting (radio, free-to-air and pay television), publishing, games, interactive media, and industrial and visual design, and three 'partial' industries: software design and development, advertising, and architecture and related services. Some cultural industries including visual arts and crafts apparently were not considered to have any high-tech content and are not on the list.

Music, however, remains of central interest: '*A key finding of this report is that some creative and media industries, like music and film postproduction, are undergoing significant changes and are increasingly engaged in the production of digital content and applications. In other industries, the impact of digitisation has been slower or less dramatic resulting in smaller changes to the production of content.*' (DCITA/NOIE 2001:3)

Among the Stage Three reports, the one dealing with broadband developments (Convergent Consulting 2003) highlights several potential implications for the music industry because of its presence in many products associated with broadband technology. These include:

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[51] The original document was Department for Culture, Media and Sport (DCMS 1999), *Creative Industries – The Regional Dimension: The report of the Regional Issues Working Group*. It was followed up in DCMS (2000), *Creating Opportunities: Guidance for local authorities in England on local cultural strategies* (all DCMS creative industries strategy reports are accessible through http://www.culture.gov.uk/global/publications/).

[52] Office of the Prime Minister (NZ 2002), *Growing an Innovative New Zealand* (http://www.executive.govt.nz/minister/clark/innovate/).

[53] DCITA and NOIE (2001), *Creative Industries Cluster Study: Stage One Report*; Cutler & Company (2002), *Producing Digital Content: A consultancy to examine and advance the production of digital content*; and several Stage 3 reports including Roger Clarke and Peter Higgs (2003), *Economic Benefits from Cultural Assets: The digitisation programs and standards of collecting institutions and the scope for collaboration with the creative industries*; Convergent Consulting Pty Ltd (2003), *The Implications of the Emergence of Broadband Distribution Mediums for the Production of Digital Content and Applications*; and Peter Higgs and Thomas Kennedy (2003), *From Cottages to Corporations: Building a global industry from Australian creativity*, Report on access to overseas markets for Australia's creative digital industry (www.cultureandrecreation.gov.au/cics/). NOIE was replaced in April 2004 by the Australian Government Information Management Office (AGIMO).

A report on Denmark's creative potential

In 2000, the Danish Ministries of Culture and Industry published a joint report[1] to show how closer links between the traditionally separate policy areas represented by the two ministries can incite new dynamic progress. Such links can simultaneously strengthen the output of Danish art and culture, offer new development opportunities to cultural life and reinforce some important drivers of industry development: innovation, creativity and richness of ideas.

The investigation offers three major perspectives (p 18):

- Culture is itself a commercial growth industry, due to an enormous global demand for entertainment and products that can contribute to individual lifestyles and identities. In Denmark the cultural sector is not normally regarded as a commercial industry and this tradition may prove a serious hindrance for future Danish prosperity.
- Culture has emerged as a regional development dynamo – global competition has created an intense race between regions and cities to attract business, first-rate personnel and tourists. Denmark needs to think strategically about the role of culture in the regional competition.
- Culture is a source of industrial innovation and creativity – firms compete increasingly in terms of soft values such as creativity, lifestyle and design. Closer cooperation between firms and exponents of cultural life can contribute to new dynamics in Danish business.

The report focuses on four areas: film, music, content production for the new technological media, and cultural industry originators. As in other countries, the Danish music industry is dominated by a handful of large corporations selling their products on the global market. '*But the industry also consists of a dynamic understorey of small firms which are in many ways the incubator of the future music industry.*' (p 52)

The examination of the two remaining industry foci takes a different tack from the Australian and British creative industries strategies though strong similarities remain – not least because producers from different industries who make their living from content development are joined together by collaborative patterns and the sharing of technological competence. '*The content producers for the new media influence businesses across the IT-telecommunications-electronics sector, the film industry and radio-television production, and also across the various arts and cultural genres such as literature, music, the visual arts, and museums'* (p 60). Beneath the large and well-known corporations there is again a dynamic and expansive understorey of small businesses, with growth rates and market expectations exceeding those in the film and music industries, engaging in dynamic collaborative relationships with frequent purchases from and change of suppliers, and with a high ability to innovate, evidenced by frequent product launches. These firms also focus strongly on the local Danish market. '*No one knows where this evolution will stop.*' (p 63)

The fourth focus is on the originators: *culturally orientated creators* (dancers, musicians, sculptors, authors and others whose main ambition according to the report is their art rather than commercialisation and market conditions) and *suppliers* (film producers, galleries, museums, theatres etc), and on *market-orientated creators* (architects, fashion designers, content producers and others) and *suppliers* (record companies, media, cinemas and others across a broad spectrum).

The report devotes a chapter (pp 96-107) to the importance of developing regional creative alliances – another point of similarity with the UK and Australian strategy documents. It concludes with a 'catalogue of ideas' under five headings, of which the second is of specific interest here: better competence and knowledge through education of music producers, better interchange between artistic and commercial education, and an innovative environment.

The other headings of general interest to the creative industries including music are: better access to risk capital; internationalisation; well-functioning markets; and a better framework for cultural and industry interchange (including research into how to achieve this, cultural contracts and partnerships between culture and industry, and networking between industry leaders and exponents of cultural life).

Endnote: The list of cultural industries in the report is largely similar to other lists: music and the other artistic pursuits, film and video, print media, radio and television, architecture and design. One notable addition is 'toys and amusement parks', presumably because of *Lego*'s strong export performance (69% of the group's output is exported).

[1] *Danmarks kreative potentiale: Kultur- og erhvervspolitisk redegørelse 2000* (DK 2000). (Denmark's creative potential: Culture and industry policy report 2000 – http://www.kum.dk/sw2011.asp).

- New distribution channels for existing products create new opportunities. Broadband can be used to provide an alternative distribution channel that functions better at lower costs than offline equivalents, for example direct music and video download sites. (p 5, 31)

- Today South Korea leads the world in broadband use (90% of online users compared with 11% in Australia and 20% in the US). This is attributed to a strong interest in online activities outside the worldwide web. Non web-browser based applications such as games, file exchange, music, image and movie downloads are very popular (p 17). One may assume that other countries will catch up eventually.

- To date, the personal computer has been the predominant device used by broadband users to access the Internet – a natural extension of the usual narrowband access arrangements, in which the PC is the device dedicated to such functions as 'surfing the net' and retrieving email. Other devices in the home have been restricted to their traditional specialist functions because they have not contained the necessary hardware to challenge the PC as an Internet-access device. This is likely to change:

  -First, consumer devices such as games consoles, personal video recorders, set-top boxes for decoding digital television, video cameras and personal music players are increasingly being installed with PC hardware components that enable them to function much like a PC. Coupled with innovative online content development strategies by device owners and manufacturers, this rapid development in device technology is fast leading to the bundling of devices and online content, customised for specific use on that device.

  -Secondly, the traditional roles of consumer devices are shifting, and becoming more multi-faceted. Many consumer devices are now capable of carrying out more than one function (the product convergence phenomenon mentioned in connection with the socio-cultural value chain in Section 2.4.6). At last count, for example, multi-purpose home players (MHPs) were capable of being a PC, television set, home theatre, stereo system, DVD player, personal video recorder and MP3 player. A recent survey of 5,600 mobile phone users in 15 countries showed that 43% owned an Internet or WAP-enabled[54] phone and 34% had surfed the net from their phones, an increase of more than 25% from the previous year. Also, worldwide, 6% of users downloaded and played games on their phones. (pp 18–19)

- When the Apple *iTune* music service was first launched it was made available exclusively to *iPod*/Apple users. Since then, large components of the iTune service have also been made available to PC users. The report gives other examples of manufacturers widening access to their products either to expand their own market or discourage new entrants. (p 20)

- Cross-sector linkages between different 'vertical industries' such as television, newspapers, online media, games, music, and education have, with some notable exceptions, been uncommon to date – the available cost and revenue synergies have not been considered large enough to justify either the merging of production and distribution processes (leading to cost savings), or the integration of products (leading to increased revenues). Cross-sector linkages are expected to strengthen with the growth of broadband distribution methods, due to the greater potential for cost and revenue synergies. (p 23)

- Much like narrowband Internet became a significant distribution channel for the music industry, the additional bandwidth and functionality of broadband may be expected to encourage the use of broadband as the distribution medium for 'media-rich' content, such as audio-visual material and software applications. However, it cannot be taken for granted that the change to broadband distribution will simply result in replacing one form of media distribution (such as CDs and

[54] WAP stands for 'Wireless Application Protocol'. Effectively, a WAP-enabled phone allows users to browse WAP-enabled websites on their mobile phone.

DVDs) with another (broadband downloads). Just as narrowband Internet distribution spawned new standards, technologies and market-packages such as MP3 file formats and online record stores selling new types of licensing rights to the music, a broadband distribution channel may similarly influence the way content is packaged and sold. In short, a range of futures may be expected. (p 32)

- Interactive gaming is a very large and growing industry, with an estimated global turnover of $31 billion in 2000 and growing at 20% per annum. Around 70% of revenue is attributed to the console sector (the Sony Playstation, Nintendo and Microsoft XBox hardware platforms), with PC-based games making up most of the remainder. In the future, it is expected that Internet-based games, mobile phone games and interactive television will also play a significant role in market growth. Broadband opportunities most relevant to music include the use of games consoles to download and consume movies and music, and major new developments in gaming (which we noted in Chapter 2 is providing new outlets for composers). (pp 41–42)

A key to the Australian creative industries strategy is its emphasis on *clusters*. [55] Industry clusters were originally described as geographic concentrations of firms providing a particular product or service, based on the observation that geographic proximity produced vigorous competition among firms and so provided a spur to innovation. The idea was extended to encompass groupings of firms which have established links based on 'networks of activity' rather than on spatial proximity alone – 'virtual' clusters exhibiting linkages similar to geographically based clusters.

The advantages of clusters are derived from the external effects they produce. Firms working in close proximity, or with strong collaborative networks, are able to achieve cost advantages and innovations that increase their productivity, creativity and competitiveness relative to firms outside the cluster.

We observe that the cluster concept, especially its extension to cover 'networks of activity' fits the descriptions in the CIRAC report in Chapter 2 (Rogers et al. 2004) very well.

In December 2002, the Federal Government committed $12.4million to form a Cooperative Research Centre (CRC) based at the Queensland University of Technology. The Australasian CRC for Interaction Design (ACID) is a national and international partnership of targeted universities and companies, which have committed $7.4 million to the project. ACID's website defines interaction design as finding better ways for people to interact with each other through communication technologies – new forms of human interaction with emerging content technologies.[56]

ACID's research explores devices and activities that allow 'smart communities' to emerge. It aims at discovering the future formats of digital media and providing artists and creative developers with the tools for the next generation of games and entertainment, and the software products that allow massive online environments to be put into operation effectively. A special objective is to discover the tools and techniques for preserving Indigenous places in virtual reality.

It is no coincidence that Queensland became the site for the new initiative. The creative industries strategy initiatives taken there have outstripped other states. Of five participating Australian universities, three are located in Queensland (QUT, UQ and Griffith), one in Victoria (RMIT) and one in Western Australia (Murdoch). QUT is the only participating university that specifies the creative industries among its skills and capabilities, since 2001 based on its Creative Industry Faculty[57] and CIRAC.

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[55] DCITA/NOIE (2001:18-19). Remarkably, the cluster is another Michael Porter invention, this time from a 1990 publication (*The Competitive Advantage of Nations*, Macmillan Business, London).

[56] http://www.interactiondesign.qut.edu.au/interaction_design/index.html.

[57] Andy Arthurs is head of the music department of that faculty. We remembered late during the writing of this report that he also advocates the need for a Creative Industries approach to music-making (Arthurs 2004).

The Queensland Creative Industries Strategy was officially launched in January 2004.[58] The strategy '*is the first state-wide economic development strategy for Queensland's creative industries. It is a critical first step to building stronger creative industries in Queensland.* [Like its Federal counterpart, it uses] *an economic cluster development approach.* [It] *recognises the value of individuals and businesses across Queensland's creative industries, the need to look at the whole value chain, the role of critical economic inputs (from education to finance) and the benefits of our state's lifestyle in generating sustainable economic growth. It also recognises the vital importance of collaboration at regional, state and industry levels.*'

The creative industries in the Queensland strategy include music composition and production as one of six segments. The others are film, television and entertainment software, performing arts, writing, publishing and print media, advertising, graphic design and marketing, and architecture, visual arts and design.

The industry cluster focus lends itself particularly well to Queensland's regional structure, which requires stimulation of local economies to preserve the importance of regional growth centres. DSDI (2003) notes: '*A cluster is a network of three levels of economic stakeholders – exporting businesses, suppliers to these producers and economic infrastructure institutions. A cluster is a living network of those stakeholders that contribute to export activity while adding considerable value regionally. The performance of all regional areas in Queensland is therefore critical to the overall cluster effort across the state.*'

And further: '*Clusters only grow in regions where they can secure advantages in the economic inputs required to compete globally. The strategic focus of the* Creativity is Big Business *framework is on creating and improving the economic input advantages needed by the creative industries – in innovation, skills, finance, physical infrastructure, business climate or marketing.*'

Finally: '*A collaborative strategy process has been used to develop the framework, which looks to create a state-wide globally competitive cluster, but also recognises that cluster activity can occur within segments, as well as at a local level, eg Far North Queensland, South East Queensland and other localities. To be successful, all cluster activity needs to be industry-driven.*'

The regional aspect of the Queensland strategy is important. At the time of writing it has been announced not only for Brisbane but also for Cairns.[59]

In conclusion, the creative industries cluster strategies pursued in the UK, Australia and Queensland provides the following pointers to music industry research:

- It puts music into the context of other creative industries by recognising the continuum from long-established cultural pursuits to high technology
- It highlights the potential for future industry development of new products and product convergence
- It advocates a regional perspective as a important condition for market expansion
- It incorporates as a vital component the collaboration that both geographical and 'virtual' industry clusters can provide, and which was demonstrated in the recent CIRAC studies (Rogers et al. 2004, Ninan et al. 2004).

[58] Queensland Department of State Development and Innovation (DSDI 2004a and b), *Background Info: QCIS*, and *Cairns becomes Hub in Queensland for Creative Industries* (http://www.sd.qld.gov.au/dsdweb/ htdocs/global/). The quotes on pp 40-41 are from DSDI (2003), *Creativity is Big Business: A framework for the future.* (http://www.sd.qld.gov.au/dsdweb/htdocs/ global/content 2.cfm?id=14640).
[59] See Cunningham et al. (2003) and DSDI (2004b) on Brisbane and Cairns, respectively.

3.1.2 The commercial music industry in Western Australia

In 2001 the Western Australian Government endorsed a commitment to develop contemporary music in the state by providing $5 million over four years. To determine how best to apply this new funding the Minister for Culture and the Arts appointed a Contemporary Music Taskforce. Most members and the chairperson were from the WA contemporary music industry, augmented by representatives of government authorities. The taskforce reported in the following year.[60]

The taskforce report was designed to assist in the development of exports of Western Australian music and employment for the local industry. It adopted a definition of contemporary music which was intended to be open enough to embrace new genres and collaborations (p 3):

> *Music that is currently being written and recorded and/or performed by resident Western Australians with a priority being given to music that is broadly understood as being popular.*

The focus on popular music was consistent with the rationale of the investigation, which could be interpreted as building on existing commercial strengths to secure the best economic return on the funding program for Western Australia and the industry. The taskforce believed that the definition was inclusive enough to incorporate a diverse range of genres and activities and, at the same time, was clear in its intent. It acknowledged that the industry is complex:

> *The terms of reference for the Taskforce spoke of a 'contemporary music industry'. Any musician in Western Australia will tell you that it is an industry that is somewhat fragmented and incredibly diverse. There is a strong and vibrant world music scene that reflects the fact that 30% of Western Australians were born overseas. Folk and country music are strong and enjoy particular support in the south west of the state. Large dance music events in Western Australia are the most profitable in the country and the Bridgetown Blues Festival is fast becoming a must see event for music appreciators from around the world. (p 65)*

The taskforce formulated two principles to go with the definition of contemporary music (p 5):

> *1.The contemporary music policy aims to create an environment where local musicians can develop their talents into a commercially viable career.*
>
> *2.The contemporary music policy aims to develop the infrastructure to support a viable and sustainable Western Australian music industry.*

Within the parameters it set for itself, the taskforce report provided a very adequate overview of the issues and how best to use the available public funding to help secure a viable popular music industry in Western Australia. Its industry development goals are clear (p 18):

> *1.To raise the profile of the Western Australian contemporary music industry and build greater and sustainable links between the industry and the Western Australian community*
>
> *2.To assist in building artistic and commercial links between the Western Australian contemporary music industry and the national and international industry*
>
> *3. To contribute to the development of markets for Western Australian contemporary music locally, nationally and internationally.*

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[60] Contemporary Music Ministerial Taskforce, chaired by Bob Gordon (Gordon et al. 2002), *Making Music: Findings and recommendations of the Ministerial Taskforce into Contemporary Music.* Perth. Some of those active in establishing the Western Australian study have also participated in the Contemporary Music Working Group, the representative group of the contemporary music industry which as mentioned in Section 1.2 has commissioned a national study of the Australian contemporary music industry (Simpson et al. 2003). The study is being conducted by the Allen Consulting Group, which will submit its final report in early 2005.

Live music performance in NSW pubs and clubs

Bruce Johnson's and Shane Homan's study *Vanishing Acts*[1] analyses the reasons for the decline in the live music scene in New South Wales. They note that 39% of licensed clubs and 30% of licensed hotels had no music in their entertainment programs in 2002 (p 40). Some of the main factors are summarised below, while the authors' policy recommendations have been omitted. The main purpose is to illustrate the changing character of this part of the music industry, changes that are important for the statistical framework to capture to guide future policies.

When NSW pubs were allowed to have up to 30 poker machines in 1997 and to make cash payments of up to $10,000, some smaller establishments found it hard to accommodate both the machines and the live bands. On the other hand, the additional gaming income helped subsidise live shows. There is a parallel here with the licensing of NSW clubs in 1956, 'which made the State, and Sydney in particular, a magnet for popular musicians throughout the country, as gambling revenue subsidised the presentation of music.' (p 39)

Changes in the character and content of the music scene have also been influential (p 40). Factors such as changing leisure environments have helped shift consumer preferences from 'a night out' to home entertainment. In the live shows themselves, bands have used more pre-recorded material which has had a backlash when audiences feel cheated seeing the musicians lip-synching the acts. Johnson and Homan also cite a deeply pervasive 'distraction factor' that '*both visually and acoustically we are becoming accustomed to excessive and diversified stimulation*'. The audiences whose more or less focused listening sustained the traditional club or pub gig are 'greying', while young people are increasingly drawn to dance club cultures.

The authors conclude (p 41): '*A simplistic demonisation of pokies and pub venue management fails to identify and address the full range of factors responsible for the decline of live music. Some of these are so deeply embedded in fundamental cultural change that it is probably necessary to revise our understanding of how popular music functions in the community. Others, however, may be ameliorated if all stakeholders recognise their own complicity in the problem. It is no longer enough for a venue to just book a band, nor for a band just to get a gig, and assume that the rest will take care of itself.*'

They note, however, that several of the interviewed venue managers had changed their style of entertainment to fit the specific character of the place and occasion: '*Careful planning of live music formats and times does pay off.*' One establishment had increased Friday night bar takings tenfold and increased weekly takings from music to 25% of revenue. Another had achieved a 40/40/20 ratio between pokies, music and other revenue. A third had extended the audience by providing entertainment preferred by older people.

Finally (p 43): '*Live music produces noise, and this was cited as the most difficult and expensive problem in the relationship between live music venues and the local community. …. It is significant that the decline of live music is highest in metropolitan pubs, formerly the most significant 'seeding' sites for popular music. In this respect there has been a gradual but steady erosion of venue rights, since the 1982 'quiet and good order of the neighbourhood' changes to the NSW* Liquor Act.'

[1] Bruce Johnson and Shane Homan (2002), *Vanishing Acts: An inquiry into the state of live popular music opportunities in New South Wales*. Jointly published by the Music Board of the Australia Council and the NSW Ministry for the Arts, July 2002, and available on their websites (www.ozco.gov.au and www.arts.nsw.gov.au).

While the focus was on commercial popular music in general, it recognised the importance of developing a specific Western Australian image: '*The Taskforce always considered the cultural, as well as the commercial, significance of building audiences for Western Australian original music. Through audience and industry development it is hoped that the contemporary music policy will help to retain distinctly Western Australian inflexions of contemporary music.*' (p 34)

We don't need to give a systematic summary of the taskforce findings and recommendations, but the following observations are relevant to the task of building a meaningful statistical framework:

Industry change and being out of the main market: The report notes that the share of Australian musicians in the domestic market has fallen in recent years with a decline in live music opportunities – a complex development which has been studied in detail in New South Wales (see box page 45). Other factors include the demise of the television program *Countdown* with its great audience reach and impact, declining record company profits, management changes in the Australian offices of the major labels,[61] and lack of mainstream radio support for new Australian music. These problems are hard to tackle from WA in an industry dominated by Sydney and Melbourne. Following a workshop organised to develop a marketing strategy it was agreed that an industry-wide marketing strategy was not an effective use of funds, but support of marketing strategies for the industry should be available through the general grant program, rather than through a large-scale generic strategy (pp 25–26).

Website strategy: Discussions with music industry and website technology experts revealed the enthusiasm with which Western Australian musicians appear to upload their music and information about themselves to local, national and international websites (p 40). However, a major website that intended to sell Western Australian music would be costly to establish and market and require a major financial commitment to maintain. It would have to compete with existing sales sites. Furthermore, a music buyer from overseas would look for genres rather than locations when searching the Internet for music.

To make the venture as cost-effective as possible, the taskforce suggested a lower-cost and safer strategy using hotlinks to a WA Music site from the Department's website. Clearly there are many problems to tackle in what CIRAC would call a second-tier state before these promotional issues can be overcome – problems shared by other marketing strategies as noted in the previous point.

Funding principles: The taskforce agreed that funding programs should endeavour to support activities in the following areas, and presented this as its first recommendation (p 18):

- Business support for the development of the industry, including infrastructure support and small business support
- Marketing support for the promotion of the industry to the Western Australian community and beyond, including industry promotion, audience development, and export advice and support.

Young people: An important component of the contemporary music strategy is to provide greater access for young people to original Western Australian music. The taskforce terms of reference was '*to provide more safe, recreational opportunities for young people and increase live performance opportunities for original bands by establishing a state wide youth music program, where supervised all-ages concerts are held in local communities for 14 to 18 year olds.*' (p 46)

Education and training: The Western Australian Government had previously identified the need for more independent recording labels, booking agents, producers and band managers who are of

[61] Statistics collected by the Australian Record Industry Association (ARIA) show that unit sales showed a largely increasing trend from 1993 to 2001 (from 42,074 to 62,902) but showed lower figures in 2002 and 2003 (59,042 and 60,699, respectively). In value terms, sales seem to have stagnated since 1996 (apart from the peak year of 2001), especially if the figures are adjusted using an index such as the GDP deflator.

world standard. This was considered a fundamental need in the industry and part of the way to overcome this would be through skills development. Consequently, the taskforce was asked to '*make recommendations on how to develop a strong skills base in the areas of performance, production and business so that the industry is both artistically vibrant and commercially viable*'. (p 49)

The taskforce identified four key areas in which skills development could be applied (p 50):

- Institution-based learning environments (such as TAFE Colleges)
- Through less formalised training programs (such as internships and mentoring schemes)
- Through music in schools
- A music industry fellowship for individuals.

Generally, it recommended that a culture of knowledge sharing and information dissemination be encouraged within the industry – a *culture of learning* (p 53).

Indigenous music: '*One of the uniquely identifiable sectors is Indigenous music. This is not defined so much by the genre of music played so much as by the distinctive aesthetic inflexion Indigenous musicians bring to the music. Throughout the state there are Indigenous musicians playing rock, pop, country, reggae, or a blend of all these and more. The musical talent is abundantly evident. However, during the Taskforce's discussions, it became clear that, while Indigenous musicians faced the same challenges the rest of the industry did (particularly regional musicians), there were additional hurdles to overcome. A lower level of skills across the board particularly impacted on Indigenous musicians' capacity to pursue successful careers. At the same time, a growing proportion of applicants to ArtsWA's Indigenous Arts Panel were musicians. There was clearly a growing demand for support from the Indigenous music sector.*' (p 65)

Specific problems for Indigenous musicians include higher unemployment and relatively low literacy levels hampering a musical career, a need for improved band management skills, lack of access to studio space and studio technicians, and a lack of venues for Indigenous performance in both Perth and regional WA. The taskforce agreed to the principle of supporting Indigenous music through specific allocation of funding and made recommendations accordingly.

In conclusion, the Western Australian study evokes the following thoughts relative to the construction of a statistical music sector framework:

- The popular music industry described in the taskforce report is itself very complex, with many genres and subgenres and great regional differences within the state. The question is how to accommodate this diversity in the framework.
- The framework, as far as possible, should present any data capable of guiding policy options, such as funding, in a manner that is transparent to all stakeholders.
- The state perspective, as we have already perceived from the Queensland studies discussed in Chapter 2, is paramount for the understanding of the music industry. Regional differences may add further to the understanding; Broome, for example, may be quite distinctive.
- Promotion through the Internet – and marketing through other means as well – is problematical because of the intense competition that a small music industry from a small region is likely to meet. The distinctly Western Australian character that the taskforce report mentions (p 34) would have to be promoted as unique in any generic promotion of WA music. This assumes that a distinct WA style, or styles whether mainstream or with an Aboriginal character, can be further developed in a local creative hothouse atmosphere that encourages artistic innovation (rather than from good business practices or marketing strategies which are important skills but not artistically creative).

  Western Australian artists, however, were nominated extensively for the 2004 ARIA awards to the extent that '*everyone seems to be wondering why so many good musicians come out of Perth.*' Paul

Bodlovich, executive director of the Western Australian Music Industry Association (WAM) and chair of the Australian Music Industry Network (AMIN), suggested in the Spring 2004 issue of *Scoop* magazine (Perth) that maybe '*because of our isolation we are more outward looking than cultures that believe they are the centre of the universe … and this point of view leads to originality*'. He subsequently made the following comments in a personal communication with co-author Guldberg:

- The acts that achieved the success indicated by the nominations had all received government funding at key points along the way, especially through the WA contemporary music strategy.
- Most had also engaged strongly with WAM at various points of their careers. '*The key is to support the artists and businesses through the start-up process but also to continue to engage when they have success so that they maintain at least the public perception of strong links back to the community from which they emerged – their cultural identity so to speak.*'
- This suggests that institutional backup both financially and artistically is important for the successful development of contemporary musicians. [62]

- There are imperative social and cultural factors to take into account associated with the development of young people's opportunities in the industry.
- Education and training opportunities are key issues.
- Last but not least, the statistical framework must secure specific coverage of Indigenous artists, possibly complicated by the fact that they play a variety of styles and subgenres and therefore overlap a genre-based statistical framework. However, our checks suggest that Indigenous music can be readily covered in the proposed framework.

3.1.3 Other studies of the mainstream commercial music industry

The second major report (after Hoegh-Guldberg 1987) on the Australian music industry was published in 1993.[63] The consultants were required to develop and present a comprehensive outline of the structure, conduct and performance of the industry, and to assess and comment on possible changes in the industry as a result of developments in its operating environment. The commercial recording industry was put in the high seat, which gives a very different perspective from the Guldberg study published six years earlier. Performers and composers were seen as inputs into the recording and performance industries, but no part of the study focused on them as individuals or performing groups.

Having said that, the report within its scope provided good structural statistics on the economic value of the music industry (based to a considerable extent on royalty flows), and nominally covered the whole of the industry. Because 'popular' music accounted for 95% of record sales in Australia, leaving 5% for 'classical', the report was inevitably slanted towards the commercial music scene.

A similar approach was taken in a mid-1990s report by Ernst & Young, in cooperation with Statistics Canada, for the Canadian Task Force on the Future of the Canadian Music Industry. The brief limited the consultants to the sound recording industry, defined as follows (p 6):

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[62] Paul Bodlovich added that in the old days bands had to move to Sydney or Melbourne to achieve success – this 'Perth or success' dilemma no longer applies. He also says that WAM actively continues to include artists in their activities regardless of their success (such as compilation CDs and showcase gigs), and it now has record companies inquiring about their acts – unheard of until recently. '*So the products and events begin to create a depth of dynamic, and lead to outcomes for us and our constituency on a whole range of levels.*'

[63] Paul Baxter, Peter Creyke, Greg Edye, Elizabeth Goodbody and Tom Parry (1993), *The Australian Music Industry: An economic profile prepared for the Music Industry Advisory Council*, Price Waterhouse Economic Studies and Strategies Unit, Canberra. The first report was Hoegh-Guldberg (1987) which is discussed in Section 3.1.5.

