



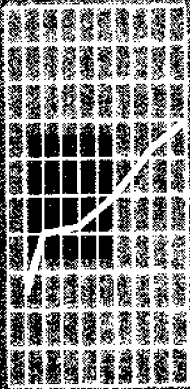
NEW ISSUE

1995-96

EMBARGO: 11:30 AM (CANBERRA TIME) THURS 18 DEC 1997

Business of Music

Australia



NOTES

ABOUT THIS PUBLICATION

This publication presents detailed 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 product, music publishers and sound recording studios. Some information was also collected about managers of musical artists and the artists which they manage. (See 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.

This publication presents more detail than was published in *Business of Music, Australia, Summary, 1995-96* (Cat. no. 4142.0), on 3 October 1997. In addition, data about managers of musical artists and the artists which they manage are presented for the first time.

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SYMBOLS AND OTHER USAGES

ABS	Australian Bureau of Statistics
ITS	International Trade in Services
n.e.c.	not elsewhere classified
n.p.	not available for publication but included in totals where applicable
—	nil or rounded to zero (including null cells)

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INQUIRIES

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

For further information about these statistics and the availability of related unpublished statistics, contact Colin Speechley on Adelaide (08) 8237 7363.

W. McLennan
Australian Statistician

CONTENTS

	Page
COMMENTARY	
Notes	2
Summary of findings	4
TABLES	
Music businesses	
1 Summary of operations	9
2 Items of income	10
3 Items of expenditure	11
4 Employment	12
Record companies and distributors	
5 Summary of operations	12
6 Items of income	13
7 Items of expenditure	14
Music publishers	
8 Summary of operations	15
9 Items of income	15
10 Items of expenditure	16
Sound recording studios	
11 Summary of operations	16
12 Summary of operations by main function of studio	17
13 Items of income by main function of studio	18
14 Items of expenditure by main function of studio	19
15 Employment by main occupation	20
Managers of musical entities	
16 Summary of operations	20
Managed musical entities	
17 Items of income	21
Recorded music	
18 Sales, by format	22
19 Sales, by type of music	22
20 Sales, by destination	23
21 Number of titles released	23
ADDITIONAL INFORMATION	
Explanatory notes	24
Glossary	28

SUMMARY OF FINDINGS

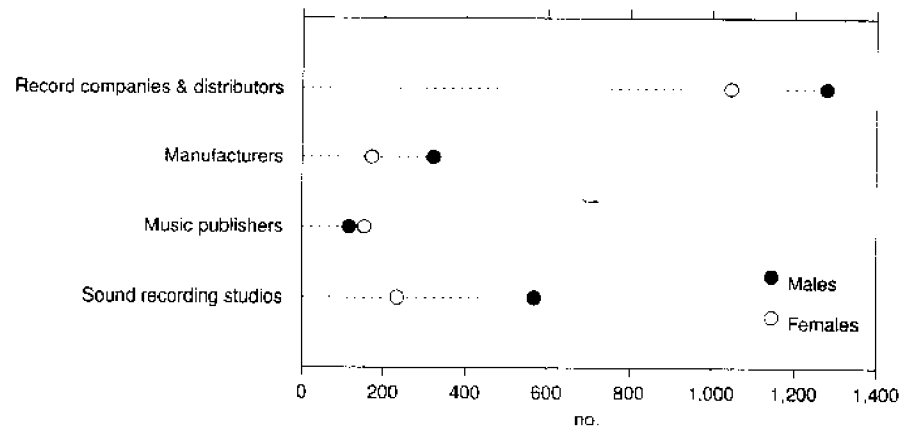
NUMBER OF BUSINESSES

At 30 June 1996, there were 541 businesses (comprising record companies and distributors, manufacturers of recorded music, music publishers and sound recording studios) active in the field of music.

EMPLOYMENT

Total employment (including working proprietors) was 3,886 persons of whom 2,283 (59%) were male and 1,603 (41%) female (see table 1). Full-time employment accounted for 85% (3,317) of the total, leaving 568 persons (15%) who were employed part-time (see table 4).

Music businesses, employment by sex



INCOME

For 1995-96, the total income of music businesses was \$1,064.0m of which sales of goods and services contributed \$897.5m (84%). Record companies and distributors generated \$725.5m (81%) of these sales while manufacturers of recorded music generated a further \$94.5m (11%) (see table 1).

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 (see table 1).

EXPENSES

For 1995-96, the total expenses of music businesses were \$994.6m. Of this, \$291.4m (29%) was for publishing and sound recording royalties, while \$262.2m (26%) went to manufacturing costs and purchases. Labour costs accounted for \$139.5m (14%) of total expenses (see table 1).

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 \$255.4m (see table 1).

