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# Business of Music

## Australia

### Summary

*Statistics*

## NOTES

### ABOUT THIS PUBLICATION

This publication presents summary data from a census conducted by the Australian Bureau of Statistics (ABS) of businesses mainly involved in selected music activities in respect of the financial year 1995-96. This is the first comprehensive study by the ABS of music activity and covers record companies, distributors and manufacturers of recorded music, music publishers and sound recording studios. (See paragraphs 5-13 of the Explanatory Notes for more details.)

Some of the terms presented in this publication for activities of music businesses differ from the terminology used by the ABS in other collections. See the Glossary for the definitions used.

More information, including data about managers of musical artists and artists managed, will be published in *Business of Music, Australia, 1995-96* (Cat. no. 4143.0), in November 1997.

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### SYMBOLS AND OTHER USAGES

— nil or rounded to zero  
n.p. not available for publication but included in totals where applicable

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### INQUIRIES

For further information about the statistics in this publication and the availability of related unpublished data, please contact Colin Speechley on Adelaide (08) 8237 7363.

For information about other ABS statistics and services, please refer to the back of this publication.

W. McLennan  
Australian Statistician

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## MAIN FEATURES

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### BUSINESS OF MUSIC 1995-96

#### SIZE

- At 30 June 1996, there were 541 businesses (comprising record companies, distributors, manufacturers of recorded music, music publishers and sound recording studios) active in the field of music. Total employment (including working proprietors) was 3,886 persons. Of these, 2,324 (60%) were employed by record companies and distributors and 800 (21%) by sound recording studios. Paragraphs 5-7 of the Explanatory Notes on pages 8 and 9 include a more detailed description of the types of business included in (and excluded from) the scope of the survey.

#### INCOME

- For 1995-96, total income of music businesses was \$1,064.0m. Total sales of goods and services were valued at \$897.5m with record companies and distributors generating \$725.5m (81%) and manufacturers of recorded music generating \$94.5m (11%). Publishing and sound recording royalties accounted for \$135.6m (13%) of total income. Of these royalties, \$93.8m was earned by music publishers and \$41.8m by record companies and distributors.

#### PROFITABILITY

- Music businesses recorded an operating profit before tax of \$80.1m with record companies and distributors contributing 61% of this. The overall profit margin was 7.5% and business gross product was \$254.8m.

#### NET CAPITAL EXPENDITURE

- Net capital expenditure was \$47.5m, 52% of which was contributed by record companies and distributors.

#### RECORD COMPANIES AND DISTRIBUTORS

- Total income of the 153 record companies and distributors was \$792.4m of which \$447.5m (56%) was from sales of recorded music product distributed via licensing deals. Operating profit before tax was \$48.5m, profit margin was 6.1% and business gross product was \$162.1m.

#### MANUFACTURERS OF RECORDED MUSIC

- Total income of the 23 manufacturers of recorded music was \$95.0m, while the operating profit before tax was \$15.5m, profit margin 16.3% and business gross product \$46.2m.

#### MUSIC PUBLISHERS

- Total income of the 73 music publishers was \$119.9m of which publishing royalties accounted for 75% and sales of sheet music 14%. Operating profit before tax was \$8.3m, with a profit margin of 6.9% and business gross product of \$17.2m.

#### SOUND RECORDING STUDIOS

- Total income of the 292 businesses mainly involved in operating a recording studio was \$56.6m. Most of this was from advertising and jingle composition and production (28%), the hire of sound recording studios (24%) and sound production and recording for TV and film (21%). Operating profit before tax was \$7.8m, profit margin 13.8% and business gross product \$29.9m.

# 1

## MUSIC BUSINESSES, Summary of Operations

	Unit	Record companies and distributors	Manufacturers of recorded music	Music publishers	Sound recording studios	Total
*****						
Businesses at end June 1996	no.	153	23	73	292	541
Employment at end June 1996						
Males	no.	1 278	322	116	567	2 283
Females	no.	1 046	171	153	233	1 603
Total	no.	2 324	493	269	800	3 886
Income						
Sales of goods and services	\$m	725.5	94.5	22.5	54.9	897.5
Publishing and sound recording royalties	\$m	41.8	—	93.8	—	135.6
Other income	\$m	25.1	0.5	3.6	1.7	30.9
Total	\$m	792.4	95.0	119.9	56.6	1 064.0
Expenses						
Labour costs	\$m	93.0	19.6	11.0	16.0	139.5
Manufacturing costs and purchases	\$m	216.9	30.6	10.1	4.6	262.2
Publishing and sound recording royalties	\$m	215.9	—	75.6	—	291.4
Net advances expensed or provided for	\$m	11.8	—	1.3	—	13.1
Other expenses	\$m	214.0	31.9	14.2	28.3	288.4
Total	\$m	751.5	82.2	112.1	48.8	994.6
Trading stocks						
Opening	\$m	36.4	4.7	5.2	0.3	46.5
Closing	\$m	44.3	7.3	5.7	0.2	57.5
Net capital expenditure	\$m	24.5	9.7	6.9	6.5	47.5
Operating profit before tax	\$m	48.5	15.5	8.3	7.8	80.1
Profit margin	%	6.1	16.3	6.9	13.8	7.5
Business gross product	\$m	162.1	46.2	17.2	29.9	254.8
*****						