> *The sound recording industry, for the purpose of this study, includes all activities which relate directly to the recording, sale and use of music sound recordings. It begins with the creation of a musical composition, with or without lyrics, and goes through the recording, physical production, packaging, distribution, performance, sale and/or public use of that composition.*
>
> *The definition also includes those activities which, although not directly sound recording, are closely related to the industry. It excludes those activities which have only a peripheral connection with recording, although they can be considered as part of the music industry in general. Thus, concerts which help promote the sales of sound recordings or which build on a market created by sound recordings are included, while musical theatre is not. Merchandise sales of T-shirts and other items identified with sound recording artists are included, but bar receipts are not. Only that part of sheet music sales which is closely related to the sales of sound recordings is included. The only practical way to make this distinction was to exclude sales of sheet music aimed at the educational market.* [64]

The authors were aware of the limitations of the study brief, noting in the synopsis on p 1: '*It is not a study of the more broadly defined music industry and therefore may appear to give less weight than might be expected to the musicians and singers who are an essential component of both the music and sound recording industries. The focus on other elements of the industry was determined by the study terms of reference and the resources available to carry out the work. There is no intent to minimize the importance of musicians and other creative elements of the industry, whose critical role was made evident on many occasions by the industry to the consultants who conducted the research.*'

Despite these limitations, a draft report[65] written in 2000 on behalf of the peak contemporary music industry association in Australia, the Australian Music Industry Network, recommended the Canadian report as a model for further research into the true size and income generation of the contemporary music industry in Australia. It also acknowledged that the Price Waterhouse study quoted in the first paragraph of this section provided a considerably more comprehensive picture of the industry than the ABS survey, *Business of Music 1995–96*, which was criticised for severe lack of coverage.[66]

The issue of poor official statistics also entered the Canadian Ernst & Young report, which made some useful comments calling for a meticulous and highly tested approach to statistical data collection as well as a need to educate operators in the industry about the importance of an accurate statistical framework. One may add that if it is so difficult to extract accurate records from conventional commercial firms in the industry, the problem could well be exacerbated when trying to get such records from individuals (p 3):

> *The responsibility for the poor state of data rests both with the industry and with Statistics Canada. Some of the companies reporting to Statistics Canada are not taking enough care to ensure that they are following what appear to be a reasonably comprehensive and clear set of survey instructions. Other companies are simply failing to respond to the survey, resulting in coverage that varies from year to year. Some of the senior members of the industry who were contacted for this study were unaware that Statistics Canada produced a report on the industry. This gives a clear indication of the care that probably went into their companies' response. Both the industry and Statistics Canada are aware of the data issues and are working to resolve many of them.*

Among other overseas studies, two were undertaken in some of the most successful countries as far as industry and export development are concerned, Ireland and Sweden.

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[64] François Arcand, Richard Blanchard, Andrew Cuthill, Charles-Antoine St. Jean and Paul Stothart (1995), *The Sound Recording Industry in Canada.*

[65] Australian Music Industry Network (AMIN 2000), *Contemporary Music Industry Policy: An Australian Music Industry Network Discussion Paper.* Draft prepared by WAM, revised by Q Music.

[66] This is further discussed in the beginning of Section 6.2.

The Irish investigation[67] set out to identify the elements of the industry which contribute most to the economy and employment; to establish the magnitude of Irish musicians' earnings on the domestic and export markets; to establish the value added and employment generated throughout the industry, including record companies and music publishers that support the activities of music artists; and to evaluate the wider economic importance of the music industry for other sectors of the economy such as overseas tourism and foreign investment in Ireland. (p 5)

The Irish study took the opposite approach to the Australian Price Waterhouse study, by focusing on performers and composers as the creative elements of the commercial music industry, an industry 'concerned with the discovery, development and commercialisation of musical talent'.[68] The creative output of performers and composers is brought to the market through sound recordings, concert performances and the playing of music in the media and in public venues. From an economic viewpoint a broad distinction can be made between recording artists who have record contracts, and performance artists who rely on live performance only for their incomes. (p 12)

The creative process derives from the work of composers, performers and record producers. The diverse range of firms associated with recording is treated throughout the report as a support function. Accordingly, the estimate of industry value added (and employment) does not include the record retailing sector or the operation of music venues. This results in a conservative estimate of value added and employment in the industry (p 13). The study provides a very different perspective from what results when recording is put at the centre.

The study highlights the success of the Irish music industry, which can be summarised as follows:

- For a country with only 0.08% of the world population and 0.3% of the global GDP, the output of Irish recording artists is impressive. Irish artists accounted for some 2.3% of worldwide CD sales in 2001. Irish artists are particularly successful in Europe and Australasia, but have relatively less success in North and South America. (p 16)
- The value added in the Irish music industry in 2001 was €478.4 million.[69] Of this, 56% represented the earned income of recording artists who had earnings from record sales as well as live performances, while a further 30.3% was due to the activities of performance artists. The balance (13.7%) represented the added value of the support sector defined in the study. (p 37)
- Musical artists earned €412.6 million in 2001. Live performance accounted for over 52%. The next most important source of income was income from recording royalties (30%). (p 44)
- Of a total income of €268 million earned by recording artists, €251 million (93.6%) was earned by the top twenty artists. By implication, the remaining 250 artists identified as earning significant recording royalties shared the remaining €17 million (still a significant average income). The largest source of income for all recording artists was recording royalties (€123 million) followed by live performances (€71 million). (p 30)
- The foreign earnings of artists in 2001 were €249.5 million (60% of total earnings). The earnings of Irish artists abroad much exceeded those of foreign artists in Ireland. As a result, Ireland achieves a significant net trade income from Irish music artists. This net trade income was estimated at €224 million in 2001. (p 45)

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[67] Goodbody Economic Consultants (Goodbody 2002), *The Economic Significance of the Irish Music Industry*, Music Board of Ireland. (http://www.musicboardofireland.ie/publications.html).

[68] This has echoes of Jenner's observation (2004, quoted on p 16) that the function of the music market is to help the interaction between creators and public. The intervening structures have no inherent worth or value.

[69] One $A was worth just over €0.60 in mid-2001 (http://www.x-rates.com/cgi-bin/hlookup.cgi). We note that while Ireland's local artists have a similar share of the local market, Ireland's export earnings are much higher per head and in total dollar value than Australia's.

- The success of Irish artists abroad is all the more noteworthy in view of the small size of the Irish market (8 million CDs in 2000, as against just over 200 million CDs in the UK and Germany). This means that Irish artists, unlike most of their European counterparts, do not have the benefit of high sales levels in the domestic market to launch their careers. (p 18)
- At present, Irish recording artists have only 26% of the domestic market by value. This is low by international standards (though not by Australian standards) and suggests that there is considerable scope for Irish artists to expand their share of the domestic market. (p 18)
- In addition to conventional popular styles, traditional music is very important for the total earnings of Irish recording artists. In 2001, pop/rock accounted for 53.5% of the total, traditional/Celtic rock for 43.1%, MOR (middle of the road) for 1.3% and other styles for 2.2%. (p 31)
- Apart from recording artists, there is a much larger body of music artists that derive a living from live performance at music venues such as concert halls, hotels and public houses. These range from local gig musicians, who supplement their income through occasional performances, through wedding bands, tribute bands, cabaret artists, session musicians, and traditional and classical artists. Measured in number of artists, hotels provided the largest live performance market followed by pubs. (p 32)

In view of the success of the Irish music industry, which appears to be one of only four or five in the world to generate an international trade surplus (along with the US, UK, Sweden and possibly Denmark, India and Brazil though we haven't checked these), we expected to find a discussion of factors generating this success but found none. However, the study is important because of its analysis of the music industry from the performers' angle. It also provided an interesting insight into the life cycle of a performing popular music artist from start-up to success, based on surveys conducted during the course of the study. We reproduce it here as a table because like so many other features of the music industry, strong similarities may be found from one country to another. The report describes the life cycle as follows (p 27):

Sources of income during a successful artist's life cycle

Income source	Start-up	Breakthrough	Success
Live performance	100%	15%	37%
Recording		70%	38%
Performance rights		5%	7%
Mechanical rights		5%	9%
Merchandising			7%
Sponsorship			2%
Other		5%	
Total	100%	100%	100%

Source: Goodbody 2002, Figure 3.4

A successful artist is likely to have gone through a life cycle with different types of income predominating at different stages of the cycle. At the beginning of his or her career, the artist may have operated on a part-time basis with income from live performances only. Much of this income may have been used to support the production of 'demo' recordings and perhaps to subsidise other live performances, as the artist seeks both to become more widely known and to obtain a recording contract.

Once the recording contract is achieved, talent royalty income is earned in the form of an advance. At this stage, income from live performance may not increase and could actually fall, as the artist seeks to win a bigger audience through providing support to major acts. After some lag, mechanical and performance rights incomes start to rise, as a result of the recording contract.

When the artist finally achieves success, live performance once again becomes an important source of income, and merchandising, synchronisation, and perhaps sponsorship income become significant for the first time.

The other study featuring one of the most successful music industries in the world is from Sweden.[70] It deals with the factors behind Sweden's great success in expanding its music exports over the past thirty years. Right at the outset the report points to past waves of success in contemporary classical music composition and jazz, including a Swedish jazz wave in the USA during the 1950s. The current wave of success can be linked firmly to popular music:

> *Within the music industry, however, pop music definitely attracts the largest sales volumes. The global music industry, measured as turnover by music publishers and recording companies, amounted to just under 370 billion Swedish kronor in 1996.[71] It is difficult to refine and measure categories such as classical, popular music, folk music and jazz. They are merging to an increasing extent, and for newly created music the distinction is both impossible and irrelevant.[72]*
>
> *Swedish pop music had its first great international breakthrough in 1974, when ABBA won the Eurovision Song Contest and Blue Swede hit the top of the US charts. ABBA from then on experienced great increases in sales in Europe and Asia through the 1970s, and also in the US though to a lesser extent. (p 9)*

The analytic framework for this music industry study had four components (pp 10–11):

- The *creative* link consists of composers, songwriters, singers, instrumentalists and recording technicians. The artists possessing creative competence make the music.
- The *producer* link brings the music to industrial production. Music publishers arrange for the artists have their music published and their rights protected. The recording companies arrange recording and publication.
- The *sales* link consists of distribution of records from recording company to consumers. It includes distribution companies which may be owned by the record companies, but there are also large free-standing wholesalers, Internet-based trade chains and small independent businesses.
- The *support* link consists of those services and products that are needed to ensure that the music actually progresses from composer and artists to the market. It is made up of several categories of participants and professions:
    - Manufacturers that press CDs and other records, and produce the plant and equipment for CD manufacturing[73]
    - Advertising and marketing firms including photographers producing covers, music videos, stylists who advise on the appearance of the artists, and others

[70] Kim Forss (1999), *Att ta sig ton – om svensk musikexport 1974-1999* (Tuning Up: About Swedish music exports 1974-99), The Expert Group on Studies in Public Economy in the Swedish Ministry of Finance (www.regeringen.se/eso). The report has a summary in English.
[71] Our translation. $A1 = about SKK 5.25 in mid 1996 (http://www.x-rates.com/cgi-bin/hlookup.cgi).
[72] We agree, and recommend that the only persons who can identify 'genres' are the musicians themselves, and that 'genre' must be defined broadly if it is to work at all (with an added question on subgenre for more detail). There are numerous references throughout this report to the fact that musical forms are combining and fusing, especially new music.

John Whiteoak put it as follows in a personal communication (June 2004): '*The notion of singling out a specific genre and then setting out to analyse it falls down at several levels. One of these is the actual definition of a genre. For example, what is jazz. Are, for example, The Necks an improvising ensemble, an Electro band or a Jazz band, or all three, or more? When does 'Electroacoustic' music become 'Dance' or when does Dance become Techno, when does Techno begin to become Trance, or for that matter Industrial, or Goth, etc. Compare, for example, our article 'World Music' to the one in the Oxford Companion to Australian Music. There is no resemblance whatsoever. What is 'Folk music' and so forth and so on...*'. John Whiteoak is editor, with Aline Scott-Maxwell, of *The Australian Companion to Music and Dance* (Currency Press 2003).
[73] One of five major companies making CD-manufacturing equipment is located in Sweden (owned by the large Swedish Alfa concern). The others are in Germany, Switzerland, Japan and the US (Forss 1999:61).

- Legal advisers on intellectual property and contract rights, and other lawyers employed in litigation and legal advice generally
- Interest organisations for the various participants to find common ground, collaborate and exchange experiences.
- Organisations that promote musical life and culture.

This structure is not radically different from structures set up in other investigations (though the description of the support link is questionable at best and the whole classification inferior to our 'creation-production-delivery plus support industry' model). The indication once again is that the music industry is similar from one country to another. Together they generate an export sector consisting of three different components which again are common to other countries:

- Intellectual property comprises the hub around which the entire music industry circulates. Royalty on exports comes through the collection societies that ensure that those who own the copyright for the works are compensated. The collection societies also try to ensure that owners of foreign works are paid for their rights.
- Exports of music-related services take many forms. Some are similar to selling consulting services to customers abroad, as when a music video producer is engaged and sends an invoice at the end of the job (an interesting observation which could easily be overlooked when setting up a statistical framework). Other service income comes from international concert tours, though these tours may also incur considerable expenses abroad which have to be netted off the gross. Other service exports are generated by licensing agreements between record companies, whether majors or independents.
- Finally, straight commodity exports include recordings, especially those produced in niche genres by independents where it has not been considered worthwhile to engage in a licensing agreement.[74]

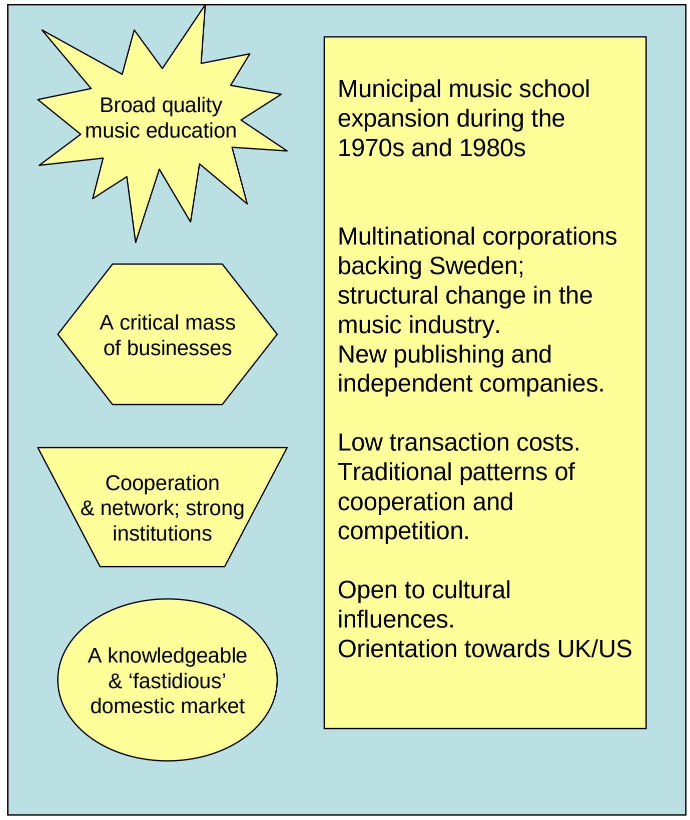
The report devotes a final chapter (8) to discuss why music exports have increased in Sweden, and comes up with some interesting answers which may well point towards policy opportunities in Australia. Chart 3.1 (next page) is a direct translation from a similar chart in the report. The following could almost have been written for Australia except we have not developed the requisite education infrastructure and may be less advanced in our concern for the actual generation and quality of the music. Further, Sweden is one of a handful of countries with a positive balance of music trade; Australia is not:

- The broad musical education which has been available for all young Swedes through the municipal music schools in practically every local government area has had a dramatic effect on the supply of talented musicians. The 286 municipal music schools have an annual budget of SKK 1.3 billion and are at any time educating about 340,000 students. A small but significant proportion of the students go on to higher music education and about 60% of these become professional musicians. Apart from Sweden only Norway and Denmark have such a wide-ranging municipal music school structure. Denmark is elsewhere in the report cited as one of only three European nations (apart from the United Kingdom with its traditional leadership position) which have developed strong music exports (the others being Ireland and Sweden).

[74] However, exported physical recordings do not necessarily contain performances by musicians from the exporting country. While most exports of recordings made in Australia may carry Australian works or at least Australian performances, this is not necessarily the case. The matter is further complicated if, for instance, a work is written by a New Zealand resident and produced in Australia on a CD exported from Australia. In such a case, the profit and mechanical royalty would return to Australia but the royalty on the work would presumably go straight to New Zealand.

- Coinciding with the growth in music exports there has been profound structural change in the publishing and recording industries. Two opposing trends have manifested themselves, one being the establishment of new businesses focused on the discovery and launch of new talent and the other a concentration of the production and sales functions of the major international companies, which since the 1980s have made extensive direct investments in Sweden and have bought up every medium-sized Swedish company that existed. There is a striking coincidence between this development and the growth in exports.

Chart 3.1: Factors explaining music export growth



Source: Translated from chart in Forss (1999:138)

- At the same time the major companies have changed their main strategy from selling to the Swedish market to 'fishing for talent' for the international market. To achieve this they have allied themselves with Swedish independent record companies and publishers who are better at discovering and developing talent. This provides one explanation for the rapid growth of such firms.

- Sweden has a critical mass of businesses within the music industry in the sense that all links needed to start an effective music export thrust are present, including many businesses specialising in production and sound technology. There is quite a close connection to conventional engineering workshops with the managers of these workshops honing their engineering skills by adding their musical interest. Other countries with significant music exports have had similar experiences where the various links in the music industry combine, resulting in a plethora of independent recording companies, publishers, recording studios and sound technicians. This sort of progress seems to characterise countries that develop successful exports.

- Industry collaboration and strong mutual interest organisations are consistent with low transaction costs. A great number of these organisations exist across the industry. Economic theory suggests that there is an incentive to provide a set of organisations that bring people together to ease the organisation of economic, political and cultural activities. The network of organisations in the music industry has probably aided music exports.

- All these developments are supported by the domestic market. While not all those participating in the municipal music schools become musicians, many people benefit through their life from being able to read notes and generally appreciate music. More than 400,000 Swedes sing in choirs and their music literacy is among the highest in the world. Furthermore, pop music is orientated towards the US and UK and the language is English which most Swedes learn in school. The school education and the international exposure in television and radio contribute to the natural use of English by composers, performers and politicians. The end result is a 'fastidious' domestic market that understands the product and challenges the originators – which is good for the industry and increases its international chances. There is a lot of evidence to suggest that the demands of the domestic market, and its musical tastes, have been beneficial for the development of Swedish music exports.

In conclusion, the four studies discussed in this section serve as a reminder that the music industry, even when concentrating on the mass popular market, can be analysed in different ways. The perspective is vastly different when analysed from the recording industry angle as in the Price Waterhouse or Canadian study (Baxter et al. 1993; Arcand et al. 1995) and from the artists' perspective as in the Irish study (Goodbody 2002). The Swedish investigation (Forss 1999) concentrates on the factors behind the successful export performance, which provides perhaps the most balanced perspective of the three reports. We are not taking sides – all three methodologies have merit, but each requires a different statistical approach.

A number of specific factors with policy implications can be gleaned, especially from the Irish and Swedish studies though the first two points relate to the Australian and Canadian surveys:

- Industry coverage is a large problem which has bugged official statistical collections such as *Business of Music 1995–96*. The Price Waterhouse survey within its limited frame of reference uncovered a much larger industry than the ABS statistics revealed.
- There is a real issue of data quality unless surveys are meticulously designed and tested, as shown by the Canadian record industry study.
- Exports are heavily dependent on a few super-successes as evidenced by the market share of the top 20 in Ireland and ABBA's role as a catalyst for the growth of Swedish exports. There is little doubt the same applies in Australia.
- Live performance provides employment for most musicians (Ireland), but incomes are much lower than for recording artists. Again, this would almost certainly be the case in Australia too.
- The Irish study provides an interesting insight into the artistic life cycle of successful popular musicians, a topic which was mentioned in SWG's brief to consultants..
- Finally, the Irish study provides an insight into the role of traditional (indigenous) music, which judging from its market share has been instrumental in putting Ireland on the map as a successful exporter. Of course, 'indigenous' is mainstream in Ireland but not at this stage in Australia.
- The Swedish study provides yet another example of the changing structure of national music industries, with the simultaneous trend towards concentration in the major recording sector and the development of a value web (to use CIRAC's term in Rogers et al. 2004).
- The importance of building up a 'critical mass' in the industry is another major finding from Sweden, which again is reflected in the Queensland work.
- The Swedish study makes an interesting point about the convergence of different music genres, though it is difficult to see how the distinctiveness of, say, jazz or country music could disappear completely.

3.1.4 The importance of music education

The final lesson from the Swedish study (Forss 1999) is so critical that it needs to be presented under a separate heading. The study highlighted the importance of a thorough and general music education and training from childhood, both for the quality of artistic performance and for general music literacy and critical ability within the population. Indeed, Forss asserted that 'only Denmark and Norway have similar music education but it distinguishes Sweden from all other countries' (p 129).

There are music schools in other European countries. The European Music School Union (EMU) has 22 member countries, and many have extensive and usually well-funded municipal music schools, where children go to learn music after school, according to Schippers (2004)[75]. But Heimonen (2004:26)[76] agrees with other authors that '*Swedish municipal music and arts schools are unique in the world; no similar schools with the same kind of background or aims exist in other countries. The principal aim of the municipal music schools in Sweden has never been to find and select the most talented students or their potential future professionals. On the contrary, a broad range of activities, as well as an attempt to offer music education to as many pupils as possible, has characterised Swedish music schools.*'

Co-author Dick Letts showed almost a decade ago that Australia is way down the list on extra-curricular music schools.[77] He compared the supply in most of the EMU-members with Australia and concluded that '*if Australia were in Europe*' it would have 600 publicly supported music schools rather than the 25 or so it had when he wrote his article. '*While these music schools offer instruction to people who have no professional aspirations, they also serve as preparatory schools for the professionally bound students*', he wrote.

The Swedish study suggests that the policy implications should be seriously considered, in the interest of competitive strength as well as cultural life. Letts (1996) made the critical point that students should pay only part of the cost of instruction with the government making up most of the amount. In Sweden, students pay about 25%. In Australia, however, government subsidies are small and cover mainly administrative costs, leaving the students to pay the market rate charged, say, by private music teachers. Most Australian music schools are in NSW country areas, originally set up under the umbrella of the Sydney Conservatorium with modest funding from the state government. Some centres thrive due to strong local support, as in Orange and Tamworth, each with some 700–800 students.

Because they are obliged to charge market rate, however, the music schools are unlikely to be found in lower income localities such as outer metropolitan suburbs where they could make the greatest difference. Letts (1996) concludes: '*It would be fair to say that excepting in the centres that have a music school, there is not a public expectation that it has an entitlement to such a resource (whereas it would expect the provision of a public library or football field). To establish a new school in Australia therefore is likely to have all the difficulties of a pioneering effort.*'

The whole concept of 'music education for life' raised by the Swedish research deserves to be preserved in an Australian context for reasons economic, social and cultural, and it should be captured in the statistical framework. Dr Sylvan Elhay, Adelaide-based jazz musician and academic, put it as follows in a recent email exchange with co-author Guldberg:

> *How does instrumental teaching at primary and secondary school influence later attitudes towards, and activity in, music. We need to find out why performers, audiences, non-performing participants and enthusiasts are interested in music. They also need to be compared across corresponding categories in the various forms of music.*
>
> *Most importantly: We need to find out what drives non-performing participants and devoted audiences to engage in music activity. Many promoters, entrepreneurs, festival directors, managers, music publishers and others (all non-performing participants in the sector) are failed musicians. They received some instrumental instruction sometime early in their lives and so understand why music is important. This is true of loyal audiences too. I want us to know if this conjecture is sustained by the data. So we need to know if there are any links between these groups and commonalities in their instrumental*

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[75] Huib Schippers (2004), *Proposed MCA Research into Music Education in Communities and the Link to Schools*, MCA Eleventh National Assembly, Melbourne 2004.

[76] Marja Heimonen (2004), 'Music and Arts Schools – Extra-curricular Music Education: A comparative study', *Action, Criticism & Theory for Music Education* Vol 3 No 2, July 2004. (http://www.nyu.edu/education/music/mayday/maydaygroup/index.htm).

[77] Dick Letts (1996), 'Why doesn't your town have its own music school?' *Music Forum* Vol 3, No 1. Sydney.

> *training. What music education have they had and what explains their interest? Having identified the group we want to ask them questions like: What instrumental or vocal training have you had, when, how long ago, who paid for it, why did you stop, do you still own the musical instrument you studied, how many hours per year are you involved in non-performing musical activity, how much is unpaid, how much is paid.*

Music. Play for Life is a campaign to encourage music-making by people of all ages, all musical tastes, in community settings or schools, from the cities or the country, whether for simple recreation or in pursuit of a professional career. It works to support more music in schools and more opportunities for music-making in communities. Organised by the Music Council of Australia with Dick Letts as campaign director, it is a joint initiative of the MCA, the Australian Music Association (AMA) and the Australian Society for Music Education (ASME).[78] The AMA provides basic funding.

The Australia Council reported in 2000 in connection with its commissioned study by Paul Costantoura of Saatchi & Saatchi, *Australians and the Arts*, that a strong relationship existed between the level of involvement people have in the arts when they are growing up and the value they place on the arts later in life. '*The two types of involvement that appear most strongly linked to valuing the arts are encouragement from parents to be involved, and being involved in things outside of school. However, there appears to be a weaker relationship between whether a child enjoys the way the arts are taught at school and their eventual attitudes towards the arts.*'[79]

These findings justify a strong argument for research into provisions and initiatives of music teaching and learning outside formal structures, and their interaction with music in schools (Schippers 2004). The MCA initiated a research project with AMA and ASME as industry partners and led by the Queensland Conservatorium Research Centre. The team applied for an Australian Research Council Linkage Grant; while refused in this round, the project contains some important concepts relevant to our subject matter.

The experience and research of other countries substantiate the concerns of the Australia Council according to Schippers (2004). Additionally, the extensive networks of municipal public music schools in much of mainland Europe have since the 1980s shifted their focus from classical music to jazz, pop, rock and a variety of styles now commonly referred to as world music.

The research project planned to address four major questions in relation to the crucial ages of 4–18 years:

- What is the nature and potential of community music activities in various settings in Australia, including remote rural, Indigenous and culturally diverse environments?
- What range of modes of transmission is utilised in community music activities?
- What target groups are reached and can be reached by community music activities, including those that tend to show poor representation and achievement in formal music education?
- What is the relationship between community music practices and school music, including its potential for mutually beneficial approaches in terms of learning strategies, reaching new target groups, and developing curricula that aim at flexible high-quality outcomes?

[78] http://www.mca.org.au/music.playforlife.htm.

[79] Quoted from Schippers (2004). Huib Schippers is the director of the Queensland Conservatorium Research Centre at Griffith University.

3.1.5 Comprehensive music sector studies

The first study of the Australian music industry was researched almost 20 years ago in 1985–86.[80] While its data and general approach may be seen today as outdated, its orientation needs to be reiterated. Two recent studies from Great Britain also take a comprehensive industry view.

The twin aims of the Australian study were to estimate the economic contribution of the industry, which the study did in terms of 'gross music product' and music industry employment, and to call attention to the role of public funding – a natural requirement since the report was commissioned by the Music Board of the Australia Council. However, the logic followed to arrive at the estimates of economic contribution differed from most of the subsequent studies. Following the introductory sections, several chapters were devoted to an analysis of musicians and other music industry workers, their financial position and what music genres they played (including a separate chapter on what was then termed ethnic musicians). Separate subsequent chapters described the demand and supply of music goods and services, composition and live performance.

The recording industry was only discussed, in 15 pages, a full two-thirds through the 300-page report, as part of a chapter called 'documentation' which also discussed the role of music in film production, the role of music publishers, and research. Subsequent chapters dealt with dissemination (broadcasting and television, publications and libraries), music education and music in the community (with sections on participation in musical activity, Aboriginal music, the role of Arts Councils, music coordination and music therapy).

There was little opportunity for methodological guidance in the mid-eighties. The ink was hardly dry, for instance, on Michael Porter's work on competitive advantage and the value chain, which is nowadays employed to highlight the commercial aspects of the sector. David Throsby was pioneering the general field of cultural economics and had chaired the first individual artist study a few years previously.[81] No one had ever tackled the music industry as a whole. The Australia Council's brief to consultants to conduct the music industry study was itself a pioneering effort.