SUMMARY OF FINDINGS *continued*

NET CAPITAL EXPENDITURE

Net capital expenditure was \$47.5m, 52% of which was contributed by record companies and distributors (see table 1).

OVERSEAS ROYALTY TRANSACTIONS

The collection found that income from publishing and sound recording royalties was \$135.6m for 1995-96. In addition, the ABS Survey of International Trade In Services (ITS) found that the value of music (i.e. publishing and sound recording) royalty payments received in 1995-96 from overseas was \$35m.

The collection also found that royalty expenses for publishing and sound recording totalled \$291.4m, including at least \$62.3m paid to Australian music businesses. The ITS found that the value of music royalties paid to overseas was \$166m. Thus it would appear that around \$63m was paid within Australia to entities other than those involved in the selected music activities. This amount would include the royalty payments made to Australian recording artists, songwriters and composers.

RECORD COMPANIES AND DISTRIBUTORS

Total income of the 153 record companies and distributors was \$792.4m. Their overall profit margin was 6.1% and business gross product was \$162.1m. Of the total income, \$576.2m (73%) was generated by the seven largest businesses (ranked by gross income) which are known within the music business as 'the majors'. They also accounted for \$41.2m (85%) of the total operating profit before tax of \$48.5m (see table 5).

Total employment was 2,324 persons of whom 1,952 were employees employed on a permanent basis (see table 4). For the majors, employment was 1,301 which was 56% of the total (see table 5).

Of the total income, \$447.5m (56%) was from sales of recorded music product distributed via licensing deals (see table 2). Overall, 86% of this was sourced from non-resident (i.e. overseas) businesses. For the majors, 94% of their sales of licensed product was sourced from overseas (see table 6).

Sales of recorded music product released by record companies and distributors (and either distributed by the releasing businesses or distributed for them under packaging and distribution deals) were \$106.3m, 13% of total income (see table 2). Of these sales, the majors accounted for \$47.5m (45%) (see table 6).

Total expenses were \$751.5m, of which \$216.9m (29%) was for manufacturing costs and purchases, and \$215.9m (29%) for publishing and sound recording royalties (see table 1). Labour costs accounted for \$93.0m (12%) of total expenses and advertising, promotion and marketing expenses \$88.2m (12%) (see table 3). The majors' share of total expenses was 72% (\$540.2m) (see table 5).

SUMMARY OF FINDINGS *continued*

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 was 16.3% and business gross product was \$46.2m (see table 1).

Total employment was 493 of which 419 were employees employed on a permanent basis (see table 4).

MUSIC PUBLISHERS

Total income of the 73 music publishers was \$119.9m. Operating profit before tax was \$8.3m, profit margin was 6.9% and business gross product was \$17.2m (see table 1). Of the total income, 74% (\$88.3m) was contributed by the seven largest businesses (ranked by gross income) (see table 8).

Total employment was 269 persons of whom 44% were employed by the seven largest businesses (see table 8).

Of the total income, publishing royalties accounted for \$89.6m (75%) and sales of sheet music \$17.0m (14%) (see table 2). Nearly two-thirds of publishing royalties were mechanical royalties earned from sales of recordings (see table 9).

Total expenses were \$112.1m (see table 1). Publishing royalties accounted for 65% (\$72.8m) of this figure and labour costs a further 10% (\$11.0m) (see table 3). The seven largest businesses incurred 73% of the total expenses and 56% of the labour costs (see table 10).

SOUND RECORDING STUDIOS

Total income of the 292 businesses mainly involved in operating a recording studio was \$56.6m. Operating profit before tax was \$7.8m, profit margin was 13.8% and business gross product was \$29.9m (see table 1). Of the total income, 30% was contributed by the seven largest businesses (ranked by gross income) (see table 11).

Total employment was 800 persons of which 220 were working proprietors (see table 4).

Most of the income 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%). The respective contributions to total income of these activities were \$15.7m, \$13.5m and \$11.8m (see table 13).

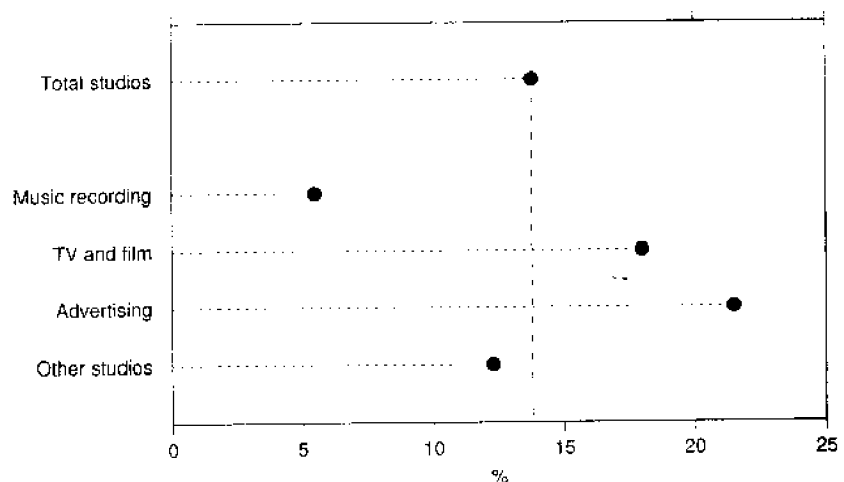
Nearly two-thirds (66%) of the studios received their income mainly from music recording, mixing and mastering. However, they generated only 33% of total income and 13% of operating profit before tax. The employment of music recording, mixing and mastering studios was 372 persons which was 47% of the total. These studios had a higher proportion of working proprietors, 47% compared with 11% for studios with other main functions (see table 12).

