Response to Question on Notice Friday 13 November 2020

MR GORMAN: Thank you, Chair, and thank you, everyone, for your presentations. My first question is to the ARIA representatives, and it's about your goal. We've talked a lot about a cultural strategy throughout our hearing today, and one of the things that I think goes into a good cultural strategy is having some pretty ambitious goals. Could you expand a bit more on your goal for Australia representing five per cent of the global music market. Do you have any examples of the concrete things that other countries have done to expand their share in that market, and why do you think that particular target is so important? (p.46)

The Australian music industry has always punched above our weight. Australia has been in the top 10 territories of the global music market for several years, and a rising number of our homegrown artists are achieving critical and commercial success across numerous foreign markets, including the USA. In 2019, the Australian recorded music market made up approximately 2% of the global market, worth approximately AUD$555 million out of USD$20.2 billion.[1] It should be noted that COVID-19 has had a devastating impact on both Australian and global music revenues due to the virtual stoppage of live touring.

We are of the view that the establishment by Australia of a global export goal for music would be a world first. We have no knowledge of other countries setting an equivalent goal and this would reflect the aspirational nature of our local industry as we expand our presence in the traditional markets of North America and Europe whilst also setting our sights on the large growth in emerging markets of Latin America, Asia and Africa. There are now 400 million paid music streaming service subscribers worldwide – and over the next decade, this is expected to triple with substantial growth in these three regions.

The Australian music industry set a goal of attracting at least 5% of the global music market by 2030 as part of key submissions to the House of Representatives Inquiry into the Sustainability of the Music Industry in 2018. This has been further articulated by APRA AMCOS on setting a goal for Australia to become a net exporter of music. This goal points to territories like Sweden – a nation that reportedly receives more music royalties per head than any other nation. Key to increasing Australia's access to the global music market is the establishment of national standards around the development of song writing in schools, tax rebates for the presentation of live music in venues and businesses around the country, the reduction of red tape and over-regulation of live music, strategic and long-term government investment in music export programs and better support of local content quotas on all platforms. ARIA believes that the target of 5%, is an ambitious but achievable goal. In order to achieve this target, equally ambitious policy work, strategic investment and collaboration across the industry and government stakeholders is required.

National annual data gathered through an agreed and consistent methodology is crucial for all music export nations to analyse activity including export income. It is where the creation of an Australian Export Council with industry, government and academics can really start to work towards those strategic goals.

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[1] ARIA, 'ARIA Releases 2019 Wholesale Figures' (Media Release, 22 April 2020)1; IFPI, 'The Global Music Report: The Industry in 2019' (2020) 13, available at https://www.ifpi.org/wp-content/uploads/2020/07/Global_Music_Report-the_Industry_in_2019-en.pdf

BORN GLOBAL: AUSTRALIAN MUSIC EXPORTS

Born Global: Australian music exports, a 2019 ARC Linkage Project with Monash and Newcastle Universities together with APRA AMCOS and the Australia Council, studied the economic and cultural value of Australian music exports and provided comparative analysis of the export strategies of various countries. The report notes that Australia already is the eighth largest market for recorded music in the world and our global significance is growing. The research highlighted the increasing international success of Australia's musicians and the strengthening of international connections.

Encouragingly, we also see that an increased number and diverse range of Australian musicians are achieving international success, promoting a rich and nuanced sense of Australia's creativity. The report also found that that relatively modest investments from government and industry have had a powerful multiplier effect. Maintaining and growing this support for the increasing global opportunities for artists will be crucial to a future where Australian music flourishes as an international cultural and market leader.

The research looked at how Australia compares to six other countries (Canada, Finland, France, South Korea, Sweden and the UK) to see if any lessons can be learned from their export models and strategies. The focus was on how music export activity was funded within the wider ecosystems of the arts and creative industries, their priorities and key strategies nationally, the role of government in supporting strategies, the role of industry in supporting strategies, the relationship of music exports to national branding strategies and the related 'soft power' ambitions of national cultural policies.

A variety of models of support exist among the seven nations considered in the research. These include:

- State-industry partnerships, with export activities co-funded and evidence of greater industry collaboration (Finland, France, Britain, Sweden).
- Culturally embedded models (France, South Korea).
- More traditional 'state patron' models (Canada, Australia).