## 2

### MUSIC BUSINESSES, Items of Income

	<i>Record companies and distributors</i>	<i>Manufacturers of recorded music</i>	<i>Music publishers</i>	<i>Sound recording studios</i>	<i>Total</i>
	\$m	\$m	\$m	\$m	\$m
Sales of recorded music product					
Released by the business	106.3	—	0.6	—	107.0
Distributed via licensing deals	447.5	—	—	—	447.6
Purchased for resale	53.8	—	—	—	53.9
Fees for packaging and distribution of recorded music product	27.0	—	—	—	27.0
Income from the manufacture of recorded music product	n.p.	n.p.	—	—	124.7
Sales of sheet music	0.2	—	17.0	—	17.2
Sales of music videos	9.6	—	—	—	9.6
Sales of other products	41.8	n.p.	n.p.	1.7	45.1
Other services income	n.p.	n.p.	n.p.	53.3	65.3
<b>Total</b>	<b>725.5</b>	<b>94.5</b>	<b>22.5</b>	<b>54.9</b>	<b>897.5</b>
Publishing royalties	9.7	—	89.6	—	99.3
Sound recording royalties	32.1	—	4.2	—	36.3
Other income	25.1	0.5	3.6	1.7	30.9
<b>Total</b>	<b>792.4</b>	<b>95.0</b>	<b>119.9</b>	<b>56.6</b>	<b>1 064.0</b>

## 3

### MUSIC BUSINESSES, Items of Expenditure

	<i>Record companies and distributors</i>	<i>Manufacturers of recorded music</i>	<i>Music publishers</i>	<i>Sound recording studios</i>	<i>Total</i>
	\$m	\$m	\$m	\$m	\$m
Labour costs					
Wages and salaries	82.9	17.0	9.8	14.4	124.1
Other labour costs	10.0	2.6	1.2	1.6	15.4
<b>Total</b>	<b>93.0</b>	<b>19.6</b>	<b>11.0</b>	<b>16.0</b>	<b>139.5</b>
Manufacturing costs and purchases					
Manufacture of recorded music product	112.9	—	0.3	—	113.2
Manufacture of other products	10.2	—	—	—	10.3
Printing and binding of sheet music	—	—	1.2	—	1.2
Purchase of sheet music for resale	—	—	7.7	—	7.8
Purchase of recorded music product for resale	37.8	—	—	—	37.9
Purchase of materials, components etc.	30.8	27.4	0.1	(a)	(a)58.4
Other purchases	25.0	3.2	0.6	(a)4.6	(a)33.4
<b>Total</b>	<b>216.9</b>	<b>30.6</b>	<b>10.1</b>	<b>4.6</b>	<b>262.2</b>
Publishing royalties	62.3	—	72.8	—	135.1
Sound recording royalties	153.6	—	2.7	—	156.4
Net advances expensed or provided for	11.8	—	1.3	—	13.1
Advertising, promotion and marketing expenses	88.2	0.2	1.0	0.9	90.3
Other expenses	125.7	31.7	13.2	27.4	198.1
<b>Total</b>	<b>751.5</b>	<b>82.2</b>	<b>112.1</b>	<b>48.8</b>	<b>994.6</b>

(a) Purchase of materials, components etc. by sound recording studios are included in Other purchases.

	Value
	\$m
<b>INCOME</b>	
Sales of goods and services	
Hire of sound recording studios	13.5
Sales of blank recording media	0.9
Provision of audio mastering services	2.2
Sound production and recording for TV and film	11.8
Advertising and jingle composition and production	15.7
Other sales of goods and services	10.7
Total	54.9
Other income	1.7
<b>Total</b>	<b>56.6</b>
<b>EXPENSES</b>	
Labour costs	
Wages and salaries	14.4
Other labour costs	1.6
Total	16.0
Purchases	
Blank recording media	2.6
Other	2.0
Total	4.6
Sound recording services	5.9
Other expenses	22.4
<b>Total</b>	<b>48.8</b>

## EXPLANATORY NOTES

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### INTRODUCTION

**1** This publication presents summary statistics compiled from a census of Australian resident businesses mainly involved in selected music activities. The collection, which was the first of its type, was developed in conjunction with, and funded by, the Department of Communications and the Arts.