SUMMARY OF FINDINGS *continued*

SOUND RECORDING STUDIOS *continued*

The most profitable studio activity was advertising and jingle composition and production. The 43 studios with this as their main function had an overall profit margin of 21.5%. On the other hand, the equivalent figure for the 193 music studios was only 5.5% (see table 12). This figure would have been lower still if it were not for music studios having working proprietors as a high proportion (47%) of their employment. Their drawings do not count as expenses and hence do not lower the profit margin, unlike the salaries paid to working directors of incorporated businesses.

Profit margin, by main function of studio



The total expenses of studios were \$48.8m, the largest component of which was \$16.0m of labour costs (see table 1). The seven largest businesses incurred 28% of total expenses (see table 11).

MANAGERS OF MUSICAL ENTITIES

Total income of the 113 businesses managing one or more musical entities (e.g. solo acts, duos, groups, bands) was \$11.3m of which \$7.5m was management income. Total employment was 189 persons and total expenses were \$10.1m (see table 16).

These businesses managed 248 musical entities and reported musical entity income of \$45.0m. Almost two-thirds of this income (\$29.0m) was from live performance. The figures presented would understate the income earned by all musical entities because only those which employ managers are included (see table 17).

SUMMARY OF FINDINGS *continued*

RECORDED MUSIC

Of the \$554.6m sales of recorded music product released by music businesses or distributed via licensing deals, 94% (\$522.7m) was from sales of albums. Compact discs comprised 88% (\$462.2m) of album sales (see table 18). Popular music accounted for 91% of recorded music sales, followed by classical music with 7% (see table 19).

Sales of recorded music product by Australian artists were \$90.6m, comprising 16% of total sales (see table 20). The number of titles released during the year by Australian artists was 1,397, which was 15% of the total released (see table 21).

	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(a)					
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(b) (\$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	255.4

(a) Includes working proprietors.

(b) Excludes drawings of working proprietors.

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 goods and services					
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.	—	—	(a)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
<i>Total</i>	725.5	94.5	22.5	54.9	897.5
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
Total	792.4	95.0	119.9	56.6	1 064.0

(a) \$112.3 million was from Australian resident businesses, \$9.5 million from non-resident businesses and \$3.0 million from manufacturing brokering.

3

MUSIC BUSINESSES, Items of Expenditure

	Record companies and distributors	Manufacturers of recorded music	Music publishers	Sound recording studios	Total
	\$m	\$m	\$m	\$m	\$m
Labour costs					
Wages and salaries(a)	82.9	17.0	9.8	14.4	124.1
Other labour costs	10.0	2.6	1.2	1.6	15.4
<i>Total</i>	93.0	19.6	11.0	16.0	139.5
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	(b)	(b)58.4
Other purchases	25.0	3.2	0.6	(b)4.6	(b)33.4
<i>Total</i>	216.9	30.6	10.1	4.6	262.2
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
Total	751.5	82.2	112.1	48.8	994.6

(a) Excludes drawings of working proprietors.

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

4

MUSIC BUSINESSES, Employment

	Record companies and distributors	Manufacturers of recorded music	Music publishers	Sound recording studios	Total
Working proprietors					
Full-time	20	n.p.	n.p.	139	166
Part-time	42	n.p.	n.p.	81	140
Total	62	16	8	220	305
Salaried directors					
Full-time	88	n.p.	n.p.	144	269
Part-time	12	n.p.	n.p.	25	43
Total	100	11	33	169	313
Permanent employees					
Full-time	1 897	419	191	233	2 741
Part-time	55	—	25	14	93
Total	1 952	419	216	247	2 834
Casual employees					
Full-time	69	n.p.	n.p.	25	142
Part-time	141	n.p.	n.p.	139	291
Total	210	46	13	164	433
Total employment					
Full-time	2 074	478	225	541	3 317
Part-time	250	15	44	259	568
Total	2 324	493	269	800	3 886

5

RECORD COMPANIES AND DISTRIBUTORS, Summary of Operations

	Seven largest businesses(a)	Other businesses	Total
Businesses at end June 1996 (no.)	7	146	153
Employment at end June 1996(b) (no.)	1 301	1 023	2 324
Income (\$m)	576.2	216.3	792.4
Expenses(c) (\$m)	540.2	211.2	751.5
Trading stocks			
Opening (\$m)	19.6	16.8	36.4
Closing (\$m)	24.8	19.5	44.3
Net capital expenditure (\$m)	19.5	5.0	24.5
Operating profit before tax (\$m)	41.2	7.4	48.5
Profit margin (%)	7.1	3.4	6.1
Business gross product (\$m)	119.5	42.6	162.1

(a) Ranked by gross income.