The brief for the present study reflected the need to highlight the commercial, export and employment-creating sectors of the Australian music industry while conceding a need to include less 'popular' music genres and themes in the statistical framework. It recognised that musical creators and performers must form a focal point in the framework – a notion with which we heartily agree. Indeed, our research has strengthened our belief that it is the most important of the three foci suggested in the brief. Furthermore, a consensus was reached in the SWG subcommittee guiding the study that all music genres should be included, and not just those considered 'popular contemporary' in the sense of the WA Task Force report.

The United Kingdom is noted for collecting music statistics on a regular and often annual basis. A recent report, *Counting the Notes*[82] was structured to reflect the steps by which value is created within the UK music sector and described the music industry in terms of tangible economic value such as employment, turnover and export value. However, it also recognised that there are many other less tangible ways in which music adds value to our everyday lives. These qualities are very much in accordance with the model we developed in Chapter 2. There are of course differences, but these need not deter us from obtaining ideas from these other concept builders.

The structure of *Counting the Notes* is clear from its contents page:

[80] Hoegh-Guldberg (1987).
[81] David Throsby (chair) (1983), *The Artist in Australia Today*, Australia Council.
[82] Robin Osterley, Cliff Dane and Kate Manton (2002), *Counting the Notes: The economic contribution of the UK music industry,* A report by the National Music Council – November 2002. (http://www.musiced.org.uk/features/counting_the_notes.pdf).

- Composition of musical works and music publishing, taking the reader through the various intellectual property rights associated with these activities and how these mechanisms extend overseas
- Musical instrument making and construction
- Live performance – non-classical, including sections on festivals and other major music events (in genres such as rock, dance, world, folk, heavy metal and punk), major live concerts and smaller concerts. It discusses the implications for tourism and identifies four key categories of employees: the musicians themselves; music managers, tour agents and concert promoters; people employed at venues; and those engaged in ancillary activities such as manufacturing and selling artist-based merchandising, and sound and lighting personnel
- Live performance – classical, including orchestras, venues, classically focused festivals, broadcasting and recording, education, brass and military bands, opera and music theatre. The distinction non-classical/classical in two successive chapters (and what is included in each) appears a little dated, but this is the chosen sequence
- The recording industry including studios, production and the end product
- Music retailing and distribution
- Participation and audiences
- Music education and training.

The report concludes with a total value-added estimate based on this definition of the industry (p 63). The estimate was £3,624 million in 2000, equivalent to about $A9 billion in a population almost exactly three times Australia's (58.8 million compared with 19.4 million in 2001). The 'gross music product' for Australia estimated for 1984–85 was $A1.55 billion (Hoegh-Guldberg 1987:7), which looks compatible given the relative size of the countries, the improved estimation base, the 15-year time span, and the British music industry's position as a major exporter.

The second study using a comprehensive music industry base concerned Scotland. It was published within a few months of the UK study.[83] Being interested in this report in methodological aspects rather than the specifically Scottish aspects (such as the relationship of the local music industry to the main UK players), we find that the exposition again is a total industry approach from artists and composers through live music, the recording industry, the media, other creative industries, ancillary services, education and retail. The sequence and apparent perception of what is important may differ, but the overall impression is that the three identified studies adopting a whole-of-industry approach use similar logic structures.

The perspective of the three reports identified in this section helps validate the construction of the recommended statistical framework in Chapter 4, but first we need to check the model developed in Chapter 2 against selected genres. One final preparatory step is to consider the complexity of the music industry in more concrete detail than in Chapter 2. This is the subject of Section 3.2. The check on particular genres and on the genre-straddling Indigenous music sector is then carried out in Section 3.3.

[83] John Williamson, Martin Cloonan and Simon Frith (2003), *Mapping the Music Industry in Scotland: A report*, Scottish Enterprise. (http://www.scottishmusicdirectory.com/).

3.2 Concrete evidence of a complex industry

The source of this evidence is the Internet-based Australasian Music Industry Directory (AMID).[84] It is not complete – in fact quite incomplete beyond the popular music industry with very little on jazz, classical, folk, world and other musical genre organisations, for instance.[85] Even with its focus on the commercial 'industry', AMID conveys a vivid picture of complexity. But while AMID exhibits how the commercial industry centred on popular music regards the music world, the less commercially orientated music world view to some extent presents a reverse image. We have commented throughout this report on the two views, most recently in our review of other studies in Section 3.1.

Apart from lists of musicians and songwriters, composers, lyricists and arrangers, a number of categories relate directly to the development and interests of these artists:

- Educational resources and schools include 17 university or university-based institutions and TAFE colleges and six other accredited training organisations (there are more in reality). At least one of the latter organisations is related to a genre: the Australian College of Country Music in Tamworth. Another educational resource is the Australian Music Examinations Board (AMEB).
- Some professional associations are represented such as the Australian Songwriters Association and genre-based societies such as Folk Alliance Australia[86] (FAA), and trade unions. Other associations have the interests of emerging young musicians as their objective, including the need to provide alcohol, tobacco and drug free environments.
- Almost 150 firms listed in AMID (mostly very small) specialise in artist management. Many deal with only one artist or group, sometimes very well-known like Marcia Hines, Paul Kelly or Yothu Yindi. The largest number of artists anyone managed was twenty, way ahead of any other firm.
- Accountancy and other business management services, and legal advice, become important as an artist or group becomes more successful. A range of consultancy and special services is also available, including professional career advice and guidance on business planning and setup, general business management, grant brokerage and contract negotiation, to quote one firm's list of qualifications.
- Finally, creators and performers are concerned with their intellectual property rights, and therefore with their relationships with music publishers and collection agencies (especially APRA and AMCOS).

These and many other functions are also involved in relation to live performances. Other specialists offering their services include concert promoters (AMID lists 30), ticketing (nine firms listed), event production (four), crewing services (five), staging and crowd-control services (five), production management (one) and venue and personal security including risk management, event staffing, crisis management, touring management and occupational health and safety (five). Many firms are listed under sound and lighting services, though these don't usually specialise in the entertainment industry. Transport and travel services move the stars and the gear (limousines, and tour trucking, tour logistics and international and domestic air freighting, respectively).

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[84] AMID is published by IMMEDIA! (http://www.immedia.com.au/) and we used the July 2004 Internet edition for this section (AMID 2004).

[85] The Music Council of Australia website (www.mca.org.au/directories.htm) provides better coverage of music organisations beyond the popular music area. The various non-profit music support organisations in each state and territory have also developed substantial databases, or are in the process of doing so, as reported in Section 6.2. There is also a range of directories for jazz, folk and other genres. Finally, organisations such as ARIA and AIR have published membership lists, though Mortlock (2004) suggested that AIR's current full and associate membership list of about 350 is only 'scratching the surface'.

[86] Problems of genre definition are discussed in Section 3.4 using folk music as an example.

Another important function at this stage is performed by booking agents, of which AMID lists 77, including the largest of them all, The Harbour Agency. According to its entry in the directory, it provides Australian talent for hotels, clubs, festivals and private and corporate functions. Artists range across the popular music spectrum from '*mainstream to alternative, dance to rock, and folk to heavy metal*'. The company has strong links through its management to major concert promotion and to one of the largest independent record companies. Among the smaller booking agents, some are state-based; others specialise in particular genres such as jazz.

The last and vital condition for the successful conduct of performances is the provision of venues. AMID (2004) lists a large number grouped by states and territories, and classified as major venues versus clubs and pubs in metropolitan and country areas, respectively. The availability of venues is of paramount importance for musicians' opportunities, as became clear when circumstances combined to decrease the number of pubs and clubs offering gig space.

Technology reaches its peak importance at the production stage of music product, whether physical or online. The major and independent recording companies are at the centre of the physical production stage, surrounded by the studio industry (AMID has a long list of recording and rehearsal studios and many independent engineers and producers). The directory lists 47 record, CD, DVD and tape manufacturers, brokers and mastering firms, and 22 distributors of labels who are in most cases members of AIR and/or ARIA. Other businesses getting involved in this stage include designers and printers of CD covers, photographers and others. These professions also have important functions in the subsequent marketing and promotional activities.

The digital revolution has given rise to a large new category, which AMID calls 'music creation and prosumer (professional consumer) recording'. With the explosion of consumer software that gives songwriters and musicians greater control over the creative process, coupled with the newer 'prosumer' or home-recording options available, this has become a fitting classification. While only four firms are listed in the current edition, many more are expected in future editions. We are in the midst of the 'value web' identified by Rogers et al. (2004) in the CIRAC study, and described by Philip Mortlock and others at the September 2004 MCA Assembly in Melbourne.

The process of music licensing is a derivative of the production process. Fifteen firms, from major record companies to some employing one person only, are involved in 'licensing, premiums and special products'. The licensing is for the use of musical material in advertising, film, television series and commercials, corporate videos and multimedia production.

The marketing stage of the value chain has also become increasingly digitalised. Along with the conventional use of print media across the range from daily newspapers to magazines for specific genres or geographical areas or the young, there has been a great wave of online marketing and promotion material. This includes street magazines, though the provision of these free publications continues to be mainly in hard copy. They provide comprehensive gig guides and include *The Drum Media* in Sydney, *Inpress* in Melbourne, *Time Off* and *Rave* in Brisbane and *Rip It Up* and *Onion* in Adelaide (and undoubtedly many more). The list of online magazines in AMID (2004) includes eight that are exclusively online and 12 that appear in both online and print form.

Airplay remains a major means of marketing and promoting music, almost exclusively in the form of records. Table 3.1 shows the wide span of radio broadcasting from ABC's regional services to commercial and community radio. Three national ABC services and SBS Radio are noted below the table. Each of these services has its own function in promoting music, though commercial radio has the main power through its broadcasting of popular music.

Music does not receive a great amount of promotion through network television, the main programs being *Asylum*, which features independent music on community television Channel 31 in Melbourne, the Friday night program *Rage* on the ABC, and *Rove Live* and *Video Hits* on Channel 10. On pay and digital television, three Foxtel/Austar music channels run 24 hours a day seven days a week. They are *Channel (V)*, *Country Music Channel* which plays country music only, and *Max*, which plays 'timeless music'. A fourth vehicle, MTV Networks Australia, is featured on Optus TV and has two continuous music streams 24 hours per day: *MTV* brings music and pop culture to 15–34 year-olds, and *Vh1* targets music and music videos at the 25–44 year group.

The distribution or delivery stage of the music industry value chain is increasingly invaded by the Internet, which produces serious competition for conventional record sales. The website for MP3 recordings (www.MP3.com.au) is said to be Australia's largest independent site. It allows uploading of music from artists for sale or give-away, and allows visitors to the site access to high-quality music downloads, as well as online gig guides, editorial exposure and international distribution. The website www.ninemsn.com/music has 200,000 titles available for online sale. AMID (2004) lists a total of 17 digital download retailers, of whom seven offer online recordings exclusively while the other ten combine their operations with 'brick-and-mortar' facilities.

The online market is able to function so well because of the availability of effective digital music players, including Apple's *iPod* as well as offerings from Panasonic, Philips, Samsung, Sony and other major manufacturers. The technology is strikingly described in connection with the *iPod* player, which is 'lighter than two CDs and capable of holding up to 10,000 songs, thousands of digital photos and works as a personal voice recorder', according to Apple's description in the AMID directory.

The retail sales sector listed in the directory consists of four chain stores, a large number of conventional music stores and 20 online stores.

The above description based on AMID (2004) largely accords with the model presented in Chapter 2. The picture remains one of a rapidly changing and complex industry centred on creators, performers and live performances, the recording industry, broadcasting and other outlets (to be tackled separately in the statistical framework). The change is primarily associated with the proliferation of new ways of producing and distributing musical recordings and listening to them.

These complexities must be taken into account when devising the statistical framework for the music industry. They are by no means the only complexities. It was abundantly clear from several of our contacts in the industry that being a musician means being involved in a wide range of activities – the eclectic nature of the musician's work must also be captured by the statistics.

3.3 Checking that the model fits particular genres

Table 3.2 captures most of the elements from Charts 2.7 to 2.10, expressing them as income and expenditure flows. The colour coding of these flows corresponds to the colours shown on the charts. The test is whether there are any genres that cannot be analysed in terms of these flows. The conclusion is that they all fit the model, though of course some factors are more important than others in particular genres. This also applies to the socio-cultural value chain shown in Chart 2.12. For the purpose of this scoping study, the brief sketches in the following three sections will suffice to demonstrate these points. The final section could be regarded as an 'acid test', dealing with Indigenous music, which straddles many genres.

The question remains whether genres necessarily fit the model – that is, whether they can be sufficiently separated from other genres to appear unequivocal and independent. Folk music has been chosen as an example of a genre that shares many characteristics with world music in particular (Section 3.4). We conclude that these definitional problems will need careful consideration during the preparation of the statistical framework to decide the number of main genres that can be practically specified for the responding performers and groups to choose from.

Before proceeding to specific genres, we note that for reasons of presentational simplicity the income and expenditure flows in Table 3.2 refer to three categories: individuals and groups (creators, performers, bands, soloists, ensembles and orchestras), live music performances, and the conventionally defined record industry – that is, we have not incorporated the full model shown in

Table 3.2: Checking elements of model against genres

Element (refer Charts 2.7-2.10)	Individual genres
Creators, performers and groups	
Public funding	
Private sponsors	
Income from live performance	
Income from recording	
Merchandising revenue	
Additional composer income	
Education & training	
Instruments & repair	
Equipment incl online	
Legal & contract advice	
Accountancy	
Artist management	
Booking agent	
Ancillary personnel	
Live performances	
Public funding	
Private sponsors	
Income from bookings/indirect takings	
Merchandising revenue	
Advertising revenue	
Other earned income	
Copyright and royalty income	
Marketing & promotion	
Tours & festivals	
Merchandising costs	
Promoters, entrepreneurs	
Ancillary staff, road managers	
Venue costs	
Rehearsal studios	
Recording industry and beyond	
Income from recorded music product	
Income from music videos	
Income from other products	
Income from manufacturing	
Publishing & sound recording royalties'	
Other services income	
Other manufacturing costs	
Legal & contract advice	
Recording studios	
Graphic designers	
Marketing & promotion costs	
Royalties to creators	
Advances and royalties to artists	
Warehousing costs	
Advertising agencies, mass media	
Wholesale and retail channels	

Complexities due to internal supply value chains:
....record companies input from recording studios, recording equipment manufacturers
....relationships between major and independent record companies
....further relationships within 'value web'
Further comment: This table does not specifically include other value-adding industries such as broadcasting, film, advertising, and education.

Chart 2.11. This should not make any significant difference to the genre descriptions that follow – the extended model would still apply. Some aspects such as education are caught because the genre descriptions have a special section relating to the socio-cultural value chain.

We also note that the physical output of the recording industry is usually defined as coming from record companies, recording studies and manufacturers of recorded product. The note along this section of the framework points to several complexities, due to the value chains linking the three elements mentioned above, further complicated by the relationships between major and independent record companies, and undoubtedly also by other elements of the 'value web' around these industries described by CIRAC (Rogers et al. 2004).

The genres we have chosen as representative are country, contemporary classical and world music (Sections 3.3.1 to 3.3.3). Genres such as jazz and folk music (ignoring for the time being the complexities described in Section 3.4) would show much the same results, though of course their backgrounds and traditions are different. The main commercial music genre has not been specifically tested here as the entire model was largely built up referring to popular music. The test in this section is whether the model can cope with the wider array of genres.

The sketches in the following sections show that the music sector in the wider sense of the term is consistent across genres, beyond the production-orientated 'music industry' that is often misinterpreted as being the entire sector. This point is further brought home in Section 3.3.4, which discusses Indigenous music.

3.3.1 Country music

General: Country music is not different in kind from other genres, notably the mainstream commercial music. There are related issues of education and training, the expenditure pattern would comprise similar items, and groups would be formed through the meeting of like minds though there is a greater tendency to perform solo. The formula for success is similar: the chance to record, live performance including touring, and the opportunity to boost success through airplay (while there is a general lack of commitment by mainstream commercial radio, regional Australia does have greater access to country music). The genre may have its greatest strength through a loyal, demographically broad-based fan base, which is particularly close in the country setting of the performances.

The model developed in Chapter 2 fits the country music genre, and its characteristics are sufficiently distinct for it to be recognised as a separate category in the statistical framework. The following description sets out some of its distinctive traits.

Performers, creators and groups:[87] Country music is similar to contemporary pop music in the sense that groups 'evolve' out of like-minded musicians. However, the costs of running a group or band on the road are generally prohibitive and most country artists perform solo, or with one backup musician. There are few country 'groups'. Furthermore, country music is very much a singer-songwriter genre and tends to generate many more solo artists.

There is no formal education of artists (who basically learn on the job), with two exceptions:

- The Country Music Association of Australia started a TAFE-accredited College of Country Music some years ago in Tamworth. During the two-week residential course artists are taught performance skills, vocal coaching, songwriting, recording and music business skills by music industry professionals. The course is restricted to 21 students over the age of 18 annually.

- A course for younger emerging artists under 18, 'The Camerata', is held in Tamworth mid-year and is run along similar lines to the College, but it also provides information for parents. The course is privately organised and is not under the auspices of any industry body or association.

The major sources of income for country music artists are live performances, selling CDs and merchandise at live shows, songwriting royalties and limited sponsorship opportunities. For all but the top few country music performers there is a need to supplement income with other part-time work. It is believed, however, that relatively more musicians make their living out of country music than out of pop or rock.

Given the broad demographic scope of the country music audience, and the relatively stable stylistic characteristics of the genre, established country music artists can maintain much longer careers than their pop and rock counterparts. This also enables managers and agents to have longer career paths in this genre of music. However, many – including musicians – don't have the skills or talent to make a viable career. As in other genres there are no required standards of entry and many people who try don't succeed.

[87] This section is based on a note written for the study by Jim White in July 2004. He is President of the Contemporary Country Music Coalition (CCMC), one of two peak bodies (the other is the Tamworth-based Country Music Association of Australia (CMAA), which stages the annual Golden Guitar Awards in Tamworth). Jim White is a former Managing Director of Festival Records, former General Manager of ARIA and PPCA, and a founding member of Support Act Ltd (NSW), which was set up to provide relief and assistance to needy members of the Australian music industry.

Live performances and venues: Basically there are no country music venues. There are few regular bars and venues, the traditional breaking ground of bands. Artists write and record on their own or co-write and then hire players to perform their recorded material. Artists are booked into free lounge bars at clubs and hotels or for those capable of selling tickets into auditoriums, clubs and theatres around the country. The other major source of performance opportunity for country music is at festivals and outdoor concerts specific to the genre.

Slim Dusty was the face of Australian country music for five decades. Whilst he was the greatest Australian country music artist in history, a wave of new artists over the last 15 years has spawned a new generation of Australian country music fans which has helped shift the average age of the audience from 50 or more down to 40 or even less.

The main fans attend the major country music festivals throughout Australia with the main focus on the Tamworth Country Music Festival and the Gympie Muster. Tamworth City Council claims that the Tamworth festival attracts around 50,000 visitors, while the one-week Gympie Muster attracts approximately 70,000–80,000 people annually. Both figures exceed the local populations.

Artists also tour regional areas where airplay has created an awareness and subsequent demand.

Country music in Australia is essentially entrepreneur-driven. Given the initial investments from record companies and/or music publishers, the incentive is to get on the road to play live concerts, selling concert tickets, CDs and other merchandise (tour merchandise is usually funded and sold by the artists themselves). To make this happen, artists often have to become their own promoter or find promoters to invest in their tours. Promoters are behind most of the large music festivals and concerts. International tours are the sole domain of promoters.

Record industry: Country music accounts for a maximum of 7% of the overall Australian music market and therefore is not highly important to the major record companies. The main companies supporting country music are the ABC and Sony/BMG.

There are three levels of country music status: professional, semi-professional and amateur (this would also apply to other genres). At the professional level the industry has record labels, artist managers, booking agents, promoters, publishers, publicists and many gold, platinum and multi-platinum artists, industry bodies, award shows, major festivals and outdoor concerts, domestic and international touring and numerous talent development opportunities.

On odd occasions an Australian country artist will be signed to a major label in America's country music capital of Nashville, Tennessee, generating significant opportunity to work in both the USA and Australia. This seems to happen every couple of years. International opportunities are largely limited to North America. To gain access to these revenue streams an artist needs to secure a recording deal there or to establish co-writing opportunities and secure 'cuts' on North American releases. The country music industry feels that one of the biggest problems facing the genre in its attempt to secure international markets is lack of export development funding for artists or representative industry bodies.

Country music artists see the opportunity to record a CD as the major step in their careers. The opportunity to record an album will then lead to opportunities for airplay on radio and television. These opportunities vary in degree. A self-funded independent artist will receive less airplay than a commercial label due mainly to the lack of additional marketing and promotion support available to them. This tends to extend across the whole recording project and will deliver far less opportunity than a major release.

As there is limited interest from the major record companies in country music, most CD releases are self-funded by the artist and distributed by alternative distribution outlets; there are only very limited major label signings. Independent recordings are funded either by the artists or by very small labels.

Most touring acts generate demand by releasing CDs either with major or independent labels, and then work their recordings for the next 12 to 18 months through a network of regional and community radio, dedicated magazines and local newspapers and the Country Music Channel.[88] Touring generates most of the sales through personal contact with fans at the end of their shows when artists sign CDs. There is a close personal connection between artists and fans.

Country music is not particularly technology-driven. There is the usual problem with stolen downloads which reduce royalty payments to artists.

Socio-cultural chain: Looking at country music in its cultural and social setting (refer Chart 2.11), we have just noted that one of the two driving forces, technology, is not as important as it may be for some other genres, notably the main category of commercial popular music. Nevertheless it benefits from the increasingly accessible studio technology and regards stolen downloads as a problem. It is the second driving force, the socio-cultural environment, that is the more prominent, and which has encouraged the development of the appropriate cultural ambience in centres such as Tamworth and Gympie. The emergence of a new generation of young country music stars to inherit Slim Dusty's role is also a remarkable phenomenon which has attracted a new generation to join the more mature traditional audience favouring the genre.

Country music has its own favourite media in support, as related above. We have already noted a change in consumer behaviour in response to the emergence of young artists. The music industry in the narrow sense (record companies and associated businesses) has not particularly favoured country music, and venues are scarce except during festival time. Overseas influences such as Nashville are probably a steady rather than dynamic factor, though this could change.[89]

All this feeds into the policy-making framework at the bottom of Chart 2.12. Both business and musical skills seem to be somewhat wanting, as do export development funding policies. Potentially, these policy variables can be brought to bear on the primary factors, notably the encouragement and support that can be given to new performers and creators. There are constraints on this, however, from the relative scarcity of venues, broadcasting opportunities and export markets.

3.3.2 Contemporary classical music

General: The genre is difficult to separate from traditional classical music because repertoires tend to combine both even in a single performance. It was therefore agreed in a meeting with the SWG steering committee in July 2004 that the scoping study should include all music, regardless of its age. It makes little or no difference to the cost of collecting and analysing the data and the relative importance of the two sides of classical music can be determined, if required, from the statistical collection. We note that similar distinctions between contemporary and traditional styles apply to opera, music theatre and ballet music, which may be seen as classical subgenres for the purpose of the statistical framework.

The contemporary classical music territory is divided between specialist performers and generalists. The specialists are all small ensembles, almost all without any continuing management or support staff, some with subsidy, some without, probably though not always self-presenting. They are probably the most significant in keeping the genre alive, maintaining a cutting edge. At the other end are the orchestras or an ensemble like *The Song Company*, relatively well subsidised, with continuing management and artists on salary. For the orchestras, the economic need for large audiences means

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[88] Billed as Australia's only country music channel, the Foxtel/Austar pay-TV channel broadcasts country music 24 hours a day seven days a week (http://www.countrymusicchannel.com.au/home.asp). As shown in Section 3.2, it is one of a handful of Australian pay-TV channels devoted to music (refer AMID 2004).

[89] Country music is certainly a big and thriving genre in the USA, which is evident from sites such as http://www.givemenashville.com/Nashville_Music_Page.htm. The new Country Music Hall of Fame in Nashville is an ultra-modern US $37 million structure.

limited commitment to music that attracts only small audiences – although generally much larger than those that will attend the small ensembles.

There could hardly be a greater contrast than between the circumstances of the large and small ends of this genre. The large end has artists on salary, the largest scale music presenting organisations with up to 30 or 40 people in the administration, year-round operations, performances in the most prestigious government built and subsidised venues. At the bottom end everything is *ad hoc,* a mixture of relatively well subsidised performances and unsubsidised unpaid artist initiatives.

Creators, performers, soloists, ensembles and orchestras: Both individual artists and groups receive public funding, and private sponsorship is also important. Classical music training is likely to proceed through tertiary level, as distinct from most other genres. Other than pianists and a few others, most classical musicians own the instrument used at performances, and maintain it. As individuals, they may also have legal and contract advice, an accountant or business manager and an artistic manager. Ensembles and orchestras certainly employ such personnel as well as relying on booking agents and ancillary personnel to prepare for and assist during performances.

In contrast to other genres, the composer is likely to be isolated from the activities of performers. His or her income flows derive from the use of their compositions in live and mediated performances, the latter including film, television, music videos, advertising, background music, online exposure and new uses associated with new technology such as games and telephone ring tones. Composers and performers often have a dual role as teachers at conservatories and other tertiary institutions.

Live music performances: Like other groups but naturally more affordable among orchestras than specialist ensembles, ensembles and orchestras incur costs of marketing and promotion, tour and festival costs including the cost of specialist promoters and entrepreneurs, venue and rehearsal costs, all items identified as cost items in Chart 2.8. As well, they pay artists' fees. Earned income comes from similar sources as for other music genres: bookings supplemented by merchandising, advertising, CDs and other sources. This applies whether the venue is the usual concert hall, a domestic or overseas tour, or a festival.

The record industry: Though contemporary (and traditional) classical music is considerably less in demand than commercial mainstream popular music, there is still a significant market for recordings of this music. However, few recordings are made by the major companies in Australia – ABC Classics is the largest local producer followed by a small number of independent labels. Supporting airplay in Australia is mainly provided by the ABC, including ABC Classic FM, and the community Music Broadcasting Society stations. The music is distributed both along conventional channels and through online distributors.

Socio-cultural value chain: Of the two primary links in the value chain, the socio-cultural environment is more important to the classical genres than technology, though obviously online developments and the general trend towards acoustic excellence are important to the discerning consumer. Technology is also important to experimental composers who write music using computers, or acoustic/computer mixes. Online global marketing to the 'ultimate niche audience' enjoying these compositions is also surely taking place.

However, factors such as cultural ambience and socio-economic patterns are more immediately relevant. Media cultures are influenced by these primary factors, with ABC Radio and magazines like *Limelight* the main means of support. The changing tastes of consumers are factors to take into account, together with matters such as the availability of suitable venues for these performances (including festivals).

There is also some educational focus on Australian contemporary classical music, especially in the NSW secondary curriculum and through the efforts of the Australian Music Centre. In the longer term, it would be interesting to assess how classical music would fare relative to other music genres as community-based music education is expanded but with a growing emphasis on other genres. A problem may already exist in the school systems which appear to cater to the existing musical backgrounds of students. As a result you might get classical music in school if you come from the middle class but not if you come from lower socio-economic strata.

Funding culture and policies and education systems and policies are prime instruments that can be used to influence the socio-cultural environment in particular. Again, the apparent current trend towards public funding support of popular music with export potential would be worth watching.

3.3.3 World music

General: World music may be defined as traditional music of other cultures, plus various forms of fusion music where traditional music is part of the fusion. Some Indigenous music participates at the World Music Fair (WOMEX); in fact the Australasian section of the fair is currently dominated by Aboriginal and Maori groups.[90] Some groups seem to be more 'mainstream popular' than 'world', indicating the continuing development and merging of genres. World music may be at the forefront of the trend towards fusion and convergence, as well as acting as a vehicle for promotion of Australian Indigenous music.

For the exposition here, we exclude Aboriginal music despite its success at WOMEX, because it is subject to special treatment in the next section, and needs to be specifically fitted to the statistical framework. In its general sense, world music has moved towards a mainstream position in Australia over the past twenty years (back in the 1980s music with similar characteristics was usually called 'ethnic' music and was a very small part of the Australian music industry).[91] Today it is enjoying strongly increasing popularity, especially in Europe.

There are also overlaps with 'heritage music'. James Nightingale of the New Music Network asked us when the original brief to concentrate on 'contemporary music' was still current (personal communication, June 2004): '*And what would be the status of Indian classical music? Would this be improvised contemporary music or 'heritage' music? If 'heritage' then it must be excluded, yet this will raise a precedent for other ethnic styles.*'[92]

Creators, performers and groups: It is not well-established how widespread Australian-generated world music really is in Australia. In multicultural Australia it is not always very visible to the population at large though lists on websites of state multicultural commissions capture many. It is there, however. '*There is a strong and vibrant world music scene that reflects the fact that 30% of Western Australians were born overseas*', reads a statement in the Western Australian Task Force report discussed in Section 3.1.2 (Gordon et al. 2002:65).[93] To the extent that it is there, it is *probably* subject to similar cost structures as other music genres, and groups *probably* get formed through similar mechanisms as in the popular music, country music and other genres. Whatever formal musical training the

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[90] See http://www.womex.com/virtualwomex/sites/expohalls/oc/index.htm referring to the October 2004 WOMEX trade fair and exhibition in Essen, Germany.