Despite this variety, the research showed that across the globe, governments are increasingly working with their local music industries to deliver programs and achieve particular goals.

Cultural value

Nations recognise broader benefits as a result of a successful music export strategy. For some nations, music exports play a more prominent role in broader cultural heritage strategies, and across related sectors such as tourism.

- In the United Kingdom, music export schemes were, and still are, an important component of national branding strategies.
- For France, music export activity remains linked to broader representations of both French cultural heritage and 'contemporary France'.
- South Korea successfully deploys K-pop across a range of other industry and government ambitions related to national branding campaigns, in-bound tourism and consumer demand.
- Increased national pride was evident in Sweden, Finland and Norway as particular genres, artists and songwriters gained international attention. In these countries, music was shown to return considerably more revenues in comparison to other cultural activities.

The role of domestic infrastructure
Related domestic activity and infrastructure can be linked to successful export activity. The research revealed relationships between export policies and schemes, wider domestic infrastructure, and national 'incubator' schemes designed to sustain promising acts, for example:

- Across Scandinavia, substantial investment has been made over long periods in both music education and early creativity programs across all cultural forms. Links have been recognised between this investment and broader cultural participation, local industry growth and subsequent export activity.
- France and Canada retained significant support for local live music infrastructure, regional music funding and different taxation and other measures designed to ensure the promotion of local music content.
- New programs in the United Kingdom have sought to address challenges including the difficulties faced by female artists as emerging artists and the need for artist managers to develop networks and related expertise in the earlier stages of their careers.
- Emerging artists ('K-rookies') in South Korea are teamed with experienced industry figures and performers to build knowledge and expertise prior to international exposure.

If we look further at South Korea as an example, in the past decade, South Korea has seen has massive rise in the value of its music industry. In 2010, it was ranked 21st in the world in terms of revenue and market share.[2] In the 2019 IFPI Global Report, South Korea is ranked 6th, having overtaken other markets including, Brazil, Sweden and Australia.[3] A large part of this growth can be attributed to the boom in popularity of K-Pop, especially in western markets. However, recognition from Korea's national government in the economic value and soft diplomacy power of *hallyu* (the Korean Wave), has seen massive government support which has sought to grow the industry on a domestic level as well as widely promote artists overseas.

Economic impacts
Growing investment in export programs has been matched by increasing attention to assessing their economic benefits as part of national music economies.

National, annual data gathered through an agreed and consistent methodology is crucial for all music export nations to analyse activity including export income. In 2010, Sweden's eight industry bodies worked with relevant government sectors to develop an agreed report methodology to provide annual sector data titled *The Music Industry in Numbers*. UK industry sectors have similarly collaborated to fund and produce the *Measuring Music* annual reports since 2012. Britain has also led in funding related reports on the economic contribution of music tourism and music heritage.

Supporting innovation
Innovation is increasingly highlighted in funding criteria. Nations that are prepared to test new forms of assistance are leading export nations.

Export activities are provided through different combinations of arts, culture, trade and foreign affairs ministry funding. Funding has evolved to meet the demands of technological and industrial change. More innovative state-industry partnerships are being sought to encourage long-term industry growth and plug gaps in knowledge transfer for emerging artists, companies and managers.

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[2] RIAJ, 'Statistics and Trends: The Recording Industry in Japan 2012' (2012) 24, available at https://www.riaj.or.jp/riaj/pdf/issue/industry/RIAJ2012E.pdf
[3] IFPI, 'The Global Music Report: The Industry in 2019' (2020) 13, available at https://www.ifpi.org/wp-content/uploads/2020/07/Global_Music_Report-the_Industry_in_2019-en.pdf

The emergence of new forms of grant program funding is significant in acknowledging that showcases and other traditional means such as touring support are not enough. Changes in funding criteria are also attempting to reward businesses that are breaking through markets and traditional ways of operating.

