Tina Harrod - Fringe IGNITE Erskineville
Photo: Belinda Dipalo

INVESTMENT INITIATIVE TO CULTIVATE THE AUSTRALIAN CONTEMPORARY MUSIC INDUSTRY

APRA
AMCOS

The contemporary music industry has been and is an integral part of Australian culture, as well as a significant contributor to economic activity. Benefits include job creation, revenue generation, export revenue, as well as wider cultural, social and regional benefits.

Ernst & Young has been engaged by APRA AMCOS (Australasian Performing Right Association Limited and Australasian Mechanical Copyright Owners Society), in conjunction with the Australia Council, PPCA (Phonographic Performance Company of Australia Limited), the Australian Hotels Association and Restaurant & Catering Industry Association to:

- Investigate the need for further investment in the contemporary music industry in Australia
- Assess the impact of such investment in the form of tax offsets.

The study builds on the APRA AMCOS commissioned report by Ernst & Young in 2012, *The economic contribution of the venue-based live music industry*.

In considering the sustainability of the contemporary music industry the report focused on three primary components; venues, sound recording owners and artists.

Venues provide an important platform for emerging artists to expose their music to audiences and develop their music career. Live music performance is seen as an incubator for talent where artists can gain exposure and trial new material. However, venues face significant financial and regulatory barriers.

Sound recording owners[1] face lower revenues due to the shifts in music dissemination and consumption and online piracy.

Artists have amongst the lowest salaries of the Australian creative sector, with average incomes lower than the average income of other Australian workers. Given this, artists must seek other employment opportunities, reducing their time spent on developing music.

WHY TAX OFFSETS?

Grants, philanthropy and loans are important sources of funding. However, there is considerable risk and little incentive to invest in the contemporary music sector. Government support lags significantly behind other areas of the music sector and the arts generally.

While opera and orchestras receive cash funding to support infrastructure and organisations, the contemporary music sector has traditionally received limited funding in support of specific programs.

Investment strategies, including tax offsets, may be a valuable mechanism in supporting the sustainability of the wider contemporary music sector - which has more in common with the film industry than the traditional arts sector.

Tax offsets for the contemporary music industry could be implemented through the existing framework and legislation already in place for the R&D tax incentives[2].

WHY FOCUS ON LIVE MUSIC VENUES?

While the progression of artists' music careers vary greatly, it is generally recognised that most musicians start their careers by performing at live venues.

In terms of 'bang for bucks' and benefit to the broader contemporary music industry, the report found that the greatest increases in total output[3], employment and value add[4] came from the application of tax offsets for venues - a 'cash' based offset for venues not currently staging live music, and a 'percentage of expenses' offset for venues already staging live music.

HIGHLIGHTS & KEY FINDINGS

Increase in total output, employment and value add: The highest output, employment and value add came from providing a 'combination' venue offset of $40,000 cash offset for new live music venues, and 20% expenses offset for existing live music venues.

Increase in venues staging live music: Based on the venue survey data, 45% of restaurants / cafes / other, 21% of hotels/bars and 5% of clubs and nightclubs that are not currently staging live music would stage live music if a range of tax offsets were provided. This was estimated to amount to up to 2,017 new venues staging live music across Australia.

Increase in live music performances: Up to 284,193 additional live music performances per year are expected under the combined venue scenarios. This is an increase of approximately 87% in comparison to current levels

Increase in live music attendances: Up to 31.1 million additional attendances under the combined venue scenarios

Increase in sound recording investment: Sound recording producers said an offset would assist in reducing overhead costs and allow for increased investment in new and current artists.

Impact on tax flow and net difference: Tax offsets generate additional spending in the economy, which results in additional tax revenue for government. The net difference between the total tax offset paid by government and the additional tax revenue received varied across the various scenarios investigated, and was highest under the combined venue scenario of $10,000 cash offset for new music venues and 5% expenses offset for existing music venues, providing a net return to government of $40.2m, and the greatest return on investment for government.

1. Sound recording owners are defined as self-releasing/home-recording artist, independent labels and major record companies. Music publishers are not included. The report also refers to sound recording owners as "producers".
2. R&D tax concession were introduced in 2011 allowing companies to claim a tax deduction in their income tax return of up to 125% of eligible expenditure incurred on R&D activities.
3. The market value of goods and services produced.
4. The market value of goods and services produced, after deducting the cost of goods and services used.