

ARIA Submission to National Cultural Policy – Creative Australia 2022

The Australian Recording Industry Association (ARIA) welcomes the Albanese Government's commitment to develop a National Cultural Policy (NCP) that will bring drive, direction, and vision to Australia's creative industries.

Contemporary music must be a central focus. Music does not only bring joy and connection, it is a legitimate and powerful economic, cultural and social force. But while other creative industries including film and television have received strong support from government over recent decades, there has never been a federal coordinated whole of government strategic plan for contemporary music and the music business has been largely left to fend for itself.

A new NCP must contain measures to ensure that Australian music reaches its enormous potential, both in Australia and globally. It must also address some of the significant structural issues that are making it harder than ever for new Australian recording artists to have 'hit' songs in the charts, connect with fans across a range of global platforms, and find an audience in Australia and overseas.

ARIA key recommendations for Creative Australia 2022 - 2032

1. **A dedicated contemporary music agency within government** tasked with growing and developing contemporary music as a key creative industry through a rapidly evolving environment and addressing challenges for new Australian music.
2. **A national First Nations led and focussed music agency** sitting alongside the national music agency.
3. **An urgent focus and investment in re-establishing and growing music export** to its full potential.
4. **A strong intellectual property framework that protects artists and investment and does not artificially limit royalties for commercial use of sound recordings.**

Combined Music Industry Submission

ARIA has worked closely with other stakeholders in the contemporary music industry to achieve strong alignment around key policy and investment measures and the reasoning behind these measures. These are set out in the Combined Music Industry Submission and include the points listed above. ARIA also fully supports the PPCA Submission.

Australian music is a powerhouse within the creative industries with enormous potential for growth

The business of music now extends from legacy music catalogues and IP ownership to gaming and tech industries, the booming wellness and fitness industry, and everything in between. It provides an integral soundtrack to television, film and advertising. It drives tourism, the night time economy and associated retail and hospitality spend.

Despite the challenges of the past two years, the Australian recording industry remains the ninth largest in the world. In 2021 it hit a 15-year high with total wholesale sales of \$565.8m, up 4.4% from \$542 million in 2020 and up 20.7% from \$468.7 million in 2017. This result was a third consecutive year of growth and the highest level since 2006.

The strong growth posted in recent years reflects the rise of streaming, which accounted for 86% of music sales in Australia in 2021. Total digital sales reached \$509.7 million in 2021 (90% of all sales), compared with \$368.1 million in 2017. Over the same period, physical music sales dropped from \$100.5 million to \$56.1 million. A decade ago, digital sales accounted for less than 40% of music sales in Australia.

Strong growth but the lowest globally in 2021

Growth of 4.4% is strong compared to most sectors in the entertainment industry but it was also the lowest growth of all markets globally according to the International Federation of the Phonographic Industry (IFPI). The ninth largest but the slowest growing: a clear indicator of the growth potential. This sluggish growth could be attributed to lockdown conditions. Our state and national border closures meant that local and international artists couldn't tour in Australia, resulting in a huge hit to artist income and to the promotion and marketing of music generally. But the weak growth also likely reflects the lack of focus and strategic investment in contemporary music over many years by all levels of government.

Growth in export of Australian music is a huge opportunity as streaming explodes globally but competition is intense

Music has arguably been our most successful ongoing cultural export over recent decades with a value of approximately \$195 million and a long list of superstar recording artists who have had massive success in all corners of the globe.

According to Goldman Sachs the global recorded music industry is forecast to double to approximately \$131 billion by 2030. Our success in exporting music combined with the predicted continued growth of streaming globally presents an enormous opportunity for our artists and local music businesses.

Urgent efforts to boost music export must be a focus

With increased competition from existing and new international music markets (including South Korea and Latin America), and the disadvantage of our physical remoteness to key markets such as the United States and the United Kingdom, we will never achieve this potential without a supportive policy environment and a strong commitment from government to work in partnership with industry around export.

COVID disruptions and the lengthy border closures have decimated our presence on the global music stage. Now that borders are open our artists and industry professionals are trying to reignite international touring, marketing, and promotion but dramatically increased travel costs, complex and uncertain logistics, and visa difficulties and delays are hampering our ability to re-establish a presence. If we miss this moment to reignite export it may take decades to recover our international standing which will have major flow on effects to artists' local success and ability to sustain a music career even within Australia.

Federal funding and a strategic focus are urgently needed to boost export of contemporary music in this critical restart phase. Investment in music export has been proven to deliver

results both here and through programs launched by our competitor markets. A strategic industry/government matched funding model launched immediately would deliver tangible, measurable results and commence the process of regaining Australia's place on the global music stage. ARIA supports Sounds Australia's submission on the urgent creation of a Music Development Export Fund as a first step. Export support measures should be primarily targeted toward new artists with proven domestic success. Local success could be measured through a range of indicators such as ARIA Chart appearances, ARIA Award nominations and wins, live performance ticket sales, streaming figures and media appearances. As is done in the UK through the Music Export Growth Scheme, export funding should support promotion and marketing in major overseas markets as well as travel and logistics. All of this could be done through a matched funding model with the artist's record label investing an equivalent amount.