[91] Hoegh-Guldberg (1987) devoted a chapter to what was then known as ethnic music (pp 99-109).

[92] Nightingale made the general point that the exclusion of 'heritage music' would raise data collection problems. '*Furthermore, early music performance on replica instruments by musicians who have researched and specialized on this repertoire is a distinctly contemporary mode of musical presentation. … Therefore, purity of data on such terms will be difficult, unless the report becomes much more compartmentalised, giving snapshots of activity and suggestions on how to improve such activity.*' We have always fully shared these sentiments and were relieved when the SWG subcommittee agreed to incorporate all music at the July 2004 meeting.

[93] It is difficult to verify whether such statements are entirely realistic. Many activities take place in the ethnic communities, though there are some attempts to fund venues and organizations to bring together ethnic and mainstream audiences, such as *Kulcha* (Fremantle), *Nexus* (Adelaide), *La Boite* (Melbourne), *Café Carnivale* in Sydney which is now a Musica Viva enterprise, and the Brisbane *Ethnic Music and Arts Centre*. The lack of knowledge about the genre, combined with its apparent growth in popularity overseas, is of course yet another argument in favour of creating a statistical framework for the music sector.

performers have received is at this stage largely unknown; presumably it depends to a large extent on the origin and traditions of particular artists.

Live performances: Western Australia again, with the highest proportion of overseas-born people in the nation, appears at or near the top. The WA Office of Multicultural Interests, Arts WA, the Australia Council, the WA Health Commission and the WA Music Industry Association (WAM) are among the sponsors of a multicultural arts organisation called *Kulcha*, which was established in North Perth in 1983 as the Ethnic Music Centre and remains the state's peak presenter of multicultural arts and Australia's leading world music venue. It was relocated in 1997 to purpose-built premises in central Fremantle and presents a weekly music program enabling professional artists to perform for payment to audiences of up to 200 in stylish licensed premises (www.kulcha.com.au). It is allegedly the most constantly used world music venue in Australia.

World music is also part of the scene in the *Fairbridge Festival* held in a small bushland setting each year in April near Pinjarra, WA (south of Perth near Mandurah and Rockingham). Last year's festival attracted over 7,000 people to this 'annual family-friendly celebration of folk, roots, blues, acoustic, celtic, a cappella and world music' (http://www.fairbridgefestival.com/welcome.htm).

The *Fly by Night Musicians Club* in Fremantle was established in 1986, and has continued to be a truly community-oriented venue. 'All musical genres have been represented over the years including jazz, rock, choral, orchestral, funk, blues, country and western, folk, pop, ska, gospel, reggae and world music' (http://www.flybynight.org/about.php).

Victoria staged the *Echoes of Freedom World Music Festival* in November to December 2004 to celebrate the 150th anniversary of the Eureka Stockade (www.eureka150.vic.gov.au/). The *Bellingen Global Carnival* (NSW) is featured as a world music, dance, theatre, electronics and arts festival (http://www.globalcarnival.com/).

Major metropolitan festivals are devoted to multicultural arts. *WOMADdelaide* is the largest, taking place next time over a three-day period in March 2005 in Adelaide's Botanic Park. Canberra offers an annual *National Multicultural Festival* in February, Brisbane a festival in October, and other capital cities around the year. Finally, as stated there are numerous festivals and events through the year featuring the music and other arts of specific countries, some of which are listed by various multicultural commissions around Australia while many others undoubtedly are not.

Record industry: World music is sufficiently prominent, at least globally, to get some airplay on shows like Paul Petran's *Music Deli*, Lucky Oceans' *Daily Planet* and Andrew Ford's *Music Show* on ABC Radio. We have an impression, however, that the exposure on these programs is declining, and the daytime *Daily Planet* was recently axed. Any recording in Australia would be through the independents rather than the major record companies, but very little recording appears to be done in this country. Generally, while the circumstances of this music genre are fairly unknown, they are potentially measurable within the same structure as other genres (though overlaps with some like folk are almost inevitable as discussed in Section 3.4). Identification of individual groups and performers for the sampling base may, however, prove relatively difficult.

Socio-cultural value chain: Again, technology is less important as a primary influence than the socio-cultural environment. What generates the cultural ambience that creates a particular strain of world music in a community? Is there a need for a critical mass of overseas-related people in a community (like the Vietnamese in Cabramatta or groups of people of Latin American, Assyrian or Arabic descent in other parts of southwest Sydney and elsewhere)?

Once the music is established, local media cultures are available to support it, consumer satisfaction emerges in the particular multicultural community, and there may be support from the relevant overseas music industry, though we don't know. Once these influences work through this version of the socio-cultural value chain, policies can be applied for further support of this particular strain of world music, and to encourage interest in the general genre so that individual strains can support and perhaps eventually fuse into one another.

There appears to be considerable movement in western school music education circles to give emphasis to multicultural music curricula. We have not been able to establish the extent to which this has happened in Australia (where it would vary between school systems anyway). There are some providers of live multicultural music performances in schools, using Australian artists.

3.3.4 Indigenous music

General: Indigenous music spans a number of mainstream genres and therefore needs special identification in the statistical framework. It may provide more of a challenge to the framework than most other music, because of its remote locations. Whether particular performances represent Indigenous music may be a little difficult to determine as Indigenous artists play a wide range of music from what is heavily influenced by tradition across country and 'world' music to reggae, grunge ballad and hard rock. The realistic way to identify Indigenous music is to leave it to the individual person and bandleader to determine whether he or she identifies themselves and their musical activities as Indigenous. This is similar to the approach to identifying Indigenous persons in the Population Census.

The span of the music is encapsulated by independent Darwin-based recording company Skinnyfish Music, which specialises in recording, promoting and distributing contemporary and traditional Indigenous music and uses this classification of its own catalogue:

- 'Traditional music' includes titles such as *Songs from the Northern Territory* (described as 'Aboriginal music from Western Arnhem Land – corroboree songs with didjeridu; some speech'), *Songs from the Kimberleys* and *Torres Strait Songs*.
- 'Indigenous roots' includes groups and artists such as Yothu Yindi, Nabarlek, and Warumpi Band including singer George Rrurrandu, who has embarked on performances that are more about cultural knowledge and practical reconciliation than rock and roll.[94] The 'Indigenous roots' description would also fit Torres Strait artist Seaman Dan, whose style Skinnyfish describes as 'a mixture of blues, hula, jazz and pearling songs, reflecting the many musics and cultures found in the Torres Strait.'[95]
- 'Contemporary' includes artists such as Archie Roach, Torres Strait Islander Christine Anu, Jimmy Little (who made his first recordings as long ago as the late 1950s) and many more.

A new treatise on Aboriginal music which is destined to be a standard reference on the subject argues that the distinction between traditional and contemporary Indigenous music is futile, blurred and possibly damaging: '… *in the music of some Aboriginal rock groups, references to earlier forms of music make a historical thread explicit as a factor of their work. Despite choices of musical style and technological mediation, which for some listeners might constitute criteria for differentiating between 'traditional' and 'contemporary' music, there are consistencies in the themes and aesthetic stances of Aboriginal music across this binary. Throughout this book we demonstrate how stylistic and technological innovations are inherent in the dynamic nature of this music.*'[96] We can readily accept the spirit of this definition, though practical considerations lead us to suggest that in a statistical survey only the individual artist or band itself can determine whether they are Indigenous and where they fit into the musical spectrum.

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[94] Department of Foreign Affairs and Trade (DFAT 2000), *Listen Up – Music of Black Australia: A compilation of music by Aboriginal and Torres Strait Islander people*, (http://www.dfat.gov.au/indigenous/mba/). The compilation was made by Skinnyfish Music.

[95] http://www.skinnyfishmusic.com.au/bands/seaman.html

[96] Peter Dunbar-Hall and Chris Gibson (2004), *Deadly Sounds, Deadly Places: Contemporary Aboriginal Music in Australia*, UNSW Press, pp 16-17. 'Deadly' is Aboriginal English for 'terrific', 'great' or similar.

Leading dance company Bangarra Dance Theatre wants to break down the barrier between 'traditional' and 'contemporary'. Bangarra itself falls within the 'Indigenous roots' spectrum in Skinnyfish's classification, which is only offered here by way of describing the range of this music. Incidentally, the combination of western and Indigenous idiom is instrumental in giving Aboriginal music its world music character, which Dunbar-Hall and Gibson (2004:147-149) note has been discussed since the early 1990s. They suggest that the world music tag has problems because it denotes musical practices as if they were unified and global rather than being rooted in specific social practices and cultural meanings. There is a conflict here between the cultural connotation of the term and its legitimate commercial application in settings such as the WOMEX fair mentioned in the beginning of Section 3.3.3.

The Central Australian Aboriginal Media Association (CAAMA) was formed in Alice Springs in 1980 and today comprises CAAMA Shops, CAAMA Radio (whose radio network 8 KIN FM broadcasts to most of the Northern Territory and parts of remote South Australia and NSW), and a television and video production company, CAAMA Productions. CAAMA is also the major shareholder in commercial television channel Imparja Television.[97] Last but not least CAAMA Music manages a record label and a well-equipped recording studio with digital, analogue and mobile recording facilities, and produces 99% Aboriginal material of which 80% is in the singers' and songwriters' own language.[98] Both CAAMA and Skinnyfish are full members of the Association of Independent Record Labels (AIR).

The 108 CDs offered by the CAAMA Music studio and record label reveals the wide range of Indigenous music. Country music not unexpectedly features strongly. So does rock: the top selling album according to the CAAMA website is the Lajamanu Teenage Band's *Dreamtime Hero*, which features five musicians (vocals, rhythm guitar, bass, drums and lead guitar). Despite the conventional instruments, the theme and sound is Aboriginal. Other recordings feature 'songmen' rather than 'vocals', and instruments such as clapsticks, didjeridus and even boomerangs.

In many cases the CAAMA CDs mix styles: 'reggae, rock, country and traditional sounds', 'blending rock, reggae, dance and country', 'reggae mixed with traditional songs and sounds' and so on – all combinations that fit the conventional definition of world music as traditional music of other cultures (which in the world context include Australian Indigenous) or fusion of such music with other styles. Aboriginal languages such as Warlpiri and Gurindji feature alongside English or on their own. One CD features gospel music in the Pitjantjatjara language, gospel music being one style which was absorbed a century ago or more into the traditional Indigenous music. The offerings also include traditional and contemporary music from the Torres Strait Islands.

Artists from the Northern Territory may be among those most likely to acknowledge their Aboriginal heritage, because they live close to other Aboriginal people. However, artists from elsewhere do so too. One example of an artist who got involved in a particular mainstream genre but identifies himself as an Aboriginal musician is Grafton-born Troy Cassar-Daley, who became infatuated with country music during a visit to Tamworth as a young boy but whose country music albums reflect his Aboriginal heritage. While he is an established country music star with several *Golden Guitar* awards to his credit, he made it very clear that he considered himself an Aboriginal artist in an hour-long

[97] http://www.caama.com.au/

[98] Gillian Harrison (2004), *From Outstation to Out There: Nabarlek – a music industry case study*. Available from CHARTTES, Darwin. Gillian Harrison is CAAMA's music manager. Her report was also summarised in *Music Forum* Vol 11 No 1, November 2004.

interview on ABC's Indigenous program *Awaye!* [99] Many other artists of Indigenous descent take the same view.[100]

Creators, performers and groups: The general notes above highlight the wide range of Indigenous music locations and styles in Australia. Referring to Table 3.2, there is no reason to expect that either individual musicians and songwriters, or the bands and groups, would have radically different cost structures from mainstream artists in the various genres played by Indigenous people. They may be harder to find but the basic structure is similar.

Geographically, Aboriginal performers and groups are concentrated in continental Northern Australia. However, many other areas produce Indigenous music, including the Torres Strait Islands as already established, and the broad sweep of country and metropolitan Australia. Nodes may be identified around tertiary education centres that as well as providing research facilities have trained some Indigenous musicians, such as the Centre for Aboriginal Studies in Music (CASM) at the University of Adelaide, the Aboriginal Centre for the Performing Arts in Brisbane, Eora TAFE College in Sydney and the Western Australian Academy for the Performing Arts (WAAPA) at Edith Cowan University, Perth (Dunbar-Hall and Gibson 2004:57).

Pointers to the geographical distribution of Aboriginal music can also be established through the location of festivals. Some are almost exclusively Aboriginal such as the *Barunga Festival* in the Northern Territory, *Barambah Beltout* (Queensland), *Stompen Ground* (WA) and *Survival Day* at La Perouse, Sydney. Other festivals provide strong support for Indigenous music: *Port Fairy Folk Festival* in Victoria, the *Tamworth Country Music Festival*, *WOMADelaide* (the World of Music Festival in Adelaide) and the *Woodford Festival* in Queensland (Dunbar-Hall and Gibson 2004:58).

Dunbar-Hall and Gibson (2004) devote chapters to a number of geographical Aboriginal music centres which transmit political messages on Indigenous rights. One is in Central Australia, strongly promoted by CAAMA in Alice Springs. It originated around 1987 in Papunya, otherwise famous for its visual art, with the *Warumpi* Band, whose lead singer George Rrurrambo actually came from offshore Elcho Island (p 136) but proceeded to learn the Warlpiri language to participate. Other centres are found around Katherine Gorge (*Nitmiluk*), the Top End including Arnhem Land, the Kimberleys, and Djabugai country north of Cairns. But to concentrate entirely on these traditional Aboriginal areas would mean overlooking the burgeoning Indigenous music activity centred around communities in NSW from Wilcannia and Walgett in the west to Lismore, Grafton and Kempsey on the coast, and Western Australia and other parts of the continent.

Contemporary Aboriginal music is political in that the sense of place – land and land rights – is never far from the surface, and songs often address social issues such as cultural maintenance, alcohol abuse and the proper care of children. Other influences have been imported, mainly from the United States including rap and hip-hop, which represents the angriest manifestation of Indigenous music in Australia. It unites the underprivileged young – not just Indigenous Australians but other black people, Asians and young white people from metropolitan suburbs who feel disadvantaged by their background, lack of employment opportunities and social status. '*Every teenager has to be a rebel. It doesn't matter whether you are white, black, Asian or what. That's your thing. … Hip-hop becomes your voice, and it's a very potent voice.*' (Dunbar-Hall and Gibson 2004:124 quoting Aboriginal hip-hop artist Morgan Lewis, *aka* Morganics).[101]

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[99] Rhoda Roberts (2004), *In Conversation with Troy Cassar-Daley*, ABC National's *Awaye!* program, 23.7.04.

[100] A 1994 survey of commercial recordings by contemporary Aboriginal music performers revealed that out of 913 songs, 310 (34%) were country songs, showed country music influence, or contained sections of country music (Dunbar-Hall and Gibson 2004:99).

[101] Morganics was interviewed by Tony Mitchell in *Music Forum* Vol 10 No 5 August 2004 ('Morganics: Australian Hip Hop, Theatre and Pedagogy').

In short, Indigenous music is often strongly politically motivated and originates not only from traditional areas but from a wide variety of locations around Australia. To identify these may pose a challenge to the methodology used to identify the universe of artists and groups to be identified within the statistical framework.

As we have already stated, the cost structures, if not the detailed composition of costs, would be similar to those of other artists and groups. The educational circumstances are another matter of concern. While it has already been noted that a minority of Indigenous artists have benefited from attending tertiary learning centres, the usual lack of opportunities applies to most people. However, some significant initiatives have been taken in the Northern Territory.[102] Graham Chadwick of the Northern Territory Music School, assisted by people like the renowned artist George Rrurrambu, mentioned several times above, has initiated a Northern Territory Remote Community Music Program. '*We started by asking the music tutors and the teachers to work within the language cultures of these schools, and to identify the language base of the communities. This required the development of packages relevant to each community. It has been quite successful*.' (p 160)

In fact, is has been so successful that truancy rates in the schools included in the program have fallen dramatically (Chadwick, personal communication with Richard Letts). He notes in his paper that the success rate has been particularly high in recruiting females – the bands resulting from the program had no female participants before but a significant number today. The program now needs to be greatly expanded within a five-year planning horizon.

George Rrurrambu, in his section of the paper, pointed to the contrast between his own lack of formal music education but respect for tradition, and the need for a new generation to learn: '[Clapsticks and didjeridus] *were my first instruments before those things [the Western instruments] came to me. So, that's how I learned. And before learning comes respect, and the Yolngu culture* [is] *very strong in the Top End area and Central Australia, very strong*.' … '*Music training courses are now taught through Northern Territory University, Northern Territory Open Education Centre, Vocational Education and Training, and DEET. … The university goes to places in remote areas. Some university people go, because I tell them, 'There are bored boys over there in the community, bored, and the ladies, bored, they're not doing any work, they're getting into grog, they're getting into drugs, they're getting into marijuana. Stop them before they get worse*.' (p 163)

Though some have been mentioned above, there are very few specific and suitable tertiary education courses in Indigenous music. Carroll Karpany[103] praised the influence of the main learning institution in Australia, the Centre for Aboriginal Studies in Music (CASM) at the University of Adelaide, but lamented the fact that there were so few other tertiary institutions specifically directed at Indigenous people.

The Australian Music Centre has conducted a survey showing that only 12% of all institutions surveyed and 21% of universities offered some kind of Indigenous program, but there is no indication whether these courses are Indigenous programs offered to all students (such as ethnomusicology or Australian studies generally) or whether they are specifically designed with the needs of Indigenous students in mind.[104]

Karpany, for one, has no doubt that the lack of tertiary music education for Indigenous people is not only setting them back but is impeding the commercial development of tourism. '*Anything Aboriginal is a positive asset to this country* [as a whole] – *music, tourism, arts and craft*'. He expresses the hope that

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[102] Graham Chadwick and George Rrurruambu (2004), 'Music Education in Remote Aboriginal Communities', *The Asia Pacific Journal of Anthropology* Vol 5 No 2 159-171.

[103] Carroll Karpany (2004), *The Situation of Indigenous Music in Australia*, Presentation to MCA Assembly, Melbourne. He is the development advisor on Aboriginal tourism with the South Australian Tourism Commission.

[104] Jennifer Newsome (2004), 'What of Indigenous Australian Music Musicians?', *Sounds Australian* No. 64, the journal of the Australian Music Centre. Jennifer Newsome is Academic Coordinator at CASM.

there will in 'not so many years' be a strategic objective to raise the level of Aboriginal music to a much more commercial and much more international level.

Live performances and beyond: Gillian Harrison (2004) presents a case study based on the *Nabarlek* Partnership, twelve musicians/songwriters from the tiny Manmoyi outstation, 215 km from the remote community of Gunbalanya (Oenpelli) in western Arnhem Land. It is an important study which also looks more widely at the characteristics of the music industry in the Northern Territory, including its income streams. Others taking part in the research were the Demed Outstation Resource Centre and Skinnyfish Music. Harrison noted that the way Nabarlek, Demed and Skinnyfish work together provides a unique business model because it works as an equal partnership.

Harrison's overview of the Northern Territory music industry revealed little relevant statistical information. The main music-specific data were from APRA, showing that payments to NT songwriters and composers for live performances totalled 1.1% of total earnings for Australia in 2002–03 and that NT members received only 0.1% in royalty payments for radio and television broadcasting in the first half of 2003. Harrison estimates that 70% of these payments might have gone to Aboriginal artists. APRA was aware that many of its NT Aboriginal members do not submit live performance returns and other details necessary for their receiving their due payments, and has 'initiated the option of identification of cultural background for new members. This will assist in collation of data about the nature of the industry and enable APRA to better meet the needs of its diverse membership in the longer term.' (p 62)

Anecdotal evidence relating to *Yothu Yindi* shows that this group generated $1 million in licensing and advertising income over five years plus substantial amounts from touring, publishing and recording.

Skinnyfish Music supports the ongoing management of a number of Aboriginal bands from remote communities. Skinnyfish also works with and supports at least ten bands. It has identified the following major issues and barriers to industry development in the NT (pp 65–66):

> *'Lack of a touring route that bands can take through communities in the NT. This touring increases their performance skill levels and builds a support base for future touring, album releases and sales.*
>
> *Lack of major Indigenous based music festivals in Darwin and Alice Springs, to showcase the amount of talent in the local communities.*
>
> *The difficulty and high costs in getting performers from the NT to major festivals in other parts of Australia and/or overseas to meet ongoing demand.*
>
> *Lack of recognition from government and other agencies that music can become a strong economic, cultural and social contributor in the NT. Music is currently seen as a hobby and not taken seriously enough by the agencies that have a role in developing infrastructure.*
>
> *Lack of suitable venues around Darwin for Indigenous musicians to perform as well as lack of suitable venues for Indigenous audiences to go to where they feel welcome and safe from excessive alcohol consumption.'*

In conclusion, Harrison finds (p 66) that "*despite having the highest participation numbers of any art form, Aboriginal music in the NT has never enjoyed the levels of funding and infrastructure support that has assisted the substantial and valuable growth of Aboriginal arts and crafts*.'

Music NT, which fills the role of other states' allegedly 'well-resourced' contemporary music associations, '*delivers significant results for a tiny organisation with few resources and two part–time officers, one based in Darwin, the other in Alice Springs*.' However, the resources it can devote to the development of Aboriginal music are inadequate to the needs listed above.

The above description has been more concerned with how Aboriginal music in the Northern Territory could be developed than with the structure of individual businesses, whether artists or groups. However, nothing in Gillian Harrison's report indicates that the model developed in Chapter 2 wouldn't work.

This is also the result of an analysis of urban Indigenous activities relating to Brisbane.[105] Other material would show similar structures.

Endnote on Indigenous numbers: There were 458,500 Indigenous people in 2001 (2.4% of the total Australian population), of whom 11% were Torres Strait Islanders. The largest populations were in NSW (29% of the Australian total), Queensland (27%) and the Northern Territory (12%). The highest proportion of Indigenous people was in the NT (29%).

Employment rates increased between 1994 and 2001, partly due to the Community Development and Employment Project (CDEP) which provided one of four jobs in 2001, but also due to increasing mainstream (non-CDEP) employment. The proportion with tertiary education degrees, though still low, increased from 1% to 3% of the population during the period.

In 2002, 22% of Indigenous people lived in their homeland or traditional country, 54% identified with a clan, tribal or language group, a high 68% had attended a cultural event during the past twelve months, and 21% spoke an Aboriginal or Torres Strait language. These rates were invariably higher in the remote areas.[106]

3.4 Folk music – problems with overlapping genres

We have already made several references to issues of genre definition. Fusions abound. Boundaries are often vague between genres. Nowhere is this more so than in folk music. Quite apart from the need to leave the choice of genre specification to the performers and composers themselves, it raises the issue of how many (or how few) main genres can be specified for respondents to tick in the questionnaire forming the basis for the data collection.

The peak organisation, Folk Alliance Australia (FAA), is adamant that folk music is justified as a genre (an opinion reinforced by its strong affinities with folk dance and visual folk art). But FAA's definition immediately shows overlaps with other genres, especially world music:[107] '*Folk can have many meanings and interpretations. It is multicultural. Folk is a natural spontaneous and creative expression of and from community life. It crosses all ages, cultures and social groups. It crosses borders and barriers. Folk is about tradition, the present and the future. Folk represents many art forms and histories. It is all about people and their lives expressed in music, stories, songs and dance. … The FAA exists to foster and promote the folk community and the folk arts. These are traditional, contemporary and multicultural folk music, dance and spoken word performing arts in Australia. We seek to advance organisational and individual initiatives in these areas through education, advocacy and professional and field development. As such, we define those interested in promoting these aims as 'folk activists'.*'

American folk songwriter and performer Arlo Guthrie, in an interview with Andrew Ford (2004), discussed the eclecticism of folk music in the United States. He even suggested that it is not a genre:

> ***Andrew Ford:*** *There are a lot of musicians today, … you're certainly one of them, where you listen to the songs and you hear the whole history of American music. I mean some of your songs have a great debt to gospel, some of them have a sort of New England hymnody there.* 'Alice's Restaurant' *is ragtime. Are you aware of this kind of eclecticism, I suppose, American eclecticism in your music?*
>
> ***Arlo Guthrie:*** *Yes. Not only that, I love it, because primarily my learning came from my Dad's* (legendary songwriter Woody Guthrie) *record collection. … I fell in love with ragtime piano, mostly because I didn't want to study the classical music lessons that I was taking lessons for, it just*

[105] Michael Keane and John Hartley (2001), *From Ceremony to CD-ROM: Indigenous creative industries in Brisbane*. A report prepared for the Economic Development Branch, Brisbane City Council. CIRAC, QUT.

[106] ABS (2004d), *National Aboriginal and Torres Strait Islander Social Survey*.

[107] http://www.folkalliance.org.au.

drove me crazy. Why sit there and play Beethoven when you could sit there and listen to some great barrelhouse style keyboard. I fell in love with it. And later on I loved Beethoven too, he came into it, and I would steal from him as well as anyone else. You see folk music to me is not a genre, it's the way that you learn the music you play, you learn it from somebody else, you learn it from a record, you learn it by ear, there's no course you take on it. Now there may be, but in those days there certainly wasn't. There wasn't even a book written on it. … But on the records you could hear it, and not only that, you could hear the history of the people in the songs. In their voices you could hear something that a book could never translate. You could hear the actual guys, and I love that. There was something about just making contact with the rest of humanity through the voices and through the instrumentation and the playing of all these people that connects you, not just to the world, but to yourself, to the parts of yourself that you awaken when you do that.

However defined, folk music is part of an internationally recognised movement, which in some countries has an unbroken tradition over hundreds of years. In Denmark, according to Koudal (2004): '*Medieval ballads have survived in song tradition until the 21st century. Some 600 songs of this type with more than 2000 melody variants are still known. The ballads were used for the chain dance in the Middle Ages, and later they have been sung as solos*.' Most of the instrumental music that developed in the 17th, 18th and 19th centuries was dance music though the music was also used in connection with ceremonies and work. Traditional instruments were dominated by the 'peasant fiddle' but included some native Danish inventions such as the folk clarinet (*skalmeje*), town horn (*byhorn*), town drum (*bytromme*) and rumbling pot (*rumlepotte*). These were gradually replaced by modern instruments in the 19th century. Most recently, '*The youth revolt in the 1960s led to an interest in Irish, Scottish and American folk music (folk revival), and since the 1970s there has also been an active interest in Danish, Scandinavian and other kinds of folk music*.'

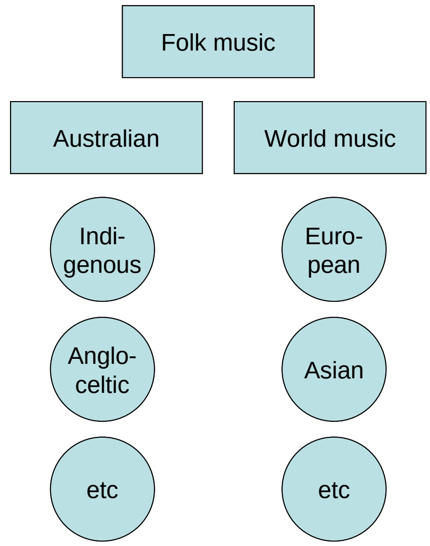
With considerable variations, the Danish story is typical of other northern, eastern and western European countries and the English-speaking world. Generally, folk music has roots in the longest possible tradition in a particular national setting. Recently, as in Denmark, modern international styles have gained momentum, so that there are two main strands of contemporary folk music (Wikipedia 2004b):

Folk music, in the original sense of the term, is music by and of the people. Folk music arose, and best survives, in societies not yet affected by mass communication and the commercialization of culture. It normally was shared and performed by the entire community (not by a special class of expert performers), and was transmitted by word of mouth.

During the 20th century, the term folk music took on a second meaning: it describes a particular kind of popular music which is culturally descended from or otherwise influenced by traditional folk music. Like other popular music, this kind of folk music is most often performed by experts and is transmitted in organized performances and commercially distributed recordings. However, popular music has filled some of the roles and purposes of the folk music it has replaced.

