

Overseas earnings of the New Zealand music industry 2018

A report for Recorded
Music New Zealand

December 2019



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19 December 2019

Overseas earnings of the New Zealand music industry

Dear Damian,

We are pleased to provide our report on the value of the overseas earnings of the New Zealand music industry in 2018.

This report is provided in accordance with the terms of our engagement dated 23 July 2019, and is subject to the Restrictions set out in Appendix A.

If you have any queries please do not hesitate to contact us.

Yours sincerely



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Executive Summary

Table 1 shows that, over the last three years (2016-18), average overseas earnings are estimated at \$37m. This is slightly higher than the corresponding \$35m estimate over the last five years.

Around 59% of earnings over the last three years comes from recordings and publishing, with the remaining 41% coming from live performances.

Table 1. Estimated overseas earnings, averages over multiple years (\$2018)

	2014-18		2016-18	
	Total	Average	Total	Average
Recordings and publishing	\$119m	\$24m	\$66m	\$22m
Live performance	\$55m	\$11m	\$46m	\$15m
TOTAL	\$174m	\$35m	\$111m	\$37m

Source: Industry-provided data, PwC analysis

Table 2 shows a rolling three-year average, for each of the last five years. It illustrates how our estimates have moved over time.

- Income from recordings and publishing has been relatively stable over this time period.
- Income from live performance was significantly higher in the 2016-18 period than in previous reported periods, as a result of different touring patterns and high profile artists undertaking significant and lengthy tours in those years. This is the primary driver of the general upward trend in the total values. However it is important to note that revenues from live performance fluctuate from one year to the next based on how tours are scheduled.

Table 2. Estimated overseas earnings, three-year rolling average, 2012-18 (\$2018)

	2012-14	2013-15	2014-16	2015-17	2016-18
Recordings and publishing	\$18m	\$23m	\$25m	\$23m	\$22m
Live performance	\$3m	\$4m	\$4m	\$9m	\$15m
TOTAL	\$20m	\$27m	\$29m	\$31m	\$37m

Source: Industry-provided data, PwC analysis

Introduction

This report presents estimates of the overseas earnings generated by New Zealand musicians between 2012 and 2018. It updates our report from September 2017 which presented estimates of overseas earnings between 2012 and 2016.

This report has been commissioned by Recorded Music New Zealand (Recorded Music NZ), supported by funding from its project partners, the Australasian Performing Right Association Australasian Mechanical Copyright Owners Society (APRA AMCOS) and the New Zealand Music Commission. It complements the findings of our series, 'The economic contribution of the New Zealand music industry', published annually.

Approach

What are we estimating?

In our analysis, we have estimated two key metrics, as outlined and defined in Table 3.

Table 3. Key metrics estimated in this report

Metric	Definition
Total overseas income from recordings and publishing (copyright protected works)	Total earnings earned by New Zealand musicians outside New Zealand from physical and digital music including: <ul style="list-style-type: none">• retail sales from traditional store-based retail, online stores and on-demand streaming services• revenue from communication and public performance• royalties earned from licensing music for use in advertisements, games, films and television programmes (synchronisation / reproduction).
Total overseas income from live performance	Total earnings earned by New Zealand musicians while outside New Zealand from concerts, festivals or music venues .

We aggregate these two metrics to estimate overall overseas earnings from New Zealand musicians.

This report estimates total gross overseas earnings (ie income) rather than profit (earnings less expenses) for New Zealand musicians. It also incorporates the overseas earnings, including royalties, performance payments and other income, for New Zealand musicians, regardless of where they are based.

These figures are one part of our estimates of the wider contribution of the New Zealand music industry to Gross Domestic Product (GDP), which is included in our accompanying report series.¹

Data sources

The data used for this study is sourced from collection agencies, copyright owners, financial representatives, music managers and other industry organisations.

In each case, the data obtained relates to:

- earnings from international sources from all sales, publishing and synchronisation
- earnings from live performances and touring internationally
- any government grants received for international purposes.

Our analysis combines the data from all sources. Industry stakeholders believe that the combined data incorporates the bulk of the dollar value of overseas earnings.

¹ For example: PwC (December 2019), Economic contribution of the New Zealand music industry 2018.

Update of 2017 report

This report is an update of our 2017 report, which presented overseas earnings estimates for 2012 to 2016.

This report includes new data for 2017 and 2018. Where we present time series and historical averages, the 2012-16 information is consistent with the 2017 report.

We note that in 2017 we surveyed musicians directly. Because of practical challenges with implementing the survey, and the very small proportion of the total earnings estimates which the survey reflected (2%), we have not undertaken a new survey for the purposes of this updated report. The 2017 and 2018 information therefore does not include any data sourced from a direct survey of musicians.

Inflation adjustments

All figures in this report have been converted to 2018 dollars using the overseas trade index from Statistics New Zealand.

This means that values for 2012-16 in this report are larger than the corresponding values in the 2017 report, because these are presented in 2018-dollar terms rather than 2016.