(b) Includes working proprietors.

(c) Excludes drawings of working proprietors.

	Seven largest businesses(a)	Other businesses	Total
	\$m	\$m	\$m
Sales of goods and services			
Sales of recorded music product			
Released by the business	47.5	58.8	106.3
Distributed via licensing deals with			
Australian resident businesses	24.2	36.3	60.5
Non-resident businesses	366.5	20.6	387.0
Total	390.7	56.8	447.5
Purchased for resale from			
Australian resident businesses	—	23.0	23.0
Non-resident businesses	n.p.	n.p.	30.8
Total	n.p.	n.p.	53.8
Fees for packaging and distribution of recorded music product for			
Australian resident businesses	n.p.	n.p.	21.0
Non-resident businesses	n.p.	n.p.	6.0
Total	17.2	9.8	27.0
Income from the manufacture of recorded music product	n.p.	n.p.	n.p.
Sales of sheet music	—	0.2	0.2
Sales of music videos	8.2	1.4	9.6
Sales of other products	38.4	3.4	41.8
Other services income	n.p.	n.p.	n.p.
Total	533.4	192.1	725.5
Publishing royalties	n.p.	n.p.	9.7
Sound recording royalties			
Artist royalties	16.0	13.8	29.8
Synchronisation	0.8	—	0.8
Performing rights	n.p.	n.p.	1.5
Total	n.p.	n.p.	32.1
Government funding	n.p.	n.p.	1.0
Other income	18.7	5.3	24.0
Total	576.2	216.3	792.4

(a) Ranked by gross income.

	Seven largest businesses(a)	Other businesses	Total
	\$m	\$m	\$m
Labour costs			
Wages and salaries(b)	55.8	27.1	82.9
Provision for employee entitlements	3.8	0.8	4.6
Employer contributions to superannuation funds	2.5	2.2	4.6
Workers' compensation costs	0.5	0.3	0.8
<i>Total</i>	62.6	30.4	93.0
Manufacturing costs and purchases			
Manufacture of recorded music product by			
Australian resident businesses	60.7	33.9	94.6
Non-resident businesses	n.p.	n.p.	18.4
Manufacture of other products	n.p.	n.p.	10.2
Purchases of			
Recorded music product for resale	n.p.	n.p.	37.8
Other goods for resale	n.p.	n.p.	22.9
Materials, components, containers and packaging materials	n.p.	n.p.	30.8
Electricity, fuels and water	1.6	0.6	2.2
<i>Total</i>	128.5	88.4	216.9
Publishing and sound recording royalties			
Publishing royalties	51.2	11.0	62.3
Sound recording royalties	134.4	19.2	153.6
<i>Total</i>	185.6	30.3	215.9
Net advances expensed or provided for			
To recording artists	8.4	2.4	10.8
Other net advances expensed or provided for	1.0	—	1.0
<i>Total</i>	9.4	2.4	11.8
Advertising, promotion and marketing expenses			
Paid to advertising agencies	22.0	2.2	24.2
Paid directly to radio/TV	19.1	3.3	22.3
Paid directly to print media	3.5	4.8	8.3
Paid to retail stores	5.9	0.6	6.4
Other advertising, promotion and marketing expenses	24.3	2.8	27.1
<i>Total</i>	74.6	13.6	88.2
Rent, leasing and hiring expenses			
Land, buildings and other structures	5.0	2.5	7.5
Other rent, leasing and hiring expenses	1.7	0.3	2.1
Insurance	1.1	0.6	1.7
Interest	1.4	1.8	3.2
Telephone, postal charges, etc.	5.1	3.5	8.6
Depreciation and amortisation	16.0	2.6	18.6
Bad or doubtful debts	1.5	4.7	6.2
Travelling and entertainment expenses	7.7	3.0	10.7
Freight	2.6	4.8	7.4
Other expenses	37.5	22.4	59.8
Total	540.2	211.2	751.5

(a) Ranked by gross income.

(b) Excludes drawings of working proprietors.