Despite the apparent clarity of these definitions, the two parts remain inextricably mixed even in the US where the musical tradition barely reached back to the 19th century (the mix of strands is also implicit in Folk Alliance Australia's definition of the folk arts). Herein lies the difficulty likely to be faced in the construction of a statistical framework which attempts to identify particular genres. To quote Arlo Guthrie again (Ford 2004), this time describing how and why the interest in preserving folk music was awakened and how he and other folk musicians learnt from – and further developed – the traditional music:

Everyone realised at some point that the world was becoming larger and that there was a sort of globalisation, to use the modern word, going on, and that some of these cultural, diverse styles of music were being lost. People that knew them were dying off. And so there was this rush to go out and save them, to collect them. And out of that, simultaneously grew a sort of interest, not just an interest, but a reverence for these kinds of regional dialects, the regional songs. … And that is what really started this whole sort of folk music – folk music wasn't even a term that people used in those days, this was *regional music, and there were recordings of some of these old guys that had taken place at the beginning of the recording industry at the turn of the last century, but my interest in it grew out of that. This was not a political thing, this was not a social thing, this was just an honest attempt to recapture or to keep alive the root music that had given the modern culture all of this diversity, out of which had come a pop culture and some other stuff around the world.*



From an Australian point of view, we may be looking at a hierarchy of genres which makes it essentially impossible to determine on what basis the classification can be made (see graph). Folk music may be a 'super-genre', within which Australian styles form one subgroup, which is again classified into Indigenous, Anglo-Celtic and other possible categories, and 'world music' another (in Denmark, the left-hand category in the second row would be 'Danish' with appropriate categories from a Danish perspective underneath, and Danes may have a different idea of what constitutes world music).

However, this does not make allowance for the fact that Aboriginal and Maori music is so strong on the European world music scene. The hierarchy that may exist doesn't solve the problem of how particular styles (including 'folk', 'world' and 'Indigenous') are perceived by potential respondents to a statistical survey in a particular country called Australia.

So the inclusion of overlapping genres into the statistical framework will present a problem which will need careful resolution during its preparation. From the present perspective we cannot see any solution other than leaving the definition of a particular style of music to the person or group who is performing it – but to return to the beginning of the present section the question remains what choice to give the respondents when it comes to defining the main genres.

4 A statistical framework for the music sector

4.1 Plan for this chapter

The ABS has undertaken other research into statistical frameworks, including three papers that provide helpful insights (Section 4.2). The value chain analysis in Chapter 2 is briefly reviewed in Section 4.3 together with the relevant findings from other studies reviewed in Chapter 3. The framework itself is presented in Section 4.4. Chapters 5 and 6 then discuss the gaps in the existing statistical base for the music industry, compared with the framework, and present our recommendations for putting the whole music sector into a statistical framework.

4.2 Other Australian work on statistical frameworks

The ABS has written three papers on statistical framework concepts and issues, one relating to tourism, one to the knowledge economy and one to social wellbeing, all of which are methodologically relevant to the present study.[108]

The tourism framework (ABS 2003) has been under development since 1991 and the current version is the fourth edition. The ABS in its preface to the paper encourages agencies to use the framework to guide their data collection and analysis and notes that the development of the framework is an ongoing process that is expected to evolve alongside international tourism statistical standards. Similar considerations could eventually apply to the music industry, though at this stage when cultural statistics are not well developed anywhere it would be sensible for Australia to take a leadership position and set its own pace.

There are some conceptual parallels between tourism and music as sectors. Tourism is not a conventional industry but is important for 'tourism-characteristic' industries (in which 25% or more of total spending is by visitors) including taxis and car hiring, air and sea transport and the hospitality sector, and 'tourism-connected' industries such as clubs, pubs, taverns and bars, casinos and other gambling services, food and beverage manufacturing and various retail trade sectors where visitor spending is significant. Tourism satellite accounts have been developed from conventional national accounts in Australia[109] and overseas, using input-output analysis to construct an economic model of tourism that measures its direct contribution to the economy ('Tourism GDP'). The basic difference between conventional and Tourism GDP is that the former is based on industries defined according to their production of primary goods and services, whereas the tourism industry is defined according to the status of the consumer. The characteristics of the consumer determine whether the production is included within the scope of tourism (p 23).

The parallel with tourism becomes clearer when we think of the music sector as a comprehensive structure covering all participants from individual creators and performers through the production and sales of consumable CDs, DVDs, music videos, concert attendances, and intellectual property, provision of consumable radio and television programs, films and videos, and new music products, and provision of services that make the whole creative, production and delivery process possible, notably music education. A 'music satellite account' to measure 'Music GDP' is at least conceptually possible and we believe it should be set as an ultimate goal for what this report is about. The initial statistical framework may then be seen as providing steps towards that goal.

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[108] Australian Bureau of Statistics (ABS 2003), *Framework for Australian Tourism Statistics* (Cat 9502.0.55.001), a discussion paper (ABS 2002a) entitled *Measuring a Knowledge-based Economy and Society: An Australian framework* (Cat 1375.0), and (ABS 2001), *Measuring Wellbeing: Frameworks for Australian social statistics*.
[109] ABS (2004c), *Tourism Satellite Account 2002-03* (Cat 5249.0).

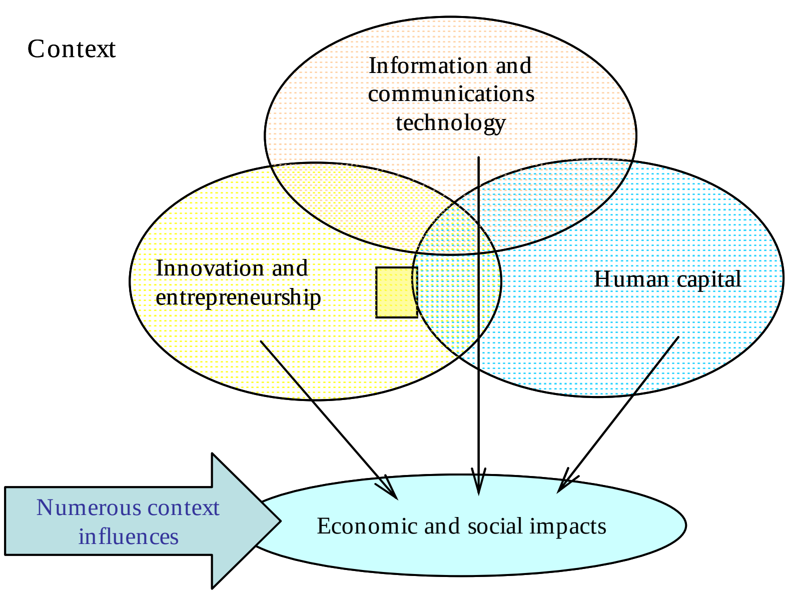
Chapter 1 of the tourism paper (ABS 2003) concerns the conceptual framework which provides the opportunity to draw parallels for music. The paper defines a statistical framework as '*a set of guidelines that present a coherent and comprehensive conceptual map of a field of statistics (such as tourism statistics). A framework delineates the scope of the statistical field and defines important concepts and issues. It provides a common language for analysis and discussion of the statistics.*' The reason for using a statistical framework is that it '*is integral to the collection of accurate, relevant, reliable and comparable statistics. It provides a logical and comprehensive structure to a field of statistics, promotes the use of standards and classifications, and supports consistent data collection and analysis. A statistical framework allows statistics to be compared in a meaningful way across a given subject area, across sectors, across data sources and across time. It enables data comparability at the state, national and international levels.*'

In contrast to tourism, there are no international standards for the collection of music statistics. The concepts are also simpler in tourism, which the statistical framework basically measures as the activities of domestic and international visitors within Australia. There are three types of actors: the consumer (tourist), the product (commodity involved in the activity) and the supplier (of either the commodity or the environment in which the event takes place). The three form a simple linear linkage: consumer → product → supplier. The music sector cannot be reduced to such simplicity.

One reason for this is the ongoing transformation of much of the music sector into a network of high-tech activities. Tourism can apparently still be adequately described without reference to such developments. The second of the ABS papers we referred to (ABS 2002a) concerns the statistical measurement of the knowledge-based industry and society. While the paper does not specifically mention music, it clearly sees knowledge industries as part of the cultural sector and even more so because of their high-tech development characteristics.

ABS (2002a) is relevant although it spans a topic that is much wider than our sector. '*A statistical framework would typically deal with a particular topic and would include a range of rules and conceptual information such as classifications, standards, definitions and actors. The framework presented in this paper differs from a traditional statistical framework in two ways. The first, and most obvious, is that its scope is very wide so that*

Chart 4.1: Simplified dimension structure of proposed knowledge-based economy/society framework



Source: Figure 1, ABS (2002a)

component parts would themselves be the subject of statistical frameworks (some of which already exist). A second difference is that the proposed framework does not deal with concepts, such as classifications, standards or definitions, leaving these to be dealt with by statistical frameworks on component topics (for example, a statistical framework for education and training statistics or information technology and telecommunication statistics).' (p 10)

The ABS proposed a framework with three core dimensions and two supporting dimensions: a broad contextual dimension encompassing background elements and preconditions such as the business environment and effectively functioning markets, and a dimension to show how the three core dimensions of the knowledge economy and society have an economic and social impact. Needless to say, Chart 4.1 is highly simplified: '*There are multiple relations and some overlaps between the dimensions. In particular, the economic and social impacts dimension has relations with all the other dimensions and, in turn, affects the other dimensions. Some of those relations will be simple causal links (but maybe not demonstrably); most will be far more complex.*' (p 14)

The third of the ABS framework documents noted here (ABS 2001) is in many ways the most ambitious of the three. For each of ten areas of social concern covered in a 300–page report, it discusses a possible statistical framework (the ten areas include family and community, health, education and training, work, housing, and crime and justice).

The last of the ten areas is culture and leisure. The issues discussed under that heading range widely from 'technological change and globalisation' and 'demographic change' (p 277) – coincidentally much the same as the two areas identified as 'exogenous influences' in our socio-cultural value chain in Chart 2.11. The other cultural and leisure issues were tourism, Indigenous people, young people, people with disabilities, and immigrants. The report noted (p 279):

> *The ABS is in the process of developing an information model for culture and leisure. The aim of this model will be to provide the conceptual framework necessary for identifying the coverage (and shortcomings) of existing culture and leisure datasets, for integrating these datasets, and for guiding future data developments. As well, the model will provide the basis for elaborating statistical standards and be a reference resource for anyone involved in structuring and analysing statistical information on culture and leisure. The model will aim to depict major entities in the sector (e.g. people, organisations, factors of production, goods and services), as well as the major transactions and relationships between these entities.*
>
> *The range of players, industries, products, events and facilities associated with the areas of culture and leisure is diverse. Policy, research and community interest in culture and leisure is similarly diverse. However, interest can be broadly grouped into two major areas of focus for statistical measurement:*
>
> - *the extent and nature of individual participation in culture and leisure and the implications of this participation (including effects on the economy); and*
> - *the extent and nature of economic activity associated with culture and leisure, and the implications of this activity (including effects on participation).*

The emphasis in ABS (2001) on the social value of culture and leisure agrees with our basic judgment that the cultural and social policy implications of music sector activities should also be monitored in the statistical framework. However, the focus areas for statistical measurement may need to be reviewed to ensure that these implications are adequately covered.

4.3 Summary of findings from other approaches

The music sector is part of the knowledge economy, society and culture and is therefore a component of the statistical framework proposed by the ABS (2002a). Another insight from Section 4.2 is the similarity between the tourism and music sectors in straddling a number of conventional industry groups (something that is overlooked when the origin of the investigation is the recording industry). The similarity is not perfect, of course, as tourism overlaps the conventional industry pattern because consumers (tourists) demand goods and services from a range of industries. The music sector, on the other hand, acquires seemingly similar characteristics because it is engaged in a complex network of industry-based transactions – the 'value web' of the CIRAC work.

It is legitimate to imagine that the statistical framework of the music sector could one day develop into a 'Music GDP' in a satellite national accounting framework. This would depend on greatly improved detail for the cultural sector in the input-output tables used to construct the satellite accounts. This is acknowledged in ABS's National Centre for Culture and Recreation Statistics (NCCRS 2002), *Multipliers for Culture-related Industries*, which suggests that the ABS Service Industry Surveys from 1996–97 onwards could assist in estimating more detailed input mixes.

The findings from other reports reviewed in Chapter 3 can be summarised as follows:

- **Statistical coverage and quality:** There are some basic problems to solve to ensure coverage, significant even within the narrowly defined 'business of music' and more so when we include individual artists and bands. Furthermore, quality control is essential as evidenced by the problems Statistics Canada encountered in the 1990s.

- **Technology and the creative industries:** The creative industries cluster strategies pursued in the UK, Australia and Queensland put music into the context of other creative industries by exposing the continuum from traditional cultural pursuits to high technologies. In fact, the creative industries may some time in future form the subject of satellite national accounts, in the interest of calculating a 'Creative Industries GDP' that can convincingly show the trend in the impact of these industries on the total economy. The contribution of individual creative industries would need to be discernible within this satellite account.

  The creative industries strategy also highlights the importance for future industry development of new products and product convergence.

  The collaboration that both geographical and 'virtual' industry clusters can provide is a very important precondition for successful creative industries.

- **The regional perspective:** Several studies advocate a regional perspective for creative industries, including music, as an important condition for market expansion. The Western Australian and Queensland studies (Gordon et al. 2002; Rogers et al. 2004) both stress the need for their music to have unique features, though it is difficult to see how *all* regional music could convince the market on this. Country music relates to country areas with the Tamworth Country Music Festival and Gympie Muster and associated local institutions as its focal point. The Northern Territory could be the source of important stylistic development if improving music education is combined with local traditions that remain strong.[110]

  Many studies demonstrate the complexity of the music industry, with numerous genres and subgenres and great regional differences even within a particular state. The state and regional perspective is of vital importance for the understanding of the music industry.

  One issue revealed through a perspective on individual states and territories is the intensive competition that a small music industry from a small region is likely to meet. The remedy would to build up an acceptance among consumers that the products and services coming out of the

[110] Teaching developments are described in Graham Chadwick and George Rrurrambu (2004), 'Music Education in Remote Aboriginal Communities', *The Asia Pacific Journal of Anthropology*, Vol 5, No 2, August 2004:159-171. Chadwick is Senior Teacher at the Northern Territory School of Music. Rrurrambu, as previously mentioned, is a Yolngu elder and prominent musician who is actively engaged in the teaching program.

Concerning the combination of traditional and western styles, there is an interesting parallel with the stylistic development of the Bangarra Dance Theatre where traditional elements are strong in a format which is basically western. Bangarra has been highly successful avoiding submersion of the local into the western style.

State or territory have unique and desirable features. Another source of strength would be the networks of industry clusters mentioned above.

- **Music education and training:** Education and training opportunities are key issues. Forss (1999) highlighted the importance for the Swedish music sector of a thorough and general music education and training from childhood, both for the quality of artistic performance and for general music literacy and critical ability within the population. This contrasts with the Australian contemporary music industry which seems to concentrate on business skills rather than musical quality. This issue is about education, but it is also about values that are nurtured in the music community as a whole. It can't stop at the classroom door.

  There are imperative social and cultural factors associated with the development of young people's opportunities in the industry. These factors are important in all areas and particularly so in Indigenous communities.

- **The role of Indigenous music:** The framework must secure specific coverage of Indigenous artists in Australia for many reasons including the importance of music education in the social and cultural development of young Indigenous people, and the opportunity to capitalise economically and socially from the unique character that Indigenous people can impart on existing music genres.

  The Irish study (Goodbody 2002) provides an insight into the role of traditional (indigenous) music, which judging from its market share has played a large role in putting Ireland on the map as a successful exporter. Of course, Irish traditional music is associated with the whole national culture and has a captive export market of people of Irish extraction which Australian Indigenous music hasn't. However, it is interesting that the market for world music is growing.

- **Industry structure and export success factors:** The Swedish study provides yet another example of the changing structure of national music industries, with the simultaneous trend towards concentration in the major recording sector and the development of a value web involving a diversity of small independent technology-literate businesses.

  The importance of building up a 'critical mass' in the industry is another major finding from Sweden, which again is reflected in Queensland and Western Australia and in the creative industries cluster strategies.

  Exports are heavily dependent on a few super-successes as evidenced by the market share of the top twenty in Ireland and ABBA's role as a catalyst for the growth of Swedish exports.

  Live performance provides employment for most musicians (Ireland), but incomes are much lower than for recording artists.

  The Irish study also provides an interesting insight into the artistic life cycle of successful popular musicians.

- **Changing configurations of music genres and subgenres:** The Swedish study makes an interesting point about the convergence and possible disappearance of different music genres, though it is difficult to see how the distinctiveness of, say, jazz or country music could disappear completely. While substantial merging or fusion of different genres is happening, there will always be a reaction to change and threatened extinctions. We will have the innovations, the fusions, the pure tradition, and advocates for all of them.

  Anyhow, there is a need to ensure that the changing genre patterns are adequately documented. While some of the proliferating popular subgenres may be results of 'branding exercises' and 'preserving an alleged pure tradition', and likely to be short-lived, other emerging subgenres may represent economically important and lasting trends (like rock which is celebrating 50 years as we write in 2004). The framework needs to be sufficiently sensitive to pick up important emerging genres and subgenres. While respondents should be given the opportunity to nominate a particular *subgenre*, practical considerations suggest that the number of *main* categories should be kept low.

There is a possible conflict between the desire to innovate by creating a potentially new and lasting subgenre and the fear that mass international music offerings by the record companies will cause the local music to succumb to a homogenised international product. The major record companies' concern about this may be behind efforts of the International Federation of Phonographic Industries (IFPI) to show the local content share of national markets.[111] However, IFPI's concern may simply be to pre-empt regulatory interventions in favour of local music by showing that record companies already support it, rather than a genuine concern that their product will cause homogenisation.

- **Policy guidance:** The framework, as far as possible, should present any data capable of guiding policy options, such as funding, in a manner that is clear to all concerned. Naturally, the framework must be seen as strictly neutral, capable of supporting any policy options.
- **Comprehensive view of the music industry:** The last three reports in our review take a comprehensive view of the music industry. This supports our belief that it is feasible to bring the framework for the full music sector into reality.
- **Comparing strengths and weaknesses with other countries, notably Sweden:** It is always useful to conduct a 'SWOT' analysis of a given industry's strengths, weaknesses, opportunities and threats. Comparison with a similarly sized national industry would be of assistance, aided by the statistical framework. SWOT analyses could also be carried out within Australia, for example to compare individual states and territories.

4.3.1 Endnote on creativity and creative people

Richard Florida's *Rise of the Creative Class* has been widely debated and criticised since its publication in 2002.[112] We were reminded of it because of its apparent similarity with the ideas behind the creative industries strategies of the Federal and Queensland Governments. While Florida acknowledges that there have always been creative people and industries around (and Fritz Machlup introduced the concept of the knowledge economy, which some see as the start of the information age, as long ago as 1962[113]), they are only now becoming widely recognised as important for 21st century economic growth.

A precursor of Florida's book can be read on the Internet.[114] His statistical centrepiece is a ranking of 268 American regions according to a 'creativity index', a composite measure based on four indices which encapsulate what he claims as the importance to a creative society of the 'three Ts of economic development', technology, talent and tolerance:

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111 Announcing its statistical yearbook in a brief online summary in September 2004, it includes the statement: 'Repertoire trends by country include the percentage of domestic versus international.' (*IFPI publishes definitive statistics yearbook on global recorded music market*, http://www.ifpi.org/site-content/press/ 20040914.html).

112 Richard Florida (2002a), *The Rise of the Creative Class: And how it's transforming work, leisure, community and everyday life*, available in Australian paperback, Pluto Press 2003, from which the page references were taken. He responds to his criticisms and presents an updated and strengthened statistical analysis in *Revenge of the Squelchers* (Florida 2004).

113 See http://www.nwlink.com/~donclark/history_knowledge/machlup.html and similar sources.

114 Richard Florida (2002b), 'The Rise of the Creative Class: Why cities without gays and rock bands are losing the economic development race', *Washington Monthly*, May 2002 (http://www.washingtonmonthly.com/features/2001/0205.florida.html). Florida's casual definition in the journal article fits the creative industries concept very well: '*Members of the creative class do a wide variety of work in a wide variety of industries – from technology to entertainment, journalism to finance, high-end manufacturing to the arts. They do not consciously think of themselves as a class. Yet they share a common ethos that values creativity, individuality, difference, and merit.*'

- The *innovation index* is a measure of patented innovations per head of population.
- The *high-tech index* is the basic measure for high-technology industry.
- The *gay index* showing the representation of gay couples is a proxy for social diversity and tolerance. The index is remarkably highly correlated with the *bohemian index*, which is also a diversity proxy and relates the proportion of artistically creative people in a region to the US average. It includes authors, designers, musicians, composers, actors, directors, painters, sculptors, artist printmakers, photographers, dancers, artists and performers. Richard Florida notes (2002a:260) that the bohemian index is '*an amazingly strong predictor of everything from a region's high-technology base to its overall population and employment growth*'.
- The fourth component of the creativity index is based on the *creative class*, which is defined as an *economic* class consisting of people who add *economic* value through their creativity. It has two major components (p 328): a 'super-creative core' and a second tier of 'creative professionals' in management, business services, legal services, health care and high-end sales and sales management. The super-creative core is made up of:
  - Computer and mathematical occupations
  - Architecture and engineering
  - Life, physical and social science occupations
  - Education, training and library occupations
  - Arts, design, entertainment, sports and media occupations.

One crucial test of Florida's creative capital theory (that '*regional growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas*', p 249) is whether it checks out against actual statistics of employment and population growth. He claimed to have demonstrated this (pp 263–264).[115] Elsewhere in the book (p 327) he said, '*In retrospect, I probably could have written this book using no statistics at all*', which sounds a little alarming though he adds, '*The main story that I've tried to convey here is an intensely human one that transcends numbers. It is a story about how and why we live and work as we do.*' However, his latest rejoinder to critics (Florida 2004) includes updated indices which appear to meet the criticism on statistical grounds.

The bohemian index of artistically creative people was found to be an important predictor of both population and employment growth, especially the latter. A statistical analysis of the effects of creativity and diversity on the innovation index (controlling for factors like industry mix and human capital) found that innovation is strongly associated with specialised creative capital (measured by the bohemian index and numbers of scientists and engineers) and diversity (represented by the gay index).[116]

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[115] A ranking of American cities by the Milken Institute (DeVol et al. 2004) based on orthodox variables measuring job, wage and salary and technology growth from 1999 to 2003) does not from a cursory look correlate well with Florida's rankings. This is probably due to differences in definition of urban areas and differences in the time period covered – many of Florida's indices were based on the decennial US Census takings in 1990 and 2000 whereas the Milken measures are time series based on the past five years. Furthermore, a comparison between the 2003 and 2004 rankings in the Milken Institute report shows some quite violent shifts, just between these two years. Anyhow, there is a clear need for rigorous analysis (which Florida attempted to provide in his 2004 rejoinder) and an equally clear need to supplement orthodox analysis with new approaches. DeVol and his colleagues at the Milken Institute must be highly aware of this need, since they developed the high-tech index which was fundamental in the creative class analysis (Florida 2002a:332).

[116] The analysis of Florida's concepts in an Australian context quoted in Terry Cutler's foreword to the Australian edition of his book notes that Australia's super-creative class is outranked by the US by about two percentage points, but the reverse holds for the second tier 'creative professionals' in business services, health

In conclusion, Richard Florida's concepts may not exactly match the concept of creative industries, but his definition of the creative class is relevant. We are not suggesting, of course, that the statistical framework for the music and other creative industries should be discarded in favour of his approach, but we do suggest that theories such as Florida's should be considered even though the statistical basis is still being developed. This view is reinforced in the context of our subject matter of music by the remarkable frequency with which the bohemian index measuring the number of artistically creative people showed up in the statistical analysis of employment and population growth. Furthermore, as discussed several times already, the day may not be too far away when formal statistical estimation of the primary creative industries within the GDP framework becomes a priority issue, along the lines of the satellite accounts of Tourism GDP.

4.4 A proposed framework

All the evidence collected for this study points to the feasibility of creating a comprehensive framework for the Australian music industry to cover all the music industry value chains and all genres. As we have hinted in previous sections, the framework would set a path towards an ultimate determination of the true contribution of the music sector (and for that matter other cultural industries) for the Australian economy – a 'Music GDP'. To get there would mean covering the remaining sections of the music sector and improving the cultural detail in the input-output tables used to generate satellite national accounts.

The framework can be briefly described with reference to Charts 4.2 to 4.5 which follow, though there are complications, noted in the text, which will require careful attention. It is also important to recognise the potential difficulties of identifying the economic entities, very often individuals, who make up important parts of the music industry.

There are several possible sources of information which might be used to build up data on venues and live performances. Gig guides cover much of the popular music scene in metropolitan areas and could be useful in identifying venues for that part of the music sector. In country areas, recourse to the local press in randomly sampled areas might assist. state, local and genre-based music organisations keep comprehensive lists of bands and related businesses. Many artists belong to associations such as the Australian Folk Alliance or one of the two peak country music associations. The jazz scene seems to be fairly cohesive and interactive, with artists tending to lead bands in one performance and be part of other bands in another. Traditional and contemporary classical music is played in a finite number of venues and at least the main performances are advertised in the daily press, though a venue-based approach is also needed for adequate representation, and we are informed that many small classical music ensembles have never been covered by any statistics.[117] Knowledge of music festivals and arts festivals that include music would have benefited from recent surveys undertaken by the ABS.

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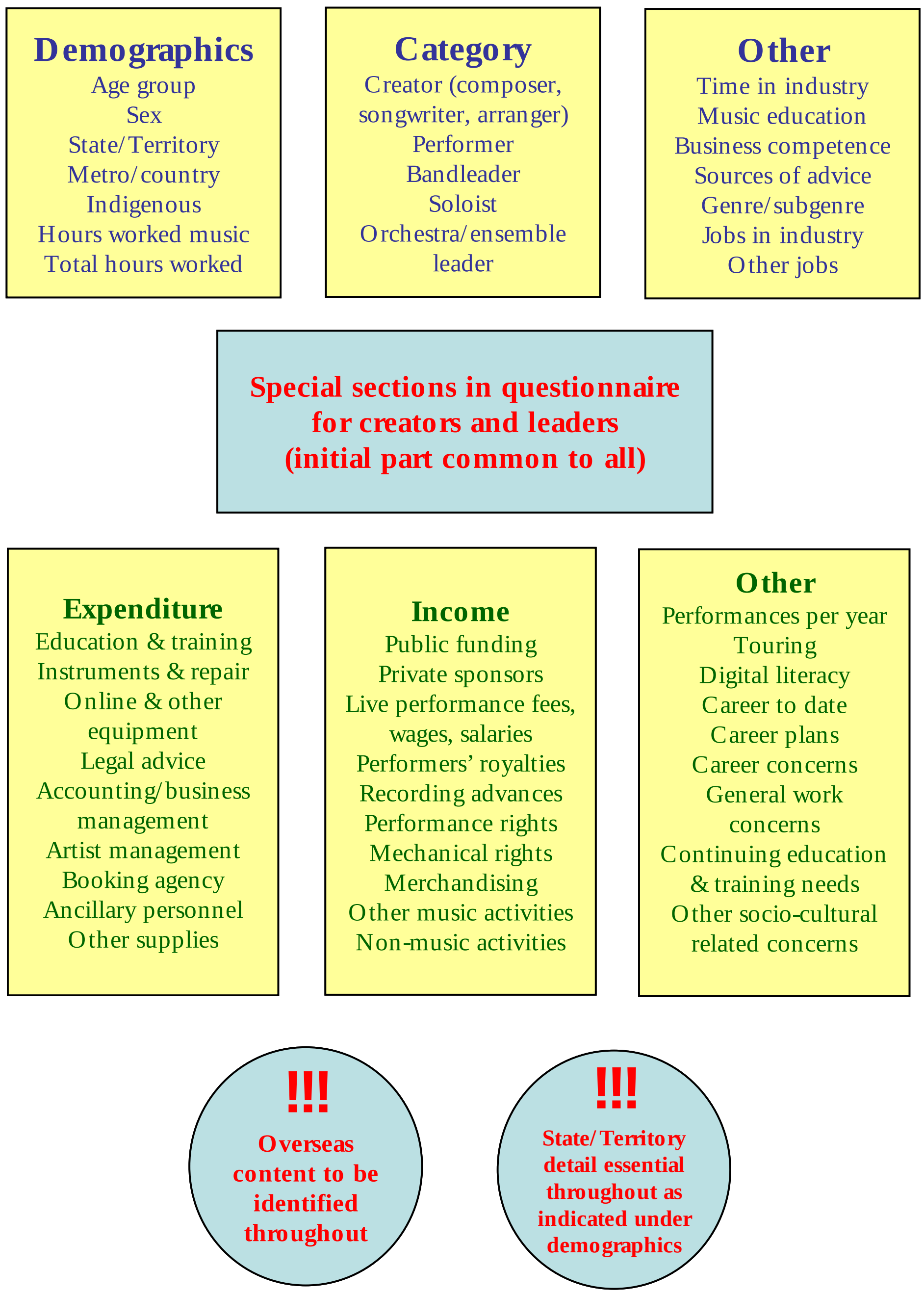
and education. The foreword also quotes a national survey which ranks 19 regions plus 'remaining Australia' according to Florida's 'creativity score'.