What are we not estimating?

Music contributes to New Zealand in a number of other ways that are not measured in GDP or Gross National Income (GNI).

- The enjoyment, or utility, ie the cultural capital that New Zealanders derive from consuming and producing music is likely to be considerable but is not easily quantified.
- The positive impact of New Zealand musicians performing overseas on the 'New Zealand brand', ie goodwill and New Zealand reputation, could be significant. The mechanism through which the impact occurs could be improved awareness of New Zealand as a centre for creativity (music, writers, film making etc), destination for tourism, the home of diverse (film or video) shooting locations and as the birthplace of talented world-renowned New Zealanders.

These effects are difficult to quantify and we have not included these effects in our analysis.

There are also other New Zealand music businesses whose success in part relies on music and the sale of copyright/intellectual property rights – for example, Les Mills Music and DJ software company Serato. The impact of these businesses, and their contribution to New Zealand's economy, have not been included in this study.

Overseas earnings estimates

Music earnings, along with other creative sectors, are inherently cyclical. For example, there are peaks and troughs of earnings as albums are released and musicians go on promotional tours. This inherently leads to some degree of volatility in our estimates over time, especially in relation to revenues from live performance.

As a result, it can be helpful to average the results over a number of years, in order to get a better sense of the underlying level of earnings. Averaging also helps maintain confidentiality of respondents, and is common practice in situations such as this.

The estimates shown below all reflect time periods of at least three years length.

Most recent years

Table 4 shows the average and total estimated earnings over the last three years (2016-18) and the last five years (2014-18).

We estimate average earnings at \$37m over the last three years, which is higher than the \$35m estimate over the last five years. This implies a broadly increasing trend in overseas earnings.

Table 4. Estimated overseas earnings, averages over multiple years (\$2018)

	2014-18		2016-18	
	Total	Average	Total	Average
Recordings and publishing	\$119m	\$24m	\$66m	\$22m
Live performance	\$55m	\$11m	\$46m	\$15m
TOTAL	\$174m	\$35m	\$111m	\$37m

Source: Industry-provided data, PwC analysis

Movements in estimate over time

Table 5 shows a rolling three-year average, for each of the last five years. It illustrates how our estimates have moved over time.

- Income from recordings and publishing has been relatively stable over this time period.
- Income from live performance was significantly higher in the 2016-18 period than in previous reported periods, as a result of different touring patterns and high profile artists undertaking significant and lengthy tours in those years. This is the primary driver of the general upward trend in the total values. However it is important to note that revenues from live performance fluctuate from one year to the next based on how tours are scheduled.

Table 5. Estimated overseas earnings, three-year rolling average, 2012-18 (\$2018)

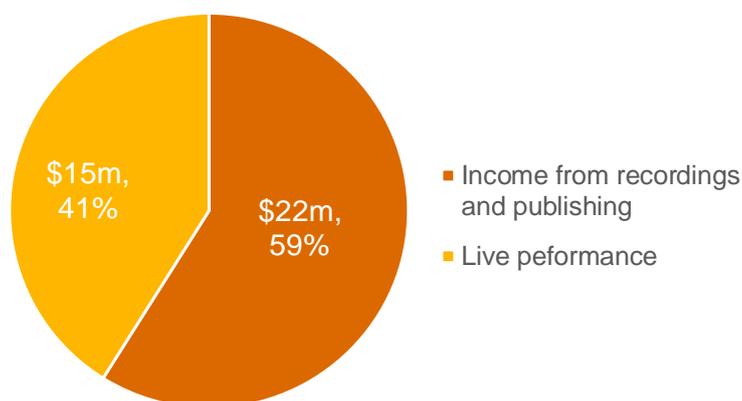
	2012-14	2013-15	2014-16	2015-17	2016-18
Recordings and publishing	\$18m	\$23m	\$25m	\$23m	\$22m
Live performance	\$3m	\$4m	\$4m	\$9m	\$15m
TOTAL	\$20m	\$27m	\$29m	\$31m	\$37m

Source: Industry-provided data, PwC analysis

Breakdown by source

Figure 1 shows that, between 2016 and 2018, around 59% of overseas earnings came from recordings and publishing, ie copyright protected works, while around 41% was made up of earnings from live performances. On average, the industry generated \$22m of earnings from recordings and publishing per year, and \$11m of live performance earnings per year, over the last three years.

Figure 1. Estimated overseas earnings, 2016-18, by source (\$2018)



Source: Industry-provided data, PwC analysis

Appendix A: Restrictions

This report has been prepared for Recorded Music NZ to present estimates of the overseas earnings of the New Zealand music industry, based on industry information, to help the industry assess the size of its contribution to New Zealand's GDP and overall export earnings. This report has been prepared solely for this purpose and should not be relied upon for any other purpose. We accept no liability to any party should it be used for any purpose other than that for which it was prepared.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Recorded Music NZ. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report, was not brought to our attention, or subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 23 July 2019.