8

MUSIC PUBLISHERS, Summary of Operations

	Seven largest businesses(a)	Other businesses	Total
Businesses at end June 1996 (no.)	7	66	73
Employment at end June 1996(b) (no.)	119	150	269
Income (\$m)	88.3	31.6	119.9
Expenses(c) (\$m)	81.8	30.3	112.1
Trading stocks			
Opening (\$m)	2.8	2.4	5.2
Closing (\$m)	2.7	3.0	5.7
Net capital expenditure (\$m)	6.4	0.5	6.9
Operating profit before tax (\$m)	6.4	1.8	8.3
Profit margin (%)	7.3	5.7	6.9
Business gross product (\$m)	10.7	6.5	17.2

(a) Ranked by gross income.

(b) Includes working proprietors.

(c) Excludes drawings of working proprietors.

9

MUSIC PUBLISHERS, Items of Income

	Seven largest businesses(a)	Other businesses	Total
	\$m	\$m	\$m
Sales of goods and services			
Sales of sheet music published	n.p.	n.p.	3.7
Sales from wholesaling sheet music	n.p.	n.p.	13.3
Other sales of goods and services	n.p.	n.p.	5.5
Total	10.4	12.1	22.5
Publishing and sound recording royalties			
Publishing royalties			
Mechanical	50.2	8.9	59.1
Synchronisation	6.3	4.7	11.0
Performing rights	11.9	3.2	15.1
Other publishing royalties	n.p.	n.p.	4.5
Total	n.p.	n.p.	89.6
Sound recording royalties	n.p.	n.p.	4.2
Total	75.2	18.6	93.8
Interest and dividends	2.7	0.4	3.1
Other income	—	0.5	0.5
Total	88.3	31.6	119.9

(a) Ranked by gross income.

10

MUSIC PUBLISHERS, Items of Expenditure

	Seven largest businesses(a):	Other businesses	Total
	\$m	\$m	\$m
Labour costs			
Wages and salaries(b)	5.5	4.3	9.8
Other labour costs	0.7	0.5	1.2
<i>Total</i>	6.2	4.7	11.0
Manufacturing costs and purchases			
Purchases of sheet music for resale	n.p.	n.p.	7.7
Printing and binding of sheet music	n.p.	n.p.	1.2
Other manufacturing costs and purchases	0.1	1.0	1.2
<i>Total</i>	4.9	5.2	10.1
Publishing and sound recording royalties			
Publishing royalties	n.p.	n.p.	72.8
Sound recording royalties	n.p.	n.p.	2.7
<i>Total</i>	61.6	13.9	75.6
Net advances expensed or provided for	0.8	0.4	1.3
Other expenses	8.2	6.0	14.2
Total	81.8	30.3	112.1

(a) Ranked by gross income.

(b) Excludes drawings of working proprietors.

11

SOUND RECORDING STUDIOS, Summary of Operations

	Seven largest businesses(a)	Other businesses	Total
Businesses at end June 1996 (no.)	7	285	292
Studio rooms (no.)	47	390	437
Average occupancy per room per week (hours)	32	24	25
Employment at end June 1996(b) (no.)	159	641	800
Income (\$m)	16.8	39.8	56.6
Expenses(c) (\$m)	13.8	35.0	48.8
Trading stocks			
Opening (\$m)	—	0.2	0.3
Closing (\$m)	—	0.2	0.2
Net capital expenditure (\$m)	1.0	5.5	6.5
Operating profit before tax (\$m)	3.0	4.8	7.8
Profit margin (%)	17.8	12.2	13.8
Business gross product (\$m)	9.6	20.3	29.9

(a) Ranked by gross income.

(b) Includes working proprietors.

(c) Excludes drawings of working proprietors.

MAIN FUNCTION.....

	<i>Music recording, mixing and mastering</i>	<i>Sound production and recording for TV and film</i>	<i>Advertising and jingle composition and production</i>	<i>Other</i>	Total
Businesses at end June 1996 (no.)	193	32	43	24	292
Studio rooms (no.)	269	63	59	46	437
Average occupancy per room per week (hours)	25	29	28	13	25
Employment at end June 1996					
Working proprietors (no.)	173	9	23	15	220
Other (no.)	199	119	110	152	580
Total (no.)	372	128	134	166	800
Income (\$m)	18.9	12.7	15.5	9.6	56.6
Expenses(a) (\$m)	17.9	10.4	12.2	8.4	48.8
Trading stocks					
Opening (\$m)	0.1	0.1	—	0.1	0.3
Closing (\$m)	0.1	0.1	—	0.1	0.2
Net capital expenditure (\$m)	3.1	1.4	0.7	1.3	6.5
Operating profit before tax (\$m)	1.0	2.3	3.3	1.2	7.8
Profit margin (%)	5.5	18.0	21.5	12.3	13.8
Business gross product (\$m)	8.4	7.4	8.3	5.9	29.9

(a) Excludes drawings of working proprietors.