The findings are not comparable as Sydney, Melbourne and Perth are split into sections, while the US regions cover entire cities and metropolitan areas. We have weighted the regional indices by their share of population within each metropolitan area, which should give at least an approximation to overall scores. On this basis, Sydney scores 594, Melbourne 543, and Perth 466. Adelaide's score is 529, and Brisbane emerges at the top with a score of 718; if we add the Gold Coast and Sunshine Coast it still emerges slightly ahead of Sydney with a score of 601.

[117] The ABS *Yearbook Australia* contains audience and other statistics directly from the respective organisations for Symphony Australia Orchestral Network, Musica Viva Australia, Opera Australia and other major institutions, as well as statistics on film and video production from the Australian Film Commission.

The identification of the universe of venues and live performances for any given period will therefore have to be built up from a range of sources. The most promising unifying solution, however, is to aim the sampling process at presenters and entrepreneurs, since all paid performances would have these (ranging from pub owners to international tour operators). One complication is that many groups, perhaps a majority in the popular music field in particular, do their own presenting.

Chart 4.2: Framework elements: creators, performers and groups



4.4.1 Creators, performers and performing groups

Chart 4.2 shows the proposed framework elements from the music industry value chains of creators and performers, and bands, soloists, ensembles and orchestras.[118] The list of elements is preliminary and should be subject for further study. It is envisaged that the statistics be collected through sample surveys covering individual artists. Creators such as composers, songwriters, lyricists and arrangers should be asked a number of additional questions relevant to their profession, as should bandleaders about their outfits.

There will be complications which have to be settled in the final methodology. In popular music and genres such as world music and jazz, many creators are also performers, and performers may well be bandleaders as well. Other complexities arise, for example in jazz where as noted above an artist may be a bandleader today and part of someone else's band tomorrow. In ensembles and orchestras, the financial information is likely to come from the administrator rather than a practising musician. In bands as well, the questions may have to be referred to an accountant or business manager.

The survey of creators, performers and groups is sketched out in Chart 4.2. The top part suggests that there are three types of information to obtain about individuals: demographics, what category the person belongs to (creator, performer, bandleader, soloist or orchestra/ensemble leader), and other data such as time spent in industry, music education, genre and so forth. Music education might have dimensions such as secondary school only, tertiary, formal but non-school (private lessons, instruction in non-school institution), and informal. The most suitable classification may be along the lines of formal/informal, systemic/non-systemic.

Some suggested subjects for musicians' surveys

Samantha Groessler wrote her Honours Thesis, *Touching Mercury*, in Brisbane in 2002 on the subject of musicians' industrial rights. We asked her, and other people, what key statistics they thought would be needed to measure the industry in a meaningful manner. From her experience trying to establish as clear a picture as possible of the music industry this was her response:

- Income (and hours of work) derived from (1) core music activities (such as performance), (2) peripheral music activities (such as teaching), (3) non-music activities (such as waiting on tables)
- Age/time spent in industry
- Gender
- Education and training
- Employment arrangements (casual, contractual, part-time etc)
- 'Sites' of employment such as hotel venues, recording studios, concert halls, schools etc (to establish where most of the jobs are being created)
- Access to and formal arrangements for superannuation and workers' compensation
- Regional breakdown of employment (what regions are flourishing, which aren't).

This is a concise and workable set of suggestions which are naturally influenced by her experience writing on industrial relations. Most of her suggestions are reflected in Chart 4.2, and maybe they should all be. The final choice of topics for the survey will need to be determined in consultation with a wide range of representatives from the music sector.

[118] There are other 'creators' down the line which this part of the framework does not cover. The record companies' main role is to fix the song into a format that makes it available for delivery to customers. There is a significant creative aspect in this, especially in popular music recording where the music may undergo a large amount of manipulation in the studio with some of the creation of the music actually happening there.

The above box shows a thoughtful set of suggestions from the viewpoint of someone involved in industrial issues. It serves as a reminder that any statistical framework will have to serve many needs, which must be canvassed from a range of sources during the detailed preparation stages.

The respondents should be able to indicate one or several music genres that they play, such as rock/pop (for want of a better term, pending further feedback during the detailed development of the statistics), jazz, folk, world, country and contemporary classical, but they should also have the opportunity to indicate specific subgenres. From the point of view of time series analysis, it is expected that the convergence of styles will not progress so fast that the main genre classification disappears, while the subgenres may be more ephemeral.

The information on what the person does in the industry (performing, teaching, being a studio technician or whatever) would help to clarify just how eclectic musicians' lives really are – which is dramatically illustrated by the box below. [119] Another question is about other jobs outside the music industry.[120]

The busy and varied life of a professional musician

In response to the same question Samantha Groessler answered in the previous text box, Tania Rose wrote (quoted with her permission):

I know that many of us work in a multi-faceted way within the industry. For example, I am a musician who performs privately and publicly as a contemporary and classical singer, teaches singing at my own studio, self produces new-age recordings, has an overseas distribution deal and other overseas dealings with these recordings, composes for clients, co-produces others' work, works in film and theatre, runs workshops and courses for the community, and tries to be as informed as possible about changes within the overall industry and related fields (such as The Arts in general, and Australian business).

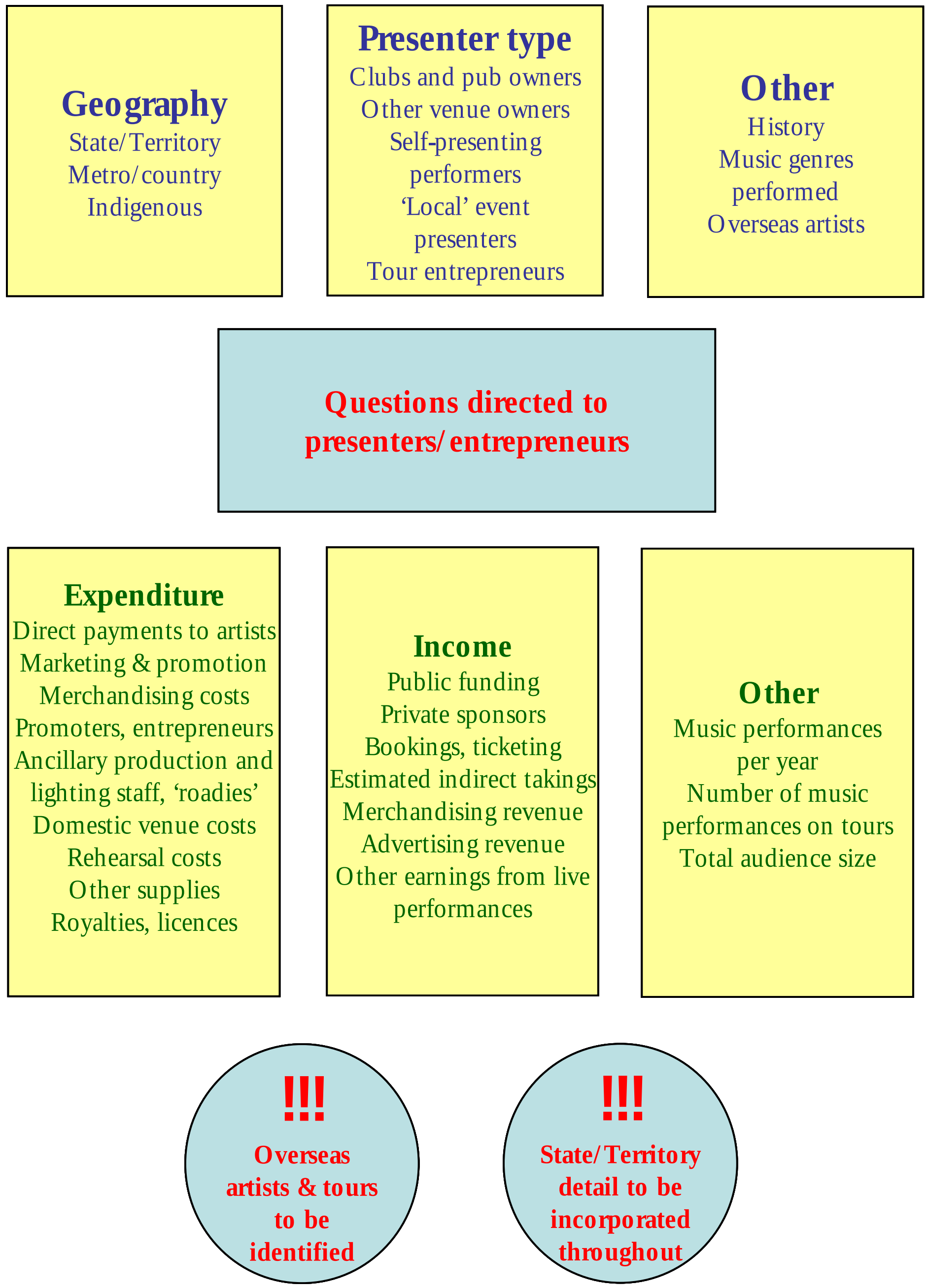
I find it most frustrating when filling in a questionnaire in which the questions do not adequately provide me with a true representation of what I do. "Musician" just isn't enough. For most of us who have made music our living, one has to wear many hats and create many opportunities outside of the square in order to bring home one's bacon.

Therefore, I think attention needs to be given to reflect the often eclectic nature of our work, of those working within many realms of the industry. For me these would be film, theatre, the local community, private tuition, the wedding industry, the hospitality industry, music production, marketing & distribution, exports, new-age music, classical music, contemporary and jazz, the recording industry, performers, teachers,…I think that might be it!

[119] Vice-President of the New Music Network Jim Nightingale linked the range of activities of musicians and the need for the statistical framework to cover the whole sector, notably music education: '*Musicians today not only perform and record but teach, market and administer in their working lives. Some related creative industries specialise in these activities and should be considered part of the music industry as well. I believe that it is especially important that the teaching angle not be omitted from the study. To ignore musicians who market their work through the various education systems risks omitting an important performance arena for many musicians. For instance, those who work for Musica Viva in Schools, although this area will again face a problem due to the omission of 'heritage' music: some of the 'in schools' groups are popular, others are 'heritage'. The outlook of the Musica Viva is broad and encourages a wide range of musical experiences in its program. How can we include half of this program but not the other?*' (Personal communication, June 2004).

[120] Other questions may concern previous careers. While this may be difficult to design, there may be considerable opportunity costs associated with working in a sector that pays relatively poorly for most of its members. For instance, previously well-paid lawyers have accepted a much lower-paid position to combine an artistic role with legal advice for a fraction of fees they would otherwise have attracted.

Chart 4.3: Framework elements: live music performances



As Chart 4.2 indicates, the same questionnaire is expected to apply to all creating and performing artists, but special questions are asked of composers and songwriters, soloists, and leaders of bands, ensembles and orchestras. The questions are designed to cover three areas. One is itemised expenditure as individuals and added expenditure for the band or group to be answered by bandleaders and their equivalents in orchestras and ensembles. Income sources make up the second area, again with a distinction between individual incomes and incomes for a group (double counting to be eliminated). Other information includes number of performances per year, touring activities, career details, plans and concerns, and other matters not yet determined but including questions of socio-cultural relevance (refer Chart 2.11). Categories such as business competence (experience and training) and sources of advice will need to be put into a quantifiable (classifiable) form, by presenting a range of choices in the questionnaire.

To simplify the presentation, there is no distinction in the various boxes between domestic and overseas income; only a general reminder at the bottom of Chart 4.2. However, the distinction is vital. The net income from overseas touring (and number of overseas tours and performances during these tours) needs to be detailed, as well as royalty income from abroad.

The chart shows no provision for the activities of artists from one state or territory in the rest of Australia. It is important to incorporate this as well both for the intrinsic value of state and territory data and to explore regional genre and other differences. state and territory detail is considered vital information, and with the large number of individual creators, performers and bands even in the Territories it should be possible to publish virtually full detail using adequate sampling procedures.

4.4.2 Live music performances

This part of the framework collections should provide the method for identifying the sample of performers and creators for the previously described survey as well as the venues themselves, except in the case of major venues and presenters which the ABS has already identified. Compiling the sampling base would be a major cost item in setting up the framework.

It has been suggested that the sample might be selected from the records of Australian Business Numbers (ABN) down to some cut-off point such as $20,000 annual turnover, but we are not aware of any method for determining the industry associated with individual ABNs (not on the public record that we found on the relevant website). Besides, this approach would leave out many small and micro individual artist and band businesses.

Building a list of venues as well as bands from gig guides and newspapers, say, over the past twelve months, should be feasible and would make sense in the popular music area; furthermore, state and genre-based organisations have lists from which to keep building a base. The disadvantage associated with identifying venues is that venues are not always central to the operation: they can play anything from a passive rental role which might not make them interested in collecting data on matters like audience sizes, to an active production and presenting role. However, all performances involve a presenter or entrepreneur who has a real interest in the success of the venture, which suggests that they should be the respondents to this part of the statistical collection. The following list of presenter categories appears to be exhaustive:

- Entrepreneurs who own the venue, and would engage artists to perform for a fixed fee or some other scheme such as share of box office. Venues in this category range from pubs and clubs (where the 'presenters' are the publicans and club managers) to concert halls.
- Entrepreneurs using venues owned by others:
    - Self-presenting performers who would rent venues or have some other financial arrangements with them, and would collect box office. These performers range widely from orchestras, ensembles and opera companies to individual groups and musicians
    - Entrepreneurs who present artists 'locally', including organisations such as Musica Viva Australia, and festivals. This category is important because they would help identify venues that are used irregularly for musical performances, such as churches, community halls, limestone caves, and remote outdoor sites.[121]

[121] This applies not only to music festivals but also to Musica Viva Australia. According to general manager Mary Jo Capps, many local ensembles under Musica Viva's auspices are as unexplored statistically as pub and club gigs (personal communication during MCA Assembly, September 2004).

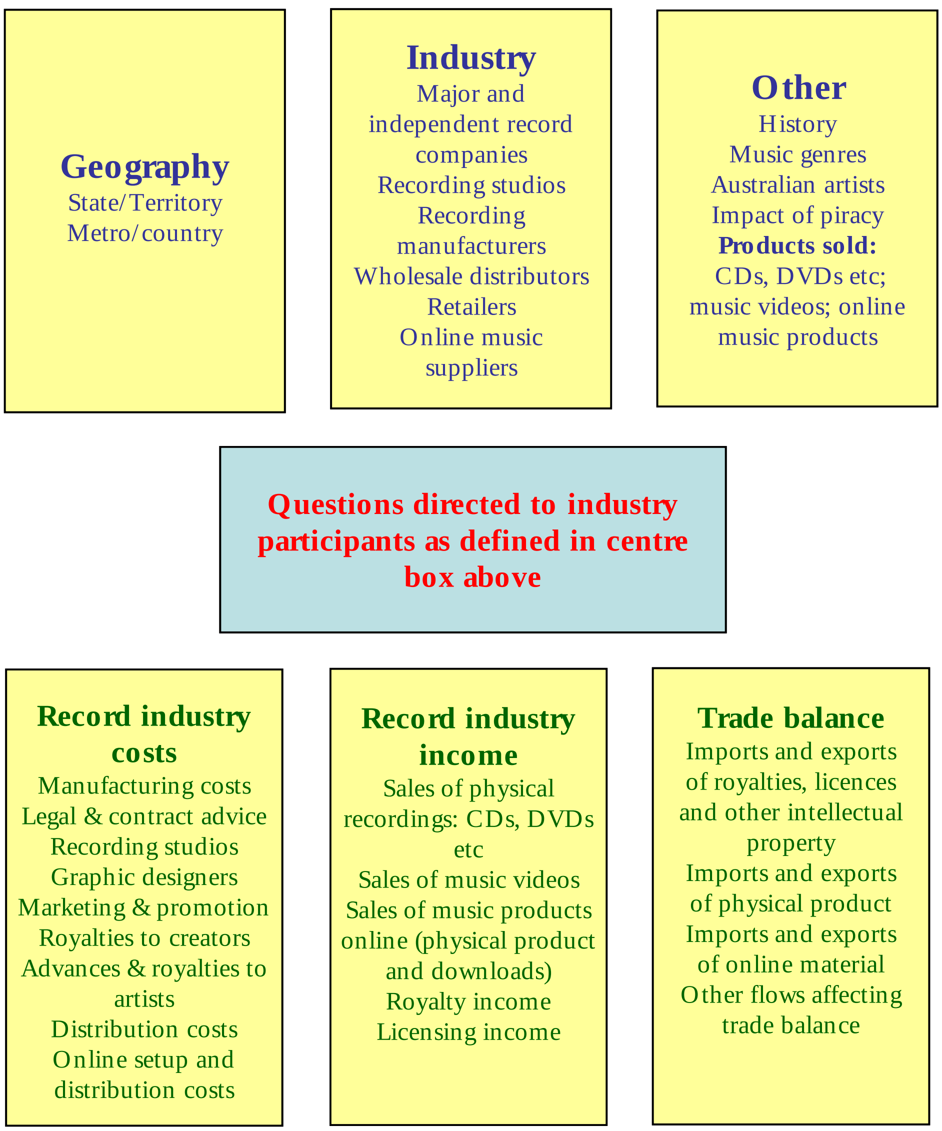
- Entrepreneurs who tour artists with performances dispersed around a number of centres within a region or state, nationally or internationally.

The preliminary list of framework elements for live performances is shown in Chart 4.3. Geographical and related requirements include identification by state or territory and metropolitan/country, to which we have added Indigenous as a reminder that the questionnaire should identify these.

Other information includes history (such as period of time this presenter or entrepreneur has been active), music genres performed, and the incidence of overseas artists identified by genre.

Chart 4.3 lists a range of expenditure items to be included, and public funding, private sponsors and itemised earned income. Other information to be collected includes number of performances per year, performances on domestic tours, and festival characteristics.

Chart 4.4: Framework elements: record industry



4.4.3 Record industry – and other delivery of mediated products

This represents the most complex part of the music sector to be included in the initial framework:

- because of the intricate relationships between the major and independent labels and the surrounding web of independent operators in a wide variety of supply roles,
- because of the ongoing digital revolution with its explosive development of new products, and most importantly,
- because it links up with some very large music sector components under the general heading of *mediated distribution* which are additional to the industries named in the SWG brief. The value added in these value chains is logically part of the *ultimate* statistical framework. So is music education and other support industries.

Chart 4.4 therefore offers a very restricted view of what should be included. The industry it represents is made up of the Australian-based operations of major record companies and their labels, independent record companies, independent recording studios and manufacturers of recordings, and distribution of physical recordings direct to consumer (partially controlled by the record companies and including subsidiaries of foreign companies which may cause some identification problems) through wholesale distributors, retail stores and online.

This excludes *mediated* delivery through radio, television, film, online downloading and other ways of listening to music. This is not logical. Any legitimate listening to a mediated performance (that is, when the music hasn't been stolen) requires an intermediate transaction of some kind. A record played at home has been purchased from a shop, record club or online retailer – this is the only *delivery* (other than live performances) which is covered by Chart 4.4. To hear a track legitimately online, a fee or subscription must be paid to the online music provider – that is not part of Chart 4.4. Neither are the intellectual property charges for the use of music played in films, broadcasts, advertisements, public loudspeakers, computers, telephones or any other medium. These have been paid at the production stage (unless the music was specially commissioned) and are ultimately loaded onto the price of goods and services paid by the general public (including people who don't really wish to listen to the music, as in public spaces).

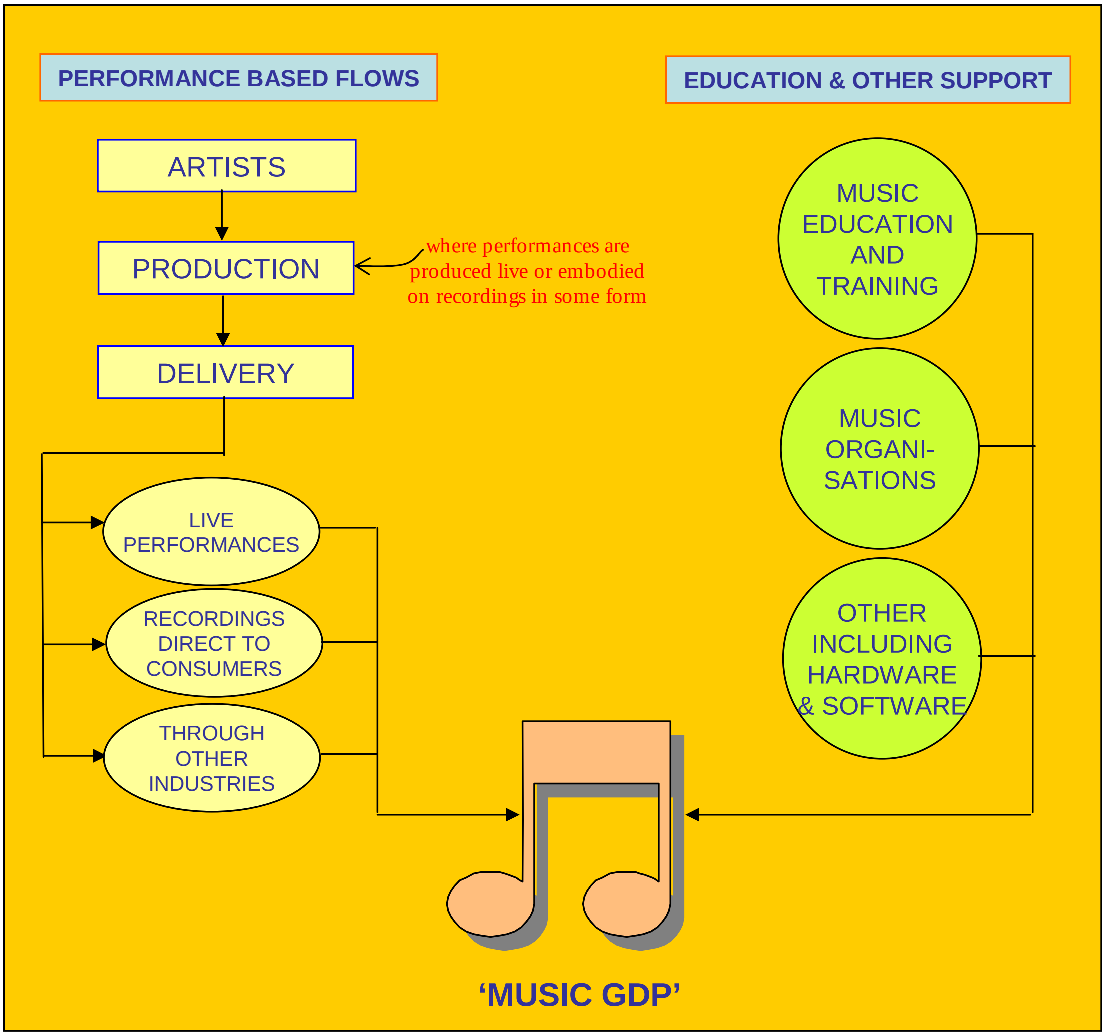
Furthermore, Chart 4.4 does not cover support industries such as music education or the supply of the hardware and software needed to produce and enjoy music. These support industries are essential for a successful music sector.

The left-hand side of Chart 4.5 (a repetition of Chart 2.10) provides an overview of how the product is *created*, *produced* and then *delivered* to the market either through live performances, distribution of physical recordings direct to consumers, or other mediated distribution. The right-hand side of the chart traces the support industries mentioned in the previous paragraph. To all intents and purposes, Chart 4.5 depicts the full music sector.

The vital question is obviously where to stop. Surveys conducted by the ABS have generally concentrated on 'music businesses' defined as record companies, distributors, manufacturers of recorded music, music publishers and sound recording studios. But 'distribution' in the sense of, say, *Business of Music 1995–96* (ABS Cat 4142.0) referred to sales of recorded music product distributed via licensing deals, which made up the bulk of the total income of 'record companies and distributors'. Even if Chart 4.4 contains a more comprehensive proposed approach and the framework should include statistics of intellectual property flows back to the record companies, performers and composers, it remains limited to a record industry perspective.

In summary, it is illogical to include the full cost and income flows from live music performances and record sales while leaving out the much greater amount of music listening through radio, television, film, online and other media which is conveyed to the public in addition to the offerings through live

Chart 4.5: Overview of a full statistical framework



shows and physical recordings. These sectors need to be covered in a statistical framework for the music sector if the full 'Music GDP' is to be realistically assessed. So in conclusion we have:

- An extended model of the recording industry attempting to capture the surrounding 'value web' which the CIRAC report identified (Rogers et al. 2004). The statistics of the extended model are obtained, in principle, from the operations of major and independent recording companies, sound recording studios, and recording manufacturers, and the dealings of these businesses with their suppliers and each other
- Online music distribution of physical and online music product
- Conventional wholesale and retail distribution of CDs and other records direct to customers
- A need to capture the value added associated with the music content in other industries such as radio and television, film and advertising, which will eventually necessitate separate surveys to obtain the full value-added picture, as will any effort to capture the music-related content of the support industries. Chart 4.6 shows the resulting 'functional' sequence from *creation* through *production* (of live or mediated music) to *delivery* of either live performances, recordings direct to consumers, or mediated music delivery through broadcasts, film and other means.

Chart 4.6: Functional model of creation, production and delivery of music

Stage	Primary/conventional method	Comment
CREATION		
Composition	Composers and songwriters	• Whole band may be involved in arranging/producing a song • Creative process may continue in recording studio
PRODUCTION		
Live	Live performances	• Live performances may be initiated by musicians, entrepreneurs, venues, radio and TV stations, film companies and others down the line • Airplay and recording may follow
Mediated (recorded)	Conventional defined record industry embedding live performances into reproducible formats	• Bands (DIY), film, broadcasting and TV production companies and advertising agencies also produce recorded product by embedding live performances for their purposes • Products include CDs, tapes, cassettes, music videos, DVDs, tape and CD masters, hard drives and film and TV sound tracks
DELIVERY		
Live performances	Presenters: venues	• Wide span of venues: clubs/pubs, festivals sites, concert halls etc
Physical recordings	Conventional distributors	• Wholesale, retail stores, record clubs, online ordering
Online	Several sources, see comment column	• Legal delivery through computer, telecom and online music companies, ISPs etc • Illegal downloads
Via broadcast, TV or cinema	Radio and TV stations, film companies, advertising agencies (split between main program and advertisements)	• May all produce live performances, and most film and television music is produced and recorded within these • Advertising in all these media uses music, again probably largely produced in-house, contracting recording studios, music directors and musicians as required
To public spaces	Providers of recorded music, 'muzak'	• Public spaces include workplaces, stores and other areas using background music
New/emerging uses	Depending on product	• Providers of computer games, phone ring tones etc

Note: This is still a highly simplified and partial view of a complex sector. Support activities and industries such as music education, instrument making and repairs, and music reproduction equipment making and distribution are also part of the framework. There are also many overlaps adding to the complexity, as educational establishments may well be involved in live performance and recording, and many individuals divide their working life between music education, performance, composition, studio work etc.

4.4.4 Intellectual property-related flows

The framework set out above omits some necessary references to copyright-related markets, as these were illustrated by Chart 2.11 when originally defining the industry flows. The players are music publishers, who are not mentioned at all in the framework proposed above and may be hard to capture in an increasingly international business atmosphere, composers and songwriters who receive royalty income via music publishers and record companies, and record companies and artists who share the flow of income from commercial sound recordings and music videos. At the other end of the chain, we have all the payments from the intellectual property users across the economy.

It may be possible to build up substantial parts of these flows on an ongoing basis, with the cooperation of APRA, AMCOS and PPCA. Our inquiries suggest that these organisations would consider cooperating with the ABS in this area. Naturally we cannot commit them, nor can we evaluate constraining issues such as privacy legislation and how such issues may be overcome.

Music publishing must of course be an integral part of the framework, and because of substantial structural change in this industry this will complicate the statistical collection. Each of the major record companies has a substantial music publishing subsidiary. However, these only account for five of APRA's publisher members, which number about 250. Many of the 240-odd other APRA members represent operators of limited but highly specialised areas[122] which may be most conveniently regarded as part of the CIRAC 'value web'. One way or other, it is important that these operations are captured within the statistical framework.

One large current problem for the Australian music sector is that the major publishers have been closing down their Australian offices because electronic communications makes it convenient for them to do the actual business for Australian artists from an office in London or New York. But they are not then here to work actively for Australian artists – '*when Chappell was here the local repertoire was for sale as a package – now it isn't!*' (Hampton 2004 quoted from our notes).

It is possible, of course, that some local independent publisher may step into the breach (Hampton sees a gap to be filled locally in the field of contemporary classical music, for instance), but that publisher would have to find a way to be effective internationally.