Export offices

Export offices provide a wide range of support and services in addition to working with local industry sectors. They offer:

- Showcase/festival promotion – live performance and/or business networking at key global events.
- Business meetings – artist/manager networks with key publisher, touring, recording, licensing media organisations (often aligned to showcase event promotion).
- Media promotion – interviews with music media and mainstream media in markets.
- Touring – expertise for tours of new markets.
- Public relations – expertise in other markets.
- Legal assistance – immigration, visa and other expertise related to local environments.

The emphasis is on increasing an artist's preparedness and ability to exploit markets beyond domestic audiences as well as supporting access to broader knowledge and networks. Funding programs are increasingly focused on support for marketing and growth in local expertise and infrastructure.

The past decade reveals two significant changes to types of funding, and related broader national aims of music export offices:

- Most nations now offer assistance through marketing grant programs or digital marketing grants. In South Korea for example, the music industry accounted for the highest percentage of marketing and publicity spending by the state across its cultural industries in 2017.

- Nations are increasingly turning their attention to growing local expertise and infrastructure through more state-industry partnerships. This includes building individual company expertise and track records in exporting, as demonstrated through the Support for Eligible Music Companies grant in Canada and the Export Company Incubator and Export Strategy grants in Finland. These programs are longer-term investments allowing local industries to build knowledge, networks and expertise.

Digital resources are now vital to reconnaissance, preparation and planning activity. Platform-led digital aggregation has fundamentally changed music consumption, how it is measured, and related indicators of success. Music export offices play a role in harnessing data aggregation to their core activities, with most offices hiring staff dedicated to digital market analysis and strategy.

Dominant export activities are closely linked to the showcase model. The global circuit of music promotion, showcase and trade fair events is attended by most key export nations and considered a key music export activity. The events compete for scale and international prestige, where critical mass engages the interests of central companies, nations, promoters and managers.

The showcase model remains valuable for being a 'one-stop shop' that promotes a sense of international community bringing together networks and gatekeepers. It also gives export office staff the opportunity to:

- Connect and share information about events coordination.

- Share problems and barriers within respective domestic markets.
- Share approaches to steering artists and managers to appropriate gatekeepers across different markets.

For the benefit of the Committee, we attach to this response, the full Born Global report for any further details on the export strategies of Australia and comparable territories.

Finally, as part of key submissions to the House of Representatives Inquiry into the Sustainability of the Music Industry in 2018, ARIA drew the Committee's attention to work of IFPI[4] on the development of music cities. Their report *The Mastering of a Music City*[5] outlines the steps that can help local authorities, businesses, community groups and the creative sector capitalise on the potential of music to build, grow and strengthen their cities. ARIA has also previously recommended a way to make this support more effective at achieving lasting benefits is through the creation of a more holistic framework that involves all levels of government, music industry participants and external stakeholders, such as the one used by the European Union Commission through The Music Moves Europe **(MME)** initiative.

MME was developed by the European Union Commission as an overarching framework that aims to support the growth and diversification of the European music industry. This is done through four ways:

- Targeted funding for music projects that supports emerging talent and diversification of the music industry (as of 2020, 90 projects worth 57€ million);
- Policy work such as inclusion of the music sector in the EU Work Plan for Culture 2019-2022 and promotion, of local content on broadcast and digital platforms;
- Advocating for music-friendly legislation where the EU has legislative capacity; and
- Facilitating dialogue between the EU Commission and stakeholders in the music industry.

Australia's premier music export agency, Sounds Australia, has done amazing work to showcase Australia's music product to the world and provide assistance to artists seeking to promote themselves overseas. However, there are lessons to be learned from other countries which demonstrate how, through collaborative action by public and private sectors, we can strengthen the domestic music industry and provide pathways for record labels and artists to broaden their audiences and increase music exports, so that we can reach the goal for Australia to represent 5% of the global music market.

We thank the Committee once again for providing ARIA and PPCA with the opportunity to respond in detail to the questions that were raised as a result of our appearance the Standing Committee on Communications and the Arts on Friday 13 November 2020.

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[4] International Federation of the Phonographic Industry (IFPI) is an organisation that represents the global recording industry. https://www.ifpi.org/

[5] https://www.ifpi.org/wp-content/uploads/2020/07/The-Mastering-of-a-Music-City.pdf