MAIN FUNCTION.....

	<i>Music recording, mixing and mastering</i>	<i>Sound production and recording for TV and film</i>	<i>Advertising and jingle composition and production</i>	<i>Other</i>	<i>Total</i>
	\$m	\$m	\$m	\$m	\$m
Sales of goods					
Sales of blank recording media	0.9	—	—	—	0.9
Other sales of goods	0.5	—	—	0.2	0.7
<i>Total</i>	1.4	—	—	0.2	1.7
Services income					
Hire of sound recording studios					
With recording personnel	n.p.	n.p.	0.3	n.p.	10.7
Without recording personnel	n.p.	n.p.	—	n.p.	2.8
<i>Total</i>	12.6	0.1	0.3	0.5	13.5
Provision of audio mastering services	1.9	—	—	0.2	2.2
Sound production and recording for TV and film	0.6	10.5	0.4	0.4	11.8
Advertising and jingle composition and production	n.p.	0.9	14.1	n.p.	15.7
Sound production and recording for multimedia	0.2	0.3	—	0.5	1.0
Provision of tape duplicating services	0.2	—	n.p.	n.p.	1.1
Other services income	n.p.	0.4	n.p.	6.7	7.9
<i>Total</i>	16.7	12.2	15.1	9.2	53.3
Rent, leasing and hiring other than hire of recording studios	0.4	—	—	—	0.5
Other income	0.3	0.4	0.4	0.1	1.2
Total	18.9	12.7	15.5	9.6	56.6

	MAIN FUNCTION.....				
	<i>Music recording, mixing and mastering</i>	<i>Sound production and recording for TV and film</i>	<i>Advertising and jingle composition and production</i>	<i>Other</i>	<i>Total</i>
	\$m	\$m	\$m	\$m	\$m
Labour costs					
Wages and salaries(a)	4.0	3.2	3.4	3.7	14.4
Provision for employee entitlements	0.1	0.1	—	—	0.2
Employer contributions to superannuation funds	0.2	0.2	0.6	0.2	1.2
Workers' compensation costs	0.1	—	—	—	0.1
<i>Total</i>	4.4	3.6	4.0	3.9	16.0
Purchases					
Blank recording media	1.2	0.4	0.4	0.6	2.6
Electricity, fuels and water	0.5	0.1	0.1	0.1	0.7
Other purchases	0.3	0.5	0.2	0.3	1.3
<i>Total</i>	1.9	1.0	0.7	0.9	4.6
Sound recording services					
Freelance/contractors involved in production services					
Record producers	0.1	—	—	—	0.1
Recording/mastering engineers	0.8	n.p.	n.p.	—	1.7
Session musicians	0.3	0.1	1.3	—	1.7
Other personnel	0.3	n.p.	n.p.	n.p.	1.9
<i>Total</i>	1.5	n.p.	2.8	n.p.	5.5
Other sound recording services	0.1	n.p.	0.1	n.p.	0.4
<i>Total</i>	1.6	1.0	2.9	0.4	5.9
Rent, leasing and hiring expenses					
Land, buildings and other structures	1.5	0.6	0.9	0.5	3.4
Recording equipment without crew	0.4	0.2	0.3	0.1	1.0
Other rent, leasing and hiring expenses	0.6	0.3	0.1	0.1	1.1
<i>Total</i>	2.5	1.1	1.3	0.7	5.5
Insurance	0.3	0.1	0.1	0.1	0.6
Interest	0.6	0.3	0.3	0.2	1.4
Advertising, promotion and marketing expenses	0.3	0.1	0.1	0.3	0.9
Depreciation and amortisation	2.0	1.2	0.7	0.4	4.4
Bad or doubtful debts	0.1	—	0.1	0.1	0.4
Freight	0.2	0.1	0.2	0.1	0.6
Repair and maintenance	0.7	0.3	0.2	0.1	1.3
Other expenses	3.1	1.6	1.7	1.1	7.5
Total	17.9	10.4	12.2	8.4	48.8

(a) Excludes drawings of working proprietors.

15

SOUND RECORDING STUDIOS, Employment—By Main Occupation

Main occupation at end of June 1996	Employment	Wages and
	at end of June 1996(a)	salaries(b)
	no.	\$m
Managers and administrators	260	4.9
Record producers	28	0.3
Recording/mastering engineers	203	4.0
Studio assistants	129	2.1
Composers/musicians	57	0.8
Other	123	2.3
Total	800	14.4

(a) Includes working proprietors.

(b) Excludes drawings of working proprietors.

16

MANAGERS OF MUSICAL ENTITIES(a), Summary of Operations

	Value
Businesses at end June 1996 (no.)	113
Employment at end June 1996(b) (no.)	189
Income	
Management (\$m)	7.5
Other income (\$m)	3.8
Total income (\$m)	11.3
Expenses(c) (\$m)	10.1

(a) See Glossary for definition of musical entity.