**2** The business of music includes the production and distribution of recorded music products (i.e. compact discs, audio cassettes, vinyl records), the production and distribution of sheet music and the transactions resulting from the exploitation and licensing of copyright in sound recordings and music compositions.

### REFERENCE PERIOD

**3** The period covered by the collection was the 12 months ended 30 June 1996. Where businesses were unable to supply information on this basis, their annual accounting period was used.

### SCOPE

**4** The activities presented in this publication do not coincide with classes in the 1993 edition of the *Australian and New Zealand Standard Industrial Classification* (ANSZIC) (Cat. no. 1292.0). Each activity either covers only part of a class, or straddles two or more classes. Those classes which include music activities in the scope of the survey are as follows.

- Book and Other Publishing (Class 2423)—includes publishers of sheet music.
- Recorded Media Manufacturing and Publishing (Class 2430)—includes record companies and manufacturers of pre-recorded music.
- Paper Product Wholesaling (Class 4795)—includes distributors of sheet music.
- Wholesaling n.e.c. (Class 4799)—includes distributors of pre-recorded music.
- Non-Financial Asset Investors (Class 7730)—includes music publishers.
- Advertising Services (Class 7851)—includes sound recording studios mainly engaged in advertising and jingle composition and production.
- Other Education (Class 8440)—includes sound recording studios mainly engaged in operating audio/multimedia schools.
- Sound Recording Studios (Class 9251)—includes sound recording studios.

**5** Information in this publication was obtained from record companies, distributors and manufacturers of recorded music, music publishers and sound recording studios. A brief description of each of these types of business is outlined below.

- Record companies are mainly involved in originating and releasing recordings by artists with whom they have recording contracts. They obtain their income from the sale of those recordings and also from royalties accruing to each business as owner of sound recording copyrights.
- Distributors generate income mainly from the distribution or wholesaling of recorded music products. These may be sourced via either licensing or packaging and distribution deals, or may simply be purchased outright for resale.



## EXPLANATORY NOTES *continued*

### SCOPE *continued*

- Manufacturers have as their main activity the manufacture of the carrier containing the recorded music (i.e. compact disc, audio cassette, vinyl record).
  - Music publishers obtain their income mainly either from royalties accruing to them as owners of the copyright in musical compositions, or from publishing sheet music.
  - Businesses mainly involved in operating sound recording studios were included in the collection regardless of whether or not they were recording music. However, excluded from the collection were businesses operating studios used for rehearsal only and businesses mainly involved in providing freelance sound recording services but not operating a sound recording studio.
- 6** Businesses generating income mainly from the release, distribution or production of music videos were excluded from the collection.
- 7** Other businesses with an association with music which were excluded from the scope of the collection were concert promoters, venue operators, booking agents, broadcasters and retailers. Performers, composers and songwriters were also excluded.
- 8** Non-employing businesses were included in the collection.

### COVERAGE

- 9** There is no comprehensive list of music businesses in Australia. To identify potential respondents, a list was compiled from various sources, but principally from the:
- ABS Business Register;
  - *Australasian Music Industry Directory—16th edition—January 1996*;
  - Telecom Yellow Pages; and
  - Industry associations.
- 10** A coverage survey, seeking details of the operating structure of businesses identified from these sources, was conducted during 1996 to identify the businesses in scope of the music business collection.

### STATISTICAL UNITS

- 11** The unit for which statistics were reported for the census of music businesses was the management unit. The *management unit* is the highest-level accounting unit within a business, having regard for industry homogeneity, for which accounts are maintained. In nearly all cases it coincides with the legal entity owning the business (i.e. company, partnership trust, sole operator, etc). In the case of large diversified businesses, however, there may be more than one management unit, each coinciding with a 'division or 'line of business'. A division or line of business is recognised where separate and comprehensive accounts are compiled for it.
- 12** Where businesses mainly involved in activities other than music had significant music activity involvement, the business was split into in-scope and out-of-scope operations and only the in-scope operations were included in the collection. An example of this would be a business mainly involved in book or video distribution which also had significant involvement in the distribution of recorded music.

## EXPLANATORY NOTES *continued*

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### STATISTICAL UNITS *continued*

**13** Similarly, some businesses were found to have significant sound recording studio operations although their main involvement was in other music activities. Where this occurred, the sound recording studio operations were treated as a separate unit from the rest of the business.