On top of this development, new technology is having profound effects: '*Young emerging talent no longer needs to go to a major record company or music publishers. What used to be a very expensive recording can now be done for one tenth. Since last year also, songwriters can join AMCOS as full members to capture mechanical royalties from subsidiary markets that AMCOS covers. So there are many ways emerging talent can exploit their rights, at least initially. … At the APRA awards this year only one publishing company was the owner of the rights. All the other winners technically published the music themselves, and that says a lot about the way emerging talent is more and more choosing to exploit its rights*' (Hampton 2004, recorded during his presentation).

4.4.5 Socio-cultural value chain

The parallel socio-cultural value chain, depicted in Chart 2.12, has not been explicitly recognised in the above description, but the potential impact on policy-making should be kept in mind when designing the final statistical framework. In fact, there is a strong case for introducing the entire model with a socio-cultural discussion. How did the music industry or music sector get to where it is today? And what can be done to influence it?

This would provide an opportunity to introduce a comparison with other countries' music industries and make points such as Sweden's emphasis on music education for the broad population (Forss 1999).

We note that as soon as social statistics are discussed (as in the monumental analysis undertaken in ABS 2001), other dimensions of statistical measurement have to be considered. This scoping study stops short of formal questionnaire design, but as the ABS is well aware there are suitable ways of designing questions with a cultural or social content. This goes all the way from a simple statement of whether a person considers himself or herself Indigenous (or what genre or genres of music he or she plays) to multiple-choice 'tick' questions or other techniques for exploring particular issues.

Anyhow, the socio-cultural relationships are circular as the knowledge which will be gained from the statistical evidence provides a basis for the types of policy decisions covered by Chart 2.11. But all the relationships need to be kept in mind if the framework is going to provide policy guidance.

[122] Nick Hampton (2004) provided a useful summary of the current state of the publishing industry at the MCA Assembly in Melbourne.

4.4.6 Towards a 'Music GDP'

The 'satellite' national accounting concept was developed first for the tourism sector and subsequently to account for changes in environmental resources and (as yet very insufficiently) ecosystem and general environmental degradation. The tourism satellite account is based on input-output tables and has been published since 1997–98 for Australia. However, the development of regional accounts in Queensland may provide a better model for music. These accounts show the contribution of tourism to each of the 17 major statistical industry 'divisions' for each region in the state (from Far North Queensland south). Each main regional table had two columns for each industry division: one showing total Gross Regional Product for 1998–99, the other the dollar value representing the contribution from tourism.[123]

A similar arrangement should be possible for a 'Music GDP' which needs to be measurable for each state and territory. Chart 4.7 shows the main contributing value-added flows, which as always in the discussion in this report places the creator and performer at the apex:

- Creators and performers add value through their contributions, primarily to live performance and recording, but with an immediate complication because so many hold multiple jobs. The activities of these individuals are therefore also inputs into other parts of the music sector such as music education. Dotted lines show these inputs. The value added to the Music GDP would need to be adjusted for the non-music sector jobs of creators and performers.
- The value added through live performance feeds directly into the Music GDP.
- Some of the value added in the recording industry comes from putting performances on physical records and distributing these to consumers through wholesale distributors, exporters, retail and online stores. An arrow from the recording industry box in Chart 4.6 representing this feeds directly into the Music GDP.
- However, a significant part of value added in the recording industry is associated with mediated distribution through radio, television, film, legitimate online downloading and other uses of recorded music product. This generates further royalty income and value added in the industry, and further to creators and performers (dotted line from recording industry box). A previous chart (2.10) attempted to capture the royalty flows back from the industries using mediated music product.
- These industries themselves generate value added, of which the proportion represented by music product (estimated on the basis of proportion of total input) is clearly part of the music sector. No doubt this represents a huge contribution in value-added terms to the total sector. Radio stations, for instance, would generate hundreds of millions of dollars of turnover from broadcasting *music* – more than the contribution from live performances. The consequent royalty payments that are taken into account in the statistical framework for the three key music sector components are only a fraction of the total value added of radio stations; furthermore the feedback effect of airplay on record sales and eventually exports are anything but peripheral (as discussed in Chapter 2) though these effects may be impossible to measure in practice. The value added by music-related activities in these industries account for the third stream of contributions to Music GDP shown in Chart 4.7.[124]

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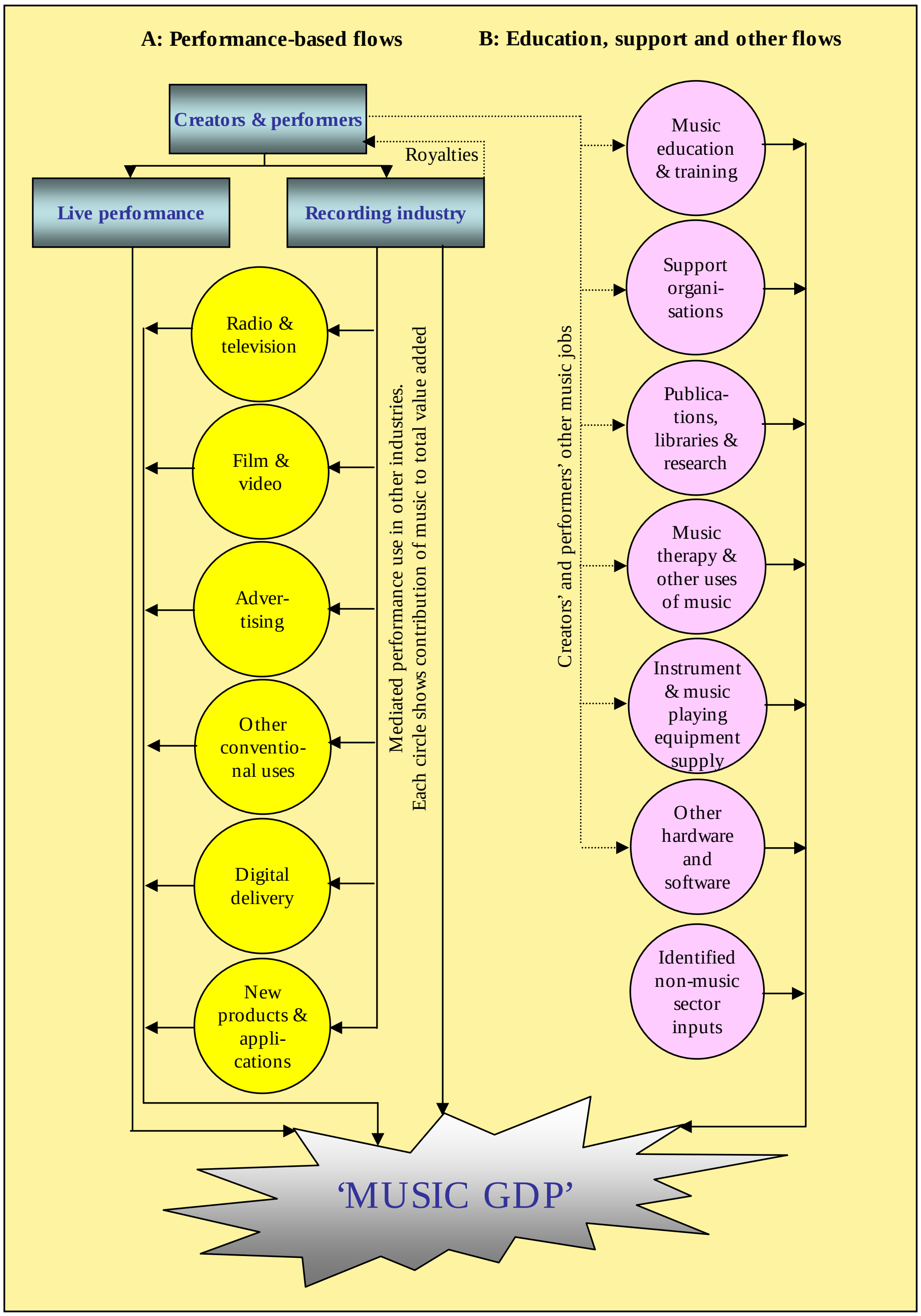
[123] Australian Bureau of Statistics (ABS 2004), *Tourism Satellite Account 2002-03*, (Cat 5249.0), Canberra, and Office of Economic and Statistical Research (OESR 2002), *The Contribution of International and Domestic Visitor Expenditure to the Queensland Regional Economies: 1998-99*, Brisbane.

[124] Royalty payments by broadcasters are limited by two so-called royalty 'caps'. Commercial broadcasters pay a royalty to owners of copyright in *recordings*, but it is limited to 1% of the broadcaster's turnover (whereas they pay about 3.8% of turnover to owners of copyright in broadcast *works*). There is also a cap on payments by the ABC.

- The fourth contribution to Music GDP is called 'education, support and other flows' in Chart 4.7. These flows are very much part of the music sector and cannot possibly be ignored if we are to gain full understanding of its contribution to the Australian economy (not to mention the social and cultural factors and further economic effects derived through these). The specific components are:

Chart 4.7: Towards a 'Music GDP'

Value-added contributions from identified music sector components



- Music education and training at all levels from primary to tertiary, formal and informal, systemic and non-systemic
- Support organisations at all levels from arts-related government departments and authorities, unions and peak general and genre-based associations to arts councils, local associations and coordinators (in many cases, the specific music content will have to be extracted from other arts and other activities, using fraction of total expenditure represented by music (fraction of total input if possible))
- The percentage of identified publications, libraries and research activities devoted to music
- Music therapy and other special uses of music
- Instrument making and repair
- Other hardware and software making music making and enjoyment possible[125]
- Identified non-music sector contributions, such as business training for bandleaders.

There are other definitional issues to meet in devising the framework. First, the major transnational players combine all sorts of activities and may be owned by corporations outside the music industry proper. Sony Music is part of an electronic hardware company. Apple Computers developed and was possibly saved by its music device *iPod* and related business which remained part of the corporation. At the small business end, live performances are mostly presented by pubs and clubs. In the statistical framework, the manufacturing plant rather than the conglomerate that owns it is the unit, which makes it easier to identify with the music sector as long as the plant produces predominantly one type of commodity. Small venues have to be identified with music in other ways; as already discussed, presenters rather than venues are recommended as the statistical unit for the live performance survey.

Another issue which may not have an immediate solution is that the cost of the music input may not be commensurate with the value that is really added to the final music-using product. For instance, the cost of the music used in a film may be a fraction of the whole cost, but the film might fail totally without the mood created by the music. We don't believe there is a ready-made objective statistical solution to this issue.

A third issue is the very complexity and fragmentation of relationships surrounding users of mediated product. While this product may originate within the recording industry it may not have much to do with it in practice. A record company, for example, makes a sale of soundtrack material to a film company only if the soundtrack uses recordings of which it has the copyright. But most soundtracks are actually commissioned by a film company and never get near a record company. In an era of affordable home studios (currently defined as being part of the recording industry) the composer may have a publisher handle the arrangements or may do so directly. Such cases add to the complexities of the framework construction though they still fit into a possible statistical framework. Similar complexities would apply when music is used in advertisements.

The above outline of how to construct a Music GDP represents an idealised picture of what should be collected to represent the full music sector. Statistical collection represents an 'art of the possible' which may fall short of the ideal for budgeting and other reasons. We find it imperative, however, to present this perspective, and both authors have been agonising over how best to get to it – one of us by developing the satellite accounting concept for music as part of the research, the other by demonstrating the inherent logical flaw that live performance was taken through to the ultimate

[125] Some of this may be part of systems used in the education industry. The SoundHouses Association of Australia is a joint project of the Brash Foundation and the Victorian Department of Education and Training which provides music technology courses for students, professional development programs for teachers, curriculum advice and support materials. The teacher programs include, for instance, 'your computer as a music tool' and software workshops such as 'band in a box' and 'music time'. (www.soundhouse.com.au).

consumer in the requirements set forth in the research brief, but the parallel and much larger music-related set of activities associated with mediated performance wasn't. The rapid development in technology and its impact on music makes this flaw ever more apparent.[126]

We are not suggesting that these additional components should be allowed to alter the priorities for statistical collection within the framework, since we remain convinced that we need to provide upfront mapping of the activities of composers, songwriters, performers, bands and orchestras. But we are adamant that the perspective should be sector-wide and strongly recommend that the music content of these other industries are fitted into the framework. Our recommended priorities are further discussed in Section 6.2.

[126] David Throsby suggests that it might be desirable to work backwards from final value of goods and services produced, though it is difficult to see how identification and attribution problems would be reduced. Any such data existing at the time should be exploited, but we cannot see them replacing our recommended approach.

5 Statistical gap analysis

5.1 Introduction

This chapter reviews the available statistical sources from the ABS (Section 5.2) and elsewhere (Section 5.3) to define the gaps (Section 5.4) which exist relative to the statistical framework shown in Chapter 4.

This presentation does not feature the available statistics. It is not the function of a scoping study to present a detailed statistical analysis. Rather, we have identified the inventory of available statistics, considered their coverage and limitations relative to the proposed statistical framework.

5.2 Australian Bureau of Statistics

5.2.1 The Australian Culture Leisure Classifications (ACLC)

The ACLC (ABS Cat 4902.0 (2001)) comprises three separate classifications covering culture and leisure-related industries, products and occupations. They were compiled by the ABS National Centre for Culture and Recreation Statistics (NCCRS). The ACLC publication's foreword notes: '*The development of the Australian Culture and Leisure Classifications is the first stage in the preparation of an information model, an information plan, additional classifications and a data directory. … Where possible, current and emerging trends are reflected and an attempt has been made to allow for changes in the way the sector may operate in the future, especially in the area of electronic media.*'

The three classifications are designed to fit in broadly with the standard ABS classifications: the industry classification with the Australia and New Zealand Standard Industrial Classification (ANZSIC), the product classification within the framework of the Australian and New Zealand Standard Product Classification (ANZSPC), and the occupational classification with the Australian Standard Classification of Occupations (ASCO).

Table 5.1 shows the main relevant parts of the ACLC industry classification from Division 2 (the arts). Music is part of Sections 22 (performing arts), 23 (music composition and publishing), 26 (broadcasting, electronic media and film), and 27 (other arts). The last group is possibly less important because it would be possible to obtain the information elsewhere by surveying the performers, bands and the recording industry, or from royalty flows. A number of groups have been left out as being of little relevance:

- Among the performing arts, music and dance performance and opera and music theatre are of prime relevance, as are performing arts venues. Of other performing arts, drama has little music content but what is there may be most important in the total dramatic experience. Class 225 (other performing arts) has no music content according to the ACLC description and has been omitted. Performing arts venues exclude venues where the prime purpose is not to perform music or other arts. Pubs, clubs and other venues where music is secondary to the main operation are found elsewhere in ANZSIC.[127]
- All four classes of music composition and publishing are of prime importance.
- The broadcasting, electronic media and film section is not part of the key groups in the brief, but we now argue they are very much part of the music sector. Video hire services including music

[127] ANZSIC Division H, Subdivision 57 consists of Classes 571 (accommodation), 572 (pubs, taverns and bars), 573 (cafés and restaurants), and 574 (clubs (hospitality)).

videos would have to be captured through expenditure patterns, which may prove uneconomic if this is the only reason to include this section.

Table 5.1: Excerpts of ACLC industry classification

Class	Relevance
22 Performing Arts	
221 Music performance	High
222 Drama	Little music content but musical ambience may be important
223 Dance	High (note: specifically includes Indigenous dance theatre)
224 Music theatre and opera	High
226 Performing arts venues	High. Includes rehearsal studios. Excludes venues where music is secondary
23 Music Composition and Publishing	
231 Music composition	High
232 Music publishing	High
233 Record companies and distributors	High
234 Recorded music retailing	High
26 Broadcasting, Electronic Media and Film	**General: not High music. Capture through royalty flows**
261 Radio services	High. Includes online
262 Television services	High. Includes online
263 Film and video production	High. Includes music video
266 Video hire services	Medium. Includes music video - capture through expenditure
27 Other Arts	
271 Music instrument retailing	Medium. Capture through expenditure
272 Arts education	High, but music mixed with other arts. School/tertiary education missing
273 Copyright collecting agencies	High. Special statistics
274 Recorded media manufacturing	Medium. Capture through expenditure
279 Arts not elsewhere classified	Some high. Capture through expenditure or royalty flows

Source: ABS Cat 4902.0 (2001)

Classes 264 and 265, 267 and 268 have been omitted from Chart 5.1 because they do not seem to have any relevance to music in the context in which they were formulated in 2001. Class 264 is film and video distribution and 265 motion picture exhibition. Classes 267 and 268 represent attempts to capture the expanding online technologies, 267 being interactive content creation and 268 electronic information services. Neither seems to have any particular relevance for music according to the description in the ACLC publication, but this should perhaps be reconsidered as the ACLC is very much a document under development.

- Among the 'other arts' items, copyright collection societies are important sources of intellectual property-related data (APRA, AMCOS, PPCA). Music education is an important part of the music sector, but is included with other arts education and excludes school and tertiary institutions.[128] This is a major drawback in the development of a music sector statistical framework. Music instrument retailing and recorded media manufacturing can be captured initially – but not ultimately – through the expenditure of the surveyed performers, groups or record companies (recording media manufacturing is actually included in the main proposed record industry survey shown in Chart 4.4). The residual group of arts not elsewhere classified includes several music-related activities:
    - Advertising music and jingles recording
    - Performing arts festival operation

[128] ANZSIC Division N, Subdivision 84 consists of Classes 841 (preschool education), 842 (school education), 843 (post-school education) and 844 (other education, including music teachers (own account) among a variety of other activities). None of the classes contain specific information on music teaching.

- Audio post-production for film and video
- Musical instrument and string manufacturing, repair, restoration and tuning
- Wholesale and retail of recorded media containing games software
- Sound recording studios including location or mobile sound recording service
- Technical services for the arts (lighting, staging, sound).

Some of these can be captured *initially* either through the expenditure of the primary groups or from intellectual-property flows. The relegation to the residual group of sound recording studios and technical services for the arts is somewhat surprising, and sound recording studios are actually included in the industry group forming the nucleus of the recording industry (Chart 4.4).

In summary, the industry groups relating to music-related activities in the Australian Culture Leisure Classifications have some strength, but care needs to be taken in a number of areas:

- If we were to include venues as a locus for statistical collection as suggested by the brief (which upon mature consideration we don't recommend), the inclusion of venues that are not primarily used for performing arts would need to be secured.
- It must be carefully checked that subsequent technology developments haven't run away from the classification in respect of online technology during the three years since the 2001 edition was put together.
- It is also necessary to check whether the 'value web' surrounding the output of physical recording product has been adequately captured. The residual group of 'other arts not elsewhere classified' is too broad for comfort.
- The lack of classification of music education, whether systemic or non-systemic, is a problem.

We note finally that the current ANZSIC classification, dating from 1993, will be replaced in 2006,[129] and assume that cultural industries will be adequately considered in this connection.

The second ACLC classification is by products. Table 5.2 may serve as a checklist. The relevant products come from the following seven of ACLC's 26 categories:

- 02 Services of artists and arts education
- 04 Audiovisual and related services
- 05 Audio and video media
- 07 Information supply services
- 12 Performing arts and other live entertainment presentation and promotion services
- 25 Other culture and leisure services
- 26 Culture or leisure venues and facilities.

Again, it needs to be checked during the detailed preparation of the statistical framework whether the product classification is adequate. It is not possible to do this in detail at this stage.

[129] Australian Bureau of Statistics, *Information Paper: ANZSIC 2006 Development* (ABS Cat 1294.0, 2004).

Table 5.2: Excerpts of ACLC product classification

0201Services of performing artists, including actors, readers, singers, musicians, dancers and stunt people
0207 Copyright collection agency services
0401Sound recording services, including sound engineering, studio recording and mobile recording services
0402Audio post-production services, including mixing studio services
0407Production services of music videos
0502Recorded media for sound, including CDs, audio cassettes and vinyl records
0503Recorded media for vision, including video cassettes and digital video discs
0701On-line access services, including Internet access services and other telecommunications gateways
0702On-line information provision services, including database services, provision of online data retrieval services etc
1201Performing arts event promotion and organisation services, including for theatre, opera, ballet, musical and concert performances
1202Performing arts production and presentation services (excluding festival services), including for theatre, opera, ballet, musical and concert performances
1203Performing arts festival services, including music, drama, comedy and multi-faceted performing arts festivals
1205Other performing arts and live entertainment services, including management services for rights attached to artistic, literary and musical works, and operation of scenery and backdrops, and lighting and sound equipment for the performing arts
2502Ticketing agency services for performing arts events
2603Public entertainment buildings, including cinemas, theatres, concert halls and other performing arts venues
2604Hospitality buildings, including pubs, taverns, bars, nightclubs, discotheques, cafes, restaurants and hospitality clubs

Source: ABS Cat 4902.0 (2001)

The third ACLC classification is by occupation. Table 5.3 shows excerpts from the full classification. Again, it is impossible to provide a full check of the adequacy of the classification, although it appears to be somewhat simplistic, especially in view of online developments and the value web around the main recording activities. There would also appear to be numerous record company occupations in the professional and managerial field, some pivotal such as artist and repertoire (A&R) managers, described by Hannan (2003:157) as having a strategic role in planning the artist's recording career. These positions are too specific for the general Australian Standard Classification of Occupations (ASCO)[130] NCCRS/ABS should consider expanding the ACLC occupational classification to cover such positions.

Undoubtedly this is only one among many occupations – including those in the value web surrounding the main industry – which will prove important in the framework.

This review of the Australian Culture Leisure Classifications suggest that the industry classification will be the most useful to consider, while the product and occupational classifications generally require considerable expansion to serve as useful checklists.

5.2.2 ABS data relating to individuals, groups and live performances

The Census provides the longest time-series information on individual occupations, following the Australian Standard Classification of Occupations (ASCO), and their employment in industries classified by ANZSIC. This gives us some basic facts about the growth in cultural occupations and

[130] *Australian Standard Classification of Occupations*. Second edition 1997 (ABS Cat 1220.0).

Table 5.3: Excerpts of ACLC occupational classification

2 Professionals	
2491-13	Music teacher (private), including singing teacher (private)
2537-11	Music director, including band leader, choral director, orchesta conductor
2537-13	Singer, vocalist, including chorister, concert singer, ensemble singer, opera singer, popular singer
2537-15	Instrumental musician, instrumentalist
2537-17	Composer, lyricist, music arranger, orchestrator, songwriter
2537-79	Musicians/related professionals n.e.c., including ethnomusicologist, music copyist, music researcher
4 Tradespersons and related workers	
4992-11	Sound technician, audio technician, including audio operator, dubbing machine operator, dubbing projectionist (sound mixing), re-recording mixer, sound editor, sound effects editor, sound effects person, sound mixer, sound recordist, video and sound recorder
4992-79	Performing arts support workers n.e.c., including clapper loader (film), continuity person, microphone boom operator, performing arts road manager, special effects person, theatrical dresser
4999-17	Piano tuner
8 Elementary clerical, sales and service workers	
8312-11	Ticket collector/usher, venue attendant including entertainment usher, gatekeeper, turnstile attendant

Source: ABS Cat 4902.0 (2001)

the regional distribution of this growth, which is valuable. However, in terms of the requirements of a comprehensive statistical framework for the music sector set out in this report, the information is basically peripheral. First, the Census covers only the main occupation, which is insufficient for persons who often work an eclectic range of work either inside or outside the music sector. Likewise, industrial classifications cover only the participation by people whose main job is music.

A number of extremely helpful insights have been built up over the past decade, to a large extent through the efforts of the ABS National Centre for Culture Leisure Statistics (NCCRS) coupled with its sister organisation, the ABS Special Industry Survey unit (SIS).

- The latest of four surveys of paid and unpaid work in leisure and culture activities has added to the understanding of how large a percentage of the population gets involved.[131] An estimated 2.9 million people or 18.4% of the Australian population aged 15+ were involved in paid or unpaid cultural activities in the year ended April 2004. A total of 305,200 were involved in music (1.9%), of whom 54% were males. The main musical activity was playing an instrument. A total of 215,300 persons had musical training.

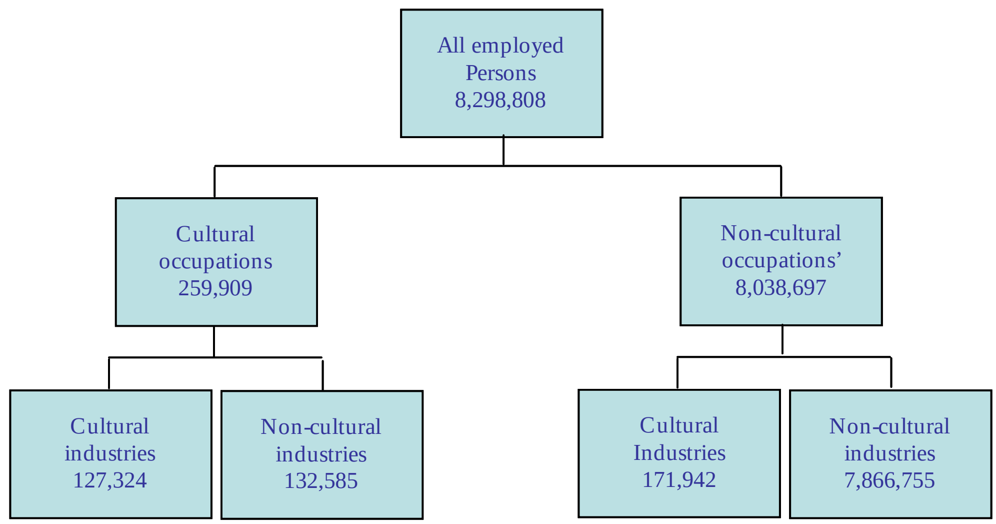
- Almost 800,000 children aged between 5 and 14 years participated in a selection of organised cultural activities in the year ended April 2003 (29% of all children in these age groups). Almost 450,000 played a musical instrument (17%), and 122,500 participated in singing (5%). These activities were more popular with girls than with boys (contrast the male dominance among paid and unpaid workers).[132] Of those children who played a musical instrument, 45% practised at home or elsewhere, had lessons or performed with their musical instrument more than once a week. They spent an average of four hours per week on these activities.[133]

[131] *Work in Selected Culture and Leisure Activities, Australia* (ABS Cat 6281.0, 2004).
[132] *Children's Participation in Cultural and Leisure Activities, Australia, April 2003* (ABS Cat 4901.0, 2003).
[133] Compared with Sweden (Forss 1999) participation rates seem reasonable (if lower), but the ABS survey data tells nothing about the quality of the music education received by these children.

- In 2002, 26% of the adult population attended popular music concerts (64% of whom attended more than one), 19% attended musicals and operas (46% of these more than once), and 9% classical music concerts (of whom 58% attended multiple times).[134]

- Through its work on defining cultural occupations and cultural industries, the NCCRS has mapped the Australian workforce, bearing in mind that cultural occupations are not generally employed in a cultural industry and *vice versa*.[135] The ABS chart emerging from this analysis is shown as Chart 5.1. Being derived from the 2001 Census, it refers to main job only.

Chart 5.1: Cultural employment, 7 August 2001



Source: *Employment in culture, Australia* (ABS Cat 6273.0, 2003)

A similar chart could conceivably be constructed for music workers. It would be interesting, in due course, to extend it to new concepts such as creative industries or Richard Florida's creative class, and highlight the role of music and other sectors in these. Meanwhile we note that there are more people working in cultural occupations in non-cultural industries than there are cultural occupations in cultural industries, and more people working in non-cultural occupations than cultural occupations in cultural industries. Whether it assists the dissemination of creativity associated with cultural industries that the occupational pattern is so mixed is an interesting point that cannot be answered from the statistics shown here.

- Major institutions collaborate with the ABS and their statistics appear in *Year Book Australia*. This includes the Symphony Australia Orchestral Network, Musica Viva Australia, Opera Australia and The Australian Ballet. The Australian Film Commission provides data on the number and value of film titles and video titles for television.

- Finally, a succession of publications culminating in *Performing Arts, Australia 2002–03* (ABS 8697.0, 2004) has presented statistics of employment, income, expenses and value added for music and theatre production and performing arts festivals. Some of the income and expenditure items in this publication help understand the links between the value chains associated with the performing arts and the value chains of other industries. Generally, the design of the survey to

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[134] *Attendance at Selected Cultural Venues and Events, Australia, 2002* (ABS Cat 4114.0, 2002).
[135] *Employment in Culture, Australia* (ABS Cat 6273.0, 2003)

provide a measure of the financial and business structure of selected performing arts organisations operating in Australia is praiseworthy.

In summary, the ABS has provided a broad overview of the growth and broad participation rates in the Australian music industry, within the context of individual performers and creators, groups, and live performances. However, it stops far short of providing a picture of the total activity – there has been no attempt to capture the range of the popular music industry's activities, let alone other genres. This is no criticism, just a statement that much needs to be done to generate a comprehensive picture of this part of the Australian music sector, and how this picture could be used to underpin policies that recognise the dynamic role that it can play as part of the creative industries.