(b) Includes working proprietors.

(c) Excludes drawings of working proprietors.

	<i>Value</i>
.....	
Number of musical entities managed (no.)	248
Income(b)	
Live performance (\$m)	29.0
Publishing and sound recording royalties	
Publishing royalties	
Mechanical (\$m)	2.7
Synchronisation (\$m)	0.3
Performing rights (\$m)	1.2
<i>Total (\$m)</i>	4.2
Sound recording royalties	
Artist royalties (\$m)	7.6
Synchronisation (\$m)	0.2
Performing rights (\$m)	0.1
<i>Total (\$m)</i>	7.9
<i>Total (\$m)</i>	12.1
Merchandising sales (\$m)	1.6
Government grants and corporate sponsorship (\$m)	0.2
Other income (\$m)	2.0
Total (\$m)	45.0
.....	

(a) See Glossary for definition of musical entity.

(b) See paragraph 22 in the Explanatory Notes.

18

SALES OF RECORDED MUSIC(a), By Format

Format	Units sold	Value
	million	\$m
Singles	8.3	31.8
Albums		
Compact discs	35.0	462.2
Cassettes	6.6	60.0
Other	0.1	0.6
Total	41.6	522.7
Total	50.0	554.6

(a) See paragraph 23 of the Explanatory Notes.

19

SALES OF RECORDED MUSIC(a), By Type of Music

Type of music	Australian artists	Non-Australian artists	Total
	\$m	\$m	\$m
Popular	76.6	426.0	502.7
Classical	4.3	33.9	38.1
Other	9.7	4.1	13.8
Total	90.6	464.0	554.6

(a) See paragraph 23 of the Explanatory Notes.

20

SALES OF RECORDED MUSIC(a), By Destination

<i>Destination of sales</i>	<i>Australian artists</i>	<i>Non-Australian artists</i>	<i>Total</i>
	\$m	\$m	\$m
To Australian resident businesses	88.5	454.3	542.7
To non-Australian resident businesses	(b)2.1	(c)9.7	11.9
Total	90.6	464.0	554.6

(a) See paragraph 23 of the Explanatory Notes.

(b) Most sales overseas of recordings by Australian artists will result in royalty payments to the Australian record companies rather than sales income.

(c) Includes distribution direct to the retail sectors in New Zealand and parts of South-East Asia of the product of multi-national record companies by their Australian affiliates.

21

RECORDED MUSIC(a), Number of Titles Released

<i>Titles released</i>	<i>Australian artists</i>	<i>Non-Australian artists</i>	<i>Total</i>
Singles	314	2 082	2 395
Albums	1 084	5 536	6 620
Total	1 397	7 618	9 015

(a) See paragraph 23 of the Explanatory Notes.

EXPLANATORY NOTES

.....

INTRODUCTION

1 This publication presents information 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.

3 This publication also presents selected details about the activities of managers of musical artists and the artists which they manage.

REFERENCE PERIOD

4 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

5 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.
- Business Services n.e.c. (Class 7869)—includes managers of musical artists.
- Other Education (Class 8440)—includes sound recording studios mainly engaged in operating audio/multimedia schools.
- Sound Recording Studios (Class 9251)—includes sound recording studios.

6 Musical artists were not included in the scope of the collection. The data which are presented in this publication (see table 17) were not obtained from the artists, but from their managers.

EXPLANATORY NOTES *continued*

SCOPE *continued*

7 Information in this publication was obtained from record companies, distributors and manufacturers of recorded music, music publishers, sound recording studios and managers of musical artists. 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.
- 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 mainly obtain their income 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.
- Managers of musical artists earn commission on the income they are able to generate for their clients. This commission may be limited to a percentage of a client's income from live performance, but may also include percentages of some royalty streams. This would depend upon the nature of the contractual arrangements in place and the extent of the service which the manager provides.

8 For businesses to be included in the collection as record companies, distributors, manufacturers, music publishers or sound recording studios, it was necessary that they have one of these as their main activity. However, for managers of musical artists to be included, it was necessary only that they undertake this activity as a part of their total operations. Hence, for some of these businesses, their income from management is exceeded by their income from other sources.

9 Musical artists undertaking their own management were excluded from the collection.

10 Businesses generating income mainly from the release, distribution or production of music videos were excluded from the collection.

11 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.

12 Non-employing businesses were included in the collection.

EXPLANATORY NOTES *continued*

.....

COVERAGE

13 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.

14 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

15 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.

16 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.

17 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.

CONFIDENTIALITY

18 It is ABS policy to suppress a table cell if the number of survey respondents contributing to its value is too few to ensure the confidentiality of their individual contributions. A suppressed cell is replaced by the letters 'n.p.' which means that it is not available for publication but its value is included in applicable totals.