### RELIABILITY OF DATA

**14** Because the information in this publication has been compiled from a census, the estimates in this publication are not subject to sampling error. However, the estimates are subject to non-sampling error.

**15** Inadequacies in available sources from which the population frame was compiled, imperfections in reporting by providers, non-response, errors made in collection such as in recording and coding data, and errors made in processing data may result in non-sampling error. Every effort is made to reduce error to a minimum by careful design of forms, editing of data and efficient operating procedures.

### FURTHER INFORMATION

**16** More detailed music activity statistics including data about managers of musical artists and artists managed will be released in the publication *Business of Music, Australia, 1995-96* (Cat. no. 4143.0), which is planned for release in November 1997.

**17** Current publications produced by the ABS are listed in the *Catalogue of Publications and Products* (Cat. no. 1101.0). The ABS also issues, on Tuesdays and Fridays, a *Release Advice* (Cat. no. 1105.0) which lists publications to be released in the next few days. The Catalogue and Release Advice are available from any ABS Office.

## GLOSSARY

<b>Audio mastering</b>	The process by which the sound of final mix tapes is fine-tuned before being committed to final production masters for each release format required.
<b>Blank recording media</b>	Blank tapes and recordable compact discs.
<b>Business gross product</b>	<p>A measure of the unduplicated gross product of a business derived by subtracting from the gross output of the business its intermediate consumption of goods and services. The formula used for business gross product is as follows:</p> <p>BGP = Sales of goods and services (including royalty income)</p> <p><i>plus</i></p> <ul style="list-style-type: none"> <li>Rent, leasing and hiring income</li> <li>Government subsidies</li> <li>Capital work done for own use</li> <li>Closing stocks</li> </ul> <p><i>less</i></p> <ul style="list-style-type: none"> <li>Opening stocks</li> <li>Purchases and selected expenses.</li> </ul>
<b>Employment at end of June 1996</b>	<p>The number of working proprietors, working partners, permanent, part-time, temporary and casual employees, and managerial and executive employees working for a business during the last pay period ending in June 1996.</p> <p>Non-salaried directors, self-employed persons such as consultants, contractors and persons paid solely by commission without a retainer, and volunteer workers are excluded.</p>
<b>Licensing deal</b>	A deal for the distribution of recorded music product whereby the distributor is licensed by the owner of the sound recording copyright to market and distribute the product. The distributor pays the owner a royalty for each unit sold. In general it is by this means that Australian subsidiaries of multi-national record companies distribute the recorded music product of their overseas affiliates.
<b>Manufacturing costs</b>	<p>Manufacture of recorded music product—payments made to manufacturers for the manufacture of recorded music product.</p> <p>Manufacture of other products—payments made to manufacturers for the manufacture of other products (e.g. pre-recorded videos, video games).</p>
<b>Net advances expensed or provided for</b>	Gross advances (paid, for example, to composers or recording artists) which have been expensed or provided for in a business' accounts, less recoupments from royalty streams accruing to composers, recording artists, etc.
<b>Operating profit before tax</b>	A measure of profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid and drawings of working proprietors).
<b>Other expenses</b>	Includes insurance premiums, interest, rent, leasing and hiring, depreciation, travel and entertainment, repair and maintenance, motor vehicle running expenses and royalty payments other than those for publishing and sound recording.
<b>Other income</b>	Includes rent, leasing and hiring income, interest and dividends, government funding and royalties other than those earned from publishing and sound recording.

## GLOSSARY *continued*

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<b>Packaging and distribution fees</b>	Fees paid under packaging and distribution deals to distributors of recorded music product. The distributor either distributes, or has manufactured and distributes, product on behalf of the owner of the sound recording copyright who retains marketing responsibility. The distributor receives a fee per unit sold and the remainder of gross sales income is passed on to the owner.
<b>Profit margin</b>	Derived by expressing operating profit before tax as a percentage of total income, i.e. (Operating profit before tax/Income) x 100.
<b>Publishing royalties</b>	Royalties accruing to the owner of the copyright in a musical composition (e.g. a music publisher) and to the composer or songwriter. They are generated through the sale of recordings of the musical composition (mechanical royalties); its use in movies, TV shows and commercials (synchronisation royalties); its public performance, either live or as a recording (performing rights); or its being published in sheet music form.
<b>Sound recording royalties</b>	Royalties accruing to the owner of the copyright in a sound recording (e.g. a record company) and to the recording artist. They are generated through sales of the recording (artist royalties); its use in movies, TV shows and commercials (synchronisation royalties); or public playing of the recording (performing rights).



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