It is fitting to note in view of the remarks in the previous paragraph that SWG, backed by the ABS and other organisations, did take the initiative to invite consultants to submit their proposals for the present study of a statistical framework for the music sector.

Other statistical data relating partly to creators, performers and groups and partly to subsequent value chains within the music sector include public funding, which has been well maintained through the years since the first estimates were commissioned by the Australia Council around 1990.

5.2.3 ABS data relating to the recording industry

The contribution of the Special Industry Survey branch of the ABS (SIS) is as praiseworthy as the contribution of the National Centre for Culture and Recreation Statistics. SIS has contributed a wide range of special industry surveys over the past ten years. One was mentioned above, dealing with the performing arts, with a new survey being published in late August 2004.

Business of Music 1995–96 (ABS Cat 4142.0, 1997) and associated publications dealt with the economic contribution of record companies, manufacturers of recorded music, music publishers and sound recording studios in terms of employment, income, expenses, and business gross product (value added). This was an obviously valuable contribution to the state of knowledge about the music industry as it was known.

Some other statistical sources associated with the music industry have been explored over the years. These include the periodic household expenditure surveys and some retail sales surveys. The best one can say about such sources in the context of this report is that they provide supplementary impressions for our understanding of the music sector.

The ABS balance of payments data include foreign trade in royalties and licence fees, including music royalties. The detailed export and import classifications include a range of music-related products across the board, which add useful data.

5.3 Other data

Data provided from outside the ABS can be summarised in five groups:

- The potentially most important information is from the copyright collection societies, which with their cooperation could provide the flows depicted on Chart 2.10: domestic and international flows from the respective users of intellectual property to music publishers, artists and creators, and the recording industry.

- The statistics posted on the ARIA website makes it possible to chase Australian sales of a number of recording media over a number of years. ARIA also displays comprehensive research to show the impact of illegal burnings of music CDs and illegal downloading of music through file sharing – both practices quantified through market research.[136] The International Federation of the Phonographic Industry (IFPI) has similar data on an international basis.[137]

- State music organisations have compiled extensive lists of popular music bands, which can be supplemented from the records of individual genres such as folk, jazz and country music. The lists also include a wide range of other music businesses. Such lists would provide excellent starting points for the necessary identification process preceding any statistical collection program, as described in Chapter 6.

- The Australian Music Association collects statistics on a range of matters associated with the music sector, including musical instrument and equipment imports, local production and exports.

- Finally, there are a number of surveys, of which one has 'official' status through its long association with its originator, Professor David Throsby, and the Australia Council that commissioned the research. Without going into detail at this stage, the four studies in the series covering two decades not only display some important time series but provide a fount of information about questions that have been successfully asked artists in the past.[138]

5.4 Conclusion

The statistical collections relating to parts of the industry in recent years provide reasonable knowledge of segments of the industry (such as music production and the recording industry) but large gaps remain. The key difference between the current availability of data and what the proposed framework implies should be collected relates to the individual artist. The studies headed by David Throsby over the past 20 years provide guidance in this area.

The current statistical base gives us an impression of what is the music industry, but mainly from the production industry's view – recording and major performances – while the creators and performers have been reduced to inputs. We know more about the music industry than the music sector.

One problem is that even the measurement of the music industry is sporadic. Major ABS surveys show isolated industries such as 'record companies and distributors' but there is no linkage to other things which goes anywhere towards identifying the value chains. And there are no statistics at all on individual artists and groups.

Many statistics are background only, such as broad arts participation and attendance statistics too general to be useful.

We conclude that a major gap exists because of the absence of consistent time series. This is very much at odds with the current emphasis on creativity as a driving force, though Australia is certainly not the only nation guilty of neglect in this respect and could well emerge as an international leader if the framework is initiated over the next few years.

[136] Quantum Market Research (2003), *Understanding CD Burning and Internet File Sharing and its Impact on the Australian Music Industry*, (http://www.aria.com.au/pages/documents/AriaIllegalMusicResearchReport_Summary.pdf).

[137] http://www.ifpi.org/.

[138] David Throsby (chair), *The Artist in Australia Today* (1983), David Throsby and Devon Mills, *When are you going to get a Real Job?* (1989), David Throsby and Beverley Thompson, *But What do you do for a Living?* (1994), and David Throsby and Virginia Hollister, *Don't give up your Day Job* (2003). All for the Australia Council.

6 Priority issues for the statistical framework

6.1 Creativity is the key

Our studies have convinced us that there is an urgent need in Australia to improve the statistical knowledge of the music sector, and in so doing to put creativity in the high seat, with the mechanical recording of the music being servant rather than master. We have entered a stage where our economic development, and our social and cultural wellbeing, depends ever more on the creative ability of Australian residents. This has been recognised in policies such as the creative industries strategies which Australia and Queensland have adopted.

To quote Richard Florida writing about his analysis of American cities (2002b): '*Stuck in old paradigms of economic development, cities like Buffalo, New Orleans, and Louisville struggled in the 1980s and 1990s to become the next "Silicon Somewhere" by building generic high-tech office parks or subsidizing professional sports teams. Yet they lost members of the creative class, and their economic dynamism, to places like Austin, Boston, Washington, D.C. and Seattle – places more tolerant, diverse, and open to creativity.*'

The late American economist Mancur Olson (1932–98) formulated a theory of institutional sclerosis, a hardening of the arteries in an economic system. Olson identified various strands in this process of sclerosis, the main one being the activities of special (vested) interest groups.[139] Places that grow up and prosper in one era find it difficult and often impossible to adopt new organisational and cultural patterns, regardless of how beneficial they might be. Consequently, innovation and growth shift to new places which can adapt to and harness these shifts for their benefit.

Provided the music sector can avoid becoming entangled in its own institutional traditions, it is in an ideal position in an age increasingly dependent on creative people. It is naturally endowed with the artistic creativity of composers and musicians, and has a symbiotic relationship with the high-tech creative industries needed to reproduce and disseminate the music nationally and worldwide. The music sector is also well positioned to avail itself of the creative marketing capabilities advocated by Michael Porter and other commercial strategists. To a large extent it benefits from the creativity associated with the 'value web' of small businesses able to compete despite their size. The sector has a diversified regional structure where artists in a number of geographical areas have developed or have the potential to develop products with unique features for the market. It also has considerable institutional support from regional and genre-based associations and the public sector. Essentially, however, it must 'think beyond the square' on matters such as the shifting dynamics of genre development and what that means, and wider issues such as the cultural, social and economic role of the music sector in the new creative economic environment.

6.2 The role of music organisations in the identification process

The identification of individual artists, bands and other commercial entities is likely to be one of the costliest parts of the development of the statistical framework. It is also an area which has attracted criticism from members of the Australian Music Industry Network (AMIN), the peak contemporary popular music organisation. In 2000, the Western Australian Music Industry Association (WAM) and its sister organisation in Queensland, Q Music, drafted a report that criticised the ABS for providing less than full coverage in its industry statistics (specifically *Business of Music 1995–96*).[140] Even within the narrowly defined recording industry it pointed to significant omissions. In addition, there was no

[139] Mancur Olson (1982), *The Rise and Decline of Nations*, Yale University Press.

[140] Australian Music Industry Network (AMIN 2000), *Contemporary Music Industry Policy: An Australian Music Industry Network Discussion Paper*. Draft prepared by WAM, revised by Q Music.

representation of the majority of musicians working independently of management and the record companies.

The authors of the report estimated that in Western Australia, this 'unsigned, self-managed group' accounted for 85% of all recorded material. The report also noted that the employment statistics '*did not include figures for the primary creators within the industry, the musicians themselves*' (p 8). These findings are very much in agreement with the tenor of the present report, which puts the individual artist, band and orchestra at the apex of the music sector.

The lists that have been, or are being, developed by individual state and territory music organisations are therefore an important potential source of information about the size of the music sector.

The most comprehensive current databases are those developed by the Western Australian and Queensland music organisations, WAM and Q Music. The WAM industry database comprises bands, cultural associations, venues, artist managers, equipment hire, event promoters, music associations, music teachers, music retail, recording/rehearsal studios, training providers, production services, government departments and support agencies, booking agents and festivals. It is available at www.rammpaage.com.au. WAM's website is www.wam.asn.au.

Q Music's The Source (www.qmusic.com.au/source/) may have the most comprehensive database, totalling 2,804 entries in November 2004. They are accessible to members, whereas non-members can only gain access to members (573 or a fifth of the total database). According to AMIN (2000) there were a total of 700 entries at that time, which shows that the advantage of being on the database is being realised by a strongly increasing number of music sector participants. It also makes the information increasingly valuable in the process of helping to build up a sampling base for the statistical framework surveys.

Other states appear to be lagging behind Western Australia and Queensland in respect of databases. However, in Victoria, Vic Music (www.vicmusic.com.au) has started to develop a comprehensive and accurate online guide and has produced a comprehensive category list which could serve as a first-base check list of businesses and activities that should be covered in the detailed statistical framework.[141]

In Tasmania, Tas Music (www.tasmusic.com.au) released *The Tasmania Music Industry Directory: The Music Map* at the end of 2003. It can be selected by region (southern, northern, north-western Tasmania), and has various categories including 'jukebox gallery', 'gig guide' and 'rock challenge'. It is not clear how comprehensive the guide is. We understand that Music NT also produces a local directory.

Finally, Music NSW (www.musicnsw.com/projects/venue.php) is currently developing a major venue database project. The Music NSW Online Venue Guide site will be a searchable map of NSW for touring musicians, detailing specific information on all types of venues where performance opportunities are available. Through developing this resource, Music NSW aims to stimulate and support live music in NSW and at the same time begin to address key issues as outlined in the recent *Vanishing Acts* Inquiry into the state of live popular music opportunities in NSW (Johnson and Homan 2002).

In addition to these state music organisation initiatives, there are numerous commercially produced directories such as the *AustralAsian Music Industry Directory* (AMID 2004). There is also a commercially produced *Music Index Victoria* (MIVIC) and a *Music Index South Australia* (MISA), with annual editions up to and including Spring 2004 (www.musicindex.com.au). There are others quite apart from directories of particular genres such as jazz, folk and country music. *Kulcha* in Western Australia maintains a database of world music artists.

[141] Vic Music (2004), *Draft Database Categories and Fields* (www.vicmusic.com)

Most of the sources mentioned above relate to popular music genres. There are also good sources relating to contemporary classical music. The New Music Network which is affiliated with the Australian Music Centre is a collection of contemporary music ensembles and organisations. Based in Sydney, 'but with its eyes and ears to Australia and the world,'[142] the network was formed with the idea of informing audiences about the performances of the newest music by outstanding Australian artists. The Australian Music Centre itself is another important source, with information about almost 400 composers and their compositions, links to all Australian universities, TAFE and private colleges providing post-secondary music education, and other data.

Other sources relating mainly to the classical music include Musica Viva Australia and The Orchestras of Australia Network (TOAN). Canberra Youth Music Director David Whitbread has told us that the Youth Orchestras Australia network has collected statistics on CD for a 2003 sector analysis for the Australia Council regarding the peak state youth orchestral organisations.

Symphony Australia is another potential source of a wide range of data, going beyond mere lists. According to Derek Watt, together with the network orchestras it conducts an extensive commissioning program and is committed to the performance of extant and new contemporary classical music. It provides infrastructure support for the training of and commissioning of new work. Symphony Australia manages training programs for composers interested in orchestral forces, in many ways compensating for activities not available at the conservatoires. Apart from the entrepreneurial role of the orchestras themselves, there in increasing interest in philanthropic support for commissioning. The orchestras are increasingly involved in 'cross-over' performances. All these matters would have potential for statistical measurement.

There would be many other sources that could assist in the build-up of a database for these music genres.

All these lists and sources appear to be publicly available (some free, some costing membership or subscription fees). This appears to imply that privacy legislation should not be an issue if the lists are used as a basis for further compilation of a sampling base. If privacy remains an issue, one means of overcoming it may be to request those on the list to lodge objections against being approached. The resulting loss of information is unlikely to be more than a small fraction of the total database.

The Australian Music Association collects data on musical instruments, print music, technology, major music products and 'where in Australia you can get them'. It also lists the country's major distributors of musical products and Australia's music retailers (http://www.australianmusic.asn.au/).

6.3 Options for a staged approach

This report has consistently put the individual composer, songwriter, performer and performing group in the forefront. We propose that a staged approach to developing the statistical framework proceeds as follows:

- Creators, performers and groups
- Live performances
- Record industry
- Other music sector value chains, including the music-related value added in broadcasting, film and advertising, and in support industries including systemic and non-systemic education and hardware and software required for producing and listening to music
- Development of a 'Music GDP' as an ultimate goal within a specified period.

[142] http://www.newmusicnetwork.com.au/about.html.

6.3.1 Creators, performers, groups and live performances

The priority area is creators, performers, bands and orchestras. However, it is closely related with the live performance phase because groups can be identified through the presenters and entrepreneurs organising performances, and often self-present performances themselves. There is a case for running the two first stages in tandem with presenters in the front seat along the following lines:

- Build a universe of presenters of all categories by all practical means including lists of bands available from music organisations, directories, gig guides, information relating to major venues, and other sources
- List presenters/entrepreneurs who have organised performances over a specified past period (we recommend a full year to avoid problems with seasonal patterns in performance frequency)
- Obtain contact details from a sample of presenters stratified by genre (*a priori* estimates since we cannot ask the band or group in advance), size, geography and other criteria.

To obtain sufficient observations to ensure satisfactory levels of sampling error at state and territory level and for individual genres such as jazz, country, classical, folk and world music it may be necessary to conduct supplementary surveys for these genres on a regional basis.

There is also a case for including all Australian musicians and groups at the top of the charts in a particular genre, because these represent a disproportionate share of total income, especially from exports, judging from the Irish study (Goodbody 2002).

6.3.2 From recording industry to Music GDP

The identification problem may be more straightforward for the production and distribution links of the music industry. They are by no means simple, but at least the record industry is well documented though the surrounding value web of small firms would be more of a problem. It is also likely that the online distribution systems are fairly ephemeral and fluid. The value chain through the conventional distribution system is better documented, though again it has to take account of the range of outlets from music shops to department stores.

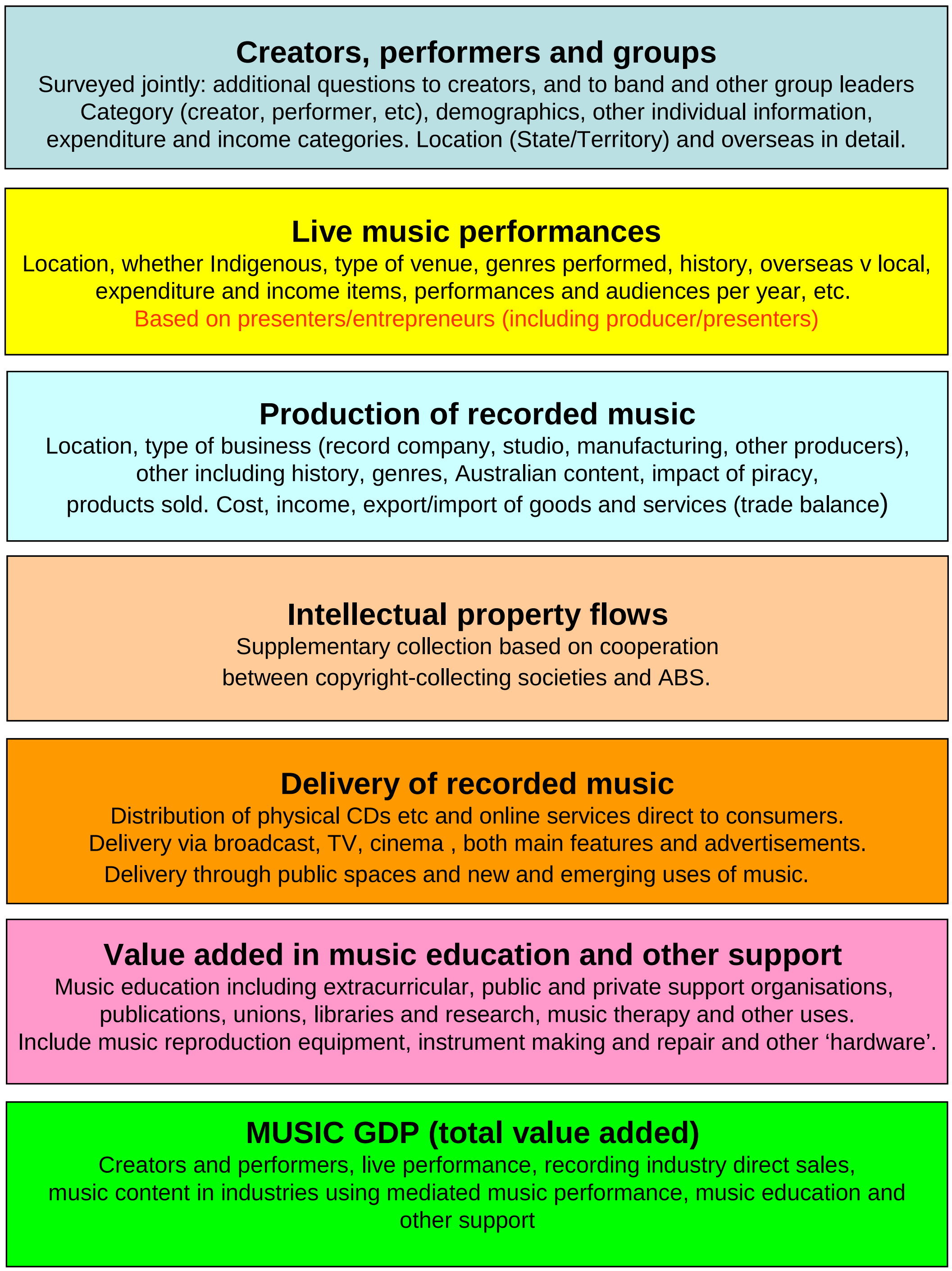
The complex pattern of 'recording and beyond' if the statistical framework is to capture a similar full picture as was developed for the live music performance area, was dissected into four areas when the matter was discussed in Section 4.4.3. The four areas could be tackled as successive steps, though a holistic picture of the music sector depends on conducting all four. The four areas were:

- An extended model of the record industry based on the operations of recording companies, sound recording studios, and recording manufacturers
- Online music distribution of physical and online music product
- Conventional wholesale and retail distribution of music product
- Defining the full music content in value-added terms in other industries using mediated music such as radio and television, film and advertising, piped music and new applications.

The ultimate goal, however, is to work towards the establishment of a true contribution of the music sector to economic growth – the Music GDP. This involves gathering additional data on music education (extracurricular community as well as school and tertiary), music organisations and other entities shown in Chart 4.6 (Section 4.4.6). Further, it is essential to set and publicise a timeframe within which to attain the goal. We suggest a timeframe of five years.

Chart 6.1 summarises the main sequence in the recommended data collection. More detailed steps are shown in Chart 6.2, which uses three colour codes:

Chart 6.1: Proposed statistical framework, towards a Music GDP



- Green: preparation for surveys (the first three all have a similar six-step sequence, though this is shown only for the first survey)
- Gold: the actual surveys
- Light yellow: preparation including final decision-making relating to framework, work on intellectual property matters, and preparation of input-output data for Music GDP.

Chart 6.2: A possible time frame

Year 0

	Overall plan approved or amended
	Set up consultative committee of sector and other representatives

Year 1

Survey of creators, performers and groups

- Design and carry out identification procedures starting from available lists and other material
- Decide organisations to carry out different components
- Design survey and consult with music sector representatives across genres
- Ensure that consultative process captures special needs (women's issues, career length etc)
- Ensure that all State and Territory issues are covered through consultative process
- Decide sampling procedures and size and select samples

Intellectual property flows

- Negotiations between ABS and copyright-collecting societies on data availability
- Set up procedures for annual data collection (to start in year 2)

Year 2

Survey of creators, performers and groups

- Conduct survey and decide on future frequency required

Survey of live performances

- Six-step sequence of tasks as shown for creators, performers and groups, based on

Other industries delivering recorded product

- Start planning and consulting with industries on how to estimate music content in economic terms

Year 3

Survey of live performances

- Conduct survey and decide on future frequency required

Production of recorded music

- Similar six-step sequence of tasks as shown above, based on identified business units

Input-output data

- Start developing model aimed at introducing Music GDP estimates by year 5

Other industries delivering recorded product

- Develop models to define music content in broadcasting, film, advertising and other identified industries

Year 4

Production of recorded music

- Conduct surveys and decide on future frequency required

Input-output data

- Develop coefficients in sufficient detail to support a reliable Music GDP estimate in year 5

Other industries delivering recorded product

- Survey music content in broadcasting, film, advertising and other using industries

Music education and other support industries

- Develop estimation models to define music content

Year 5

Music education and other support industries

- Survey music content

Total music sector

- **Develop a music GDP estimate by end of year 5**

Legend:

- Green: Preparation for surveys
- Gold: Surveys
- Light yellow: Special flows (1: preparatory, 2: copyright-related and 3: towards GDP estimate)

6.3.3 Repeat survey cycle

The ultimate value of the statistical framework for the music sector will be realised only when it measures change. Apart from the proposed intellectual property-related statistical collections in cooperation with the copyright collecting societies there are no repeat operations during the first five years.

Once the initial databases have been built up, there would be a strong case for continuing the cooperation with the music organisations to maintain them, thus reducing the costs compared with the initial compilations. It should be practicable to cooperate with the appropriate music organisations during the database development to ensure that processes are put in place that secure future data flows. It is impossible to estimate the cost saving but with proper planning and maintenance and assuming further development of database technology it should be feasible to reduce the identification costs by 50% or more.

6.4 Cost considerations and alternative approaches

We stated in our proposal to carry out this project that we would not be able to cost the proposed statistical framework with any precision. However, we have tried to provide some indication, which again leads to questions of the extent to which the ABS needs to carry out the work, and the extent to which alternative funding sources may be available, for example from arts authorities and the Australian Research Council.

The latest individual artist survey carried out under the leadership of David Throsby[143] received funding according to the respective Australia Council *Annual Reports* of $90,000 in 1999–2000 for what we understand was basically to identify the sampling base, and another $90,000 in 2000–01 for the actual survey, analysis and reporting. The cost of identifying the sampling base for the music sector is likely to be significantly higher, especially for the initial survey of creators, performers and bands.[144] Using presenters and entrepreneurs as the prime unit for the live performance survey may be associated with lower costs, but even here there will be considerable difficulties, especially in identifying groups of performers who present their own shows – according to AMIN (2000) a very large number.

As discussed above, it may be sensible to collect the information on creators, performers, bands and live performances as a combined operation, but we have assumed in the current calculations that they will take place in successive years.

Cost considerations will also influence the reliability of the state and territory estimates to be obtained. Given the local and regional importance of musical activity and the considerable differences that exist from one state and territory to another, we have taken it as axiomatic that the statistics must have a strong regional base.

A rough but indicative estimate of survey costs of the whole sequence set out in Charts 6.1 and 6.2 (including sampling, surveying, analysis and reporting of results) looks as follows:

- Survey of creators, performers and bands: up to $150,000
- Survey of live performances: up to $100,000
- Record industry survey: up to $100,000
- Other industries using mediated music: up to $150,000

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[143] David Throsby and Virginia Hollister (2003), *Don't give up your Day Job*, Australia Council.

[144] It may be possible to economise on this search process by combining it with the search for individual performers and groups.

- Support industries: up to $100,000
- Copyright-related work: three annual surveys totalling $75,000
- Input-output developments and final estimation of Music GDP: up to $300,000.

We repeat that the estimates are very approximate, and assume that these components will be carried out by commercial contractors or academic institutions and exclude identification costs. The following considerations appear relevant:

- The preferred option is that ABS would carry out the statistical collections because its statutory power to enforce response is important for the generation of a reliable statistical framework.[145] However, there would appear to be a case for delegating the identification of economic units (individual artists and groups, business units in the 'value web', and so on) to other bodies.
- There is a strong case for cooperating with state and genre-based music organisations and others who have been building up databases. Judging from the manner in which these databases are currently accessible, privacy legislation should not be a major consideration. At most, it may be necessary to make an announcement generally aimed at people and businesses on the databases that they will be removed on request.
- Funding might be provided by the Australian Research Council, probably as a Linkage Grant, with assistance from federal and state arts authorities (which have an obvious interest in the outcome). The ARC funds a broad range of research categories including the humanities and the arts. Basically, projects have to qualify as being of national importance and potential income-earning capacity to have a chance of funding. It is also highly desirable to seek funding from other sources, preferably non-government. ARC funding requires that a particular project is university-led, though others can participate. It is strongly recommended that peak music organisations and specialist consultants be included in the process.
- One project that would appear to qualify eminently for ARC funding – which is strongly orientated towards outcomes benefiting the economic, cultural and social prosperity in Australia[146] – is the development of suitably detailed input-output data and the ultimate development of the 'Music GDP'. It lends itself to academic leadership and research capability in

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[145] The ABS Annual Report 2002-2003 states in Section 1, Chapter 2: 'The Census and Statistics Act 1905 provides the Australian Statistician with the authority to conduct statistical collections, including the Census of Population and Housing and, when necessary, to direct a person to provide statistical information.' We have found no evidence that the ABS does, or can, transfer these powers to other organisations.

[146] The ARC states its mission in the following words: 'The Australian Research Council (ARC) plays a key role in the Australian Government's investment in the future prosperity and well-being of the Australian community. The ARC's mission is to advance Australia's capacity to undertake quality research that brings economic, social and cultural benefit to the Australian community. .. The ARC fosters excellence, partnerships and the highest ethical standards in research and research training in all fields of science, social sciences and the humanities.' (http://www.arc.gov.au/about_arc/default.htm).

The Allen Consulting Group (2003) provided an assessment of the ARC's compliance with government policy laid down in the 1999 White Paper, *Knowledge and Innovation* (which led to the ARC being set up as an independent body under the *Australian Research Council Act 2001*), and the Commonwealth Government's Innovation Statement in January 2001, *Backing Australia's Ability*, which provided additional funding of $2.9 billion over five years to support science and innovation, a substantial part of which is flowing through the ARC. The second statement appears particularly relevant to an application for support to develop pioneering statistical research, as it focuses on three areas of innovation: Strengthening Australia's ability to generate ideas and undertake research; Accelerating the commercial application of these ideas; and Developing and retaining Australian skills. The application for an ARC Linkage Grant for research into music education (Schippers 2004) was described in Section 3.1.4.

partnership with music sector representatives and with the ABS in an advisory and data-supplying role. The costing of the project will naturally have to be thoroughly refined from our rudimentary estimate above.

- Apart from engaging in cooperation with state and genre-based music organisations and peak organisations such as ARIA, AIR, APRA/AMCOS and the MCA (strongly recommended in view of the potential cost-cutting effect of their detailed knowledge), it may be possible to collect a less comprehensive sampling base if this is supplemented by detailed probes in selected areas to help estimate the relationship between the reduced sampling base and what is the full population of music-related activities in these areas. We consider this a distinctly 'second-best' solution which is mentioned but not part of our main suggestions.

6.5 Final remarks

We have presented what we believe is a strong case for comprehensive statistical collection, with an ultimate objective of developing a reliable and full expression of the economic contribution of music ('Music GDP') as well as data that contribute to the social and cultural understanding of the sector. The framework we have defined reflects the emerging role of creative industries as driving forces for economic growth – indeed the music framework could be regarded as the prototype for other creative industries. If so, it is fortunate that the music sector is probably the most complex creative industry, at least among the arts – it should be *relatively* straightforward (not easy) to add other arts-related sectors to a comprehensive creative industries framework.

In putting forward our suggestions, we realise that they have to fit into a broad set of priorities and budgeting considerations. But we were encouraged to make what might seem like an ambitious set of proposals for two reasons, first because SWG had decided to ask for tenders to scope a comprehensive framework at all, and in so doing stressed the importance of getting to know more about individual artists across the full range of genres. The emphasis on the individual creator and performer, which formed one of the cornerstones in the framework according to the brief and which was close to our own perceptions, was particularly important in setting our bearings for the research.

The statistical framework will by the very nature of the music sector provide a quantitative measure of popular music supremacy, but it will also demonstrate the economic, cultural and social importance of less dominant genres and the volatility of musical performance trends and how these niches might be promoted to become greater contributors to the economy.

The second reason why we were encouraged to make these particular suggestions has already been stated – the growing emphasis on the importance of creative industries. To accommodate this takes us far beyond economic considerations, crucial though they are. Social and cultural wellbeing is itself a determinant of economic growth, and although we used Michael Porter's strictly commercial value chain as our point of origin, we found this quite incomplete until we had developed our own parallel socio-cultural model. We consider that policy-makers in government and industry ignoring the socio-cultural value chain do so at their peril. It should occupy a prime position as the statistical framework is developed.

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