19 If there is only one suppressed cell contributing to either a row or a column total, it is necessary to consequentially suppress another cell in the row or column so that the value of the original suppressed cell cannot be derived by simple subtraction.

EXPLANATORY NOTES *continued*

RELIABILITY OF DATA

20 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.

21 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 effective operating procedures.

22 As mentioned in paragraph 6, the data concerning musical entities which is presented in table 17 was obtained from their managers. Some managers know all the income of their clients, but some only know the income from which they get a commission. This may be limited to income from live performance. Hence the income of musical entities from sources other than live performance had to be estimated in some cases.

INTERPRETATION OF DATA

23 Tables 18–21 include recorded music product, either released by the business or distributed for other businesses via licensing deals (\$554.6m in total sales), but exclude product purchased outright for resale from overseas (\$30.8m, see table 6).

GENERAL ACKNOWLEDGMENT

24 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

FURTHER INFORMATION

25 This publication presents data at the national level only. However, for sound recording studios and record companies and distributors, limited data by State of head office are available on request.

26 Other ABS publications which may be of interest include:

Attendance at Selected Cultural Venues, Australia, March 1995

(Cat. no. 4114.0)

Business of Music, Australia, Summary, 1995–96 (Cat. no. 4142.0)

Cultural Trends in Australia, A Statistical Overview, 1997 (Cat. no. 4172.0)

Hospitality Industries, Australia, 1991–92 (Cat. no. 8674.0)

Work in Selected Culture/Leisure Activities, Australia, March 1997

(Cat. no. 6281.0)

27 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

Audio mastering	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.
Australian resident	Any individual, enterprise or other organisation ordinarily domiciled in Australia. Australian branches and Australian subsidiaries of foreign enterprises are regarded as Australian residents.
Blank recording media	Blank tapes and recordable compact discs.
Business gross product	<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 style="padding-left: 40px;"><i>plus</i></p> <p style="padding-left: 80px;">Rent, leasing and hiring income Government subsidies Capital work done for own use Closing stocks</p> <p style="padding-left: 40px;"><i>less</i></p> <p style="padding-left: 80px;">Opening stocks Purchases and selected expenses.</p>
Composers/musicians (studio personnel)	Personnel employed or engaged by studios involved in either sound production and recording for TV, film or multimedia, or in advertising and jingle composition and production. Their function is to compose and play on the recordings, either of themes and incidental music for TV, film or multimedia, or of advertising jingles.
Employment at end of June 1996	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. Non-salaried directors, self-employed persons such as consultants, contractors and persons paid solely by commission without a retainer, and volunteer workers are excluded.
Licensing deal	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.
Majors	The term used within the music business to describe the largest record companies/distributors. During the reference period there were seven businesses generally acknowledged as being 'majors'.
Manufacturing costs	<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>

GLOSSARY *continued*

Merchandising sales	Sales of goods which bear the name and/or image of a musical entity or are in some other way recognisable as being associated with that entity (e.g. T-shirts, baseball caps, concert programs).
Multimedia	Multimedia is a presentation, via an electronic non-linear delivery system, of some combination of media forms such as voice, music, video, photographs, graphics, animation and text. An electronic non-linear delivery system is a combination of hardware and software which gives the user control over the order in which content is accessed.
Musical entity	Consists of one or more musical artists performing and/or recording as a unit (e.g. solo act, duo, group, band).
Net advances expensed or provided for	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.
Non-resident	Any individual, enterprise or other organisation ordinarily domiciled in a country other than Australia. Residents of Norfolk Island and other external territories of Australia and foreign branches and foreign subsidiaries of Australian enterprises are regarded as non-residents.
Operating profit before tax	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).
Packaging and distribution fees	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.
Popular music	Includes rock, pop, dance, country, folk, blues, jazz, ethnic and indigenous music.
Profit margin	Derived by expressing operating profit before tax as a percentage of total income, i.e. $(\text{Operating profit before tax}/\text{Income}) \times 100$.
Provision for employee entitlements	The provision made in the accounts of a business for future expenses for accrued leave and for termination payments.
Publishing royalties	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.
Recorded music product released by the business	Recorded music product which a business has either released and distributed itself, or released itself but had distributed by another business under a packaging and distribution deal.
Session musicians	Personnel employed or engaged by studios to play as required on any recording session which involves the recording of music.

GLOSSARY *continued*

- Sound recording royalties** 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).
- Studio room** A room within a studio complex in which sound recording, mixing or mastering is carried out.



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Client Services, ABS, PO Box 10, Belconnen ACT 2616

Produced by the Australian Bureau of Statistics
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Recommended retail price: \$18.00



2414300007955
ISBN 0 642 25766 3