There are a range of ways export success can be demonstrated and ARIA would be happy to partner with government to deliver these metrics to track progress:

- Percentage of songs streamed globally by Australian artists
- Export earnings from Australian recorded music
- Number of Australian artists that achieve more than 100 million streams globally
- Number of Australian artists that achieve more than 50 million streams globally
- Percentage of streams made up by Australian artists in established music markets (US, UK, Europe) and in Southeast Asian markets
- Percentage of streams by Australian artists within Australia

Australian music at home – streaming is growing but big challenges for new music

The growth of audio streaming and other digital platforms including YouTube, Spotify, Instagram and TikTok has completely transformed the economics of the music business as well as the way that people access music.

According to PWC's Australian Media and Technology Outlook 2022-2026, total revenue from streaming in Australia is expected to rise to \$2.37 billion by 2026 at a 11% CAGR. Live music revenue is also expected to grow by a 30.8% CAGR from 2021-2026.

This exciting growth provides an enormous local opportunity for our artists and industry professionals, but there are significant challenges, particularly for new artists trying to find an audience. With approximately 60,000 tracks uploaded to Spotify every day, global playlists dominating music selection in younger Australian audiences, and fragmentation of audiences from broadcast and media platforms traditionally used to promote and advertise music, it has never been harder for an Australian recording artist to find an audience and have a 'hit' song locally. The strength of so called 'catalogue' or legacy music in streaming is also having an impact on the visibility and viability of new music and emerging artists.

This is reflected in the lower number of Australian singles and albums making it to the top 50 of the ARIA Charts. For example, in 2011 there were 29 local albums in the Top 100 of the ARIA Albums Chart whereas in 2021 there were only 13. Whilst this is only one comparison, we expect this trend would be reflected in a more thorough analysis of Australian singles and albums in the ARIA charts over recent years.

These structural challenges have been growing for some time but COVID and the lack of audience building, promotion and marketing from touring has exacerbated them.

In this environment, the investment made by ARIA member record labels operating in the Australian market (both major and independent) in finding and investing in new and emerging talent is more important than ever and must be supported by a strategic focus and investment from government as has been done in screen.

A national government agency that is focussed and well-resourced with essential research and data gathering capability is needed to look at these trends holistically and create an evidence-based plan with measures to ensure all Australian content, including music, finds an audience both domestically and overseas.

A good example of a government agency with a holistic focus on local content is NZ On Air, New Zealand's government agency, which specifically recognises music as a key pillar of its work in connecting local content with local audiences. This agency funds the creation and promotion of local content across screen and music and works to increase streaming of local music in New Zealand and the percentage of local music on commercial radio.

Copyright is the underlying foundation of the creative industries

Copyright laws exist to drive innovation and creative expression and ensure artists and other rightsholders can protect their work and investment and make an income. The Cultural Policy must include a commitment to maintaining copyright and ensuring it continues to work to incentivise creation and investment in music. Archaic provisions in current copyright laws that artificially cap or restrict the amount to be paid for the commercial use of sound recordings should be reviewed and removed, particularly where the provision creates an artificial value distinction between the sound recording and the underlying musical work.

Creative industries culture

In order to succeed, Australia's creative industries and the NCP must promote and create a safe, equal, inclusive, and diverse culture free from sexual harassment, bullying and any form of discrimination. ARIA strongly supports the independent Music Industry Review into Sexual Harm, Sexual Harassment and Systemic Discrimination in the music industry. We have contributed funding to the work directly and through the major record labels, and we were a co-organiser of the important industry meeting held in May 2021 which initiated this review process. ARIA acknowledges the bravery, strength, and commitment of those who have come forward and shared their stories and experiences in order to contribute to meaningful and lasting change.

Once the report is released, ARIA will work collaboratively with the industry to implement the recommendations of the review. However, as with other sectors of the creative industries, the music industry is fragmented and decentralised: numerous small businesses and sole operators operate across the live and recorded music industry as well as publishing, venues, festivals, PR and marketing and other related areas. Industry will have the best chance of success at implementing recommendations and creating real and lasting change if it is done with support and commitment from Government to address governance and funding challenges and assist industry to create frameworks within existing workplace safety structures where possible.

The contemporary music industry is not asking for handouts. We are asking for a new strategic focus and investment from Government on contemporary music to drive growth, discovery of new artists, and export, and ultimately create a stronger future for music, our artists, and all creative industries.



ABOUT ARIA

The Australian Recording Industry Association (ARIA) is a national industry association with more than 100 members representing major and independent record producers, manufacturers, and distributors. ARIA acts as an advocate for the Australian music industry, administers the labelling code of practice, and compiles industry information and research. It also produces the ARIA Charts every week and the annual ARIA Awards. Most importantly, ARIA supports Australian music and creates opportunities for it to be heard.

We acknowledge First Nations people as the Traditional Owners and sovereign custodians of the lands on which we work and live. We recognise their continuing connection to Country and their respective nations across this continent and pay our respects to their Elders past and present. We also celebrate the unique and inspiring creativity and songlines of the world's oldest living culture and give thanks for the immeasurable influence First Nations people continue to have over the music and art we all enjoy.

**Contact: Annabelle Herd, CEO, aherd@aria.com.au
Australian Recording Industry Association**

ARIA confirms that this submission is not confidential and can be made public